Stock code: 2897
http://mops.twse.com.tw
https://www.o-bank.com

O-BANK

(Formerly Known as Industrial Bank of Taiwan Co., Ltd.)

2018 Annual Report

Head office and Domestic and Overseas Branches

Head Office

Address : No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.

Telephone : 886-2-8752-7000

Taipei Vie Show Branch (Digital Experience Center)

Address : No.18, Songshou Rd., Xinyi Dist., Taipei City 110, Taiwan, R.O.C.

Telephone ：080-080-1010

Zhongxiao Dunhua Branch(Digital Experience Center)

Address : 1F, No.135, Sec.4, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan, R.O.C.

Telephone : 080-080-1010

Hsinchu Branch (Digital Experience Center)

Address : 5F, No. 212, Guangming 5th St., Zhubei City, Hsinchu County 302, Taiwan, R.O.C.

Telephone : 080-080-1010

Taichung Branch

Address : 8F-1, No. 489, Sec. 2, Taiwan Blvd., Western Dist., Taichung City 403, Taiwan, R.O.C.

Telephone : 886-4-2326-5500

Kaohsiung Branch

Address : 12F, No. 55, Zhongzheng 3rd Rd., Xinxing Dist., Kaohsiung City 800, Taiwan, R.O.C.

Telephone : 886-7-225-0212

Hong Kong Branch

Address : Suites 3210-14, 32F, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong

Telephone : 852-3165-8899

CPAs for the Financial Statements in the Last Few Years

Names : Yang, Chen-Hsiu 、Chen, Li-Chi

Accounting Firm : Deloitte & Touche

Address : 20F, No. 100, Songren Rd., Xinyi Dist., Taipei, 11073, Taiwan, R.O.C.

Telephone : 886-2-2725-9988

Website : http://www.deloitte.com.tw

Credit Rating Institution

Taiwan Rating Corp.,

Address : 49F, No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan, R.O.C.

Telephone : 886-2-8722-5800

Website : http://www.taiwanratings.com

Stock Transfer Agency

Agency : Corporate Trust Operation and Service Department, CTBC Bank Co., Ltd.

Address : 5F, No. 83, Sec 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan, R.O.C.

Telephone : 886-2-6636-5566

Website : https://www.ctbcbank.com

Spokesperson

Name : Chang, David C.C.

Position : Deputy President

Telephone : 886-2-8752-7000 Ext 13799

E-mail : davidchang@o-bank.com

Deputy /Acting Spokesperson

Name : Siew, Joy

Position : Senior Vice President

Telephone : 886-2-8752-7000 Ext 13300

E-mail : joysiew@o-bank.com

Corporate Website

https://www.o-bank.com

Name of Overseas Exchange Where Securities Are Listed and Method of Inquiry: None

(Summary Translation)

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

Contents

I. Letter to Shareholders

The year 2018 initially saw the world economy continue recovering on the back of sustained growth across the U.S. and other developed countries. But an escalation in the U.S.-China trade conflict and growing fluctuations in emerging markets stole steam from this ongoing global expansion and brought volatility to financial markets worldwide in the second half of the year. Likewise, the Taiwan economy enjoyed a reasonably positive first half but could not stay immune to the subsequent global softening. According to the Directorate General of Budget, Accounting and Statistics of the Executive Yuan, Taiwan recorded 2018 GDP growth of 2.63%, a slowdown compared with the year before. As a whole, Taiwan's financial services industry generated pretax profit of NT$523.3 billion, down 2.8% from 2017. Both the insurance and securities sectors suffered setbacks; only the banking sector kept up positive growth.

As Taiwan's first Native Digital Bank geared toward virtual channels, O-Bank came into being through restructuring from Industrial Bank of Taiwan in January 2017. It aims to draw on financial technology (Fintech) for making real the vision of financial inclusion. In 2018, the Bank's outstanding balance of loans rose 12.95% year-on-year to another new high of NT$202.4 billion. Net interest income also grew 4.88% to NT$4.73 billion.

Due to massive outlays still needed for making forays into retail banking, however, pretax profit fell from a year earlier to NT$1.127 billion. Net income came in at NT$955 million, or NT$0.40 per share. Separately, the bank recorded a 13.33% increase in total assets to NT$334.3 billion. This asset expansion was achieved with the Bank keeping up superior asset quality and a solid capital structure. In 2018, the Bank recorded a nonperforming loans ratio of 0.02%, down from 0.25% a year earlier, and a capital adequacy ratio of 13.69%.

In July 2018, Taiwan Ratings granted the bank long- and short-term ratings of "twA" and "twA-1" respectively with a "stable" outlook. A summary of the major strategic objectives the bank achieved in 2018 is as follows:

1. Persisting with the development of an innovative model for digital banking

After restructuring into a commercial bank, O-Bank took the forward-looking step of crafting a digitally focused bank that operates mainly through virtual channels. Customers are provided with secure, simple, convenient, and interesting innovative services. Highlights for 2018 included online opening of foreign currency accounts, children's accounts, and unsecured loans coming with a grace repayment period, as well as a number of co-branded and affinity cards issued in conjunction with other businesses and public welfare entities. To deliver a more satisfying customer experience, the Bank introduced such innovative features as Mission Badges and O-Life that make possible closer interaction with consumers in all aspects of daily life. In terms of business outlets, the Zhongxiao Dunhua Branch was initiated as a venue for people to try out a digital banking experience like no other. As of the end of 2018, O-Bank has seen the opening of more than 250,000 digital retail banking accounts, taking over 30% of the market share. The Bank's bold move in going digital did not go unnoticed. In 2018, O-Bank was not only recognized by the Asian Banker, a leading provider of strategic intelligence and builder of platforms on the financial services industry, as the Best Digital Bank in Taiwan but also named an "Information Visionary" at the IDC Digital Transformation Awards. For its part, the Taiwan Academy of Banking and Finance handed O-Bank an Excellence award for Best Digital Finance at its 9th Best Practice Awards.

2. Growing returns from direct investments

Under the equity method, the Bank registered a 2018 profit of NT$880 million from its direct investment portfolio, a substantial increase of 26.60% from a year earlier. Of the major subsidiaries, China Bills Finance Corp. managed net income of NT$1.335 billion despite a cost increase. U.S.-based EverTrust Bank saw its net income jump 62.5% to a new high of NT$377 million. The Bank's leasing units also registered further growth; combined, their net income came in at NT$150 million. IBT International Leasing Corp. had the most impressive showing; its net income increased 41% year-on-year to NT$282 million. To effectively consolidate resources, IBT Leasing Co., Ltd. injected US$15 million into IBT International Leasing Corp. in May 2018 and had the latter absorb IBT Tianjin International Leasing Co., Ltd. in January 2019. This was meant to enhance management efficiency and competitiveness and concentrate on a unified brand name to better vie for China's leasing market.

3. Issuing preferred stock to bolster capital structure

In 2018, the Bank issued its first, NT$3 billion of convertible preferred stock A, which went on to list on the Taiwan Stock Exchange in January 2019. Of all the preferred stock listed by members of Taiwan's financial services industry, ours is the only one that comes with convertibility. The Bank intends the move not only to accommodate an expansion in business scope but also to strengthen capital structure and increase capital adequacy, thereby enhancing long-term competitiveness.

4. Listing the O-Bank No. 1 REITs Fund on the Taiwan Stock Exchange

In June 2018, the O-Bank No. 1 Real Estate Investment Trust (REITs) Fund was listed on the Taiwan Stock Exchange, the first of its kind to have done so in nearly a decade.

5. Winning recognition as a responsible corporate citizen

Committed to fulfilling corporate social responsibility, the Bank has undertaken more than 200 CSR initiatives over the past three years. After being certified as a B Corporation at the end of 2017, the Bank made it to CommonWealth Magazine's "Excellence in Corporate Social Responsibility" selection in 2018 for the first time and was named the rising star of the medium-sized enterprises category. For its part, the Taiwan Institute for Sustainable Energy handed O-Bank both a silver award and a separate award for gender equality at the Taiwan CSR Awards. All these accolades attest to the Bank's achievement in honoring CSR and reflect its commitment to employees, customers, shareholders, and members of the general public, as well as its pursuit of a win-win situation for all stakeholders.

As 2019 unfolds, a number of uncertainties appear poised to lie in wait: heightened tensions in the global trade regime, monetary tightening of major economies, China's localization of supply chains and the inevitable readjustment it must bring, the long drawn-out Brexit drama, and geopolitical risks that continue to haunt many parts of the world. O-Bank thus expects the world economy to expand at an ever slower pace, which certainly does not bode well for Taiwan's outbound shipments and domestic demand. For its part, the Directorate General of Budget, Accounting, and Statistics already forecast weaker GDP growth of 2.27% for 2019. The Bank has thus prudently devised the following key strategies for this year:

1. Continue to optimize retail banking products and services

The past two years have seen O-Bank successfully launch into retail banking and emerge as a paradigm as Taiwan's first digitally focused bank. In the coming year, the Bank is ready to further consolidate its customer base and expand cross-sector collaboration for introducing a wider range of applications. Equal emphasis will be placed on further optimizing various products and interfaces in order to deliver a more rewarding financial experience. Separately, the Bank will work more closely with strategic partners from the insurance sector to bring about win-win synergies. In addition to ushering in more appealing features for payment products and foreign currency deposit accounts, the Bank will also strengthen customer attraction by means of product innovation, strategic alliances, and gaming design, thereby increasing product penetration and customer loyalty.

2. Uphold corporate banking quality to create earnings

In the face of economic softening and regulatory tightening, the Bank will devote itself to making a "boutique bank" capable of keeping up balance sheet quality and ensuring momentum for sustainable growth, thereby maximizing earnings and efficiency against the Bank's limited capital base. With nothing to worry about in terms of risk management, the Bank is ready to expand its asset base steadily. Meanwhile, it will take advantage of interest spread adjustment, TMU strength, and promotion of structured products to further increase the earnings capacity of corporate banking services and thus generate a higher ROE.

3. Create synergies for corporate and retail banking

The Bank will build on its existing corporate banking clientele to make further forays into retail banking. Thus, there will be joint promotion of online payroll services and mortgage and unsecured loans among key customers. Other synergies are expected to be derived from, among other endeavors, offering wealth management services to business owners during the face-to-face presentations jointly organized by the Bank and its partner insurers. Separately, the Bank is ready to take advantage of its capacity for innovating both corporate and retail banking services in devising customized packages and delivering made-to-order total solutions.

4. Continue to bolster capital structure

In anticipation of the competent authority's planned amendment to capital adequacy regulations, the Bank increased capital by issuing preferred stock in 2018. Likewise, it is ready to adjust its dividend policy this year and set aside earnings for special reserve to raise the capital adequacy ratio. The Bank will also cautiously evaluate the feasibility of other options for helping maintain a solid capital level.

5. Take stakes in China's consumer banking businesses

In January 2019, O-Bank secured Financial Supervisory Commission approval to team up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to form Beijing Sunshine Consumer Finance Company Limited. Due to become operational in the second half of this year, the prospective joint venture is expected to draw on our experience in financial innovation to provide Chinese consumers with a brand-new digital banking service, thereby giving O-Bank an extra push in its bid for the Greater China market.

6. Fulfill corporate social responsibility and attain sustainability

Alongside its aspiration for following the benevolent way of "benefiting others to fulfill oneself," the Bank has long been committed to honoring corporate social responsibility and attaining sustainable development. In the days ahead, the Bank is ready to persist with corporate social responsibility initiatives and strive for excellence across corporate governance, customer relations, employee care, environment friendliness, and social engagement. The Bank will also abide by its core values of "Trust, Outstanding, Unity, Creativity, and Honor" as it works toward sustainability to be shared by shareholders and stakeholders alike.

It is my belief that with the concerted efforts of each and every one at O-Bank, we will be able to reach higher ground in the future. We look forward to continued support and guidance from all shareholders.

Kenneth C.M. Lo/Chairman & CEO

Kenneth C. M. Lo/ Chairman & CEO

II. Company Profile

Industrial Bank of Taiwan (IBT), precursor of O-Bank, was jointly founded by veteran financiers Samuel C. Shieh and Kenneth C. M. Lo in collaboration with a number of private businesses on July 12, 1999. As the first newly established industrial bank in Taiwan, IBT took on the mission to support national economic development, participate in key infrastructure projects, provide investment banking services, and foster strategic emerging industries, thereby accelerating the transformation and restructuring of Taiwan's industrial base. Given the tremendous transformation that Taiwan's industrial structure has undergone over the years, IBT considered it a justifiable statement that it had accomplished its mission to help the government support the manufacturing sector. To better cater to the current financial market, the Bank launched into retail banking in January 2017. Taking on the new name of O-Bank, it aims to provide consumers with simple, convenient, and secure digital banking services and, as Taiwan's first Native Digital Bank, draw on financial technology (Fintech) to make real the vision of financial inclusion. In May 2017, O-Bank was listed on the Taiwan Stock Exchange, no less than a milestone on its path toward moving to higher ground of corporate governance and attaining sustainable development. This was followed by the listing of its first batch of Preferred Stock A in January 2019, an even more solid foundation for the Bank's ceaseless pursuit of business expansion over the long term.

Since its inception, O-Bank has stood by the core values of "Trust, Outstanding, Unity, Creativity, and Honor" as it strives for higher-than-average growth and sustainable development. When it comes to corporate banking, the Bank positions itself as a "boutique bank" that provides clients with a full spectrum of financial services. No matter which phase—initiation, growth, maturity, or restructuring/consolidation—businesses are now undergoing, the Bank is poised to identify their actual needs and deliver the best possible counseling and assistance only a true professional can, thereby increasing local industry's competitiveness and bolstering Taiwan's growth potential. O-Bank's corporate banking services cover the following: mid- to long-term lending, trade financing, factoring, financial commodities trading, asset securitization, project financing, trust, foreign exchange, and international finance. As an expert in syndicated lending armed with a wide range of products, the Bank provides clients with mid- to long-term funding services to help promote manufacturing ventures that hold great potential. To date it has been earnestly involved in developing various high-tech and government-supported emerging industries, such as electronics, information, networking, optoelectronics, environmental protection, and energy. It has also been an avid participant in many important infrastructure projects: MRT, waste disposal facilities at science parks, water treatment plants, and build-operate-transfer (BOT) land development projects. Given its specialization in offering financial advisory services, the Bank has also proven a valuable partner in helping corporate clients devise business strategies and improve financial health. In terms of trade finance, the Bank is ready with tools to help corporate clients meet capital management needs in different stages, from factoring and trade financing to fully integrated cash management solutions, so that they can expand business reach, accomplish restructuring and upgrade, and make inroads internationally. When it comes to trust, the O-Bank Number One Real Estate Investment Trust (REITs) Fund, the first of its kind to have secured Financial Supervisory Commission approval in Taiwan in nearly a decade, was listed on the Taiwan Stock Exchange in June 2018. Thanks to the mutual trust and reciprocity attained through long-term cooperation over the years, O-Bank has been recognized by corporate clients as the best financial advisor and principal bank that can deliver win-win outcomes.

In terms of retail banking, O-Bank took the forward-looking step of crafting the first digitally focused bank in Taiwan that combines cloud systems and big data analytics to offer the best possible consumer experience: fully online account opening and unsecured loan applications, 24-hour video customer service, and robot advisory and O-Life services. The latest technology is adopted to create a real-time inclusive financial environment that is easily accessible and knows no boundary. As far as physical outlets are concerned, the Bank operates its head office and main business department in the Taipei Neihu Technology Park as well as a number of outlets in other parts of Taiwan, including the newly established Taipei Vie Show Branch and Zhongxiao-Dunhua Branch as digital experience centers in Taipei; the originally existing branches in Hsinchu, Taichung, and Kaohsiung; and regional service outlets in Taoyuan, the Hsinchu Science Park, and Tainan. To promote cross-border banking, the Bank set up its offshore banking unit (OBU) in September 2003. This was followed by the opening of the Bank's first overseas branch in Hong Kong in April 2009 to accommodate overseas investment, financing, and Renminbi services. Another objective is to establish a cross-border banking platform that spans Taiwan, Hong Kong, mainland China, and the U.S. with a view to providing customers with a wide range of funding sources and financial services and helping Taiwan-based enterprises with capital allocation and other financial matters in their global expansion.

To accommodate business development and expand business scope, the Bank took action in January 2006 and December 2007 to accumulate a nearly 28% stake in China Bills Finance Corp., thereby launching into the short-term bill sector. This alliance through cooperation across operations, techniques, and outlets aims to create synergies shared by both parties. To better serve small and medium-sized enterprises (SMEs), the Bank set up IBT Leasing Co., Ltd. in April 2011 to offer a full range of financial services in support of SME development.

To open up more business opportunities and expand business scope, the Bank acquired California-based EverTrust Bank in March 2007, marking a stride in its global push that enabled the Group to bring its financial services to the U.S. West Coast. A bank of healthy finances and assets with a sound track record, EverTrust Bank deals mainly in deposits, business loans, and business mortgages. Its eight outlets in the Greater Los Angeles Area and Silicon Valley cater primarily to an ethnic Chinese clientele.

In June 2011, the Bank's wholly owned subsidiary IBT Leasing Co., Ltd. set up IBT International Leasing Corp. in Suzhou, making it the Group's first subsidiary in mainland China. Branches were soon established in Dongguan, Nanjing, Zhongshan, and Tianjin as part of the Group's efforts to accelerate expansion in mainland China and consolidate its market standing there. In April 2012, the Bank established a representative office in Tianjin, marking the first such entity set up by any Taiwanese bank in this northern coastal metropolis. With the establishment of Hong Kong Branch, IBT International Leasing Corp., and Tianjin representative office, O-Bank Group now operates a well-rounded service network across southern, eastern, and northern China. A cross-border platform that spans Taiwan, Hong Kong, mainland China, and the U.S. is fittingly placed to provide customers with all-encompassing financial services.

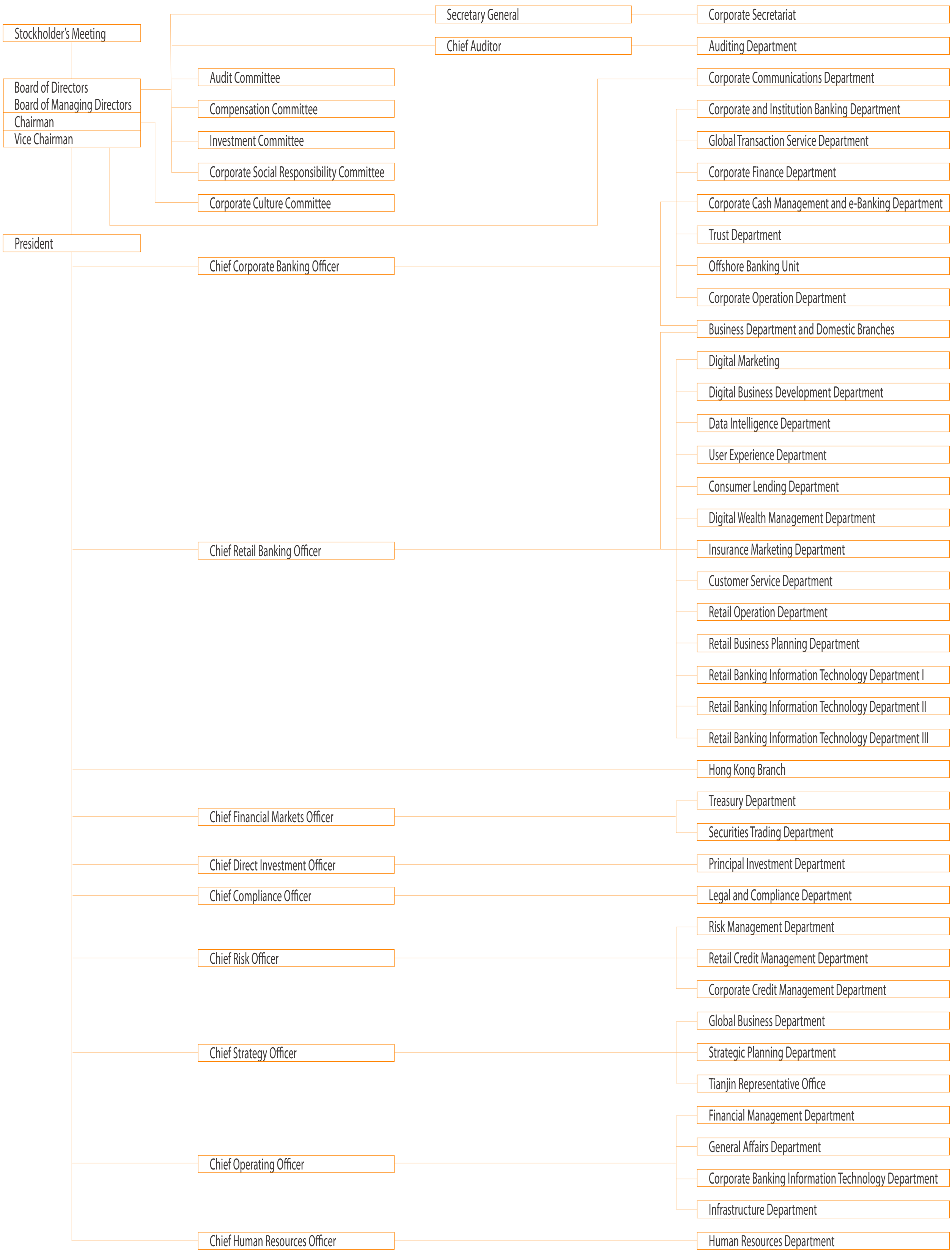
Even as the Bank strives aggressively for expansion, it is equally earnest to assert itself beyond the business sphere. The Corporate Culture Promotion Committee initiated at the end of 2013 was followed by the Corporate Social Responsibility Committee at the beginning of 2015. To make real the vision of sustainable development, the Bank commits itself to the following five key areas: corporate governance, employee care, customer relations, social engagement, and environmental protection. Clearly defined objectives are set and specific departments are charged with the responsibility of tracking endeavors undertaken to achieve them. The past three years have seen the Bank undertake more than 200 upgrade and restructuring plans, which are part of its systematic implementation of corporate social responsibility initiatives. Since the Bank's publication of its first corporate social responsibility report in 2016, it has been recognized by the Taiwan Institute for Sustainable Energy as worthy of the Taiwan CSR Awards for three years in a row. Moreover, the Bank's methodical undertaking of various CSR endeavors persuaded B Lab of the U.S. to certify it as a B Corporation in October 2017. O-Bank is not only the first listed company and financial services provider in Taiwan but also the first listed bank worldwide to be thus certified. In 2018, the Bank made it to CommonWealth Magazine's "Excellence in Corporate Social Responsibility" selection for the first time and was named the rising star of the medium-sized enterprises category. For its part, the Taiwan Institute for Sustainable Energy also handed O-Bank a separate award for gender equality at the Taiwan CSR Awards. In the days ahead, O-Bank is set to stand by its corporate culture characterized by sincerity and support as it faithfully fulfills its corporate social responsibility on the path toward the ultimate objective of corporate sustainability.

III. Corporate Governance Report

1. Organizational System

Record Date: April 30, 2019

A. Organization



B. The duties of the functional committees under the Board of Directors are as follows:

1. Audit Committee: Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in performing the duty of oversight. It is supposed to undertake the following: (1) Enact or amend the internal control system, (2) evaluate the effectiveness of the internal control system, (3) enact or amend the SOP of major financial activities such as acquisition or disposal of assets as well as derivatives transactions, (4) review matters in which directors have personal interests, (5) review major asset or derivatives transactions, (6) review major instances of lending funds or providing endorsements or guarantees, (7) review the offering, issuance, or private placement of equity securities, (8) review the appointment, dismissal, or compensation of CPAs, (9) review the appointment and dismissal of financial, accounting, or internal audit managerial officers, (10) review annual and semi-annual financial statements, and (11) review other major items stipulated by the Bank or the competent authority.
2. Compensation Committee: Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in assessing and supervising the Bank's compensation policy and remunerations for directors and managerial officers.
3. Investment Committee: Open to all directors, the committee is intended to assist the Board of Directors in evaluating and supervising the quality of investment activities and conducting review of investment proposals.
4. Corporate Social Responsibility Committee: Comprising the chairman, vice chairman, and a number of members, the committee is responsible for devising the Bank's corporate social responsibility system and policy as well as implementation plans. It is supposed to meet on a regular basis for tracking the implementation of relevant projects and submit a report on implementation results to the Board of Directors each year.

C. Duties of various departments:

1. Corporate Secretariat: Convocation of shareholders' meetings and meetings of the Board of Directors; amendment of the Articles of Incorporation; compilation of annual reports; undertaking of archival, confidential, and other office affairs of the Board of Directors.
2. Auditing Department: Examination and supervision of operations at the Bank's various departments and subsidiaries.
3. Corporate Communications Department: Establishment, maintenance, and development of the Bank's corporate image and relations with the media, the public, and investors; overall planning with regard to making public the Bank's material information and the communication thereof; undertaking of promotion and communication; monitoring of media reports and handling of media crises; establishment and management of brand image; management and promotion of corporate social responsibility and corporate culture initiatives.
4. Corporate and Institution Banking Department: Planning, implementation, and management of development strategies for corporate banking services.
5. Global Transaction Service Department: Development, sales, and management of accounts receivable, trade financing, and supply chain financing services.

6. Corporate Finance Department: Operations with regard to syndicated lending as well as structured, project, M&A, and cross-border loans; provision of project finance consulting; development, sales, and management of such products as NT dollar and foreign currency NCDs.
7. Corporate Cash Management and e-Banking Department: Cash management for corporate banking clients; planning, promotion, and upkeep of electronic banking, online banking, and integrated collection and payment services.
8. Trust Department: Development, planning, promotion, and management of trust services; provision of services for arranging securitized products and advisory services for asset management or realty development.
9. Offshore Banking Unit: Upkeep and amendment of OBU management regulations and contracts; handling of matters in relation to OBU services.
10. Corporate Operation Department: Procedural planning for clearing, settlement, account administration, and other operations with respect to NT dollar and foreign currency lending, deposits and remitted funds, accounts receivable, securitization, import and export foreign exchange, syndicated loans, and money and foreign exchange market, securities, and investment-related products.
11. Business Department and Domestic Branches: Promotion of deposit, lending, and wealth management services; management and upkeep of customer relations.
12. Digital Marketing Department: Planning and implementation of marketing strategies with regard to retail banking branding, customer acquisition, social media, and customer management; management and maintenance of fans on social media platforms; design and issuance of debit cards and planning of operational procedures thereof; selection and evaluation of locations for domestic branch outlets as well as establishment thereof.
13. Digital Business Development Department: Designing and evaluation of innovative digital banking models; planning, development, and management of the Bank's retail banking business entering into cross-sector strategic alliances; planning of salary transfer services for corporate clients; evaluation and development of channels for promoting various innovative services.
14. Data Intelligence Department: Gathering of information with regard to digital channels; planning of big data warehousing and analysis thereof; establishment of policy and management mechanisms for data governance.
15. User Experience Department: Planning of strategies, products, and channels for personal cash management and electronic payment services; planning of development strategies for online and mobile banking services; planning, evaluation, and installation of digital channels and digital platform systems; webpage installation, management, and upkeep; retail banking cash management.
16. Consumer Lending Department: Designing and drafting of operational procedures for extending personal loans; product development and planning; management and implementation of pricing strategies and marketing plans.
17. Digital Wealth Management Department: Drafting of business policy, service content, and marketing strategies and plans that target wealth management customers; research, introduction, development,

and packaging of wealth management products and performance evaluation thereof; marketing coordinated with other product lines.

18. Insurance Marketing Department: Planning of development strategies and marketing campaigns for insurance services; internal control and risk management of insurance agents; handling and signing of new contracts; handling of quality control and customer complaints with regard to insurance sales; procedural design for insurance-related products; collection, research, and analysis of market information.
19. Customer Service Department: Planning of retail banking customer service strategies and procedures; upkeep of customer relations; management and implementation of service marketing.
20. Retail Operation Department: Procedural planning for retail banking products and services such as deposits, payments, loans, and wealth management; procedural planning for retail channels; drafting of provisions for deposit and loan products; management of centralized retail banking operations.
21. Retail Business Planning Department: Planning of retail banking organization and development strategies; setting of annual business goals and budgets; management of performance targets for retail banking units and personnel as well as financial targets; filing of applications to secure or modify business licenses for domestic branches and authorized foreign exchange banks/branches; handling of retail banking reporting procedures required by the competent authority; overall management of legal compliance and risk management matters involving all retail banking units.
22. Retail Banking Information Technology Department I: Planning, development, and upkeep of the Bank's retail banking core system as well as system structure and application systems for branches, wealth management, etc.; implementation of system-related special projects.
23. Retail Banking Information Technology Department II: Planning, development, and upkeep of the Bank's ESB platform and data warehousing system; planning, development, and upkeep of credit checking and review/ debt collection/eLoan, customer service, online sales, and cloud service systems; implementation of related and specially designed projects.
24. Retail Banking Information Technology Department III: Planning, development, and upkeep of the system structure for the Bank's retail banking payment platform as well as application systems; implementation of system-related special projects; special project management with regard to retail banking material information as well as system testing and management; operation of the Bank's problem-reporting center and follow-up management.
25. Overseas Branches: Promotion of corporate banking services outside Taiwan; upkeep of customer relations; handling of financial products trading, account affairs, and administrative management.
26. Treasury Department: Overall allocation of the Bank's funds; handling of transactions of such financial products as bonds and bills, commodities linked to exchange and interest rates, and other derivatives.
27. Securities Trading Department: Investment in securities and securities-linked derivatives; undertaking of hedging; compilation of analytical reports for securities investment.
28. Principal Investment Department: Evaluation of investment in domestic and foreign manufacturing and venture capital businesses; follow-up management and disposal of investees.

29. Legal and Compliance Department: Overall administration with regard to contract review and legal counseling; planning, management, and implementation of the Bank's chief compliance officer mechanism.
30. Risk Management Department: Planning of credit/market/operational risk management policy; planning and drafting of the Bank's lending policy; control of the Bank's risk-weighted assets portfolio and follow-up management of unsound loans; litigations or compulsory enforcement with regard to overdue loans and bad-loan write-offs.
31. Retail Credit Management Department: Undertaking of retail banking credit-checking and credit-reviewing procedures; establishment of the Bank's risk management mechanism for retail banking; management of the Bank's risk-weighted assets portfolio; assessment and management of retail banking NPL provisions and losses; management and tracking of retail banking accounts flagged for early warning; appraisal of realty collateral for the Bank.
32. Corporate Credit Management Department: Review of corporate lending applications; introduction and upkeep of the Bank's default probability calculating model and rating system for corporate banking; proposal of annual facility on corporate lending; implementation and control of credit review operations; review of corporate lending contracts and collateral; release of lending facility; identification, measurement, monitoring, management, disclosure, and reporting of corporate banking credit risk.
33. Global Business Department: Planning and drafting of development strategies for the Bank's global business; planning and implementation of cross-border strategic alliances; selection and evaluation of locations for overseas branch outlets as well as establishment thereof and planning and management of their operations.
34. Strategic Planning Department: Planning, analysis, and implementation of the Bank's business guidelines and strategies; planning, designing, and development of product portfolios; management of and liaison with the Bank's investees.
35. Overseas Representative Offices: Undertaking of overseas market surveys and analysis and research thereof.
36. Financial Management Department: Taking charge of accounting and taxation and the assessment of performance of all departments.
37. General Affairs Department: Procurement and management of construction and renovation items as well as other properties; handling of stock affairs, document dispatch and receipt, and other administrative duties.
38. Corporate Banking Information Technology Department: Planning and development of the Bank's corporate banking information systems as well as related systems applicable throughout the Bank; upkeep of application systems and implementation of special projects in relation to corporate banking.
39. Infrastructure Department: Planning, installation, management, and upkeep of various information systems and platforms, networking communications, information security, and computer setups.
40. Human Resources Department: Drafting of human resources policy and regulations governing the administration of personnel; handling of matters in relation to appointment, attendance, compensation, benefits, rewards and penalties, and training.

2. Directors, Supervisors and Management Team

(1) Directors and Supervisors

Apr. 16, 2019

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Republic of China	Yi Chang Investment Co., Ltd. (Rep.: Lo, Kenneth C.M.)	Male	2017.6.14	Three years	1999.7.12 1999.7.12	238,644,084 1,296,443	9.98 0.05	240,254,084 *23,786,204 1,296,443 *128,945	9.96 *7.93 0.05 *0.04	-	-	-	-	President, O-Bank President, Chinatrust Commercial Bank M.A.in Finance, The University of Alabama	Note3	Vice Chairman Director Director	Lo, Tina Y. Chen,Shih-Tze Lo, Nina	1st Degree Spouse 1st Degree
Vice Chairman	Republic of China	Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.)	Female	2017.6.14	Three years	2011.6.13 2002.5.30	238,697,967 108,018	9.99 0.004	246,691,967 *23,972,980 108,018 *10,743	10.22 *7.99 0.004 *0.004	-	-	-	-	Chief Strategy Officer & Deputy President, O-Bank、lChief Executive, O-Bank Hong Kong Branch、President, IBT Management Corporation MBA, MIT (Massachusetts Institute of Technology) Sloan School of Management, USA	Note 4	Chairman Director Director	Lo, Kenneth C.M. Chen,Shih-Tze Lo, Nina	1st Degree 1st Degree 2nd Degree
Managing Director	Republic of China	Taiwan Cement Corporation (Rep.:Chang, Nelson An-Ping)	Male	2017.6.14	Three years	1999.7.12 2017.2.22	30,000,000 -	1.25 -	29,719,000 *2,955,881 -	1.23 *0.99 -	-	-	-	-	Chairman, China Synthetic Rubber Corporation Chairman, Taiwan Prosperity Chemical Corporation M.B.A., School of Business Administration, New York University	Note 5	-	-	-
Independent Managing Director	Republic of China	Chan, Hou-Sheng	Male	2017.6.14	Three years	2010.6.18	-	-	-	-	-	-	-	-	Minister of State, Executive Yuan, Chairman, Council of Labour Affairs, Executive Yuan, Ph.D. University of Wales	Note 6	-	-	-
Managing Director	Republic of China	Yi Chang Investment Co., Ltd. (Rep.: Yang, Tony C.Y.)	Male	2017.6.14	Three years	1999.7.12 2012.4.25	238,644,084 2,008,000	9.98 0.08	240,254,084 *23,786,204 2,008,000	9.96 *7.93 0.08	-	-	- *3,000,000	- *1.00	Managing Director, DBS Bank(China) MBA, State University of New York at Albany	President, O- Bank Co., Ltd.	-	-	-
Director	Republic of China	Tai Ya Investment Co., Ltd. (Rep.:Chen, Shih-Tze)	Female	2017.6.14	Three years	2002.5.30 1999.7.12	77,091,768 -	3.22 -	75,307,768 *7,490,185 -	3.12 *2.50 -	- 1,296,443 *128,945	- 0.05 *0.04	-	-	Director, O-Bank Department of Foreign Languages & Literatures, National Taiwan University	Note 7	Chairman Vice Chairman Director	Lo, Kenneth C.M. Lo, Tina Y. Lo, Nina	Spouse 1st Degree 1st Degree
Director	Republic of China	Yi Chang Investment Co., Ltd. (Rep.: Lin, Gordon W.C.)	Male	2017.6.14	Three years	1999.7.12 1999.7.12	238,644,084 187,090	9.98 0.008	240,254,084 *23,786,204 187,090 *18,608	9.96 *7.93 0.008 *0.01	-	-	-	-	Chairman, IBT Securities Co., Ltd. MBA, National Taiwan University	Note 8	-	-	-
Director	Republic of China	Abag Investment Holdings Co., Ltd. (Rep.: Tcheng, George)	Male	2017.6.14	Three years	2017.6.14 2015.11.11	50,000 -	0.002 -	50,000 -	0.002 -	-	-	-	-	President, San Ho Plastics Fabrication Co., Ltd. MBA, St. John's University	Note 9	-	-	-

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Republic of China	Lee, Mark	Male	2017.6.14	Three years	2011.6.13	100,390	0.004	100,390 *9,984	0.004 *0.000	-	-	-	-	President , Heng Tong Machinery Co., Ltd. President, Heng Kuo Co., Ltd. Department of Accounting, Feng Chia University	Note 10	-	-	-
Director	Republic of China	Pioneer Chemical Corp. (Rep.: Sheng, Bobby)	Male	2017.6.14	Three years	2002.5.30 2013.6.7	10,167,384 -	0.43 -	9,980,384 -	0.41 -	-	-	-	-	CEO, Bora Pharmaceuti- cals BS degree in Business and Economics, University of California at Berkeley	Note 11	-	-	-
Independent Director	Republic of China	Yue, Thomas	Male	2017.6.14	Three years	2011.6.13	-	-	-	-	-	-	-	-	Chairman, Ernst&Young CPA Firm Master of Accounting, National Chengchi University	Note 12	-	-	-
Independent Director	Republic of China	Liu, Richard R.C.	Male	2017.6.14	Three years	2014.6.6	-	-	-	-	-	-	-	-	Director, Taishin Bank、 Independent Director, First Commercial Bank、 Secretary General of Ministry of Finance Master of Economics, University of San Francisco; Master of Public Administration,National Chengchi University	-	-	-	-
Director	Republic of China	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina)	Female	2017.6.14	Three years	2011.6.13 2011.6.13	238,697,967 -	9.99 -	246,691,967 *23,972,980 -	10.22 *7.99 -	-	-	-	-	Project Manager, Management Department of O-Bank M.A. in Education Psychology, University of Southern California	Note 13	Chairman Vice Chairman Director	Lo, Kenneth C.M. Lo, Tina Y. Chen,Shih-Tze	1st Degree 2nd Degree 1st Degree
Director	Republic of China	Wang Hsiang Co., Ltd. (Rep.:Tung, Ta-Nien)	Male	2017.6.14	Three years	2002.5.30 2016.10.26	5,884,631 -	0.25 -	5,697,631 -	0.24 -	-	-	-	-	Assistant manager, Capital Securities Corporation Department of Accounting, Fu Jen Catholic University	Note 14	-	-	-
Director	Republic of China	Tai Ya Investment Co., Ltd. (Rep.: Chang, David C.C.)	Male	2017.6.14	Three years	2002.5.30 2017.6.14	77,091,768 656,965	3.22 0.03	75,307,768 *7,490,185 656,965 *200,000	3.12 *2.50 0.03 *0.06	- 35,191	- -	-	-	Senior Executive Vice President, O-Bank EMBA of Chengchi University	Note 15	-	-	-

Note 1: "*" denotes Class A Preferred Shares in this Table.

Note 2: Data for directors holding concurrent positions as of March 2019.

Note 3: Positions concurrently assumed by representative Kenneth C.M. Lo: Chairman, O-Bank Education Foundation、Director, National Taiwan University Economic Research Foundation、Director, C.F. Koo Foundation、Director, Taiwan Cement Corporation、Director, Cross-Strait Common market Foundation、Director, Institute for National Policy Research、Director, Andrew T. Huang Medical Education Promotion Fund、Executive Director, Cross-Strait CEO Summit、Director, Bankers Association of the Republic of China、Supervisor, Bankers Association of Taipei、Supervisor, NTU Alumni Association、Supervisor, NTU Alumni Association of Taipei、Honorary Chairman, Chinese National Association of Industry and Commerce

Note 4: Positions concurrently assumed by representative Tina Y. Lo:Vice Chairman, EverTrust Bank、Director, The Eisenhower Fellows Association in the Republic of China、Director, Ming Shan Investment Co., Ltd.,、Director, Yi Chang Investment Co., Ltd.、Director, Tai Hsuan Investment Co., Ltd.、Director, Tai Ya Investment Co., Ltd.、Director, IBT Holdings Corp.、Director, KC Investments Corp.、Managing Supervisor, Friends of the Police Association、Director, Chinese National Association of Industry and Commerce、Director, Taiwan Venture Capital Association、Director, Director, Taiwan Women on Boards Association、Director, Criminal Investigate Association of Republic of China.

Note 5: Positions concurrently assumed by representative Nelson An-ping Chang:Chairman, Chia Hsin Foundation、Chairman, Taiwan Cement Corporation、Chairman, Ho-Ping Power Company、Chairman, E-One Moli Energy Corp.、Chairman, TCC Investment Corporation、Chairman, UNION CEMENT TRADERS, INC.、Chairman, TCC Chemical Corp、Chairman, HKC Investment Corp.、Chairman, TCC International Holdings Ltd.、Director, Taiwan Stock Exchange Corporation、Chairman, Taiwan Transportation and Storage Corp、Director, Chai Hsin R.M.C Corp.、Chairman, Ta-Ho Maritime Corp、Director, CTCI Corp、Director, Chinatrust Investment Co., Ltd.、Director, China Steel Chemical Corporation、Director, TCC Information Systems Corp.、Director, Cheng Hsin Hospital、Director, Hoping Industrial Port Corporation、Director, HONG KONG CEMENT MANUFACTURING COMPANY LIMITED、Director, TCC International Holdings Ltd.、Director, TCC International Ltd. (TCCI)、Director, TCC Hong Kong Cement (BVI) Holdings Ltd.、Director, TCC Hong Kong Cement International Ltd.、Director, Upper Value Investments Ltd.、Independent Director, Synnex Technology International Corp.

Note 6: Concurrently assumed by independent director Hou-sheng Chan: Chairman, Cross-Straits Common Market Foundation.、Director, CTCI

Foundation、Director, CTCI Advanced Systems Inc.

Note 7: Positions concurrently assumed by representative Shih-Tze Chen:Chairman, Ming Shan Investment Co., Ltd.、Chairman, Yi Chang Investment Co., Ltd.、Chairman, Tai Hsuan Investment Co., Ltd.、Chairman, Tai Ya Investment Co., Ltd.、Director, Kogyoku Foods Co., Ltd.、Director, O-Bank Education Foundation、Director, KC Park Co.、Director, Triple Ace Management Co., Ltd.(BVI)、Director, CRYSTAL LAKE GLOBAL LIMITED、Director, EAGLE BASE HOLDINGS LIMITED、Director, GLOBAL SAIL HOLDINGS LIMITED(BVI)、Director, KC Investments Corp.(BVI)、Director, Star International Pacific Ltd.、Supervisor, IBT II Venture Capital Co., Ltd.

Note 8: Positions concurrently assumed by representative Gordon W.C. Lin:Chairman, IBT Leasing Co., Ltd.、Chairman, IBT International Leasing Corp.、Director, Taiwan Global BioFund、Director, IBTS Holdings（BVI）Limited、Supervisor, Gamma Paradigm Capital/Research、Liquidator, Chun Teng New Century Co., Ltd.

Note 9: Positions concurrently assumed by representative George Tcheng: Chairman, San Ho Development Co., Ltd.、Chairman, A BAG Enterprise Co., Ltd.、Chairman, Abag Investment Holdings Co., Ltd.、Director, San Ho Plastics Fabrication Co., Ltd.

Note 10: Positions concurrently assumed by Mark Lee:Director, Sung Yuan Development Co., Ltd.、Director, CHIA WHEEL ENTERPRISES CO., LTD.、Director, HENG JIH SONG ACCURATE INDUSTRIES CO., LTD.、Director, Heng Tin Feng Invest Development Co., Ltd.、Director, Tong Chuan Invest Development Co., Ltd.、Director, Bai Tong Investment Co., Ltd.、Director, HENG YING MACHINERY CO., LTD.、Director, HENG TONG ASSETS MANAGEMENT CO.,LTD.、Director, Heng Tong Machinery Co., Ltd.、Director, Heng Gi Lie Investment Ltd. Company、Director, Chang Yan Investment Co., Ltd.、Director, Hong Fu Investment Co., Ltd.、Director, Siang Tai Investment Co., Ltd.、Director, Hong Da Investment Co., Ltd.、Director, Heng Kuo Co., Ltd.

Note 11: Positions concurrently assumed by representative Bobby Sheng:Chairman, Bora Pharmaceutical Laboratories Inc.、Chairman, Bora Pharmaceuti- cals Co., Ltd.、Chairman, Union Chemical & Pharmaceutical Co., Ltd.、Chairman, Yuta Health Co., Ltd.、Chairman, Bao En International Corp.、Director, wellpool Co., Ltd.、Director, Baolei Co. Ltd.、Director, Ruei Bao Sing Investment Ltd. Company、Independent Director, Gamania Digital Entertainment Co., Ltd.

Note 12: Concurrently assumed by independent director representative Thomas Yue:Independent Director, Johnson Health Tec.、Independent Director, Feng Hsin Steel Co.、Independent Director, Uni-President Enterprise Co、Independent Non-executive Director, Stella International Holdings Limited、Supervisor, Yuban & Co.、Supervisor, AN-SHIN FOOD SERVICES CO., LTD.、Supervisor, Great Eastern Resins Industrial Co. Ltd.、Supervisor, Depo Auto Parts Ind. Co., Ltd.、Supervisor, Century Development Corporation

Note 13: Positions concurrently assumed by representative Nina Lo:Director, Yi Chang Investment Co., Ltd.、Director, O-Bank Education Foundation、Director, Taiwan Art & Business interdisplinary Foundation、Director ,Tai Ya Investment Co., Ltd.、Supervisor, Tai Hsuan Investment Co., Ltd.

Note 14: Positions concurrently assumed by representative Ta-nien Tung:Chairman, Yu Bau Enterprise Co., Ltd.、Chairman, Tzeng Maw Investment Co., Ltd.、Chairman, Hung Yeh Investment Co., Ltd.、Chairman, Reng Hsing Co., Ltd.、Chairman, Ruey Jin Co.,Ltd.、Chairman, Tai He Investment Co., Ltd.、Chairman, Hsi Chao Investment Co.,Ltd.、Director, Chung Yi Investment Co., Ltd.、Director, Hui Yang Venture Corp.、Supervisor, Ming Huei Co., Ltd.、Supervisor, Hung Shan Lin Construction Co.,Ltd

Note 15: Positions concurrently assumed by representative David C.C. Chang:Deputy President，O-Bank、Director, China Bills Finance Corporation、Supervisor, IBT Leasing Co., Ltd.、Supervisor, IBT International Leasing Corp.

(2) Board Membership Diversification Policy and Implementation Results

The Bank's selection of board members is not dictated by gender, age, race, or nationality. In accordance with Article 35 of the Bank's Corporate Governance Principles, the Board of Directors shall take diversity into account while selecting members and shall lay down an appropriate set of guidelines on diversity based on the Bank's operations, business mode, and developmental needs.

Reflecting its emphasis on diversity, the Bank's 7th Board of Directors comprises elites from the financial, industrial and academic communities. With one of them holding a doctoral degree and 10 master's degrees, they span such disciplines as economics, commerce, business administration, accounting, public administration, social welfare, and languages. While all of them command the knowledge, skills, and aptitude required to perform their duties, they also have developed their respective professional competences: banking, finance, commerce, law, and industry.

The diversity of members of this Board of Directors is summarized as follows:

Core Measures of Diversity / Name	Basic Composition									Industry Experience			
	Nationality	Gender	Serving concurrently as employee of the Bank	Age			Years of service as independent director			Banking	Securities	Insurance	Asset Management
				< 60	61-70	> 71	< 3	3-9	> 9				
Lo, Kenneth C.M.	R.O.C	Male				v				v	v	v	v
Lo, Tina Y.	R.O.C	Female		v						v	v	v	v
Chang, Nelson An-Ping	R.O.C	Male			v					v	v		v
Chan, Hou-Sheng	R.O.C	Male			v			v				v	v
Yang, Tony C.Y.	R.O.C	Male	v		v					v			
Chen, Shih-Tze	R.O.C	Female				v				v			
Lin, Gordon W.C.	R.O.C	Male			v					v	v		v
Tcheng, George	R.O.C	Male			v						v		v
Lee, Mark	R.O.C	Male			v					v	v		v
Sheng, Bobby	R.O.C	Male		v									v
Yue, Thomas	R.O.C	Male			v			v		v	v		v
Liu, Richard R.C.	R.O.C	Male				v		v		v			v
Lo, Nina	R.O.C	Female	v	v						v			v
Tung, Ta-Nien	R.O.C	Male		v							v		v
Chang, David C.C.	R.O.C	Male	v		v					v	v		

Core Measures of Diversity / Name	Diversification										
	Capacity for business judgment	Capacity for accounting and financial analysis	Capacity for business administration	Capacity for crisis management	Industry knowledge	A sound perspective of the global market	Capacity for leadership	Capacity for decision-making	Legal Knowledge	IT	Risk Management
Lo, Kenneth C.M.	v	v	v	v	v	v	v	v		v	v
Lo, Tina Y.	v	v	v	v	v	v	v	v		v	v
Chang, Nelson An-Ping	v		v	v		v	v	v		v	v
Chan, Hou-Sheng			v		v	v	v	v	v		v
Yang, Tony C.Y.		v	v	v	v		v	v			v
Chen, Shih-Tze	v	v			v	v	v	v			
Lin, Gordon W.C.	v	v	v		v	v		v		v	v
Tcheng, George	v		v	v	v	v	v				v
Lee, Mark	v	v	v	v			v	v		v	v
Sheng, Bobby	v		v		v	v	v	v			v
Yue, Thomas		v	v		v	v	v		v		v
Liu, Richard R.C.	v		v	v	v	v			v		v
Lo, Nina	v			v	v	v	v	v			v
Tung, Ta-Nien	v	v	v	v			v		v		v
Chang, David C.C.	v	v	v	v			v		v	v	v

Major shareholders of the institutional shareholders

Apr. 16, 2019

Name of Institutional Shareholders	Major Shareholders
Yi Chang Investment Co., Ltd.	Triple Ace Management Co., Ltd. (42.80%)、Chen, Shih-Tze(31.72%)、Lo, Kenneth C.M.(22.63%)、Lo, Tina Y.(0.95%)、Lo, Nina(0.95%)、Lo, I-Ru(0.95%)
Ming Shan Investment Co., Ltd.	KC Investments Corp.(86.11%)、Lo, Kenneth C.M.(3.73%)、Chen, Shih-Tze(3.62%)、Lo, Tina Y.(2.91%)、Lo, Nina(2.04%)、Lo, I-Ru(1.59%)
Taiwan Cement Corp.	Chia Hsin Cement Corporation(3.80%)、Cathay Life Insurance Co., Ltd.(3.08%)、Chinatrust Investment Co., Ltd.(2.69%)、China Life Insurance Co., Ltd.(2.26%)、Shin Kong Life Insurance Co., Ltd.(2.17%)、New labor pension fund(2.04%)、Nan Shan Life Insurance Company Ltd.(1.98%)、Chia Hsin International Co.(1.89%)、China Synthetic Rubber Corporation(1.80%)、Heng Qiang Investment Co., Ltd.(1.78%)
Abag Investment Holdings Co., Ltd.	Tcheng, George(40%)、Tcheng, Lin Huei-Chen(20%)、Cheng, Po Yun(20%)、Cheng, Po Wen(20%)
Tai Ya Investment Co., Ltd.	Crystal Lake Global Limited (65.91%)、Chen, Shih-Tze(34.09%)
Pioneer Chemical Corp.	The Great Taipei Gas Corp. (26.55%)、Chien Dou Investment Co., Ltd. (8.73%)、Mian Hao Enterprise Co., Ltd (6.33%)、Pai Xun Investment Co., Ltd (5.64%)、Ho Ruei Enterprise Co., Ltd (5.03%)、Lin Han Dong (4.07%)、Tai Hong Investment Co., Ltd (3.34%)、Taiwan Glass Investment Co., Ltd (3.30%)、Hong Xin Industrial Co., Ltd (2.28%)、Lin Hui Wen (1.93%)
Wang Hsiang Co., Ltd.	Tai Chuan Investment Co., Ltd.(15.42%)、Hung Yeh Investment Co., Ltd.(13.06%)、Cheng Ta Investment Co., Ltd.(13.01%)、Tai Lian Investment Co., Ltd.(11.67%)、Tai Chien Investment Co., Ltd.(11.15%)、Bau Ching Investment Co., Ltd.(9.99%)、Chung Yi Investment Co., Ltd.(7.18%)、Full Young Investment Co., Ltd.(5.71%)、Lien Mao Investment Co., Ltd.(4.40%)、Wei Wang Investment Co., Ltd.(4.40%)

Major shareholders of the Company's major institutional shareholders

Apr. 16, 2019

Name of Institutional Shareholders	Major Shareholders
Triple Ace Management Co., Ltd.	Global Sail Holdings Limited (100%)
KC Investments Corp.	Paradise Palms Ltd.(100%)
Chia Hsin Cement Corporation	Chia Hsin International Co.(16.44%)、Sung Ju Investment Corp.(8.88%)、Chang ,Yung-Ping (5.56%)、Taiwan Cement Corp.(3.54%)、Ta-Ho Maritime Corporation(3.32%)、Nutri Vita Inc. (2.48%)、Huang, Chun-Hua (2.07%)、Chia Hsin Foundation(1.92%)、International Chia Hsin Corp. (1.89%)、Ku, Kuo-Hui (1.74%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings Co., Ltd.(100%)
Chinatrust Investment Co., Ltd.	Heng Qiang Investment Co., Ltd.(23.38%)、Fu Pin Investment Co., Ltd.(23.33%)、Taiwan Cement Corp.(9.36%)、China Synthetic Rubber Corporation (4.48%)、TCC Investment Corporation(3.45%)、Hoping Industrial Port Corporation(3.31%)、Kung Ching International Development Co., Ltd.(2.97%)、Qiao Tai Investment Co., Ltd.(2.77%)、Chung Ho Spinning Co., Ltd.(2.31%)、Ta-Ho Maritime Corporation(2.09%)
China Life Insurance Co., Ltd.	China Development Financial Holding Corp.(25.33%)、KGI Securities Co. LTD. (9.63%)、Cathay Life Insurance Co., Ltd.(3.34%)、Videoland Inc.(2.35%)、The Singaporean government's investment account in the custody of Citibank Taiwan (1.73%)、New Labor Pension Fund (1.34%)、Chan, Ling-Lang (1.27%)、Norges Bank's investment account in the custody of Citibank Taiwan(1.19%)、The Saudi Arabian Monetary Authority's investment account in the custody of JPMorgan Chase Bank, N.A., Taipei Branch (1.13%)、The investment account of the Vanguard Group's Vanguard Emerging Markets Stock Index Fund in the custody of JPMorgan Chase Bank, N.A., Taipei Branch (1.08%)
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd.(100%)

Name of Institutional Shareholders	Major Shareholders
Nan Shan Life Insurance Company, Ltd.	Ruenchen Investment Holdings Ltd.'s segregated trust account at First Commercial Bank (68.17%), Ruenchen Investment Holdings Ltd. (22.46%), Tu Ying-tzyong (3.25%), Ruen Hua Dyeing & Weaving Co., Ltd. (0.28%), Ruentex Leasing Co., Ltd. (0.13%), Jipin Investment Co., Ltd. (0.11%), Koay Boon-teik (0.10%), Baohuang Investment Co., Ltd. (0.05%), Baohui Investment Co., Ltd. (0.05%), Baoyi Investment Co., Ltd. (0.05%)
Chia Hsin International Co.	Chia Hsin Cement Corporation(87.18%)、 Chia Hsin Construction & Development Corp.(10.41%)、 Chang, Kang-Lung(0.52%)、 Sung Ju Investment Corp.(0.42%)、Chang, Ju-Ping(0.25%)、Chang, Yung-Ping(0.22%)、Chung, Chung-Lien(0.19%)、 International Chia Hsin Corp.(0.16%)、Chang, Nelson An-Ping (0.12%)、Wang, Robert C. K.(0.11%)
China Synthetic Rubber Corporation	Taiwan Cement Corp.(15.59%)、Chinatrust Investment Co., Ltd.(4.32%)、 Hope Enterprises Co., Ltd.(3.59%)、 TCC Investment Corporation(2.23%)、 Fubon Life Insurance Co., Ltd.(1.75%)、 Fu Pin Investment Co., Ltd.(1.72%) 、New Labor Pension Fund (1.54%)、 Norges Bank's investment account in the custody of Citibank Taiwan(1.52%)、CS Development & Investment Co., Ltd.(1.50%)、King's Town Bank(1.46%)、
Heng Qiang Investment Co., Ltd.	Koo, Gung-Kai(49.9995%)、Koo, Cheng-Yun(25%)、Koo, Hsuan-Hui(25%)、Fu Pin Investment Co., Ltd.(0.0005%)
Crystal Lake Global Limited	Lo Chen, Shih-Tze(100%)
The Great Taipei Gas Corp.	Shin Kong Life Insurance Co., Ltd.(7.85%)、Wu Dong Jin (6.06%)、Shin Kong Memorial Wu Ho-Su Hospital(5.54%)、Yue Xing Hua Investment Ltd.(5.18%)、ShinKong Synthetic Fibers Corp.(3.91%)、Pioneer Chemical Corp. (3%)、Ru Ying Industrial Co., Ltd.(2.61%)、Shin Kong Life Real Estate Service Co., Ltd. (2.35%)、Nan Shan Life Insurance Co., Ltd.(2.13%)、Shin Kong Textile Co., Ltd.(2.08%)、Tai Sing Investment Co., Ltd.(1.90%)
Chien Dou Investment Co., Ltd.	The Great Taipei Gas Corp. (99.97%)、Shin Kong Wu Ho-Su Memorial Hospital (0.23%)、Shin Kong Wu Foundation (0.05%)
Mian Hao Enterprise Co., Ltd.	Wu Dong Jin (26.58%)、Dong Yue Enterprise Co., Ltd. (19.8%)、Sin Yun Enterprise Co., Ltd.(19.8%)、Sin Long Chemical Co., Ltd.(19.8%)、Peng Lai Co., Ltd.(11.67%)、Ying Ying Investment Co., Ltd.(2.35%)
Pai Xun Investment Co., Ltd.	The Great Taipei Gas Corp. (99.97%)、Shin Kong Wu Foundation (0.03%)
Ho Ruei Enterprise Co., Ltd.	Wu Dong Jin (93.32%)、Peng Lai Co., Ltd.(6.68%)
Tai Hong Investment Co., Ltd.	Ho Ho Investment Co., Ltd.(29.4%)、Lin Po Feng (14.0%)、Lin Po Shih (14.0%)、Lin Po Chun (14.0%)、Tai Cheng Investment Co., Ltd.(11.4%)、Tai Chien Investment Co., Ltd.(7.5%)、Tai Chia Investment Co., Ltd.(4.2%)、Tai Yu Investment Co., Ltd.(3.4%)、Lim Ken Seng Kah Kih Co., Ltd.(2%)
Taiwan Glass Investment Co., Ltd.	Tai Hong Investment Co., Ltd.(14.45%)、Ho Ho Investment Co., Ltd.(13.85%)、Tai Chien Investment Co., Ltd.(8.56%)、Tai Yu Investment Co., Ltd.(8.44%)、Tai Cheng Investment Co., Ltd.(7.85%)、Tai Chia Investment Co., Ltd.(5.43%)、Fubon Life Insurance Co., Ltd.(4.89%)、Lim Ken Seng Kah Kih Co., Ltd.(4.71%)、Nan Shan Life Insurance Co., Ltd.(1.69%)、TG Pension Fund Management (1.35%)
Hong Xin Industrial Co., Ltd.	Wu Ru Ying (75.96%)、Hong Xin Construction Co., Ltd.(20.02%)、Xu Xian Xian (1.98%)、Wu Dong Jin (1.96%)、Konig Foods Co., Ltd.(0.02%)、Wu Dong Liang (0.02%)、Wu Dong Xian (0.02%)、Wu Dong Sheng (0.02%)
Tai Chuan Investment Co., Ltd.	Tai Fa Investment Co., Ltd.(30.63%)、Chao Long Investment Co., Ltd.(19.71%)、Tai Siang Investment Co., Ltd.(18.91%)、Tai He Investment Co., Ltd.(15.98%)、Tai Chuan Co., Ltd.(2.91%)、Hann Bau Co., Ltd.(2.88%)、Ein Feng Co., Ltd.(2.74%)、Kai Ta Co., Ltd.(2.49%)、Reng Hsing Co., Ltd.(1.88%)、Hong Shen Co., Ltd.(1.85%)
Hung Yeh Investment Co., Ltd.	Chao Long Investment Co., Ltd.(41.25%)、Tai Fa Investment Co., Ltd.(18.58%)、Tai Siang Investment Co., Ltd.(18.54%)、Tai He Investment Co., Ltd.(9.73%)、Hung Gia Investment Co., Ltd.(3.28%)、Tai He Real Estate Management Co., Ltd.(1.74%)、Tai Lian Investment Co., Ltd.(1.72%)、Bau Tzuoh Investment Co., Ltd.(1.52%)、Fu Diing Investment Co., Ltd.(1.52%)、Tai Chuan Investment Co., Ltd.(0.93%)
Cheng Ta Investment Co., Ltd.	Tai Fa Investment Co., Ltd.(39.58%)、Tai Siang Investment Co., Ltd.(32.56%)、Chao Long Investment Co., Ltd.(18.60%)、Tai He Investment Co., Ltd.(4.65%)、Tai Chien Investment Co., Ltd.(1.81%)、Hong Long Co., Ltd.(0.92%)、Rui Cheng Construction Co., Ltd.(0.49%)、Hong Shen Co., Ltd.(0.46%)、Tai Sheng Investment Co., Ltd.(0.46%)、Full Young Investment Co., Ltd.(0.46%)

Name of Institutional Shareholders	Major Shareholders
Tai Lian Investment Co., Ltd.	Tai Siang Investment Co., Ltd.(43.02%)、Chao Long Investment Co., Ltd.(16.65%)、Tai Fa Investment Co., Ltd.(15.27%)、Tai He Investment Co., Ltd.(8.33%)、Ein Feng Co., Ltd.(3.26%)、Hann Bau Co., Ltd.(3.26%)、Kai Ta Co., Ltd.(3.26%)、Hong Shen Co., Ltd.(3.26%)、Fu Tai Construction Co., Ltd.(3.23%)、Hung Tai Construction Co., Ltd.(0.44%)
Tai Chien Investment Co., Ltd.	Chao Long Investment Co., Ltd.(42.92%)、Tai Fa Investment Co., Ltd.(18.07%)、Tai Siang Investment Co., Ltd.(18.07%)、Tai He Investment Co., Ltd.(11.29%)、Tai Chuan Co., Ltd.(1.93%)、Hong Shen Co., Ltd.(1.80%)、Kai Ta Co., Ltd.(1.68%)、Ming Huei Co., Ltd.(1.56%)、Jenn Huei Co., Ltd.(1.34%)、Reng Hsing Co., Ltd.(1.34%)
Bau Ching Investment Co., Ltd.	Tai Fa Investment Co., Ltd.(19.72%)、Tai Siang Investment Co., Ltd.(19.43%)、Chao Long Investment Co., Ltd.(19.43%)、Chung Yi Construction Co., Ltd.(6.93%)、Fu Tai Construction Co., Ltd.(6.93%)、Hong Long Co., Ltd.(5.51%)、Reng Hsing Co., Ltd.(5.51%)、Tai He Investment Co., Ltd.(4.93%)、Bau Tzuoh Investment Co., Ltd.(4.35%)、Tai Sheng Investment Co., Ltd.(4.35%)
Chung Yi Investment Co., Ltd.	Chao Long Investment Co., Ltd.(28.62%)、Tai Siang Investment Co., Ltd.(21.74%)、Tai He Investment Co., Ltd.(11.59%)、Wang Hsiang Co., Ltd.(6.33%)、Hong Shen Co., Ltd.(6.33%)、Chung Yi Construction Co., Ltd.(5.98%)、Tai Fa Investment Co., Ltd.(5.44%)、Yu Chung Enterprise Co., Ltd.(4.57%)、Jenn Huei Co., Ltd.(3.44%)、Hong Long Co., Ltd.(3.35%)
Full Young Investment Co., Ltd.	Tai Fa Investment Co., Ltd.(38.73%)、Tai Siang Investment Co., Ltd.(18.23%) Chao Long Investment Co., Ltd.(18.23%)、Tai He Investment Co., Ltd.(6.84%)、Hung Tai Construction Co., Ltd.(2.44%)、Hong Shen Co., Ltd.(2.36%)、Bau Tzuoh Investment Co., Ltd.(2.28%)、Tai Sheng Investment Co., Ltd.(2.28%)、Fu Tai Construction Co., Ltd.(2.22%)、Tai Chuan Co., Ltd.(2.19%)
Lien Mao Investment Co., Ltd.	Tai He Investment Co., Ltd.(45.16%)、Chao Long Investment Co., Ltd.(23.23%)、Tai Fa Investment Co., Ltd.(9.03%)、Tai Siang Investment Co., Ltd.(8.39%)、Tai Lian Investment Co., Ltd.(3.55%)、Hong Wei Construction Co., Ltd.(2.15%)、Tai Sheng Investment Co., Ltd.(1.84%)、Tai Chien Investment Co., Ltd.(1.45%)、Full Young Investment Co., Ltd.(1.45%)、Tai Chuan Co., Ltd.(1.35%)
Wei Wang Investment Co., Ltd.	Tai He Investment Co., Ltd.(36.76%)、Chao Long Investment Co., Ltd.(26.10%)、Tai Fa Investment Co., Ltd.(12.87%)、Tai Siang Investment Co., Ltd.(8.20%)、Tzeng Maw Investment Co., Ltd.(4.26%)、Bau Ching Investment Co., Ltd.(2.24%)、Hong Sheng Construction Co., Ltd.(2.05%)、Tai Chuan Investment Co., Ltd.(1.86%)、Chung Yi Investment Co., Ltd.(1.83%)、Hann Bau Co., Ltd.(1.53%)

Professional qualifications and independence analysis of directors

Apr. 16, 2018

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience: An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Independence Criteria(Note) 1	2	3	4	5	6	7	8	9	10	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Lo, Kenneth C.M.	v		v	v		v		v	v	v		v		0
Lo, Tina Y.			v	v		v			v	v		v		0
Chang, Nelson An-Ping			v	v	v	v	v	v	v	v	v	v		1
Chan, Hou-Sheng	v		v	v	v	v	v	v	v	v	v	v	v	0
Yang, Tony C. Y.			v			v	v	v	v	v	v	v		0
Chen, Shih-Tze			v	v		v			v	v		v		0
Lin, Gordon W.C.			v	v		v	v	v	v	v	v	v		0
Tcheng, George			v	v	v	v		v	v	v	v	v		0
Lee, Mark			v	v	v	v	v		v	v	v	v	v	0
Sheng, Bobby			v	v	v	v	v	v	v	v	v	v		1
Yue, Thomas	v	v	v	v	v	v	v	v	v	v	v	v	v	3
Liu, Richard R.C.	v		v	v	v	v	v	v	v	v	v	v	v	0
Lo, Nina			v			v			v	v		v		0
Tung, Ta-Nien		v	v	v	v	v	v	v	v	v	v	v		0
Chang, David C.C.			v			v	v	v	v	v	v	v		0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(3) Management Team

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Republic of China	Yang, Tony C.Y.	Male	2012.04.02	2,008,000	0.08	-	-	*3,000,000	*1.0	Managing Director, DBS Bank(China) MBA, State University of New York at Albany		-	-	-
Deputy President	Republic of China	Chang, David C.C.	Male	2012.03.01	656,965 *200,000	0.03 *0.07	35,191	0.00	-	-	Senior Executive Vice President, O-Bank EMBA, National Chengchi University	Director, China Bills Finance Corporation Supervisor, IBT Leasing Co., Ltd.、Supervisor, IBT International Leasing Corp.	Senior Vice President	Yang, Becky	2nd Degree
Deputy President	Republic of China	Lee, Elton	Male	2016.03.01	237,000	0.01	-	-	-	-	Senior Executive Vice President, O-Bank MBA, Manchester Business School	Director, EverTrust Bank	-	-	-
Deputy President	Republic of China	Lin, Roger	Male	2017.03.01	492,091 *300,000	0.02 *0.10	-	-	-	-	Senior Executive Vice President, O-Bank Master of Science in Finance, Tamkang University	Director, China Bills Finance Corporation	-	-	-
Senior Executive Vice President	Republic of China	Chang, Niel	Male	2018.09.17	-	-	-	-	-	-	Senior Executive Vice President, Head of financial Markets Division, TC Bank MBA, National Taiwan University	Director, China Bills Finance Corporation			
Senior Executive Vice President	Republic of China	Liu, Nancy	Female	2013.03.01	217,137 *300,000	0.01 *0.10	-	-	-	-	Executive Vice President, O-Bank Bachelor of Laws, National Chengchi University	Supervisor, IBT Management Corporation Supervisor, IBT VII Venture Capital Co., Ltd.	-	-	-
Senior Executive Vice President	Republic of China	Huang, Indra	Male	2016.04.20	6,000 *596	0.00 *0.00	-	-	*3,000,000	*1.0	Executive Vice President, Head of Consumer Banking Division, TC Bank Bachelor of Business Administration, National Cheng Kung University	-	-	-	-
Senior Executive Vice President	Republic of China	Wei, Jonathan	Male	2014.06.06	130,690	0.01	-	-	-	-	Executive Vice President, O-Bank MBA, The University of Texas at Arlington	Director, IBT Leasing Co., Ltd. Director, IBT International Leasing Corp. Director, EverTrust Bank	-	-	-
Executive Vice President	Republic of China	Wang, Angela	Female	2013.12.02	265,000 *150,000	0.01 *0.05	-	-	-	-	Senior Vice President, Human Resources Department, En Tie Bank Ph.D. of Economics, Shanghai University of Finance and Economics, China	-	-	-	-
Executive Vice President	Republic of China	Fan, Vivian	Female	2017.04.17	131,393 *300,000	0.01 *0.10	-	-	-	-	Senior Vice President, O-Bank Bachelor of Science in Information Management, Fu Jen Catholic University	-	-	-	-
Executive Vice President	Republic of China	Wang, John	Male	2018.01.15	*25,000	*0.01	-	-	-	-	Executive Vice President, Corporate Banking Division 1, TC Bank Bachelor of Business Administration, National Cheng Kung University	-	-	-	-
Executive Vice President	Republic of China	Chin, Teddy	Male	2016.03.01	125,917 *30,000	0.01 *0.01	-	-	-	-	Senior Vice President, O-Bank Master of Science in Economics, National Taiwan University	-	-	-	-
Executive Vice President	Republic of China	Lai, Joseph	Male	2014.03.01	275,000 *100,000	0.01 *0.03	-	-	-	-	Senior Vice President, O-Bank MBA, The University of Birmingham	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Executive Vice President	Republic of China	Yeh, Sherry	Female	2016.03.01	106,000	0.00	-	-	-	-	Senior Vice President, O-Bank MBA, University of Mississippi	-	-	-	-
Executive Vice President	Republic of China	Fang, Stanley	Male	2018.03.15	-	-	-	-	-	-	Executive Vice President, Taishin International Bank Master of Science in International Business, Tamkang University	-	-	-	-
Executive Vice President	Republic of China	Chu, Chris	Male	2018.10.04	-	-	-	-	-	-	General Manager, Anue Investment Advisors Co., Ltd Bachelor of Arts in Economics, National Taiwan University	-	-	-	-
Executive Vice President	Republic of China	Lin, Tom	Male	2017.01.01	50,000	0.00	-	-	-	-	Senior Vice President, O-Bank Master of Science in Computer Science, The Ohio University	-	-	-	-
Executive Vice President	Republic of China	Tsai, Joseph	Male	2018.06.28	-	-	-	-	-	-	Senior Vice President, Taiwan Life Insurance Co., Ltd. EMBA, National Taiwan University	-	-	-	-
Executive Vice President	Republic of China	Mo, Michelle	Female	2016.07.01	7,000 *50,000	0.00 *0.02	-	-	-	-	Business Advisor, O-Bank MBA, The George Washington University	-	-	-	-
Executive Vice President	Republic of China	Tyane, Edward	Male	2018.02.01	*120,000	*0.04	-	-	-	-	Executive Vice President, Financial Accounting Division, TC Bank Master of Accountancy, National Cheng Kung University	-	-	-	-
Executive Vice President	Republic of China	Shao, Wen	Male	2016.02.01	19,412 *100,000	0.00 *0.03	-	-	-	-	Executive Vice President, IBT International Leasing Corp. MBA, Case Western Reserve University	Director, IBT International Leasing Corp.	-	-	-
Senior Vice President	Republic of China	Siew, Joy	Female	2018.03.01	76,000 *300,000	0.00 *0.10	-	-	-	-	Vice President, O-Bank Master of Arts in International Relations, The Johns Hopkins University	Director, IBT Management Corporation Director, IBT VII Venture Capital Co., Ltd.	-	-	-
Senior Vice President	Republic of China	Lin, Erick	Male	2018.03.01	260,000	0.01	-	-	-	-	Senior Vice President, O-Bank Master of Science in Finance, National Central University	-	-	-	-
Senior Vice President	Republic of China	Lin, Daisy	Female	2018.03.12	*50,000	*0.02	-	-	-	-	Senior Vice President, Corporate Banking Division 4, TC Bank Bachelor of Arts in Library and Information Science, National Taiwan University	-	-	-	-
Senior Vice President	Republic of China	Fang, Andy	Male	2017.03.01	45,000	0.00	-	-	-	-	Vice President, O-Bank Master of Science in Information Resource Management, Syracuse University	-	-	-	-
Vice President	Republic of China	Soong, Grace	Female	2014.04.23	55,000	0.00	-	-	-	-	Vice President, TTS Sales Consultant Citi Transaction Services, Citibank(Taiwan) MBA, University of California	-	-	-	-
Senior Vice President	Republic of China	Hsiao, Birnice	Female	2018.03.01	4,000	0.00	-	-	-	-	Vice President, O-Bank Associate of Business Administration, Chungyu design school	-	-	-	-
Senior Vice President	Republic of China	Cheng, Tina	Female	2017.07.05	-	-	-	-	-	-	Vice President, PCA Life Assurance Co., Ltd. Associate of Banking and Insurance, Ming Chuan women's business School	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Senior Vice President	Republic of China	Liu, Michelle	Female	2017.01.25	*5,000	*0.00	-	-	-	-	Business Advisor, O-Bank Master of Science in Information Resource Management, Syracuse University	-	-	-	-
Senior Vice President	Republic of China	Yang, Becky	Female	2016.05.16	4,000	0.00	-	-	-	-	Vice President, Strategic Planning & Cards Change Management Head, CitiPhone, Citibank(Taiwan) MBA, Golden Gate University	-	Deputy President	Chang, David C.C.	2nd Degree
Senior Vice President	Republic of China	Yan, Eugene	Male	2016.04.20	5,000	0.00	-	-	-	-	Vice President, Retail Operation Department, CTBC Bank MBA, Tamkang University	-	-	-	-
Senior Vice President	Republic of China	Chen, Paul	Male	2017.02.01	4,097 *50,000	0.00 *0.02	-	-	-	-	Vice President, Risk Management Department, China Bills Finance Corp. Master of Accountancy, Soochow University	Director, IBT Leasing Co., Ltd. Director, IBT International Leasing Corp.	-	-	-
Senior Vice President	Republic of China	Tsai, Sabrina	Female	2018.07.01	4,000	0.00	-	-	-	-	Senior Vice President, O-Bank MBA, National Chengchi University	-	-	-	-
Senior Vice President	Republic of China	Tan, Kevin	Male	2018.03.01	75,199 *50,000	0.00 *0.02	10,383	0.00	-	-	Vice President, O-Bank EMBA, National Chengchi University	-	-	-	-
Senior Vice President	Republic of China	Chiu, Jean	Female	2018.03.01	5,000	0.00	-	-	-	-	Vice President, O-Bank Bachelor of Science in Information Management, Tamkang University	-	-	-	-
Senior Vice President	Republic of China	Wang, Daisy	Female	2018.03.01	5,000	0.00	-	-	-	-	Vice President, O-Bank Bachelor of Science in Information Management, Tamkang University	-	-	-	-
Vice President	Republic of China	Chang, Wesley	Male	2015.11.01	26,000 *12,585	0.00 *0.00	-	-	-	-	Assistant Vice President, O-Bank Master of Law in International and European Business law, The University of Leeds	-	-	-	-
Vice President	Republic of China	Lee, Daisy	Female	2017.04.17	26,000	0.00	-	-	-	-	Assistant Vice President, O-Bank MBA, Cornell University	-	-	-	-
Vice President	Republic of China	Chang, Ophelia	Female	2019.02.28	5,000 *300,000	0.00 *0.10	-	-	-	-	Vice President, O-Bank Bachelor of International Business, National Taiwan University	-	-	-	-
Vice President	Republic of China	Li, Barry	Male	2019.02.28	64,589	0.00	-	-	-	-	Vice President, O-Bank Bachelor of Accounting, Tamkang University	-	-	-	-
Vice President	Republic of China	Liu, David	Male	2011.07.01	10,000	0.00	-	-	-	-	Assistant Vice President, O-Bank MBA, National Cheng Kung University	-	-	-	-
Assistant Vice President	Republic of China	Chang, Michael	Male	2014.08.27	66,732	0.00	-	-	-	-	Manager, O-Bank Executive Master of Business Administration in International Finance, National Taipei University	-	-	-	-
Manager	Republic of China	Chen, Linzy	Female	2018.01.10	-	-	-	-	-	-	Manager, O-Bank Bachelor of Business Administration, National Taipei University	-	-	-	-

Note : "*" denotes Class A Preferred Shares in this Table.

(4) Return to consultant

Chairmen of the board and presidents rehired as consultant after retiring from the Bank or its affiliate enterprises: None.

3. Remuneration of Directors, Supervisors, President, Vice Presidents and Remuneration of Employees in the Most Recent Fiscal Year

(1) Remuneration of Directors

Unit: NT$ thousands; December 31, 2018

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%)</th><th colspan="8">Relevant Remuneration Received by Directors Who are Also Employees</th><th colspan="2">Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)</th><th rowspan="4">Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary</th></tr>
<tr><th colspan="2">Base Compensation (A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Directors Compensation(C)</th><th colspan="2">Allowances (D)</th><th colspan="2">Salary, Bonuses, and Allowances (E)</th><th colspan="2">Severance Pay (F)</th><th colspan="4">Employee Compensation (G)</th><th rowspan="3">The company</th><th rowspan="3">Companies in the consolidated financial statements</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">All companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th colspan="2">The company</th><th colspan="2">Companies in the consolidated financial statements</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Lo, Kenneth C.M.</td><td>20,168</td><td>20,168</td><td>318</td><td>318</td><td>-</td><td>-</td><td>1,656</td><td>1,656</td><td>2.3</td><td>2.3</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>2.3</td><td>2.3</td><td>None</td></tr>
<tr><td>Vice Chairman</td><td>Lo, Tina Y.</td><td>17,143</td><td>17,868</td><td>265</td><td>265</td><td>-</td><td>-</td><td>1,420</td><td>1,843</td><td>2.0</td><td>2.1</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>2.0</td><td>2.1</td><td>None</td></tr>
<tr><td>Chairman</td><td>Yi Chang Investment Co., Ltd. (Rep. : Lo, Kenneth C.M.)</td><td rowspan="15">15,600</td><td rowspan="15">24,173</td><td rowspan="15">-</td><td rowspan="15">-</td><td rowspan="15">29,265</td><td rowspan="15">29,265</td><td rowspan="15">1,236</td><td rowspan="15">1,758</td><td rowspan="15">4.8</td><td rowspan="15">5.8</td><td rowspan="15">64,113</td><td rowspan="15">64,113</td><td rowspan="15">298</td><td rowspan="15">298</td><td rowspan="15">1,090</td><td rowspan="15">-</td><td rowspan="15">1,090</td><td rowspan="15">-</td><td rowspan="15">11.7</td><td rowspan="15">12.6</td><td rowspan="15">None</td></tr>
<tr><td>Vice Chairman</td><td>Ming Shan Investment Co., Ltd. (Rep. : Lo, Tina Y.)</td></tr>
<tr><td>Managing Director</td><td>Taiwan Cement Corporation (Rep. : Chang, Nelson An-Ping)</td></tr>
<tr><td>Independent Managing Director</td><td>Chan, Hou-Sheng</td></tr>
<tr><td>Managing Director</td><td>Yi Chang Investment Co., Ltd. (Rep. : Yang, Tony C. Y.)</td></tr>
<tr><td>Director</td><td>Tai Ya Investment Co., Ltd. (Rep.:Chen, Shih-Tze)</td></tr>
<tr><td>Director</td><td>Yi Chang Investment Co., Ltd. (Rep. : Lin, Gordon W.C.)</td></tr>
<tr><td>Director</td><td>Abag Investment Holdings Co., Ltd. (Rep.: Tcheng, George)</td></tr>
<tr><td>Director</td><td>Lee, Mark</td></tr>
<tr><td>Director</td><td>Pioneer Chemical Corp. (Rep.: Sheng, Bobby)</td></tr>
<tr><td>Independent Director</td><td>Yue, Thomas</td></tr>
<tr><td>Independent Director</td><td>Liu, Richard R.C.</td></tr>
<tr><td>Director</td><td>Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina)</td></tr>
<tr><td>Director</td><td>Wang Hsiang Co., Ltd. (Rep.:Tung, Ta-Nien)</td></tr>
<tr><td>Director</td><td>Tai Ya Investment Co., Ltd. (Rep.: Chang, David C.C.)</td></tr>
</table>

Note 1: Compensation for chauffeurs assigned to directors amounted to NT$2,261,000 and that for those assigned to employees charged with concurrent posts, NT$1,615,000.

Note 2: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2018. The amount given here is an estimate based on the actual distribution for 2017.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT$ 2,000,000	Chang, Nelson An-Ping、Yang, Tony C. Y.、Chen, Shih-Tze、Lin, Gordon W.C.、Abag Investment Holdings Co., Ltd.、Tcheng, George、Pioneer Chemical Corp.、Sheng, Bobby、Yue, Thomas、Liu, Richard R.C.、Lo, Nina、Chang, David C.C.	Chang, Nelson An-Ping、Yang, Tony C. Y.、Chen, Shih-Tze、Abag Investment Holdings Co., Ltd.、Tcheng, George、Pioneer Chemical Corp.、Sheng, Bobby、Yue, Thomas、Liu, Richard R.C.、Lo, Nina、Chang, David C.C.	Chang, Nelson An-Ping、Chen, Shih-Tze、Lin, Gordon W.C.、Abag Investment Holdings Co., Ltd.、Tcheng, George、Pioneer Chemical Corp.、Sheng, Bobby、Yue, Thomas、Liu, Richard R.C.、Lo, Nina	Chang, Nelson An-Ping、Chen, Shih-Tze、Abag Investment Holdings Co., Ltd.、Tcheng, George、Pioneer Chemical Corp.、Sheng, Bobby、Yue, Thomas、Liu, Richard R.C.、Lo, Nina
NT$2,000,001 ~ NT$5,000,000	Taiwan Cement Corporation、Chan, Hou-Sheng、Tai Ya Investment Co., Ltd.、Lee, Mark、Wang Hsiang Co., Ltd.	Taiwan Cement Corporation、Chan, Hou-Sheng、Tai Ya Investment Co., Ltd.、Lee, Mark、Wang Hsiang Co., Ltd.	Taiwan Cement Corporation、Chan, Hou-Sheng、Tai Ya Investment Co., Ltd.、Lee, Mark、Wang Hsiang Co., Ltd.	Taiwan Cement Corporation、Chan, Hou-Sheng、Tai Ya Investment Co., Ltd.、Lee, Mark、Wang Hsiang Co., Ltd.
NT$5,000,001 ~ NT$10,000,000	Ming Shan Investment Co., Ltd.	Ming Shan Investment Co., Ltd.、Lin, Gordon W.C.	Ming Shan Investment Co., Ltd.	Ming Shan Investment Co., Ltd.、Lin, Gordon W.C.
NT$10,000,001 ~ NT$15,000,000	Yi Chang Investment Co., Ltd.	Yi Chang Investment Co., Ltd.	Yi Chang Investment Co., Ltd.、Chang, David C.C.	Yi Chang Investment Co., Ltd.、Chang, David C.C.
NT$15,000,001 ~ NT$30,000,000	Lo, Kenneth C.M.、Lo, Tina Y.	Lo, Kenneth C.M.、Lo, Tina Y.	Lo, Kenneth C.M.、Lo, Tina Y.	Lo, Kenneth C.M.、Lo, Tina Y.
NT$30,000,001~ NT$50,000,000	-	-	-	-
NT$50,000,001 ~ NT$100,000,000	-	-	Yang, Tony C. Y.	Yang, Tony C. Y.
Over NT$100,000,000	-	-	-	-
Total	21	21	21	21

Note: The compensation amounts disclosed here are not a conceptual equivalent to the "income" defined in the Income Tax Act. As such, these numbers are meant for information disclosure instead of taxation.

(2) Remuneration of President and Vice Presidents

Unit: NT$ thousands;December 31, 2018

Title	Name	Remuneration										Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Compensation Paid to President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Supervisors (C)【note1】		Allowances (D)【note2】						
		The company	Companies in the con solidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Yang, Tony C.Y.	97,419	98,578	3,330	3,330	105,391	106,372	2,806	–	2,806	–	21.9	22.1	None
Deputy President	Chang, David C.C.													
Deputy President	Lee, Elton													
Deputy President	Lin, Roger													
Senior Executive Vice President	Liu, Nancy													
Senior Executive Vice President	Sung, Jerry													
Senior Executive Vice President	Huang, Indra													
Senior Executive Vice President	Wei, Jonathan													
Senior Executive Vice President	Chang, Niel【note3】													
Executive Vice President	Chen, Tessie【note3】													
Executive Vice President	Wang, Angela													
Executive Vice President	Fan, Vivian													
Executive Vice President	Chin, Teddy													
Executive Vice President	Lai, Joseph													
Executive Vice President	Yeh, Sherry													
Executive Vice President	Hsu, Seline													
Executive Vice President	Lin, Tom													
Executive Vice President	Mo, Michelle													
Executive Vice President	Shao, Wen													
Executive Vice President	Wang, John【note3】													
Executive Vice President	Tyane, Edward【note3】													
Executive Vice President	Fang, Stanley【note3】													
Executive Vice President	Tsai, Joseph【note3】													
Executive Vice President	Chu, Chris【note3】													
Executive Vice President	Wu, Tony【note3】													
Executive Vice President	Jen, Paul【note3】													
Executive Vice President	Kuo, Jonathan【note3】													
Executive Vice President	Lin, Brian【note3】													

Note 1: Compensation for chauffeurs amounted to NT$2,556,000.
Note 2: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2018. The amount given here is an estimate based on the actual distribution for 2017.
Note 3: 2018 tenure of managerial officers: Chang, Niel (9.17~12.31)、Chen, Tessie (1.1~9.30)、Wang, John (1.15~12.31)、Tyane, Edward (2.1~12.31)、Fang, Stanley (3.15~12.31)、Tsai, Joseph (6.28~12.31)、Chu, Chris (10.4~12.31)、Wu, Tony (1.1~7.31)、Jen, Paul (1.1~3.13)、Kuo, Jonathan (1.1~3.28)、Lin, Brian(1.1~5.4).

<table>
<tr><th rowspan="2">Range of Remuneration</th><th colspan="2">Name of President and Vice Presidents</th></tr>
<tr><th>The company</th><th>Companies in the consolidated financial statements</th></tr>
<tr><td>Under NT$ 2,000,000</td><td>Chu, Chris 、Jen, Paul 、Kuo, Jonathan 、Lin, Brian 、Wu, Tony</td><td>Chu, Chris 、Jen, Paul 、Kuo, Jonathan 、Lin, Brian 、Wu, Tony</td></tr>
<tr><td>NT$2,000,001 ~ NT$5,000,000</td><td>Chang, Niel 、Chin, Teddy 、Fang, Stanley 、Mo, Michelle 、 Tyane, Edward 、Tsai, Joseph 、Chen, Tessie</td><td>Chang, Niel 、Chin, Teddy 、Fang, Stanley 、Mo, Michelle 、 Tyane, Edward 、Tsai, Joseph 、Chen, Tessie</td></tr>
<tr><td>NT$5,000,001 ~ NT$10,000,000</td><td>Sung, Jerry 、Liu, Nancy 、Wei, Jonathan 、Huang, Indra 、Fan, Vivian 、Wang, Angela 、Wang, John 、Lai, Joseph 、Yeh, Sherry 、Hsu, Seline 、Lin, Tom 、Shao, Wen</td><td>Sung, Jerry 、Liu, Nancy 、Wei, Jonathan 、Huang, Indra 、Fan, Vivian 、Wang, Angela 、Wang, John 、Lai, Joseph 、Yeh, Sherry 、Hsu, Seline 、Lin, Tom 、Shao, Wen</td></tr>
<tr><td>NT$10,000,001 ~ NT$15,000,000</td><td>Chang, David C. C. 、Lin, Roger</td><td>Chang, David C.C. 、Lin, Roger</td></tr>
<tr><td>NT$15,000,001 ~ NT$30,000,000</td><td>Lee, Elton</td><td>Lee, Elton</td></tr>
<tr><td>NT$30,000,001 ~ NT$50,000,000</td><td>-</td><td>-</td></tr>
<tr><td>NT$50,000,001 ~ NT$100,000,000</td><td>Yang, Tony C. Y.</td><td>Yang, Tony C. Y.</td></tr>
<tr><td>Over NT$100,000,000</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>28</td><td>28</td></tr>
</table>

Note: Given conceptual differences, the numbers given here are meant for information disclosure instead of taxation.

(3) Remuneration of Employees

Unit: NT$ thousands;December 31, 2018

<table>
<tr><th></th><th>Title</th><th>Name</th><th>Employee Compensation - in Stock (Fair Market Value)</th><th>Employee Compensation - in Cash</th><th>Total</th><th>Ratio of Total Amount to Net Income (%)</th></tr>
<tr><td rowspan="23">Executive officers</td><td>President</td><td>Yang, Tony C. Y.</td><td rowspan="23">-</td><td rowspan="23">2,806
(Note 1)</td><td rowspan="23">2,806</td><td rowspan="23">0.3</td></tr>
<tr><td>Deputy President</td><td>Chang, David C.C.</td></tr>
<tr><td>Deputy President</td><td>Lee, Elton</td></tr>
<tr><td>Deputy President</td><td>Lin, Roger</td></tr>
<tr><td>Senior Executive Vice President</td><td>Liu, Nancy</td></tr>
<tr><td>Senior Executive Vice President</td><td>Sung, Jerry</td></tr>
<tr><td>Senior Executive Vice President</td><td>Huang, Indra</td></tr>
<tr><td>Senior Executive Vice President</td><td>Wei, Jonathan</td></tr>
<tr><td>Senior Executive Vice President</td><td>Chang, Niel【note2】</td></tr>
<tr><td>Executive Vice President</td><td>Wang, Angela</td></tr>
<tr><td>Executive Vice President</td><td>Fan, Vivian</td></tr>
<tr><td>Executive Vice President</td><td>Chin, Teddy</td></tr>
<tr><td>Executive Vice President</td><td>Lai, Joseph</td></tr>
<tr><td>Executive Vice President</td><td>Yeh, Sherry</td></tr>
<tr><td>Executive Vice President</td><td>Hsu, Seline</td></tr>
<tr><td>Executive Vice President</td><td>Lin, Tom</td></tr>
<tr><td>Executive Vice President</td><td>Mo, Michelle</td></tr>
<tr><td>Executive Vice President</td><td>Shao, Wen</td></tr>
<tr><td>Executive Vice President</td><td>Wang, John【note2】</td></tr>
<tr><td>Executive Vice President</td><td>Tyane, Edward【note2】</td></tr>
<tr><td>Executive Vice President</td><td>Fang, Stanley【note2】</td></tr>
<tr><td>Executive Vice President</td><td>Tsai, Joseph【note2】</td></tr>
<tr><td>Executive Vice President</td><td>Chu, Chris【note2】</td></tr>
</table>

Note 1: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2018. The amount given here is an estimate based on the actual distribution for 2017.

Note 2: 2018 tenure of managerial officers: Chang, Niel (9.17~12.31) 、Wang, John (1.15~12.31) 、Tyane, Edward (2.1~12.31) 、Fang, Stanley (3.15~12.31) 、Tsai, Joseph (6.28~12.31) 、Chu, Chris (10.4~12.31).

(4) Analysis of the compensation for directors, the president, and vice presidents during the most recent two years:

A. The Bank's Articles of Incorporation prescribe distribution of director remunerations and employee remunerations as the following:

Article 22

If the Bank records a profit in a year, the Bank shall appropriate not more than 2.5% of the profit for director remunerations, but independent directors shall be excluded from such distribution. If the Bank has accumulated losses, however, the aforesaid profit shall be used to offset accumulated losses first.

Article 32

If the Bank records a profit in a year, the Bank shall set aside 1-2.5% of the profit for employee remunerations. If the Bank has accumulated losses, however, the profit shall be used to offset the aforesaid accumulated losses first.

B. With regard to compensation for the president and vice presidents, the Bank basically takes into consideration what is being paid in the industry when deciding on fixed pay that is commensurate with their respective positions. Variable pay, on the other hand, is subject to the Bank's business performance and the personal contributions of the managerial officers in question, based on which reasonable distribution is to be achieved. All in all, variable pay accounts for a higher percentage of the total compensation than fixed pay because the former already takes account of incentive compensation and the risk and responsibility the said managerial officers are called upon to assume while performing their duties.

The Bank's Board of Directors has set up the Compensation Committee. Composed of the entire number of independent directors, the committee is intended to assist the board in drafting and periodically reviewing performance evaluation for directors and managerial officers as well as the policy, system, criteria, and structure of compensation-setting, the committee also assesses remunerations for directors and managerial officers on a regular basis.

C. The Bank and all the companies covered by its consolidated financial statements paid remunerations of NT$306,249,000 and NT$308,400,000 to directors, the president, and vice presidents in 2017 and 2018 respectively. The two sums accounted for 28.6% and 32.3% of the Bank's consolidated net income recorded in 2017 and 2018. The higher weighting of 2018 reflects a decline in the year's consolidated net income due to the Bank's persistent investment in the retail banking business.

4. Implementation of Corporate Governance

(1) Board of Directors

A. Board of Managing Directors

A total of 23 (A) meetings of the 7th Board of Managing Directors were held in 2018. The attendance of managing directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Yi Chang Investment Co., Ltd. (Rep. : Lo, Kenneth C. M.)	20	3	87	
Vice Chairman	Ming Shan Investment Co., Ltd. (Rep. : Lo, Tina Y.)	19	4	83	
Managing Director	Taiwan Cement Corporation (Rep. : Chang, Nelson An-Ping)	7	16	30	
Independent Managing Director	Chan, Hou-Sheng	23	0	100	
Managing Director	Yi Chang Investment Co., Ltd. (Rep. : Yang, Tony C.Y.)	19	2	83	

B. Board of Directors

A total of 9 (A) meetings of the 7th Board of Directors were held in 2018. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Yi Chang Investment Co., Ltd. (Rep. : Lo, Kenneth C. M.)	9	0	100	
Vice Chairman	Ming Shan Investment Co., Ltd. (Rep. : Lo, Tina Y.)	9	0	100	
Managing Director	Taiwan Cement Corporation (Rep. : Chang, Nelson An-Ping)	3	6	33	
Independent Managing Director	Chan, Hou-Sheng	9	0	100	
Managing Director	Yi Chang Investment Co., Ltd. (Rep. : Yang, Tony C.Y.)	9	0	100	
Director	Tai Ya Investment Co., Ltd. (Rep.:Chen, Shih-Tze)	8	1	89	
Director	Yi Chang Investment Co., Ltd. (Rep. : Lin, Gordon W.C.)	9	0	100	
Director	Abag Investment Holdings Co., Ltd. (Rep.: Tcheng, George)	7	2	78	
Director	Lee,Mark	9	0	100	
Director	Pioneer Chemical Corp. (Rep.: Sheng, Bobby)	7	1	78	
Independent Director	Yue, Thomas	9	0	100	
Independent Director	Liu, Richard R.C.	9	0	100	
Director	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina)	9	0	100	
Director	Wang Hsiang Co., Ltd. (Rep.:Tung, Ta-Nien)	9	0	100	
Director	Tai Ya Investment Co., Ltd. (Rep.: Chang, David C.C.)	9	0	100	

Note: All independent directors of the Bank attended Board of Directors meetings in person in 2018.

Other mentionable items:

(A) If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

a. Matters referred to in Article 14-3 of the Securities and Exchange Act: Not applicable because, as required by law, the Bank has established the Audit Committee.

b. Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.

(B) If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date	Content of Motion	Director	Cause for Avoidance	Participation in Voting
2018.2.27 The 7th Board of Directors in its 6th meeting	Proposal for making a donation to the Chinese National Association of Industry and Commerce	Kenneth C.M. Lo, Tina Y. Lo, An-Ping Chang	In compliance with Article 14 of the Procedural Rules Governing Board Meetings (Interested Parties)	The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest.
	Proposal for making a donation to the O-Bank Education Foundation	Kenneth C.M. Lo, Shih-Tze Chen, Gordon W.C. Lin, Nina Lo		
	Proposal for director remunerations and employee remunerations for 2017	Directors recusing themselves from motion on director remunerations: the entire number of non-independent directors—Kenneth C.M. Lo, Tina Y. Lo, Nelson An-Ping Chang, Tony C. Y. Yang, Shih-Tze Chen, Gordon W.C. Lin, George Tcheng (abstention), Mark Lee, Bobby Sheng, Nina Lo, Ta-Nien Tung, Chang, David C.C. Directors recusing themselves from motion on employee remunerations: Tony C. Y. Yang, Chang, David C.C.		
2018.3.28 The 7th Board of Directors in its 7th meeting	Release of non-competition restrictions on directors	Tina Y. Lo, Nelson An-Ping Chang (abstention), Shih-Tze Chen, Ta-Nien Tung		
	Amendment to the Bank's Regulations Governing Employee Compensation	Kenneth C.M. Lo, Tina Y. Lo,Tony C. Y. Yang, Chang, David C.C.		
	Amendment to the monthly base salary scale applicable to employees of all levels in Taiwan and Hong Kong	Tony C. Y. Yang, Chang, David C.C.		
2018.4.27 The 7th Board of Directors in its 8th meeting	Proposal for making a donation to the Criminal Investigation and Prevention Association	Tina Y. Lo		
	Proposal for making a donation to the Eisenhower Fellows Association in the R.O.C.	Tina Y. Lo		
	Amendment to the Bank's Regulations Governing the Assigning of Representatives as Directors/ Supervisors to Invested Companies	Gordon W.C. Lin		
	Proposal for releasing non-competition restrictions on the Bank's managerial officers	Chang, David C.C.		

Date	Content of Motion	Director	Cause for Avoidance	Participation in Voting
2018.5.23 The 7th Board of Directors in its 9th meeting	Proposal for selling the Bank's O-Bank Number One Real Estate Investment Trust (REITs) Fund to interested parties and affiliated businesses	Kenneth C.M. Lo, Tina Y. Lo, Tony C. Y. Yang, Shih-Tze Chen, Gordon W.C. Lin, Nina Lo, Chang, David C.C.		
2018.8.22 The 7th Board of Directors in its 11th meeting	Proposal for making a donation to the Eisenhower Fellows Association in the R.O.C.	Tina Y. Lo		
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	Kenneth C.M. Lo, Tina Y. Lo, Nelson An-Ping Chang		
	Proposal for making a donation to the National Taiwan University Economic Research Foundation	Kenneth C.M. Lo		
2018.9.26 The 7th Board of Directors in its 12th meeting	Proposal for the Bank to report to the competent authority on IBT International Leasing Corp.'s absorption of IBT Tianjin International Leasing Co., Ltd.	Gordon W.C. Lin		
2018.12.27 The 7th Board of Directors in its 14th meeting	Amendment to the Bank's Regulations Governing Employee Compensation	Kenneth C.M. Lo, Tina Y. Lo, Tony C. Y. Yang, Chang, David C.C.		
	Amendment to the Bank's Regulations Governing Employee Retirement	Kenneth C.M. Lo, Tina Y. Lo, Tony C. Y. Yang, Chang, David C.C.		
2018.4.27 The 7th Board of Directors in its 8th meeting	Proposal for reviewing a loan application by one of the Bank's borrowers	Kenneth C.M. Lo, Nelson An-Ping Chang (abstention)	In compliance with Article 33-1 of the Banking Act (Interested Parties)	The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest.
	Proposal for the Bank and President Securities Investment Trust Co., Ltd. to sign contracts and MOUs on the sale of mutual funds	George Tcheng		

(C) Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.

- To ensure effective corporate governance, the Bank introduced the Audit Committee to its 5th Board of Directors in accordance with the Securities and Exchange Act on June 13, 2011. Three independent directors were called upon to make up the Audit Committee, and the Bank's Audit Committee Organizational Rules were enacted accordingly. Also put in place were the Bank's Regulations Governing the Scope of Duties of Independent Directors. On October 31, 2017, the Board of Directors approved amendments to both the Audit Committee Organizational Rules and Regulations Governing the Scope of Duties of Independent Directors.
- To accommodate statutory revisions by the competent authority and further bolster the involvement of independent directors in the functioning of the Board of Directors, the board approved amendments to the Bank's Procedural Rules Governing Board Meetings on April 28 and October 31, 2017 respectively.
- To build a sound corporate governance system and promote sound business development, the Board of Directors approved O-Bank Co., Ltd. Corporate Governance Principles on December 27, 2017.

- In line with compensation management trends, the Bank established the Compensation Committee and adopted the Compensation Committee Organizational Rules in 2009. It was followed by the board's changing the Chinese name of the foregoing organizational rules on December 28, 2011. The committee is composed of the entire number of independent directors. In accordance with statutory revisions, the Board of Directors approved amendments to the Compensation Committee Organizational Rules as well as changing the Chinese name of the Compensation Committee on December 28, 2016.
- To fulfill corporate social responsibility, the Bank established the Corporate Social Responsibility Committee under the Board of Directors in 2015. On the front of CSR, the Bank commits itself to the following five key areas: corporate governance, customer relations, employee care, environmental protection, and social engagement. The Corporate Social Responsibility Committee Organizational Rules and Corporate Social Responsibility Principles are put in place to help track implementation status and results, thereby attaining the ultimate goal of sustainable development. On December 28, 2016, the Board of Directors approved a proposal to rename the Corporate Social Responsibility Committee Organizational Rules and Corporate Social Responsibility Principles. On October 30, 2018, some articles of the Corporate Social Responsibility Principles were amended in accordance with statutory changes.
- In addition to further promoting its functions and enhance the Bank's corporate governance throughout, the Board of Directors has endorsed the competent authority's guideline over getting aligned with international practices and, through keeping close communication with the Bank's management, helped promote and implement policies with regard to corporate social responsibility, fair treatment of clients, AML/CFT, personal information protection, and information security management.

(2) Audit Committee

To ensure effective corporate governance, the Board of Directors adopted the resolution on establishing the Audit Committee in lieu of supervisors and enacted the Audit Committee Organizational Rules on February 24, 2011. Established on June 13 of the same year upon approval of a regular shareholders' meeting, the Audit Committee is composed of the entire number of independent directors.

The Audit Committee is charged with supervising and reviewing the following:

A. Fair presentation of the Bank's financial statements.
B. Selection (dismissal) of CPAs and their independence and performance.
C. Effective implementation of the Bank's internal control system.
D. The Bank's compliance with applicable laws and regulations.
E. Control of the Bank's existing or potential risks.

The Audit Committee is supposed to perform the following duties:

A. Enact or amend the internal control system and evaluate its effectiveness.
B. Enact or amend the SOP of major financial activities such as acquisition or disposal of assets and derivatives transactions.
C. Review matters in which directors have personal interests.
D. Review major asset or derivatives transactions.
E. Review major instances of lending funds or providing endorsements or guarantees.
F. Review the offering, issuance, or private placement of equity securities.
G. Review the appointment, dismissal, or compensation of CPAs.

H. Review the appointment and dismissal of financial, accounting, or internal audit managerial officers.
I. Review annual and semi-annual financial statements.
J. Review other major items required by the Bank or the competent authority.

A total of 9 (A) of the 3rd Audit Committee meetings were held in 2018. The attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent Managing Director	Chan, Hou-Sheng	9	0	100	
Independent Director	Yue, Thomas	9	0	100	
Independent Director	Liu, Richard R.C.	9	0	100	

- Examine financial statements

  The Board of Directors has compiled and submitted the Bank's consolidated and parent balance sheets, income statements, statements of changes in shareholders' equity, and cash flow statements for 2017 audited by CPAs Yang, Cheng-hsiu and Chen, Li-chi of Deloitte & Touche, business report, and statement of distribution of earnings to the Audit Committee. After reviewing the abovementioned statements and reports, the Audit Committee has found them to meet the requirements of applicable laws and regulations.

- Evaluate the effectiveness of the Bank's internal control system

  In accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking industries and the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies enacted by the Financial Supervisory Commission, the Bank has established its internal control system, for which three lines of defense—self-inspection, legal compliance and risk management, and internal audits—are set up to ensure its ongoing and effective operation and the Bank's sound management.

  The Audit Committee meets on a regular basis to examine the internal control system adopted or revised by the Bank and evaluate its effectiveness as well as review matters in which directors have personal interests, selection (dismissal) of CPAs, appointment or dismissal of managerial officers charged with accounting or internal audits, and the Bank's financial statements. By also drawing on the Audit Department's inspection reports and routine updates, the Audit Committee stays up to date with the Bank's implementation of auditing affairs and its control mechanism already adopted in order to conduct oversight and correct deficiencies thereof. To ensure the effective operation of the internal control system, the committee also meets with internal audit personnel every six months to jointly examine internal control deficiencies.

- Engage CPAs

  In accordance with the Corporate Governance Best-Practice Principles for Banking Industries, the Bank is supposed to evaluate the independence and suitability of CPAs. Before hiring the CPAs of Deloitte Taiwan to audit and certify the Bank's financial and tax statements for 2018 and thereafter, therefore, it was of necessity to evaluate the independence and suitability of the appointed CPAs. The Bank evaluates the independence of its CPAs on an annual basis and presents the result to the Audit Committee and the Board of Directors for review and approval.

In accordance with the internal rotation of the Bank's CPA firm Deloitte Taiwan, the Bank's CPAs Charles Yang and Dian Chen would be replaced with Eric Lin and Joe Chen from the first quarter of 2019. The Bank evaluated the new appointments and presented the result to the Audit Committee and the Board of Directors on December 27, 2018 for review, and both gave their approval.

- A summary of the major proposals reviewed by the Audit Committee in 2018 and the results thereof is as follows:

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2018.2.27 The 7th Board of Directors in its 6th meeting	2017 parent financial statements	v	-
	Proposal for 2017 earnings distribution	v	-
	2018 audit plan	v	-
	Amendment to the Regulations Governing the Access to Examination Reports of the Financial Supervisory Commission	v	-
	Amendment to the Self-Inspection and Self-Evaluation Regulations	v	-
	Revision to the AML/CFT Policy	v	-
	Proposal for adopting Appendix: Types of Suspicious Money Laundering or Terrorism Financing Transactions to the AML/CFT Guidelines as well as the Policy for Evaluating ML/TF Risks and Implementing Control Measures	v	-
	Proposal for amending the AML/CFT Guidelines for Insurance Agent Operations and adopting the Policy for Evaluating ML/TF Risks and Implementing Control Measures for Insurance Agent Operations	v	-
	2017 Report on Across-the-Board Evaluation of Money Laundering and Terrorism Financing Risks	v	-
	2018 Plan on Across-the-Board Control of Money Laundering and Terrorism Financing Risks	v	-
	Adjustment of the 2018 Guidelines for Managing Liquidity and Interest Rate Sensitivity Risks	v	-
	Amendment to the Regulations for Liquidity Management at the Hong Kong Branch	v	-
	Amendment to the Regulations for Managing Liquidity and Interest Rate Sensitivity Risks	v	-
	Amendment to the Regulations for Consolidated Risk Management at Finance-Related Operations in the Mainland China Area	v	-
	Proposal to write off a bad loan to borrower "Tianjin XX Steel Group (Hong Kong) Co., Ltd."	v	-
	Proposal to write off a bad loan to borrower "XX Lin"	v	-
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	v	-
	Proposal for making a donation to the O-Bank Education Foundation	v	-
	Amendment to the Bank's Organizational Rules	v	-
	Proposal for reassigning managerial officers	v	-
	Outcome of the Audit Committee's deliberations: (2018.2.27) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2018.3.28 The 7th Board of Directors in its 7th meeting	The Bank's 2017 business report and consolidated financial statements	v	-
	Amendment to the Articles of Incorporation	v	-
	Proposal for releasing non-competition restrictions on directors	v	-
	The Bank's Personal Information Protection Internal Control System Statement	v	-
	The Bank's Internal Control System Statement and the Internal Control System Statement for the Concurrent Conducting of Insurance Agent Business	v	-
	Amendment to the Regulations for the Delegation of Responsibility for Extending Loans and Making Investment and for the Use of Rewards and Discipline	v	-
	The Bank's Statement on the Design and Implementation of its AML/CFT Internal Control System as well as the AML/CFT Internal Control Statement	v	-
	Proposal for adopting the Regulations for the Management of Extending Loans to Material Interested Parties	v	-
	Proposal to write off a bad loan to borrower "XX Chang"	v	-
	Amendment to the Bank's Trading Regulations for the Treasury Department and Trading Regulations for the Treasury Section of the Hong Kong Branch	v	-
	Amendment to the Regulations for the Pricing of Derivatives	v	-
	Amendment to the Regulations for Assessing the Suitability of Derivatives	v	-
	Amendment to the Regulations Governing the Implementation of Contingency and Recovery Plans in the Event of Major Emergencies	v	-
	Outcome of the Audit Committee's deliberations: (2018.3.28) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		
2018.4.27 The 7th Board of Directors in its 8th meeting	Evaluation of CPA independence and suitability as well as appointment of Deloitte Taiwan's CPAs for auditing and certifying the Bank's financial and tax reports from 2018	v	-
	The Bank's consolidated financial statements for the first quarter of 2018	v	-
	Application for a loan by borrower "Tai X Recycled Resources Co., Ltd."	v	-
	Proposal to write off bad loans to borrowers "XX Yu," "XX Lu," and "XX Yeh"	v	-
	Amendment to the Regulations for Assessing the Suitability of Derivatives	v	-
	Amendment to the Regulations Governing the Sale of Structured Products	v	-
	Proposal for the Bank and President Securities Investment Trust Co., Ltd. to sign contracts and MOUs on the sale of mutual funds	v	-
	Proposal for making a donation to the Criminal Investigation and Prevention Association	v	-
	Proposal for making a donation to the Eisenhower Fellows Association in the R.O.C.	v	-
	Amendment to the Bank's Regulations Governing the Assigning of Representatives as Directors/Supervisors to Invested Companies	v	-
	Outcome of the Audit Committee's deliberations: (2018.4.27) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2018.5.23 The 7th Board of Directors in its 9th meeting	Proposal for selling the Bank's O-Bank Number One Real Estate Investment Trust (REIT) Fund to interested parties and affiliated businesses	v	-
	The Bank's handling of the Audit Committee's opinion: (2018.5.23) Unanimous approval by all directors present		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		
2018.6.27 The 7th Board of Directors in its 10th meeting	Undertaking of the Bank's 2018 capital increase by issuing registered preferred stock A	v	-
	Adoption of the Regulations Governing the Bank's Legal Compliance System	v	-
	Application for a loan by "Ho X Industrial Co., Ltd."	v	-
	Amendment to the Regulations for Reviewing Authorized Personal Loan Amounts	v	-
	Proposal to write off bad loans to borrowers "XX Hsu," "XX Wang," "XX Yeh," "XX Huang," and "XX Lin"	v	-
	Petition by "XX Co., Ltd.," a counterparty in the TRF dispute, to the competent authority	v	-
	Proposal for the sale of a claim by the Bank's corporate banking bad debtor "XX Co., Ltd."	v	-
	Amendment to the Regulations Governing the Sale of Non-Performing Loans	v	-
	Amendment to the Regulations Governing the Foreclosure and Disposal of Collateral	v	-
	Amendment to the Regulations for Appraising Collateral and Regulations for Appraising Overseas Real Estate Collateral	v	-
	Adoption of the Recovery Plan for the Hong Kong Branch	v	-
	Application for the Unsecured Loan Quota of the Hong Kong Branch	v	-
	Amendment to the Policy on the Management of Treasury Trading Business	v	-
	Amendment to the Regulations for Assessing the Suitability of Derivatives	v	-
	Amendment to the Bank's Organizational Rules	v	-
	Outcome of the Audit Committee's deliberations: (2018.6.27) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2018.8.22 The 7th Board of Directors in its 11th meeting	The Bank's consolidated and parent financial statements for the first half of 2018	v	-
	Amendment to the Regulations Governing the Examination of Bank Operations	v	-
	Amendment to the Regulations for Handling Whistleblower Reports	v	-
	Amendment to the Credit Extension Policy	v	-
	Proposal to write off bad loans to borrowers "XX Hu," "XX Huang," "XX Chiang," "XX Tseng," "XX Chiang," and "XX Su"	v	-
	Amendment to the Assets and Liabilities Management Committee Organizational Rules	v	-
	Amendment to the AML/CFT Guidelines for Insurance Agent Operations and the Policy for Evaluating ML/TF Risks and Implementing Control Measures for Insurance Agent Operations	v	-
	Amendment to the Regulations Governing the Implementation of Contingency and Recovery Plans in the Event of Major Emergencies	v	-
	Proposal for applying to the competent authority for setting up a joint venture—Everbright Consumer Banking Co., Ltd.—in the mainland China area	v	-
	Establishment of the Institutional Investor Responsible Governance Principles	v	-
	Proposal for making a donation to the Eisenhower Fellows Association in the R.O.C.	v	-
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	v	-
	Proposal for making a donation to the National Taiwan University Economic Research Foundation	v	-
	Amendment to the Delegation of Authority and Responsibility Chart for the Board of Directors and the President as well as the Delegation of Responsibility Chart under the Bank's Regulations Governing the Delegation of Authority and Responsibility	v	-
	Proposal for reassigning managerial officers	v	-
	Petition by "XX Ltd.," a counterparty in the TRF dispute, to the competent authority	v	-
	Outcome of the Audit Committee's deliberations: (2018.8.22) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2018.9.26 The 7th Board of Directors in its 12th meeting	Amendment to the Policy for Disclosing Information on Capital Adequacy and Risk Management	v	-
	Application for a loan by "San X Investment Co., Ltd."	v	-
	Application for a loan by "Lo X Investment Co., Ltd."	v	-
	Application for a loan by "Hsin X Agricultural Biotechnology Co., Ltd."	v	-
	Application for a change in the terms of an existing loan by "XX International Ltd."	v	-
	Amendment to the Regulations Governing the Sale of Structured Products	v	-
	Amendment to the Regulations for Reviewing Proposed Donations	v	-
	Proposal for the Bank to report to the competent authority on IBT International Leasing Corp.'s absorption of IBT Tianjin International Leasing Co., Ltd.	v	-
	Outcome of the Audit Committee's deliberations: (2018.9.26) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		
2018.10.30 The 7th Board of Directors in its 13th meeting	The Bank's consolidated financial statements for the third quarter of 2018	v	-
	Adoption of O-Bank Group Policy for Sharing AML/CFT Information	v	-
	Amendment to the Regulations for Preserving the Security of Personal Information Files	v	-
	Adoption of the Regulations Governing the Control of Sectoral Concentration Risk and the Bank's sectoral risk ceiling for 2019	v	-
	Proposal to write off bad loans to "XX Wang" and 21 other borrowers	v	-
	Amendment to the Information Security Guidelines and adoption of the Information Security Policy	v	-
	Amendment to the Regulations Governing the Management of Invested Companies	v	-
	Amendment to the Corporate Social Responsibility Principles and the Corporate Social Responsibility Committee Organizational Rules	v	-
	Amendment to the Regulations for Reviewing Proposed Donations	v	-
	Amendment to the Regulations for Handling Customer Complaints and Financial Consumer Disputes	v	-
	Outcome of the Audit Committee's deliberations: (2018.10.30) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2018.12.27 The 7th Board of Directors in its 14th meeting	Proposal to reassign certifying CPAs from the first quarter of 2019	v	-
	The Bank's audit plan for 2019	v	-
	The Bank's 2019 Internal Audit Plan for the Concurrent Conducting of Insurance Agent Business	v	-
	Results of the Bank's evaluation of audits at subsidiaries in 2018	v	-
	Proposal to strengthen the management of audits at overseas outlets (including third-party audit entities)	v	-
	Amendment to the Regulations for the Delegation of Responsibility for Extending Loans and Making Investment and for the Use of Rewards and Discipline	v	-
	The Bank's 2018 report on self-evaluation of personal information protection	v	-
	Amendment to the Regulations for Liquidity Management at the Hong Kong Branch	v	-
	Amendment to the Regulations for Managing Liquidity and Interest Rate Sensitivity Risks	v	-
	Adoption of the 2019 guidelines for the management of liquidity and interest rate sensitivity risks	v	-
	Adoption of the 2019 guidelines for the management of market risk	v	-
	Proposal to write off bad loans to borrowers "XX Co., Ltd.," "Nan X Industry Co., Ltd.," and "XX Lin"	v	-
	Application for a loan by "Chung X Investment Co., Ltd."	v	-
	Review of the Bank's strategy and operational guidelines for conducting derivatives business and the performance thereof in 2018	v	-
	Amendment to the Regulations for Assessing the Suitability of Derivatives	v	-
	Establishment of the Regulations Governing Internal Control System for the Concurrent Conducting of Securities Business and the Implementation Rules Governing Internal Audits for the Concurrent Conducting of Securities Business	v	-
	Proposal to adopt the Regulations for Managing Political Donations and amendment to the Regulations for Reviewing Proposed Donations	v	-
	Establishment of the Operational Regulations for the Trust Department's Full Understanding of Customers—Applicable to Professional Investors	v	-
	Amendment to the Delegation of Responsibility Chart for the Bank's Trust Department	v	-
	Outcome of the Audit Committee's deliberations: (2018.12.27) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Other mentionable items:

(A) In the event that any matter listed in Article 14-5 of the Securities and Exchange Act has failed to secure the approval of the Audit Committee but has won the consent of two-thirds or more of all directors, the date of the given board meeting, term of the board, contents of the matter, outcome of the Audit Committee's deliberations, and the Company's handling of the Audit Committee's opinion shall be recorded in the minutes of the aforesaid board meeting: None (please refer to the table above).

(B) If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

(C) Communications between the independent directors, the Company's chief internal auditor and CPAs

a. Communication between the chief internal auditor and independent directors:

A. In addition to submitting updates of its work to independent directors every six months, the Auditing Department communicates with independent directors at audit seminars held on a regular basis; the minutes of such seminars are presented to the Board of Directors.

B. Each year the Bank issues a statement on internal control, which will be submitted to the Board of Directors for approval after being examined by the Audit Committee.

C. The reports compiled by the Auditing Department after its audits of the Bank's departments and subsidiaries are submitted to independent directors.

D. With respect to the opinions of and shortfalls detected by financial examination agencies, CPAs, internal audit units, and various departments after self-audits, as well as the items specified by the Statement on Internal Control as in need of improvement, the Auditing Department is responsible for conducting follow-up examination and submitting reports on the status of improvement to the Audit Committee and Board of Directors.

E. Before a fiscal year runs its course, the Auditing Department is supposed to present the audit plan for the following year to the Audit Committee for review and to the Board of Directors for approval.

F. The Bank's chief auditor has maintained smooth communication with independent directors who, in turn, have been able to keep track of the Bank's implementation of audit operations and the result thereof.

An extract with respect to the aforesaid communication in 2018 is as follows:

Date	Means	Counterparty	Subject	Outcome
2018.2.27	The 3rd Audit Committee in its 6th meeting	The Bank's chief auditor	The Bank's conducting audit operations in 2017	Approved for reference
			The Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the conducting and management of lending business at the Bank's subsidiaries	Approved for reference
			The Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the Bank's SWIFT system information security	Approved for reference
			Amendment to the Bank's audit plan for 2018	No objection; submitted to the Board of Directors for examination
2018.3.28	The 3rd Audit Committee in its 7th meeting	The Bank's chief auditor	The Follow-Up Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the Bank's rendering of digital financial services	Approved for reference
			The CPA verification report on the Bank's 2017 personal information protection project	Approved for reference
			Presentation of the Bank's Internal Control System Statement for 2017 and the Internal Control System Statement for the Bank's concurrent conducting of insurance agent business	No objection; submitted to the Board of Directors for examination
	A meeting on audit affairs	The Bank's chief auditor and Auditing Department personnel	Review of deficiencies in the Bank's internal control system; the Bank's whistleblower system	Implemented as proposed

Date	Means	Counterparty	Subject	Outcome
2018.4.27	The 3rd Audit Committee in its 8th meeting	The Bank's chief auditor	The Follow-Up Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the Bank's SWIFT system information security	Approved for reference
2018.4.27	The 3rd Audit Committee in its 8th meeting	The Bank's chief auditor	The Follow-Up Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the Bank's rendering of digital financial services	Approved for reference
			The Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the conducting and management of lending business at the Bank's subsidiaries	Approved for reference
2018.6.27	The 3rd Audit Committee in its 10th meeting	The Bank's chief auditor	The CPA reports from auditing the Bank's internal control system and that for concurrent conducting of insurance agent business	Approved for reference
			The Follow-Up Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the Bank's rendering of digital financial services	Approved for reference
			The Follow-Up Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the Bank's SWIFT system information security	Approved for reference
			The CPA report from auditing statements of the Hong Kong Branch legally required for 2017	Approved for reference
			The Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the conducting and management of lending business at the Bank's subsidiaries	Approved for reference
			The California Department of Business Oversight's independent examination report on the security and soundness of EverTrust Bank	Approved for reference
			Analytical report on the repeated deficiencies of the Bank's internal units detected in audits over the past five years	Approved for reference
2018.8.22	The 3rd Audit Committee in its 11th meeting	The Bank's chief auditor	The Bank's conducting of audit operations in the first half of 2018	Approved for reference
			The Federal Reserve Bank of San Francisco's supervisory report on IBT Holdings Corp.	Approved for reference
			The Follow-Up Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the Bank's rendering of digital financial services	Approved for reference
			Special audit report on the Bank's outsourcing of its SFDC cloud service platform	Approved for reference
	A meeting on audit affairs	The Bank's chief auditor and Auditing Department personnel	Review of deficiencies in the Bank's internal control system as well as the countermeasures under risk-oriented audits and the planning thereof	Implemented as proposed

Date	Means	Counterparty	Subject	Outcome
2018.9.26	The 3rd Audit Committee in its 12th meeting	The Bank's chief auditor	The Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the conducting and management of lending business at the Bank's subsidiaries	Approved for reference
			The Follow-Up Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the Bank's rendering of digital financial services	Approved for reference
2018.9.26	The 3rd Audit Committee in its 12th meeting	The Bank's chief auditor	Deficiencies listed by Central Deposit Insurance Corp. after its 2018 audit of the Bank with respect to risk indicators under its risk-based premium system as well as the Bank's Status of Improvement Report	Approved for reference
			The Auditing Department's 2018 special examination report on the Bank's insurance agent business	Approved for reference
2018.10.30	The 3rd Audit Committee in its 13th meeting	The Bank's chief auditor	The Follow-Up Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the Bank's rendering of digital financial services	Approved for reference
2018.12.27	The 3rd Audit Committee in its 14th meeting	The Bank's chief auditor	The Federal Reserve Bank of San Francisco's SOSA ranking assigned for EverTrust Bank and the Bank	Approved for reference
			Routine audit report on the Bank's outsourcing of its SFDC cloud service platform	Approved for reference
			The Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the conducting and management of lending business at the Bank's subsidiaries	Approved for reference
			The Follow-Up Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the Bank's SWIFT system information security	Approved for reference
			Results of the Bank's evaluation of audits done by internal units in 2018	Approved for reference
			Results of the Bank's evaluation of audits done by subsidiaries in 2018	No objection; submitted to the Board of Directors for examination
			The Bank's audit plan for 2019	No objection; submitted to the Board of Directors for examination
			The Bank's 2019 Internal Audit Plan for Concurrent Conducting of Insurance Agent Business	No objection; submitted to the Board of Directors for examination
			Proposal to strengthen the management of audits at overseas outlets (including third-party audit entities)	No objection; submitted to the Board of Directors for examination

(B) Communication between CPAs and independent directors:

By means of briefing at semi-annual meetings, certified public accountants Yang, Cheng-hsiu and Chen, Li-chi of Deloitte & Touche report to and communicate with independent directors about the scope, method, priorities, and discoveries of their semi-annual and annual audits, highlights and results of internal control audits, and matters related to their auditing and attesting to the Bank's financial statements.

A summary of the communication between CPAs and independent directors as well as the reports presented therein in 2018 is as follows:

Date	Means	Counterparty	Subject	Outcome
2018.2.27	The 3rd Audit Committee in its 6th meeting	CPA	Auditing of 2017 parent financial statements and key audit items	Approved without objection and submitted to the Board of Directors for a resolution
2018.3.28	The 3rd Audit Committee in its 7th meeting	CPA	Auditing of 2017 consolidated financial statements and key audit items	Approved without objection and submitted to the Board of Directors for a resolution
2018.4.27	The 3rd Audit Committee in its 8th meeting	CPA	Reviewing of consolidated financial statements for the first quarter of 2018	Approved without objection and submitted to the Board of Directors for a resolution
2018.8.22	The 3rd Audit Committee in its 11th meeting	CPA	Auditing of consolidated and parent financial statements for the first half of 2018 and key audit items	Approved without objection and submitted to the Board of Directors for a resolution
2018.10.30	The 3rd Audit Committee in its 13th meeting	CPA	Reviewing of consolidated financial statements for the third quarter of 2018	Approved without objection and submitted to the Board of Directors for a resolution
2018.12.27	The 3rd Audit Committee in its 14th meeting	CPA	Audit planning for 2018	Implemented in accordance with regulations

(3) Disclosures required under the Banking Industry Corporate Governance Best-Practice Principles

Please refer to the Bank's website (https://www.o-bank.com) and the Market Observation Post System (http://mops.twse.com.tw).

(4) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for Banks

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
1. Shareholding Structure and Shareholders' Equity				In Compliance with applicable provisions of the Corporate Governance Best-Practice Principles for Banks
(1) Does the Bank enact a set of internal operational procedures for handling shareholder proposals, doubts, disputes, and litigations, as well as act in accordance with the said procedures?	v		(1) On the Bank's website, the section for investors contains "Contact Us" and the section for corporate governance offers direct access to services meant specifically for stakeholder-shareholders. Shareholders may, by phone or email, present proposals, doubts, disputes, and litigations, and the Bank's designated personnel will respond to them as warranted.	
(2) Does the Bank have access to the identity of major shareholders who have actual control over the Bank as well as that of their ultimate control persons?	v		(2) As required by regulations, the Bank files monthly reports on stockholding changes of major shareholders and insiders. Verification of the roster of shareholders is conducted to coincide with book closure.	
(3) Does the Bank establish and implement risk management and firewall mechanisms for its dealings with affiliated businesses?	v		(3) The Bank and its affiliated businesses have in place clearly defined division of management duties and powers. The O-Bank Co., Ltd. Regulations on Investee Management is enacted precisely for this purpose.	

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
2. Composition and Duties of the Board of Directors (1) Besides setting up the Compensation Committee and Audit Committee, as required by law, does the Bank voluntarily establish other functional committees? (2) Does the Bank evaluate the independence of its CPAs on a regular basis?	v v		(1) In addition to setting up the Compensation Committee and Audit Committee, as required by law, the Bank has established the Investment Committee and Corporate Social Responsibility Committee. (2) The Bank evaluates the independence of its CPAs on an annual basis and presents the result to the Audit Committee and the Board of Directors for review and approval. In accordance with the internal rotation of the Bank's CPA firm Deloitte Taiwan, the Bank's CPAs Charles Yang and Dian Chen would be replaced with Eric Lin and Joe Chen from the first quarter of 2019. The Bank evaluated the new appointments and presented the result to the Audit Committee and the Board of Directors on December 27, 2018 for review, and both gave their approval. CPAs Eric Lin and Joe Chen of Deloitte Taiwan were found to meet the Bank's criteria of independence and thus qualify as the Bank's CPAs. The Bank also secured the required statements from both CPAs.	In Compliance with applicable provisions of the Corporate Governance Best-Practice Principles for Banks
3. If the Bank is listed on the Taiwan Stock Exchange or Taipei Exchange, has it established a department or appointed personnel to exclusively or concurrently take charge of corporate governance affairs (including but not limited to preparation of materials for directors and supervisors to perform their duties, undertaking of matters related to board meetings and shareholders' meetings, incorporation registration and amendments thereof, and compilation of board and shareholders' meeting minutes)?	v		The Bank set up the Corporate Social Responsibility Committee in January 2015. The undertaking of relevant matters is assigned to the corporate governance team. Composed of the Auditing Department, Corporate Secretariat, Legal and Compliance Department, Risk Management Department, Strategic Planning Department, and Human Resources Department, the team is charged with enacting the Bank's guiding principles for business development and risk management, as well as handling other corporate governance affairs related to ethical management and risk management. These include legal compliance, transparency of information disclosure, information protection, and preservation of shareholder rights and interests. On December 27, 2017, the Board of Directors enacted the O-Bank Co., Ltd. Corporate Governance Principles to further bolster the Bank's corporate governance system. The said principles spell out endeavors to ensure legal compliance and upgrade internal management, protect shareholder rights and interests, strengthen the functions of the Board of Directors, maximize the functions of the Audit Committee, honor the rights and interests of interested parties, and increase the transparency of information disclosure. It was also made clear that the corporate governance team under the Corporate Social Responsibility Committee is charged with the responsibility of implementing the Bank's corporate governance operations. Separately, the Board of Directors approved the appointment of Vice President Chang, Wesley as the Bank's head of corporate governance on February 27, 2019; he had previously accumulated a managerial experience with respect to legal, stock, or meeting affairs at a public company for more than three years. The Bank's head of corporate governance is charged with providing information needed for directors to perform their duties; helping directors comply with applicable laws and regulations, assume office, and continue to undergo training; undertake matters in relation to Board of Directors and shareholders' meetings and produce the minutes thereof; and conduct other duties prescribed in the Articles of Incorporation and relevant contracts. A summary of the duties performed in 2018 is as follows: 1. Assist directors and independent directors in performing their duties and providing the information needed as well as make arrangements for their training.: (1) Bring members of the Board of Directors up to date with the latest statutory developments in the areas of corporate management and governance on a regular basis. (2) Determine the classification levels of relevant information based on which to provide directors with such and help facilitate communication between directors and heads of various business departments. (3) Assist directors and independent directors in setting annual training programs and scheduling courses based on the Bank's business characteristics and their educational and occupational backgrounds.	In Compliance with applicable provisions of the Corporate Governance Best-Practice Principles for Banks

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
			2. Help ensure the compliance of procedures and resolutions of Board of Directors and shareholders' meetings: (1) File reports on the Bank's implementation of corporate governance to the Board of Directors, independent directors, or the Audit Committee as well as ascertain if Board of Directors and shareholders' meetings comply with applicable laws and corporate governance principles. (2) Remind directors of applicable laws and regulations they are supposed to comply with over the course of performing duties or before the Board of Directors adopts any resolution; speak up when the Board of Directors adopts any illegal resolution. (3) Handle publication of major resolutions adopted by the Board of Directors, a process in which priority shall be given to ensuring information legality and accuracy so as not to result in information asymmetry for investors. 3. Draft the agenda of a scheduled Board of Directors meeting and present it to directors by the statutory deadline; convene the said meeting and provide the materials thereof. 4. Register the date of a scheduled shareholders' meeting in advance, as required by law, and compile the meeting notice, agenda handbook, and meeting minutes by the statutory deadlines; register any amendment to the Articles of Incorporation or reelection of directors. 5. Formulate and implement the Bank's ethical management policy and preventive measures thereof as well as report to the Board of Directors on a regular basis. A summary of the Bank's implementation of ethical management in 2018 is as follows: (1) Complete promotion of and training on the ethical management policy. (2) Establish a whistleblower mechanism. (3) Promote quantitative indicators for evaluation of ethical management. (4) Conduct audits of ethical management and evaluation of the effectiveness thereof.	
4. Has the Bank established channels for communicating with stakeholders (including but not limited to shareholders, employees, and customers)?	v		The Bank's website has a section meant specifically for stakeholders with a view to providing customers, shareholders, employees, suppliers, the media, and government agencies with comprehensive information, reflecting the Bank's commitment to taking their rights and interests seriously and ensuring smooth communication with them.	In Compliance with applicable provisions of the Corporate Governance Best-Practice Principles for Banks
5. Information Disclosure (1) Does the Bank install a website for disclosing information on finances, operations, and corporate governance? (2) Does the Bank adopt other means of information disclosure (such as installing an English website, designating personnel to collect and disclose material information, appointing a spokesperson to communicate with the general public, and making public the recordings of investor briefings on its website)?	 v v		(1) The Bank has installed a corporate website to disclose information with regard to financial operations, corporate governance, and other material matters. The Bank also conducts information publication and disclosure on the Market Observation Post System in accordance with applicable regulations. (2) The Bank's corporate website is presented in both Chinese and English for the reference of overseas investors. A dedicated department is charged with the collection and disclosure of information. The Bank has also appointed a spokesperson and an acting spokesperson who are responsible for announcing information with regard to corporate operations in a timely fashion. Meanwhile, information with regard to presentations at the Bank's investor briefings is made public and disclosed on both its website and the Market Observation Post System in accordance with applicable regulations.	In Compliance with applicable provisions of the Corporate Governance Best-Practice Principles for Banks

Item Evaluated	Status: Yes	Status: No	Status: Brief Explanation	Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
6. Is there other important information that can facilitate better understanding of the Bank's corporate governance practices (including but not limited to employee rights and interests, employee care, investor relations, rights and interests of interested parties, records of training for directors and supervisors, implementation of risk management policy and risk evaluation criteria, implementation of customer relations policy, purchases of professional indemnity insurance for directors and supervisors, and donations to political parties, stakeholders, and charitable groups)?	v		(1) Employee rights and interests and employee care: The Bank gives priority to employee rights and interests and devotes itself toward employee care. In addition to having employees covered by labor and national health insurance, as dictated by law, the Bank also provides employees with group insurance and periodic health examinations. The Bank also appropriates funds, as stipulated by law, for the establishment of an employee welfare committee that offers information regarding cultural and artistic activities and sponsors various group activities to promote employee wellbeing and facilitate their holistic development. (2) Investor relations: The Bank's website comes with an investor section that provides investors with real-time information concerning corporate updates, finances, stock affairs, investor activities and services, etc. (3) Rights and interests of interested parties: The rights and interests of the Bank's stakeholders are protected under applicable laws and regulations as well as the Bank's internal rules. Stakeholders can find various means of communication with the Bank on its website. (4) Training for directors: The Bank offers information with regard to the training of directors in corporate governance, securities statutes, ethical management, AML, fair treatment of customers, etc. A summary of the Bank's training for directors in 2018 has been made public and disclosed in the corporate governance section of the Market Observation Post System in accordance with applicable regulations. (5) Implementation of risk management policy and risk evaluation criteria: The Board of Directors has enacted the Bank's risk management policy and mechanisms for monitoring capital adequacy, assessing and monitoring liquidity positions, managing operational risk, evaluating the quality and classes of assets, and protecting information security, thereby managing credit and market risk. The control of various risks (including the control of loan portfolio, market, interest rate, liquidity, and operational risks; the operations and risk exposure of leasing subsidiaries; and risk control at EverTrust Bank) is submitted to the Board of Directors for approval and reference. (6) Implementation of customer relations policy: To provide customers with comprehensive financial services, the Bank enacts and implements a customer relations policy that takes account of both business characteristics and customer needs. (7) Purchases of professional indemnity insurance for directors: The Bank began purchasing professional indemnity insurance for directors in June 2009 with a view to offering directors and managerial officers buffers against the risk and liability they assume. Renewal of the said professional indemnity insurance in 2017 was already reported to the Board of Directors and disclosed in the corporate governance section of the Market Observation Post System (http://mops.twse.com.tw) . (8) Donations to political parties, stakeholders, and charitable groups: In 2018, the Bank donated NT$4.8 million to the O-Bank Education Foundation, NT$300,000 to the Criminal Investigation and Prevention Association, NT$300,000 to the Chinese National Association of Industry and Commerce, NT$200,000 to the Xue Xue Foundation, NT$119,000 to the National Taiwan University Economic Research Foundation, NT$70,000 to the Foundation for Public Relations, NT$50,000 to the Humanistic Culture and Education Foundation, NT$30,000 to the Eisenhower Fellows Association in the R.O.C., and NT$10,000 to the Taiwan Prevent Blindness Foundation, totaling NT$5.879 million.	In Compliance with applicable provisions of the Corporate Governance Best-Practice Principles for Banks

7. Please describe the status of improvement already made based on the results of the Corporate Governance Evaluation System released by the Taiwan Stock Exchange Corporate Governance Center in the most recent year, as well as priority matters and measures in areas where improvement has yet to be made: The results had yet to be released as of the date of publication of this annual report.

8. Others

(1) Deviations (if any) from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies and reasons for such discrepancies

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
1. Has the Bank enacted and disclosed its corporate governance principles based on the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies?	v		The Bank's 7th Board of Directors enacted the Bank's Corporate Governance Principles at its 5th meeting on December 27, 2017. The said principles were then disclosed on the Bank's website and the Market Observation Post System.	Compliance with applicable provisions of the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies
2. Does the Bank adopt internal rules that prohibit insiders from trading securities based on information not yet disclosed to the market?	v		The Bank has in place the Shareholding Management Regulations and Code of Ethical Conduct that apply to directors, managerial officers, and employees separately.	Compliance with applicable provisions of the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies
3. Does the Bank adopt a policy of diversity with regard to composition of the Board of Directors and implement it faithfully?	v		At its 5th meeting on December 27, 2017, the Bank's 7th Board of Directors enacted the Bank's Corporate Governance Principles, in which Chapter 4 "Strengthen Board of Directors Functions" spells out a guideline for the diversity of its composition. The Bank abides by the Articles of Incorporation when it comes to nominating and selecting members of the Board of Directors. In addition to cautiously reviewing the qualifications of nominees, the Bank makes it a point to comply with the Regulations for Board Election and the Corporate Governance Principles in order to ensure the diversity and independence of board members. Diversity is given priority in making up the Bank's 7th Board of Directors. Members are elites from finance, industry, and academia. Of the directors, one holds a PhD and 10 hold MAs, covering such fields of study as economics, commerce, business administration, management, accounting, public administration, social welfare, and languages. All of them have the knowledge, skills, and capacity needed for performing their duties. Their specialties include financial services, finance, commerce, law, and industry. Of the Bank's 15 incumbent directors, three are independent directors (accounting for 20%). As of the date of publication of this annual report, all three independent directors recorded not more than 9 years of service. In terms of age distribution, four directors are aged under 60, eight between 61-70, and three over 71, attesting to a thorough mix of experience and innovation. Moreover, the Bank also values gender equality in its Board of Directors: three directors are female, or 20%. Separately, there are three directors (also 20%) who are employees in a concurrent capacity. The Board of Directors discloses the policy on the diversity of its composition and implementation thereof in the Bank's annual report as well as on the Bank's website and the Market Observation Post System.	Compliance with applicable provisions of the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies
4. Does the Bank formulate rules and procedures for assessing the performance of the Board of Directors, based on which assessment is conducted annually?		v	While the Bank has yet to formulate rules and procedures for assessing the performance of the Board of Directors, it will evaluate such drafting at an appropriate time.	Yet to comply with applicable provisions of the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
5. Does the Bank entrust a specialized stock agency to handle affairs related to shareholders' meetings?	v		The Bank's affairs related to shareholders' meetings are handled by CTBC Bank's Corporate Trust Operation and Service Department.	Compliance with applicable provisions of the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies

(Note) Criteria for Evaluating the Independence of CPAs

Item Evaluated	Evaluation Result	Compliance with Independence Requirements
1. Do the CPAs have a direct or material indirect financial interest in the Bank?	No	v
2. Have the CPAs engaged in financing or guarantees with the Bank or any of its directors?	No	v
3. Do the CPAs have a close business relationship and a potential employment relationship with the Bank?	No	v
4. Do the CPAs and members of their audit team currently serve as the Bank's directors or managerial officers or hold positions that may exert significant influence over the subject matter of their engagement, or did the same hold true in the most two recent years?	No	v
5. Do the CPAs provide the Bank with non-audit services that may have a direct impact on their audit work?	No	v
6. Do the CPAs broker equities or other securities issued by the Bank?	No	v
7. Do the CPAs serve as the Bank's advocate or seek to reconcile the Bank's conflicts with third parties on its behalf?	No	v
8. Do the CPAs have family relationship with anyone who is a director or managerial officer of the Bank or whose position may exert significant influence over the subject matter of their engagement?	No	v
9. Does the Bank secure a Declaration of Independence from the firm of the CPAs?	Yes	v

(5) Composition, Responsibilities and Operations of the Compensation Committee

Based on a resolution adopted by the Board of Directors, the Compensation Committee was established on April 22, 2009. It was followed by the board's adopting the Compensation Committee Organizational Rules on August 26 of the same year and changing the committee's Chinese name on December 28, 2011. Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in drafting and periodically reviewing performance evaluation for directors and managerial officers as well as the policy, system, criteria, and structure of compensation-setting; assessing remunerations for directors and managerial officers on a regular basis; and setting down the criteria for evaluating the performance of service personnel and standards for deciding on their compensation. The committee shall convene at least twice a year and may convene at any time when necessary. In 2018, the committee met on January 29, February 27, March 28, June 27, August 22, September 26, October 30, and December 27.

A. Professional Qualifications and Independence Analysis of Compensation Committee Members

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	
Independent Managing Director	Chan, Hou-Sheng	v		v	v	v	v	v	v	v	v	v	0
Independent Director	Yue, Thomas	v	v	v	v	v	v	v	v	v	v	v	4
Independent Director	Liu, Richard R.C.	v		v	v	v	v	v	v	v	v	v	0

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Compensation Committee Meetings

(A) There are three members in the Compensation Committee.

(B) The members of the 4th Compensation Committee shall serve a three-year term from June 14, 2017 through June 13, 2020. In the most recent year, the Compensation Committee convened eight meetings:: A total of 8 (A) meetings of the 4th Compensation Committee were held in 2018. The attendance record of the Compensation Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Convener	Chan, Hou-Sheng	8	0	100	
Committee Member	Yue, Thomas	8	0	100	
Committee Member	Liu, Richard R.C.	8	0	100	

Other mentionable items:

a. If the board of directors declines to adopt or modifies a recommendation of the compensation committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the compensation committee's opinion (eg., the compensation passed by the Board of Directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified): None.

b. Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(6) Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Corporate Governance Implementation				None
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	v		(1) With its Corporate Social Responsibility Committee established in 2015, the Bank fulfills this responsibility in the following five areas: corporate governance, customer relations, employee care, environmental protection, and social engagement. The Bank has also enacted the Corporate Social Responsibility Committee Organizational Rules and Corporate Social Responsibility Principles. Apart from enacting the Bank's corporate social responsibility system, policy, and implementation plan, the committee is responsible for tracking implementation status and effectiveness on a quarterly basis.	
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	v		(2) The Bank offers courses on gender equality and conducts self-assessment of legal compliance each year to ensure that our various systems and measures comply with applicable laws and regulations and CSR requirements.	
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	v		(3) Pursuant to the Corporate Social Responsibility Committee Organizational Rules approved by the Board of Directors, there shall be a chair, a vice chair, and a number of members. These, in turn, shall be appointed or assigned by the chairman of the board. The committee shall submit a report to the Board of Directors, at least annually, on the status of CSR fulfillment.	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	v		(4) The Bank has enacted management regulations on compensation and bonus issuance. Priority is given to appropriately reflecting the Bank's business performance and results in employee compensation in order to encourage employees to realize their potential and strive for excellence. In addition, we include our CSR policy in annual targets and year-end performance assessment, and give fitting rewards and penalties in accordance with employee conduct and performance.	
2. Sustainable Environment Development				None
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	v		(1) The Bank's purchasing prioritizes and emphasizes environmental protection and suppliers that comply with green energy requirements, and we strive to engage in green purchasing. We emphasize water management in office buildings, including bathrooms and outdoor vegetation, and we have strengthened control of water usage. Furthermore, we are continuing to implement an electronic approval system for official document, and promote the frequent use of e-forms and e-mail, and have installed bank-wide videoconferencing equipment in order to reduce the use of paper. We also purchase recycled paper and recyclable and reusable ink cartridges.	
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	v		(2) The Bank is committed to taking environmental concerns into account over the course of daily operations. In 2018, the Bank ushered in an ISO14001-compliant environmental management system and systematically adopted various environment-friendly measures. The Bank went on to secure ISO14001 certification in December of the same year, attesting to its dedication to growing together with the environment.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	v		(3) The Bank's environmental management policy spells out goals for energy conservation and carbon reduction. With 2017 as the base year, these include a 2% reduction per capita in carbon emissions, water use, and waste output in the medium term, or by 2020, and a 3% reduction thereof in the long term, or by 2030. To effectively conserve energy and reduce carbon emissions, O-Bank has adopted a multifaceted environmental protection policy: phasing in LED lighting across office buildings; finding new use for old lighting equipment; promoting the habit of turning off lights whenever warranted and keeping all lights off during the one-hour lunch break; keeping air-conditioned temperature at not lower than 26 degrees Celsius; enforcing lift allocations to enhance efficiency; promoting repeated use of waste paper and enforcing garbage separation for recycling; equipping washstands with water supply facilities controlled by infrared sensors; and encouraging male employees to wear short-sleeved shirts and do without ties during summer days. In 2018, the Bank's carbon emissions derived from electricity use amounted to 1,788 tons, down from 2,018 tons a year earlier. Separately, the Bank's carbon emissions derived from water use in 2018 amounted to 1,087 kg, compared with 971 kg the year before.	
3. Preserving Public Welfare				
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	v		(1) Committed to protecting human rights, the Bank supports and observes the UN Universal Declaration of Human Rights and other international human rights conventions. The O-Bank Co., Ltd. Human Rights Policy has been enacted with a view to putting an end to any conduct that infringes or violates human rights. At the same time, we strictly uphold the labor laws and regulations of the places where we conduct business; prohibit forced labor in any form, the use of child labor, and sexual harassment; refrain from discrimination; and provide employees with an equitable, safe, and healthy working environment.	None
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	v		(2) We have enacted various complaint systems under which employees can submit complaints via writing, telephone, fax, and email. We also explicitly specify complaint handling procedures and confidentiality protection measures that enable us to adequately deal with complaints and protect employee rights and interests.	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	v		(3) We strive to provide a safe, healthy, and comfortable working environment. Measures toward this end include a test of indoor air quality every two years, a building safety test every two years, a self-defense and firefighting drill every six months, cleaning of water tanks on a semiannual basis, quarterly random testing of drinking water, and two elevator maintenance checks each month. In addition, we assist in organizing occupational safety and health courses at least once a year. To encourage employees to adopt healthy lifestyles, the Bank also offers body management courses, establishes "health stations," and organizes cross-department fat loss contests. The Bank has thus secured both healthy workplace certification and the Exercise Enterprise Certification Mark. In addition to having all employees covered by labor insurance, national health insurance, and group insurance, the Bank also provides them with health checkups on a regular basis, holds health lectures, and delivers health-related consulting services.	None
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	v		(4) We regularly hold employee meetings and O-Bank Group conferences, at which managerial officers give updates on the Bank's business strategies and performance. We also hold departmental conferences, and have established multiple two-way communication channels ensuring that employees are kept informed of the Bank's business performance, strategies, and major policies. We hold two individual performance interviews with employees each year in order to better understand their respective conditions and collect their feedback. We publish corporate culture journals to let employees understand and identify with the Bank's corporate culture and guidelines.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(5) Does the company provide its employees with career development and training sessions?	v		(5) Based on annual interviews with employees and their needs for career development, the Bank devises training programs that take account of its core competence requirements each year. These courses cover such categories as work skills, management skills, financial expertise, and general knowledge. In 2018, the Bank recorded an average of over 38.1 training hours per person. To accommodate the Bank's recent shifting toward digital banking, we also invited outside experts to give talks or offer training and asked in-house experts to devise online courses so that employees could strengthen their expertise in financial technology and related issues. In addition, we actively work with a number of universities to develop training programs in an effort to seek out even more promising financial innovation professionals. Within the Bank, the Assessment Center is put in place to cultivate reserve personnel and identify would-be managerial officers.	None
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	v		(6) We have enacted the Procedures for Accepting and Handling Disputes in the Trust Business, Regulations on Handling Customer Complaints and Financial Consumer Disputes, and Guidelines for Reporting and Handling Customer Complaints and Dispute Incidents.	None
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	v		(7) Please refer to Appendix 1 for the relevant rules and regulations the Bank has enacted.	None
(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	v		(8) The Bank has adopted the Guidelines for Promoting Suppliers' Corporate Social Responsibility Management based on which to encourage its suppliers to implement corporate, ethical, labor, and environmental standards. Based on its Corporate Social Responsibility Evaluation Chart for Suppliers, the Bank assesses how its suppliers fare in terms of fulfilling corporate social responsibility in such areas as employment equality, employees' human rights, safety and health, and environmental protection. The Bank will enter into a transaction with suppliers only after ascertaining that the latter have no record of non-compliance with the aforesaid.	None
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?		v	(9) The Bank's Guidelines for Promoting Suppliers' Corporate Social Responsibility Management calls for an understanding of suppliers' fulfillment of corporate social responsibility. For suppliers found to have recorded non-compliance, the Bank shall advise them to adopt an appropriate corrective plan. If suppliers fail to honor their commitment to ethical management and corporate social responsibility or are determined to have produced a conspicuous impact on the environment and society, the Bank may flag them and suspend their right to bid for its procurement, maintenance, and installation projects.	We will evaluate enactment of relevant provisions and their inclusion in contracts.
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	v		In accordance with the Taiwan Stock Exchange Corporation Rules Governing Information Reporting by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds, we regularly disclose relevant information on the Bank's website and the Market Observation Post System. We have also established a CSR section on our website to disclose CSR-related information on a regular basis.	None
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies," please describe any discrepancy between the Principles and their implementation: None.				
6. Other important information to facilitate better understanding of the company's corporate social responsibility practices: • Based on discussions among internal CSR representatives from various departments and considering relevance to the duties of the said departments as well as the frequency of contact therewith, the Bank has identified the following six major stakeholders: employees, shareholders, government agencies, customers, suppliers, and the general public. After conducting surveys of the six major stakeholders and internal departments, we have identified issues that the stakeholders are most concerned about. In turn, we have established exclusive contact channels for the respective stakeholders and made such a public announcement on the Bank's website. • In accordance with relevant guidelines of the competent authority and the models and self-discipline principles promulgated by industry associations, the Bank already completed the following in 2018: formulation/amendment and publication of first-, second-, and third-stage AML/CFT documents (a total of 13); 2018 report on comprehensive evaluation of ML/TF risks and 2019 plan thereof; across-the-Bank training (directors and supervisors included); and further optimization of system and process monitoring for signs of suspicious transactions as well as customer due diligence and regular examinations of customers with different risk ratings.				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	

- The Bank's lending policy has incorporated the spirit of the Equator Principles. The Bank shall expand the applicability of the Equator Principles from project financing to corporate loans. If any customer is found to come under a negative light in areas such as the environment, society, law, and ML/TF over the course of credit checking and post-lending management, the responsible unit, after assessing the impact thereof, shall make full disclosure, ask for appropriate collateral and corrective action by a deadline, present the case to a higher checking authority, and keep track of the subsequent impact. For instance, the Bank is proactive to make sure if borrowers' operating factories in mainland China conform to environmental protection regulations there. When reexamining loan applications from such borrowers or local businesses that rely on mainland China for more than 50% of their production capacity, the Bank will, when it sees fit, ask them to produce documents that certify successful completion of environmental impact assessment and final acceptance as well as permits for waste discharge for the reference of loan approval.
- To strengthen employees' risk alertness and environmental consciousness, we have implemented the Clean Desk Initiative. Undertaken in line with the government push for energy conservation and carbon reduction by making use of renewable energy, this initiative proves effective in safeguarding the security of both internal data and customer information, conserving resources, and reducing the risk entailed by preservation of paper copies.
- The Bank has adopted its Regulations for Handling Whistleblower Reports and made public its whistleblower system on its website. Anyone who finds reason to implicate any director, supervisor, managerial officer, employee, mandatory, and individual with substantive control of the Bank or any of its affiliated enterprises or organizations in criminal acts, frauds, or violations of laws and regulations may file a report to the Bank by email or mail. To uphold corporate governance and ethical management, the Bank shall keep confidential both the identity of the whistleblower and the contents of the aforesaid report.
- Jointly enacted by the Bank's three internal control departments (Legal and Compliance Department, Auditing Department, and Risk Management Department), the Principles for Three Lines of Defense for Internal Control secured approval from the 6th Board of Directors during its 25th meeting on February 22nd , 2017. Pursuant to relevant regulations, the Human Resources Department is charged with the responsibility of overseeing all departments in performing risk management duties and conducting monitoring required of their respective line of defense in accordance with the scope of duties and powers specified in the foregoing principles.
- The Bank's Ethical Corporate Management Best-Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Criteria Governing Codes of Ethical Conduct all unequivocally prohibit unethical conduct by employees and specify matters for their attention in the course of performing duties. Upon the discovery of any violation of ethical corporate management and conduct regulations, a report shall be made immediately to an independent director or managerial officer, the chief internal auditor, or another suitable managerial officer. Upon verification of any such allegations, the violator shall be dealt with in accordance with applicable laws and regulations or the Bank's internal regulations on employee rewards and penalties.
- Personal Information Security Management

1. To strengthen and further improve personal information protection and management as well as to ensure compliance with the competent authority's requirements over the banking industry on this front, the Bank has initiated a special project on consulting and guidance with regard to the maintenance of the BS 10012 Personal Information Management System and transfer certification thereof.
2. The Bank adopts the PDCA (Plan-Do-Check-Act) approach toward building its personal information protection system. Its personal information management policy is faithfully implemented by analyzing operational procedures, information systems, and third-party management and keeping stringent control over the acquisition, handling, use, transmission, storage, and sealing and destruction of personal information. Based on the composition and functions required of such a personal information management entity, the Bank has established its Personal Information Management Committee (PIMC) in order to ensure the sustained and effective operations of this personal information security management system. With the president of the Bank as convener, the committee is charged with the oversight of personal information protection and management across the Bank. On November 30, 2018, the committee convened its annual meeting to review and decide on matters related to personal information as well as present a personal information self-evaluation report to the Board of Directors.
3. To strengthen the personal information protection awareness and responsiveness to emergencies of its employees, the Bank continued to offer a series of training courses on personal information protection in 2018. Combining this initiative with its promotion of legal awareness and training on legal compliance, the Bank was proactive to incorporate personal information protection awareness into its corporate culture in a bid to honor its commitment to personal information protection.

- To build a corporate culture committed to protecting financial consumers and enhance their confidence in the Bank, we act in accordance with the Principles for Financial Service Industries to Treat Clients Fairly. While supervising the Bank's mechanism for treating clients fairly by drawing from the Legal and Compliance Department's report on this front, the Board of Directors also makes timely recommendations for implementation by senior management to ensure statutory compliance and financial consumer protection across the Bank. In 2018, the Bank promoted employee awareness and understanding of the Financial Consumer Protection Act and the Principles for Financial Service Industries to Treat Clients Fairly by offering online training for self-evaluation of compliance and a 3-hour online session for getting familiar with the Financial Consumer Protection Act. Major business units referred to the Principles for Financial Service Industries to Treat Clients Fairly and concluded that the Bank's existing internal rules already comply with applicable laws or regulations. When conducting audits, the Auditing Department also took into account the principles for fair treatment of clients; its audit reports did not uncover any systematic deficiency that might have a material impact or any other irregularity. When reviewing the Bank's operational risk cases, the Risk Management Department did not uncover any loss incurred by operational risk due to violations of the principles for fair treatment of clients. For its part, the Legal and Compliance Department filed a report on the Bank's implementation of the principles for fair treatment of clients in 2018 to the Board of Directors meeting of December 27 of the same year for approval and reference.
- The Bank provides directors with multiple channels for continuing education. Taking its lead from the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEx Listed Companies, the Bank helped directors who were re-elected in 2018 to complete six hours of continuing education. We also occasionally provide directors with information on other continuing education opportunities.
- To better understand the operations of subsidiaries, the Bank hosted a gathering in October 2018 for directors of both the Bank and its subsidiaries to swap information.

7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:
The Bank commissioned the British Standards Institute to evaluate its CSR report against the GRI Standards (2016) and AA1000 frameworks.

Note: The Bank has enacted the following relevant rules and regulations: Financial Transaction Business Management Policy, Regulations Governing Suitability of Financial Derivatives, Regulations Governing the Sale of Structured Products, Procedures for Reviewing New Derivatives, Trust Business Risk Management Guidelines, Handbook for Custody of Venture Capital Investment Funds, Handbook for Undertaking Non-Discretionary Money Trusts for Investing in Domestic and Foreign Securities, and Handbook for Providing Advisory Services on Offering and Issuance of Securities.

(7) Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				None
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	v		(1) Upon its establishment in 1999, the Bank enacted the Self-Discipline Rules for Ethical Conduct. Employees were required to conform to all applicable codes and regulations. The guiding principle for interaction with customers was that one shall not, by virtue of his/her position at the Bank, secure any personal gains; shall not solicit business or secure business or personal gains by bribery, kickback, allowances, gratuities, or other illegal means; shall remain fair and impartial when conducting procurement or issuing invitations for bids; and shall not assist customers in falsifying documentation or overvaluing assets. The Bank also included the foregoing provisions together with Article 35 of the Banking Act—neither the responsible person nor any staff member of a Bank shall accept, under any pretense, commissions, rebates, and the amount of other unwarranted benefits from depositors, borrowers, or other customers—as common items for legal compliance. Training and examination thereof were conducted on a regular basis. In line with statutory changes and amendments, the Board of Directors adopted the Code of Ethical Conduct and Ethical Corporate Management Best-Practice Principles in 2015, followed by the enactment of the Procedures for Ethical Corporate Management and Guidelines for Conduct in 2016. Given their conviction of ethical management and commitment to being honest, transparent, and responsible, members of both the Board of Directors and management are set to keep up their implementation of ethical management policies, creating sound corporate governance, and building an environment for sustainable development.	
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	v		(2) The Bank's Ethical Corporate Management Best-Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Criteria Governing Codes of Ethical Conduct all unequivocally prohibit unethical conduct by employees and specify matters for their attention in the course of performing duties. Upon the discovery of any violation of ethical corporate management and conduct regulations, a report shall be made immediately to an independent director or managerial officer, the chief internal auditor, or another suitable managerial officer. Upon verification of any such allegations, the violator shall be dealt with in accordance with applicable laws and regulations or the Bank's internal regulations on employee rewards and penalties. Separately, while offering training to newly recruited employees and to all employees with regard to legal compliance, the Bank makes it a point to exhort them to stay honest and fair and conform to applicable laws and regulations in the course of performing their duties. As such, training on regulations related to ethical management is undertaken to ensure that all employees always keep good-faith management in mind and act accordingly.	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	v		(3) To ensure a well-rounded internal control system and operational security, the Bank requires personnel of specific departments to undergo periodic rotation. The Bank also resorts to negotiating with employees about taking holidays in a bid to further bolster risk management. Separately, the Bank has adopted the Regulations Governing the Review of Making Donations as the guideline for such activities. On top of the principles of honesty, integrity, and prudence, all business activities are undertaken in accordance with applicable regulations.	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
2. Fulfill operations integrity policy				None
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	v		(1) In accordance with applicable laws and regulations, the Bank has in place specific regulations governing lending, investment, trust, financial transactions, or other business dealings that involve interested parties. Also adopted are clearly defined regulations that specify the following: there shall be no preference for any specific party over the course of conducting procurement or issuing invitations for bids, and internal audit personnel shall be involved in the price negotiation process; personnel engaging in investment or lending shall conform to applicable internal regulations and honor the obligation of reporting when warranted, thereby preventing conflicts of interest. Given that the banking industry is required to secure sanctioning of the competent authority and thus subject to stringent supervision, the Bank is obligated to ensure that its business activities, donations, accounting system, and business secrets conform to the Company Act, Securities and Exchange Act, and Business Entity Accounting Act. In accordance with applicable laws and regulations, the Bank has also established an internal control and audit system and a self-audit system. Internal auditors and CPAs conduct random checks on the undertaking of business activities and submit reports to the Audit Committee and Board of Directors at least on a quarterly basis, thereby promoting sound management and ensuring the efficiency of business operations, reliability of financial reporting, and compliance with applicable laws and regulations.	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity and report implementation to the Board on a regular basis?	v		(2) To attain ethical corporate management, the corporate governance team under the Corporate Social Responsibility Committee is charged with the responsibility of enacting and implementing the Bank's ethical corporate management policy and related plans. It is also responsible for submitting reports on implementation results to the Board of Directors each year. Such reports are to contain results of promotion and training of ethical corporate management, accomplishment of the "informant's mailbox," and measures taken to prevent unethical conduct and the results thereof, which are all intended to ensure the Bank's ethical corporate management.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	v		(3) When the Board of Directors or Audit Committee meets, the Bank's highly self-disciplined directors refrain from participating in the discussion and voting process in relation to any matters that involve their personal interests and do not exercise the voting rights of other directors by proxy. Directors also exercise self-discipline and refrain from extending one another improper support otherwise. Meanwhile, corporate governance courses are made available to directors to enhance their capacity for supervision and governance, in turn strengthening the Bank's corporate governance and attaining ethical corporate management. Separately, the Bank has installed its whistleblower system in the corporate governance section of its website. Available therein are the Bank's Regulations for Handling Whistleblower Reports and the means by which to file such reports. Anyone who finds reason to implicate any person of the Bank in criminal acts, frauds, or violations of laws and regulations may file a report to the Bank by email or mail. To uphold corporate governance and ethical management, the Bank shall keep confidential both the identity of the whistleblower and the contents of the aforesaid report and take action to verify allegations therein.	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	v		(4) To faithfully conduct ethical management, the Bank has established effective internal control and accounting systems in accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. In addition to conducting audits of domestic business, financial, asset custody, information, and other management units on a regular basis, the Bank engages CPAs for routine audits in order to ensure effective operations of the said systems and the Bank's ethical management.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	v		(5) As prescribed by applicable regulations, the Bank organizes sessions to promote employee awareness of ethical management and offers training thereof each year. Highlights include the Principles for Ethical Management and the Procedures for Ethical Management and Guidelines for Conduct as well as instances of unethical conduct. Separately, the Bank undertakes sessions on a regular basis to familiarize all employees with the latest statutory developments and important instances of domestic banks or financial holding companies being penalized, thereby helping employees enhance ethical standards and strengthen compliance awareness. Meanwhile, training of self-audit personnel is also conducted on a regular basis to ensure effective implementation of self-audits, strengthen internal control of business units, and prevent unethical conduct.	
3. Operation of the integrity channel				None
(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	v		(1) The Bank has, in accordance with law, established a whistleblower system, including the Regulations for Handling Whistleblower Reports and a whistleblower mailbox. Employees are encouraged to report on unlawful and unethical conduct and any other act in violation of ethical management. Meanwhile, a unit with the capacity for performing duties independently is charged with the acceptance and investigations of whistleblower reports. Anyone found to have violated applicable laws and regulations shall be dealt with in accordance with the Bank's Regulations Governing the Rewards and Penalties for Employees and other applicable regulations.	
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	v		(2) The Bank has adopted stringent operating procedures for conducting investigations on allegations in whistleblower reports. The contents of these reports and the handling thereof as well as other related information are all kept confidential to protect both the whistleblower and personnel involved in such investigations.	
(3) Does the company provide proper whistleblower protection?	v		(3) The Bank keeps confidential all whistleblower reports—internal and external—so as to make sure that the whistleblower is not subject to any improper treatment accordingly.	
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	v		In addition to adopting its Principles for Ethical Conduct and Principles for Ethical Management, the Bank discloses its implementation of ethical management both in its annual report and on its website and the Market Observation Post System. Separately, the Bank's website also fully discloses other information with regard to its business operations, interest rates, and assessment of economic conditions for the reference of the general public. In accordance with applicable laws and regulations, the Bank also discloses material financial and operational information on the Market Observation Post System in a timely fashion. Meanwhile, the Bank's fulfillment of corporate social responsibility is disclosed in its annual report.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	

6. Other important information to facilitate a better understanding of the company's ethical corporate management policies.

To effectively implement its ethical management policy and promote sound business, the Bank has established a whistleblower system and relevant regulations. Strategic management is conducted to secure quantitative data for the evaluation of the Bank's effectiveness in implementing its ethical management policy:

(1)Success rate of training on ethical management:

To effectively establish measures to promote ethical management and prevent unethical conduct, the Bank organized a lecture on corporate governance and ethical management for directors in 2018. A lecturer from the Taiwan Corporate Governance Association helped the Bank's directors enhance awareness of corporate ethics and strengthen their capacity for corporate governance by speaking on the ethics principles for companies listed on the Taiwan Stock Exchange and Taipei Exchange. Separately, training on ethical management was also conducted across the Bank. Covered were such topics as the Principles for Ethical Management, the Procedures for Ethical Management and Guidelines for Conduct, instances of unethical conduct, and preventive measures for business activities vulnerable to the risk of unethical conduct. A total of 842 employees participated in the training, translating into a 100% success rate.

(2)Establishment of a whistleblower system:

To effectively implement corporate governance and ethical management, the Bank established its Regulations for Handling Whistleblower Reports in 2018. A dedicated mailbox (whistleblower@o-bank.com) and an address are made public on the Bank's website to solicit whistleblower reports, by email or mail, to the chief auditor on any unlawful and criminal acts, frauds, or other acts in violation of applicable laws and regulations. No such report was received in 2018.

(3)Ratio of imposing penalties against reports being presented on conduct in violation of ethical management principles in 2018:

No report was recorded on any conduct in violation of ethical management principles in 2018 and, therefore, no penalty was imposed.

(8) Corporate Governance Guidelines and Regulations

Please refer to the Bank's website (https://www.o-bank.com) as well as the Market Observation Post System (http://mops.twse.com.tw).

(9) Other Important Information Regarding Corporate Governance

Please refer to the Bank's website (https://www.o-bank.com).

(10) Internal Control Systems

A. Statement on Internal Control System

O-Bank Co., Ltd.

Statement on Internal Control System

1. On behalf of O-Bank Co., Ltd., we hereby certify that in the period from January 1, 2018 to December 31, 2018, the Bank duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, conducting risk management, designating an independent audit department to conduct audits, and presenting reports to the Board of Directors and Audit Committee on a regular basis. With regard to the securities business, the Bank assessed the effectiveness of the design and implementation of its internal control system based on the evaluation criteria set forth in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, we hereby certify that except items listed in the attachments, the internal control and legal compliance systems of all departments were effectively implemented during the year.
2. With regard to the Bank's concurrent conducting of insurance agent business
   (1) The Bank evaluates the effectiveness of the design and implementation of its internal control system based on the criteria provided in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" (hereafter the "Regulations"). According to the criteria set forth in the Regulations, there are five absolutely essential items: (A) controlled environment, (B) risk assessment, (C) controlled operations, (D) information and communication, and (E) supervision operations.
   (2) The Bank already evaluated the effectiveness of the design and implementation of its internal control system based on the aforesaid criteria.
   (3) Based on the results of the foregoing evaluation, the Bank regards the design and implementation of its internal control system (including affirmation of the soundness of business operations, reliability of reporting, and compliance with applicable laws and regulations) during the aforesaid period as effective, thereby providing reasonable assurance for achieving the goals cited above.
3. This Statement will be included as a major component of the Bank's annual report and other prospectuses and disclosed to the public. Any information contained in this Statement that is found to involve falsification, concealment, or other illegalities shall be subject to legal liabilities prescribed in Articles 20, 32, 171, and 174 of the Securities and Exchange Act or other applicable regulations listed above.
4. This Statement was approved by the Board of Directors on March 22, 2019.

The Statement is submitted to the Financial Supervisory Commission

Declarant
Chairman: Lo, Kenneth C. M.
President: Yang, Tony C. Y.
Chief Auditor: Fan, Vivian
Chief Compliance Officer: Liu, Nancy
March 22, 2019

O-Bank Internal Control System:

Items in Need of Improvement and Corrective Plan

(Record Date: December 31, 2018)

Items in Need of Improvement	Corrective Measure	Time Expected for Completion of Improvement
On May 1, 2018, or Labor Day, a public holiday in Taiwan, the Bank failed to allocate sufficient funds for its "Interbank Funds Transfer Guarantee Special Account." As a result, this adversely affected customers who sought to conduct interbank transfers of funds or withdraw cash from ATMs.	The Bank has since amended internal operation policies to strengthen the monitoring of the balances of various special accounts for settlement and bolster funds allocation and contingency procedures during non-business hours. A drill was also conducted on increasing funds allocation for interbank settlement special accounts during holidays.	Improvement completed

B. Where a CPA has been hired to carry out a special audit of the internal control system, the audit report shall be disclosed: None.

(11) Status of any sanctions imposed due to violations of laws or regulations in the most recent two years, and major deficiencies and status of the improvement thereof

Item	2017		2018		Up to the date of publication of this annual report	
	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement
Any indictment of a responsible person or employee by the prosecution for an occupational offense	None	-	None	-	None	-
Any fine imposed by the FSC for violation of applicable laws or regulations	The FSC's January 24, 2017 Letter Jin-Guan-Yin-Kong-Zi No. 10560005681: The Bank's deficiency in the supervision and management of its subsidiary IBT Leasing Co., Ltd. (hereafter "IBT Leasing") with regard to the latter's extending financing to Tingsing Group is determined to have violated Paragraph 1, Article 45-1 of the Banking Act and threaten to undermine sound business. Pursuant to Paragraph 1, Article 61-1 and Paragraph 7, Article 129 of the Banking Act, the Bank is imposed a fine of NT$2 million and requested to rectify the said deficiency.	The Bank has instructed and helped IBT Leasing to review relevant procedural regulations and strengthen its risk management mechanism. Personnel of the Bank and IBT Leasing involved in the said deficiency have completed courses offered in a special session designed to analyze and study instances of penalties imposed by the competent authority. The Bank presented a report to the FSC on May 2, 2017, detailing the status of rectifying the said deficiency. For its part, the FSC's Banking Bureau accepted the report and retained it for future reference.	None	-	None	-
Any sanctions imposed by the FSC pursuant to Article 61-1 of the Banking Act			None	-	None	-

Item	2017		2018		Up to the date of publication of this annual report	
	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement
Any security incident arising from employee infidelity or material contingencies (e.g. fraudulent acquisition, theft, misappropriation, or robbery of assets; forgery of documents or securities; acceptance of a bribe; losses from natural disaster; losses from external causes; hacker attack, data theft, or leak of trade secrets or customer data; or other such material incidents) or failure to faithfully adopt necessary measures for upholding security. If actual losses, whether singly or in aggregate, exceed NT$50 million in any given year, disclose the nature and amount of such losses.	None	-	None	-	None	-
Other disclosures required by the FSC	None	-	None	-	None	-

(12) Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major Resolutions of 2018 General Shareholders' Meeting

(A) Ratification of business report and financial statements for 2017

Implementation result: The aforesaid report and statements were disclosed by means of a public announcement in accordance with applicable regulations and submitted to the competent authority for future reference.

(B) Ratification of proposal for distribution of 2017 earnings

Implementation result: The Bank set July 21, 2018 as the ex-dividend record date and August 10 of the same year as the payout day. Shareholders were paid cash dividends of NT$0.3 for every share held, totaling NT$723,901,890.

(C) Approval of amendments to the Bank's Articles of Incorporation.

Implementation result: The newly amended Articles of Incorporation were adopted and made public on the Bank's website on June 14, 2018; the Ministry of Economic Affairs approved registration of the same on August 10 of the same year.

(D) Approval of proposal for release of non-competition restrictions on members of the 7th Board of Directors:

Name of Director	Name of Other Company and Concurrent Position Held
Lo, Tina Y. Vice Chairman	Director/KC Investments Corp. (BVI)
Chang, Nelson An-Ping Managing Director	Chairman/HKC Investment Corp. Chairman/Yun Cheng Investment Corp. Chairman/CS Development & Investment Co., Ltd.
Chen, Shih-Tze Director	Director/Crystal Lake Global Ltd. (BVI)
Tung, Ta-Nien Director	Chairman/Hung Yeh Investment Co., Ltd. Director/Hui Yang Venture Corp. Director/Chung Yi Investment Co., Ltd.

B. Major Resolutions of Board Meetings in 2018 and up tp March 22, 2019

(A) 2018/2/27: the 6th meeting of the 7th Board of Directors
- * Approval of the date, venue, and agenda of 2018 general shareholders' meeting
- * Approval of 2017 parent financial statements
- * Approval of proposal for distribution of 2017 earnings
- * Approval of proposal for director remunerations and employee remunerations for 2017
- * Approval of 2018 plan for risk management with regard to money laundering and financing of terrorism

(B) 2018/3/28: the 7th meeting of the 7th Board of Directors
- * Approval of business report and consolidated financial statements for 2017
- * Approval of amendments to the Bank's Articles of Incorporation
- * Approval of the O-Bank Co., Ltd. Regulations Governing Lending to Interested Parties to bolster corporate governance

(C) 2018/4/27: the 8th meeting of the 7th Board of Directors
- * Approval of applying to the competent authority for issuance of subordinated financial debentures.
- * Approval of evaluation of CPAs as independent and suitable and of the Bank's hiring them as such
- * Approval of the Bank's signing contracts and MOUs with President Securities Investment Trust Co., Ltd. on the sale of mutual funds

(D) 2018/5/23: the 9th meeting of the 7th Board of Directors
- * Approval of the Bank's launching the O-Bank Number One Real Estate Investment Trust (REITs) Fund and selling it to interested parties and affiliated businesses

(E) 2018/6/27: the 10th meeting of the 7th Board of Directors
- * Setting of July 21, 2018 as the record date for distribution of 2017 cash dividends
- * Approval of undertaking of the Bank's 2018 capital increase by issuing registered preferred stock A
- * Approval of reengagement of Lotus International Law Office and engagement of Peace & Grace International Attorneys at Law as the Bank's legal counsels to accommodate its business endeavors becoming increasingly diversified
- * Approval of adoption of the Recovery Plan for the Hong Kong Branch

(F) 2018/8/22: the 11th meeting of the 7th Board of Directors
- * Approval of consolidated and parent financial statements for the first half of 2018
- * Approval of adoption of the Bank's Regulations for Handling Whistleblower Reports

* Approval of applying to the competent authority for setting up a consumer finance joint venture in mainland China to develop the consumer finance market there

(G) 2018/9/26: the 12th meeting of the 7th Board of Directors
* Approval of the Bank's reporting to the competent authority on IBT International Leasing Corp.'s absorption M&A of IBT Tianjin International Leasing Co., Ltd. with a view to further developing its leasing business in mainland China

(H) 2018/10/30: the 13th meeting of the 7th Board of Directors
* Approval of adoption of O-Bank Group Policy for Sharing AML/CFT Information
* Approval of adoption of the Bank's Information Security Policy
* Approval of amendments of the Bank's Corporate Social Responsibility Committee Organizational Rules
* Approval of amendments to the Bank's Information Security Guidelines and adoption of the Information Security Policy
* Approval of amendments to the Bank's Regulations for Handling Customer Complaints and Financial Consumer Disputes

(I) 2018/12/27: the 14th meeting of the 7th Board of Directors
* Approval of budgets proposed for 2019
* Approval of the Bank's replacing its CPAs from the first quarter of 2019
* Approval of 2019 audit plan
* Approval of 2019 internal audit plan for the insurance agent business
* Approval of 2019 guiding principles for market risk management as well as liquidity and interest rate risk management
* Approval of adoption of the Bank's Regulations for Managing Political Donations and of amendments to the Regulations for Reviewing Proposed Donations
* Approval of adoption of the Bank's Operational Regulations for the Trust Department's Full Understanding of Customers—Applicable to Professional Investors

(J) 2019/2/27: the 15th meeting of the 7th Board of Directors
* Approval of the date, venue, and agenda of 2019 general shareholders' meeting
* Approval of 2018 parent financial statements
* Approval of proposal for distribution of 2018 earnings
* Approval of proposal for director remunerations and employee remunerations for 2018

(K) 2019/3/22: the 16th meeting of the 7th Board of Directors
* Approval of business report and consolidated financial statements for 2018
* Approval of adoption of the Bank's Internal Regulations Governing the Holding of Concurrent Positions by Responsible Persons
* Approval of amendments to the Bank's Regulations Governing Real Estate Transactions With Interested Parties

(13) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

(14) Resignation or Dismissal of the Company's Key Individuals, including the Chairman, President, and Heads of Accounting, Finance and Internal Audit

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Head of Finance	Chen, Tessie	2003.06.16	2018.09.17	Change of Position and Retirement

5. Information Regarding the Company's Audit Fee

(1) Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Yang, Chen-Hsiu Chen, Li-Chi	Jan. 1~ Dec. 31, 2018	

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000			
2	NT$2,000,001 ~ NT$4,000,000			
3	NT$4,000,001 ~ NT$6,000,000	v		
4	NT$6,000,001 ~ NT$8,000,000			
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$10,000,000		v	v

(2) Amount of Audit Fee and Non-Audit Fee and Services of Non-Audit Fee

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Yang, Chen-Hsiu Chen, Li-Chi	4,870	-	-	-	17,758	17,758	2018.01.01-2018.12.31	Non-audit fees for 2018 were meant mainly for services with regard to personal information, AML, and information security projects as well as intenral control audits; CRS and FATCA counseling; introduction of IFRS 9; counseling for preferred stock issuance; and review of financial debenture issuance.

6. Replacement of CPA

(1) Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="4">Approved by the Board of Directors on December 27, 2018</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="4">In accordance with the internal rotation of the Bank's CPA firm Deloitte Taiwan, the Bank's CPAs Yang Chen-hsiu and Chen Li-chi would be replaced with Eric Lin and Joe Chen from the first quarter of 2019.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td colspan="2">Parties
Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td colspan="2">Termination of appointment</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">No longer accepted (continued) appointment</td><td>-</td><td>-</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="4">Not Applicable</td></tr>
<tr><td rowspan="6">Differences with the company</td><td rowspan="4">Yes</td><td>-</td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td>-</td><td colspan="2">Disclosure of Financial Statements</td></tr>
<tr><td>-</td><td colspan="2">Audit scope or steps</td></tr>
<tr><td>-</td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">v</td></tr>
<tr><td colspan="4">Remarks/specify details: None</td></tr>
<tr><td>Other Revealed Matters</td><td colspan="4">None</td></tr>
</table>

(2) Regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Eric Lin, Joe Chen
Date of appointment	Approved by the Board of Directors on December 27, 2018
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(3) The reply letter from former CPAs with regard to matters spelled out in Article 10.6.1 and Article 10.6.2.3 of these Regulations: Not Applicable.

7. Audit Independence

The Company's Chairman, President, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2018.

8. Changes in Shareholding of Directors, Managers and Major Shareholders

(1) Changes of Shareholding

A. Transfers of shareholdings and changes in pledges of such by directors and managerial officers

Unit: Shares

Title	Name	2018		As of Apr. 16, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Yi Chang Investment Co., Ltd.(Note1)	1,610,000 *23,786,204	-	-	-
	Rep. : Lo, Kenneth C.M.	*128,945	-	-	-
Vice Chairman	Ming Shan Investment Co., Ltd.(Note1)	7,984,000 *23,972,980	-	-	-
	Rep. : Lo, Tina Y.	*10,743	-	-	-
Managing Director	Taiwan Cement Corporation(Note1)	*2,955,881	-	-	-
	Rep. : Chang, Nelson An-Ping	-	-	-	-
Independent Managing Director	Chan, Hou-Sheng	-	-	-	-
Managing Director	Yi Chang Investment Co., Ltd.(Note1)	1,610,000 *23,786,204	-	-	-
	Rep. : Yang, Tony C.Y.	*3,000,000 (including 3,000,000 held through nominees)	-	-	-
Director	Tai Ya Investment Co., Ltd.(Note1)	*7,490,185	-	-	-
	Rep.:Chen, Shih-Tze	-	-	-	-
Director	Yi Chang Investment Co., Ltd.(Note1)	1,610,000 *23,786,204	-	-	-
	Rep. : Lin, Gordon W.C.	*18,608	-	-	-
Director	Abag Investment Holdings Co., Ltd. (Rep.: Tcheng, George)	-	-	-	-
Director	Lee, Mark	*9,984	-	-	-
Director	Pioneer Chemical Corp. (Rep.: Sheng, Bobby)	-	-	-	-
Independent Director	Yue, Thomas	-	-	-	-
Independent Director	Liu, Richard R.C.	-	-	-	-
Director	Ming Shan Investment Co., Ltd.(Note1)	7,984,000 *23,972,980	-	-	-
	Rep.: Lo, Nina	-	-	-	-
Director	Wang Hsiang Co., Ltd. (Rep.:Tung, Ta-Nien)	-	-	-	-
Director	Tai Ya Investment Co., Ltd.(Note1)	*7,490,185	-	-	-
	Rep.: Chang, David C.C.	*200,000	-	-	-
President	Yang, Tony C.Y.	*3,000,000 (including 3,000,000 held through nominees)	-	-	-
Deputy President	Chang, David C.C.	*200,000	-	-	-
Deputy President	Lee, Elton	-	-	-	-
Deputy President	Lin, Roger	*300,000	-	-	-

Title	Name	2018		As of Apr. 16, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior Executive Vice President	Sung, Jerry(2019.03.18 outgoing)	96,000	-	-	-
Senior Executive Vice President	Chang, Niel (2018.09.17 Incoming)	-	-	-	-
Senior Executive Vice President	Chen, Tessie(2018.10.01 outgoing)	-	-	/	/
Senior Executive Vice President	Huang, Indra	*3,000,596 (including 3,000,000 held through nominees)	-	-	-
Senior Executive Vice President	Liu, Nancy	*300,000	-	-	-
Senior Executive Vice President	Wei, Jonathan	-	-	-	-
Executive Vice President	Wang, Angela	*150,000	-	-	-
Executive Vice President	Fan, Vivian	*300,000	-	-	-
Executive Vice President	Wang, John (2018.01.15 Incoming)	*25,000	-	-	-
Executive Vice President	Chin, Teddy	*30,000	-	-	-
Executive Vice President	Lin, Brian(2018.05.05 outgoing)	-	-	/	/
Executive Vice President	Lai, Joseph	*100,000	-	-	-
Executive Vice President	Jen, Paul (2018.03.14 outgoing)	-	-	/	/
Executive Vice President	Shao,Wen	*100,000	-	-	-
Executive Vice President	Yeh, Sherry	-	-	-	-
Executive Vice President	Hsu, Seline (2018.02.14 outgoing)	-	-	-	-
Executive Vice President	Mo, Michelle	*50,000	-	-	-
Executive Vice President	Chu, Chris (2018.10.04 Incoming)	-	-	-	-
Executive Vice President	Kuo, Jonathan (2018.03.29 outgoing)	-	-	/	/
Executive Vice President	Fang, Stanley (2018.03.15 Incoming)	-	-	-	-
Executive Vice President	Tyane, Edward (2018.02.01 Incoming)	*120,000	-	-	-
Executive Vice President	Wu, Tony(2018.08.01 outgoing)	-	-	/	/
Executive Vice President	Lin, Tom	-	-	-	-
Senior Vice President	Fang, Andy	-	-	-	-
Senior Vice President	Siew, Joy (2018.03.01 Incoming)	*300,000	-	-	-
Senior Vice President	Lin, Erick (2018.03.01 Incoming)	34,000	-	94,000	-
Senior Vice President	Lin, Daisy (2018.03.12 Incoming)	*50,000	-	-	-
Senior Vice President	Hsiao, Birnice (2018.03.01 Incoming)	-	-	-	-
Senior Vice President	Chan, James (2018.03.29 outgoing)	-	-	/	/
Senior Vice President	Cheng, Tina	-	-	-	-
Senior Vice President	Wu, Allan(2018.10.04 outgoing)	-	-	/	/
Senior Vice President	Liu, Michelle	*5,000	-	-	-
Senior Vice President	Yang, Becky	-	-	-	-
Senior Vice President	Yan, Eugene	-	-	-	-
Senior Vice President	Chen, Paul	*50,000	-	-	-
Senior Vice President	Tan, Kevin (2018.03.01 Incoming)	*50,000	-	-	-

Title	Name	2018		As of Apr. 16, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior Vice President	Chiu, Jean (2018.03.01 Incoming)	-	-	-	-
Senior Vice President	Wang, Daisy (2018.03.01 Incoming)	-	-	-	-
Senior Vice President	Soong, Grace	-	-	-	-
Vice President	Chang, Wesley	*12,585	-	-	-
Vice President	Yang, Alan (2018.03.01 outgoing)	-	-	/	/
Vice President	Lee, Daisy	-	-	-	-
Vice President	Wei, Calvin(2018.03.15 outgoing)	-	-	/	/
Vice President	Chang, Wayne (2018.01.01 Incoming)	-	-	/	/
Vice President	Liu, David	-	-	-	-
Vice President	Lin, Jerry(2018.05.01 outgoing)	-	-	/	/
Vice President	Tsai, Sabrina (2018.07.01 Incoming)	-	-	-	-
Vice President	Chang, Ophelia (2019.02.28 Incoming)	/	/	-	-
Vice President	Li, Barry (2019.02.28 Incoming)	/	/	-	-
Vice President	Chang, Michael	-	-	-	-
Assistant Vice President	Tsai, Rex (2019.03.04 outgoing)	-	-	-	-
Manager	Chen, Linzy (2018.01.10 Incoming)	-	-	-	-
Same Person	Lo, Kenneth C.M.	*128,945	-	-	-
Same Related Person	Lo, Tina Y.	*10,743	-	-	-
Same Related Person	Ming Shan Investment Co., Ltd.(Note1)	7,984,000 *23,972,980	-	-	-
Same Related Person	Yi Chang Investment Co., Ltd.(Note1)	1,610,000 *23,786,204	-	-	-
Same Related Person	Tai Ya Investment Co., Ltd(Note1)	*7,490,185	-	-	-
Same Related Person	Tai Hsuan Investment Co., Ltd.(Note1)	*23,731,226	-	-	-

Note1: Major shareholders who hold over 1% of the total number of issued shares of the Bank.
Note2: "*" denotes Class A Preferred Shares in this Table.
Note3: In columns of this table "-" is used to indicate no increase or decrease.

B. Reporting on transfers of shareholdings and changes in pledges of such in accordance with Article 11 of the Regulations Governing a Same Person or Same Concerned Party Holding the Issued Shares With Voting Rights Over a Particular Ratio of a Bank

Title	Name	2018		As of Apr. 16, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase(Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Same Person	Lo, Kenneth C.M.	-	-	-	-
Same Related Person	Lo, Tina Y.	-	-	-	-
Same Related Person	Ming Shan Investment Co., Ltd.(Note1)	7,984,000	-	-	-
Same Related Person	Yi Chang Investment Co., Ltd.(Note1)	1,610,000	-	-	-
Same Related Person	Tai Ya Investment Co., Ltd(Note1)	-	-	-	-
Same Related Person	Tai Hsuan Investment Co., Ltd.(Note1)	-	-	-	-

Note1: Major shareholders who hold over 1% of the total number of issued shares of the Bank.
Note2: "*" denotes Class A Preferred Shares in this Table.
Note3: In columns of this table "-" is used to indicate no increase or decrease.

(2) Shares Trading with Related Parties: None.

(3) Shares Pledge with Related Parties: None.

9. Relationship among the Top Ten Shareholders

As of April 16, 2019

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ming Shan Investment Co., Ltd. Rep. : Chen, Shih-Tze	270,664,947	9.98%	-	-	-	-	Chen, Shih-Tze	Chairman is the same person	-
Yi Chang Investment Co., Ltd. Rep. : Chen, Shih-Tze	264,040,288	9.73%	-	-	-	-			-
Tai Hsuan Investment Co., Ltd. Rep. : Chen, Shih-Tze	262,329,559	9.67%	-	-	-	-			-
Tai Ya Investment Co., Ltd. Rep. : Chen, Shih-Tze	82,797,953	3.05%	-	-	-	-			-
Heng Tong Machinery Co., Ltd. Rep. : Tseng, Tsai-Bau	148,374,456	5.47%	-	-	-	-	-	-	-
China Steel Corporation Rep. : Wong, Chao-Tung	103,847,695	3.83%	-	-	-	-	-	-	-
ADI Corporation Rep. : Liao, Chi-Cheng	103,847,695	3.83%	-	-	-	-	-	-	-
Chailease Finance Co., Ltd. Rep. : Chen, Albert F.L.	92,694,047	3.42%	-	-	-	-	-	-	-
Hung Sheng Construction Co., Ltd. Rep. : Lin, Hsin-Chin	80,481,963	2.97%	-	-	-	-	-	-	-
San Ho Plastics Fabrication Co., Ltd. Rep. : Cheng, Chung-Ming	54,852,278	2.02%	-	-	-	-	-	-	-

Note: Numbers and ratios of shareholdings refer to both common and preferred shares.

10. Ownership of Shares in Affiliated Enterprises

As of Dec. 31, 2018
Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors and Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
IBT Holdings Corp.	10,869,286	100.00	-	-	10,869,286	100.00
IBT Management Corporation	13,400,000	100.00	-	-	13,400,000	100.00
IBT Leasing Co., Ltd.	264,300,000	100.00	-	-	264,300,000	100.00
China Bills Finance Corporation	380,981,600	28.37	1,549,600	0.11	382,531,200	28.48
IBT II Venture Capital Co., Ltd. (dissolved and liquidated in March 2017)	9,847,450	-	4,595,476	-	14,442,926	-
Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) (dissolved and liquidated in November 2016)	318,280,588	-	-	-	318,280,588	-

IV. Capital Overview

1. Capital and Shares

(1) Source of Capital

A. Issued Shares

Unit: NT$; shares

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
Aug. 1999	10	2,300,000,000	23,000,000,000	2,300,000,000	23,000,000,000	Initial capital		1999/5/14 (1999) Tai-Cai-Zheng (1) No. 16978
Aug. 2000	10	35,234,043	352,340,430	35,234,043	352,340,430	Capital increase from retained earnings		2000/7/12 (2000) Tai-Cai-Zheng (1) No. 60116
Aug. 2001	10	30,358,043	303,580,430	30,358,043	303,580,430	Capital increase from retained earnings		2001/7/12 (2001) Tai-Cai-Zheng (1) No. 145190
July 2002	10	24,914,215	249,142,150	24,914,215	249,142,150	Capital increase from retained earnings		2002/7/9 Tai-Cai-Zheng-Yi-Zi No. 0910137604
July 2004	10	200,000,000	2,000,000,000			Appropriation for employee share subscription warrants		2004/7/16 Jing-Shou-Shang-Zi No. 0930129910
May 2017	7~9.3			22,500,000	225,000,000	Capital increase by cash		2017/5/4 Tai-Zheng-Shang-Yi-Zi No. 10600075162 2017/7/4 Jing-Shou-Shang-Zi No. 10601090090
Nov 2018	10	909,493,699	9,094,936,990	300,000,000	3,000,000,000	Issuance of preferred stock A		2018/10/3 Jin-Guan-Zheng-Fa No.1070335566 2018/12/21 Jing-Shou-Shang-Zi No.10701154030
Total		3,500,000,000	35,000,000,000	Common Shares: 2,413,006,301 Preferred Shares: 300,000,000	Common Shares: 24,130,063,010 Preferred Shares: 3,000,000,000			

B. Type of Stock

Unit: NT$; shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	2,413,006,301	786,993,699	3,500,000,000	Listed Shares
Preferred Shares	300,000,000			

(2) Status of Shareholders

A. Common Shares

As of April 16, 2019
Unit: shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Individuals	Treasury Stock	Total
Number of Shareholders	1	2	102	77	20,501	0	20,683
Shareholding (shares)	100	2,232,814	1,959,474,044	23,439,066	427,860,277	0	2,413,006,301
Percentage	0.00%	0.09%	81.21%	0.97%	17.73%	0.00%	100.00%

B. Preferred Shares

As of April 16, 2019
Unit: shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Individuals	Treasury Stock	Total
Number of Shareholders	0	1	39	2	6,291	0	6,333
Shareholding (shares)	0	4,855,000	241,190,459	496	53,954,045	0	300,000,000
Percentage	0.00%	1.62%	80.40%	0.00%	17.98%	0.00%	100.00%

(3) Shareholding Distribution Status

A. Common Shares

As of April 16, 2019

Class of Shareholding (Unit: Share)			Number of Shareholders	Shareholding (Shares)	Percentage
1	~	999	2,575	792,543	0.03%
1,000	~	5,000	8,449	20,336,003	0.84%
5,001	~	10,000	2,443	20,509,195	0.85%
10,001	~	15,000	4,254	46,126,913	1.92%
15,001	~	20,000	717	13,563,662	0.56%
20,001	~	30,000	657	16,486,965	0.68%
30,001	~	50,000	301	10,673,252	0.44%
50,001	~	100,000	241	11,359,765	0.47%
100,001	~	200,000	460	33,279,566	1.38%
200,001	~	400,000	247	33,886,506	1.40%
400,001	~	600,000	134	35,865,420	1.49%
600,001	~	800,000	68	33,290,448	1.38%
800,001	~	1,000,000	19	13,389,651	0.55%
1,000,001 or over			10	9,009,257	0.37%
Total			108	2,114,437,155	87.64%

B. Preferred Shares

As of April 16, 2019

Class of Shareholding (Unit: Share)			Number of Shareholders	Shareholding (Shares)	Percentage
1	~	999	986	318,603	0.11%
1,000	~	5,000	4,625	19,723,844	6.57%
5,001	~	10,000	333	2,561,068	0.85%
10,001	~	15,000	89	1,150,698	0.38%
15,001	~	20,000	47	890,872	0.30%
20,001	~	30,000	69	1,823,821	0.61%
30,001	~	40,000	19	699,506	0.23%
40,001	~	50,000	41	1,951,957	0.65%
50,001	~	100,000	49	3,764,464	1.25%
100,001	~	200,000	27	3,982,913	1.33%
200,001	~	400,000	14	3,741,823	1.25%
400,001	~	600,000	3	1,409,523	0.47%
600,001	~	800,000	1	602,000	0.20%
800,001	~	1,000,000	4	3,955,000	1.32%
1,000,001 or over			26	253,423,908	84.48%
Total			6,333	300,000,000	100.00%

(4) List of Major Shareholders

As of April 16, 2019

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
Ming Shan Investment Co., Ltd.	270,664,947	9.98
Yi Chang Investment Co., Ltd.	264,040,288	9.73
Tai Hsuan Investment Co., Ltd.	262,329,559	9.67
Heng Tong Machinery Co., Ltd.	148,374,456	5.47
China Steel Corporation	103,847,695	3.83
ADI Corporation	103,847,695	3.83
Chailease Finance Co., Ltd.	92,694,047	3.42
Tai Ya Investment Co., Ltd	82,797,953	3.05
Hung Sheng Construction Co., Ltd.	80,481,963	2.97
San Ho Plastics Fabrication Co., Ltd.	54,852,278	2.02

Note: Numbers and ratios of shareholdings refer to both common and preferred shares.

(5) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$

Items	2018	2017	2019/3/31
Market Price per Share			
Highest Market Price	9.17	9.89	8.00
Lowest Market Price	7.40	8.60	7.64
Average Market Price	8.40	8.95	7.83
Net Worth per Share			
Before Distribution	12.01	12.14	12.40 (Note2)
After Distribution	(Note 1)	11.84	Not applicable
Earnings per Share			
Weighted Average Shares (thousand shares)	2,415,113	2,407,662	2,414,228 (Note2)
Diluted Earnings Per Share	0.40	0.45	0.2 (Note2)
Adjusted Diluted Earnings Per Share	-	-	-
Dividends per Share			
Cash Dividends	(Note 1)	0.30	Not applicable
Stock Dividends			
• Dividends from Retained Earnings	-	-	-
• Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			
Price / Earnings Ratio (Note 1)	21.00	19.89	-
Price / Dividend Ratio (Note 2)	(Note 1)	29.83	-
Cash Dividend Yield Rate (Note 3)	(Note 1)	3.35	-

Note 1: Not for disclosure as the amount has not yet been approved by the 2019 general shareholder's meeting.
Note 2: The figures are calculated based on financial statements dated March 31, 2019 but not yet audited by CPA.

(6) Dividend Policy and Implementation Status

A. Dividend Policy

The Bank's dividend policy is spelled out in Article 32-1 of the Articles of Incorporation:

If there is a profit after its annual closing of books, the Bank shall first set aside funds for taxes and offset the accumulated losses from previous years before appropriating 30% of the profit toward its legal reserve. No appropriation shall be required if the Bank's legal reserve already equals the total amount of its paid-in capital. The balance thereof shall then be set aside for a special reserve or special reserve reversal and used to distribute preferred stock dividends. Based on the remaining balance, if any, together with the retained earnings accumulated from previous years, the Board of Directors shall propose an earnings distribution plan and present it to the General Meeting of Shareholders for a resolution on dividend payout.

Before the legal reserve equals the total amount of capital stock, the maximum cash distribution of earnings shall not exceed 15% of the total amount of paid-in capital.

With regard to the foregoing dividend distribution, the Bank adopts a policy of stability and balance that takes into account capital budget planning, capital needs for business operations, and commitment to a sound financial structure. In particular, the cash dividend payout shall account for not less than 20% of the total dividend payout for any given year. The aforesaid method of dividend distribution is intended only as a principle-based guideline; the Bank may consider actual needs and, via the Board of Directors, propose an amendment and seek shareholder approval in the form of a resolution adopted by a shareholders' meeting.

B. Proposed Distribution of Dividend

The Bank has taken notice of the competent authority's intention to get aligned with international practices by revising regulations that govern the calculation of regulatory capital. To bolster its regulatory capital structure and ensure its capital adequacy, the Bank intends to, except for appropriating NT$11,527,000 for preferred stock dividend payment, retain the entirety of the year's earnings available for distribution.

(7) Impact of the stock dividend distribution proposed at this shareholders' meeting upon the Bank's business performance and earnings per share: Not applicable.

(8) Compensation of Employees and Directors

A. Information Relating to Compensation of Employees and Directors in the Articles of Incorporation

Article 22

If the Bank records a profit in a year, the Bank shall appropriate not more than 2.5% of the profit for director remunerations, but independent directors shall be excluded from such distribution. If the Bank has accumulated losses, however, the aforesaid profit shall be used to offset accumulated losses first.

Article 32

If the Bank records a profit in a year, the Bank shall set aside 1-2.5% of the profit for employee remunerations. If the Bank has accumulated losses, however, the profit shall be used to offset the aforesaid accumulated losses first.

Distribution of employee remunerations in stock or cash shall require a resolution adopted through a majority vote of the directors present at a meeting attended by not less than two-thirds of all directors, which in turn shall be submitted to a shareholders' meeting. The employees entitled to the aforesaid remunerations may include those employed by the Bank's affiliated companies who meet specific requirements.

B. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

After a given fiscal year runs its course, any major discrepancy deriving from the actual distribution amount adopted by the Board of Directors will be recorded as an expense for the year.

C. Distribution of Compensation of Employees and Directors for 2018 Approved in the Board of Directors Meeting

(A) In 2019, the Board of Directors approved cash dividends of NT$14,632,000 in employee remunerations and NT$29,265,000 in director remunerations, showing no discrepancy with those specified in the Bank's financial statements for 2018.

(B) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

D. On February 27, 2018, the Board of Directors approved cash dividends of NT$15,919,000 in employee remunerations and NT$31,838,000 in director remunerations for 2017, showing no discrepancy with those specified in the Bank's financial statements for 2017.

(9) Buyback of Treasury Stock: None.

2. Bonds

(1) Corporate Bonds

Bank Debenture Type	2012 Subordinated Bank Debentures, Phase I
Date/reference number of the competent authority's approval letter	2011/9/20 Jin-Guan-Yin-Piao-Zi No. 10000325640
Date of issuance	2012/8/17
Denomination	NT$10 million
Place of issuance and for trading	-
Currency	NT$
Issue price	Issue by denomination
Total amount	NT$1.65 billion
Interest rate	1.85% per annum
Tenor	7 years maturity date: 2019/8/17
Priority	Subordinated
Guarantor	-
Consignee	-
Underwriter	IBT Securities Co., Ltd.
Certifying attorney	-
CPA	Huang, Terence
Certifying institution	-
Repayment method	Repayment in lump sum upon maturity
Outstanding balance	NT$1.65 billion
Paid-in capital of the previous year	NT$23,905,063,000
Shareholders' equity of the previous year	NT$25,992,383,000
Performance	-
Terms for redemption or early repayment	None
Terms for conversion and exchange	None
Restrictive clause	Subordinated
Funds utilization plan	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	37.24%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	Agency: Taiwan Ratings Date: 2012/8/6 Rating: twA-

Bank Debenture Type	2013 Subordinated Bank Debentures, Phase I	2014 Subordinated Bank Debentures, Phase I	2014 Subordinated Bank Debentures, Phase II
Date/reference number of the competent authority's approval letter	2012/9/25 Jin-Guan-Yin-Piao-Zi No. 10100299690	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650
Date of issuance	2013/5/30	2014/3/27	2014/6/26
Denomination	NT$10 million	NT$10 million	NT$10 million
Place of issuance and for trading	-	-	-
Currency	NT$	NT$	NT$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT$2.3 billion	NT$1.3 billion	NT$1 billion
Interest rate	1.95% per annum	1.95% per annum	1.85% per annum
Tenor	7 years maturity date: 2020/5/30	7 years maturity date: 2021/3/27	7 years maturity date: 2021/6/26
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	IBT Securities Co., Ltd. as lead underwriter	IBT Securities Co., Ltd. as lead underwriter	IBT Securities Co., Ltd. as lead underwriter
Certifying attorney	-	-	-
CPA	Yang, Chen-hsiu	Yang, Chen-hsiu	Yang, Chen-hsiu
Certifying institution	-	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT$2.3 billion	NT$1.3 billion	NT$1 billion
Paid-in capital of the previous year	NT$23,905,063,000	NT$23,905,063,000	NT$23,905,063,000
Shareholders' equity of the previous year	NT$25,992,383,000	NT$26,265,527,000	NT$26,265,527,000
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	44.56%	45.23%	49.04%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	Agency: Taiwan Ratings Date: 2014/9/30 Rating: twBBB	Agency: Taiwan Ratings Date: 2014/9/30 Rating: twBBB	Agency: Taiwan Ratings Date: 2014/9/30 Rating: twBBB

Bank Debenture Type	2014 Subordinated Bank Debentures, Phase III	2014 Subordinated Bank Debentures, Phase IV	2015 Subordinated Bank Debentures, Phase I
Date/reference number of the competent authority's approval letter	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650	2015/1/16 Jin-Guan-Yin-Piao-Zi No. 10400001080
Date of issuance	2014/9/26	2014/11/5	2015/12/29
Denomination	NT$10 million	NT$10 million	NT$10 million
Place of issuance and for trading	-	-	-
Currency	NT$	NT$	NT$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT$600 million	NT$1.5 billion	NT$1 billion
Interest rate	1.95% per annum	2.20% per annum	1.85% per annum
Tenor	7 years maturity date: 2021/9/26	7.5 years maturity date: 2022/5/5	7 years maturity date: 2022/12/29
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	KGI Securities Co., Ltd. as lead underwriter	Yuanta-Polaris Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-	-
CPA	Yang, Chen-hsiu	Yang, Chen-hsiu	Yang, Chen-hsiu
Certifying institution	-	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT$600 million	NT$1.5 billion	NT$1 billion
Paid-in capital of the previous year	NT$23,905,063,000	NT$23,905,063,000	NT$23,905,063,000
Shareholders' equity of the previous year	NT$26,265,527,000	NT$26,265,527,000	NT$27,725,528,000
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	51.32%	57.03%	53.92%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	Agency: Taiwan Ratings Date: 2014/9/30 Rating: twBBB	Agency: Taiwan Ratings Date: 2014/10/29 Rating: twBBB	-

Bank Debenture Type	2016 Subordinated Bank Debentures, Phase I, Batch A	2016 Subordinated Bank Debentures, Phase I, Batch B	2017 Subordinated Bank Debentures, Phase I
Date/reference number of the competent authority's approval letter	2016/4/20 Jin-Guan-Yin-Piao-Zi No. 10500083270	2016/4/20 Jin-Guan-Yin-Piao-Zi No. 10500083270	2016/9/8 Jin-Guan-Yin-Piao-Zi No. 10500215650
Date of issuance	2016/6/29	2016/6/29	2017/9/5
Denomination	NT$10 million	NT$10 million	NT$10 million
Place of issuance and for trading	-	-	-
Currency	NT$	NT$	NT$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT$1.5 billion	NT$1.5 billion	NT$2 billion
Interest rate	1.70% per annum	1.80% per annum	1.97% per annum
Tenor	7 years maturity date: 2023/6/29	8 years maturity date: 2024/6/29	10 years maturity date: 2027/9/5
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-	-
CPA	Yang, Chen-hsiu	Yang, Chen-hsiu	Yang, Chen-hsiu
Certifying institution	-	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT$1.5 billion	NT$1.5 billion	NT$2 billion
Paid-in capital of the previous year	NT$23,905,063,000	NT$23,905,063,000	NT$23,905,063,000
Shareholders' equity of the previous year	NT$28,482,879,000	NT$28,482,879,000	NT$28,478,741,000
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	63.02%	63.02%	65.49%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	-	-	-

Bank Debenture Type	2017 Subordinated Bank Debentures, Phase II, Batch A	2017 Subordinated Bank Debentures, Phase II, Batch B
Date/reference number of the competent authority's approval letter	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320
Date of issuance	2017/12/27	2017/12/27
Denomination	NT$10 million	NT$10 million
Place of issuance and for trading	-	-
Currency	NT$	NT$
Issue price	Issue by denomination	Issue by denomination
Total amount	NT$750 million	NT$1 billion
Interest rate	4.00% per annum	1.82% per annum
Tenor	No maturity date (Note)	10 years maturity date: 2027/12/27
Priority	Subordinated	Subordinated
Guarantor	-	-
Consignee	-	-
Underwriter		
Certifying attorney	-	-
CPA	Yang, Chen-hsiu	Yang, Chen-hsiu
Certifying institution	-	-
Repayment method	Note	Repayment in lump sum upon maturity
Outstanding balance	NT$750 million	NT$1 billion
Paid-in capital of the previous year	NT$23,905,063,000	NT$23,905,063,000
Shareholders' equity of the previous year	NT$28,478,741,000	NT$28,478,741,000
Performance	-	-
Terms for redemption or early repayment	None	None
Terms for conversion and exchange	None	None
Restrictive clause	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	71.63%	71.63%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	-	-

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5.3 years after their issuance (after 2023/4/15) if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

Bank Debenture Type	2018 Subordinated Bank Debentures, Phase I, Batch A	2018 Subordinated Bank Debentures, Phase I, Batch B
Date/reference number of the competent authority's approval letter	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320 and 2018/6/14 Jin-Guan-Yin-Piao-Zi No. 10702116800
Date of issuance	2018.6.29	2018.6.29
Denomination	NT$10 million	NT$10 million
Place of issuance and for trading	-	-
Currency	NT$	NT$
Issue price	Issue by denomination	Issue by denomination
Total amount	NT$700 million	NT$1.05 billion
Interest rate	4.00% per annum	1.75% per annum
Tenor	Maturity date: none (Note)	10 years Maturity date: 2028/6/29
Priority	Subordinated	Subordinated
Guarantor	-	-
Consignee	-	-
Underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-
CPA	Yang, Chen-hsiu	Yang, Chen-hsiu
Certifying institution	-	-
Repayment method	(Note)	Repayment in lump sum upon maturity
Outstanding balance	NT$700 million	NT$1.05 billion
Paid-in capital of the previous year	NT$24,130,063,000	NT$24,130,063,000
Shareholders' equity of the previous year	NT$28,558,691,000	NT$28,558,691,000
Performance	-	-
Terms for redemption or early repayment	None	None
Terms for conversion and exchange	None	None
Restrictive clause	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	62.50%	62.50%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	-	-

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5.3 years after their issuance (after 2023/10/16) if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

(2) Convertible Bonds: None.

(3) Exchangeable Bonds: None.

(4) Shelf Registration for Issuing Bonds: None.

(5) Corporate Bonds with Warrants: None.

3. Preferred Shares

<table>
<tr><th colspan="2">Item / Issuance (launch) date</th><th>November 29, 2018</th></tr>
<tr><td colspan="2">Face value</td><td>NT$10</td></tr>
<tr><td colspan="2">Issuance price</td><td>NT$10 per share</td></tr>
<tr><td colspan="2">Number of shares</td><td>300,000,000 shares</td></tr>
<tr><td colspan="2">Total issuance amount</td><td>NT$3,000,000,000</td></tr>
<tr><td rowspan="4">Rights and obligations</td><td>Distribution of dividends and bonuses</td><td>These preferred shares offer dividends of 4.25% per annum (5-year IRS 0.94375%+3.30625% as of the record date—October 29, 2018) calculated pursuant to the issuance price per share. The 5-year IRS rate will be reset on the day after 5 years and 6 months of the issuance date and the day after each subsequent 5-year-and-6-month period thereafter, and the record date thereof shall be the second business day for financial institutions in Taipei prior to the aforesaid day of rate reset. The 5-year IRS rate shall be the arithmetic mean of 5-year IRS quotations as published by Reuters, PYTDWFIX, and COSMOS3 at 11:00 a.m. of the day of the reset record date (must be a business day for Taipei's financial institutions). If the above quotations cannot be obtained on the reset record date, the Bank shall decide on such in good faith while taking into account reasonable market rates.
If the Bank's annual accounting shows any profit, after having paid all taxes and dues and covering the losses accumulated in previous years, it shall set aside a legal reserve as well as appropriate or reverse a special reserve in accordance with the laws before giving priority to using the balance for the year's dividend distribution for these preferred shares. The Bank has sole discretion on dividend distribution for these preferred shares. When no or not sufficient profit is recorded for distributing dividends for preferred shares in a given year, or if preferred share dividend declaration would render the Bank's capital adequacy ratio below the minimum level required by law or the competent authority, or due to any other necessary considerations, the Bank may decide not to declare preferred stock dividends, to which holders of these preferred shares shall file no opposition. These preferred shares are not cumulative in nature, that is, undeclared or underdeclared dividends are not to be paid in subsequent years with profits recorded. Dividends for these preferred shares are declared in cash once per year. After the Bank's financial statements secure approval at its annual shareholders' meeting, the Board of Directors shall set the record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual days after issuance in the year in question. Dividends distributed shall be specified in the dividend certificate. Except for receipt of dividends at the aforementioned dividend rate, holders of these preferred shares cannot participate in distribution of cash or stock dividends to holders of common shares from profits or additional paid-in capital.</td></tr>
<tr><td>Priority of claims in liquidation</td><td>When it comes to priority of claims in liquidation, holders of these preferred shares have the same order of priority as holders of common shares when, in accordance with the Regulations Governing the Capital Adequacy and Capital Category of Banks, the competent authority assigns officials to take receivership over the Bank, order the Bank to suspend and wind up business, or liquidate the Bank. In the event of the Bank's subsequent distribution of residue property, holders of these preferred shares shall be superior to holders of common shares—the same priority of claims for holders of all other preferred shares issued by the Bank—but inferior to holders of Tier 2 capital, depositors, and other general creditors. Claims by holders of these preferred shares shall be capped at the total issuance amount.</td></tr>
<tr><td>Exercise of voting rights</td><td>Holders of these preferred shares have no voting rights and cannot elect directors at the general meetings of shareholders. This restriction does not apply to meetings of holders of preferred shares and general meetings of shareholders that address matters with regard to the rights and obligations of holders of preferred shares, occasions where holders of preferred shares have the rights to vote and be elected directors.</td></tr>
<tr><td>Others</td><td>When the Bank conducts rights issues for cash, holders of these preferred shares have the same subscription rights as holders of common shares.</td></tr>
</table>

Item		Issuance (launch) date	November 29, 2018
Outstanding preferred shares		Amount redeemed or converted	NT$0
		Balance of shares not yet redeemed or converted	NT$3,000,000,000
		Terms of redemption or conversion	1. These shares of Preferred Stock A have no maturity date but the Bank may, upon approval of the competent authority, redeem all or part of these preferred shares at the issuance price on the day after 5 years and 6 months of the issuance date. Holders of any unredeemed preferred shares shall thereafter be entitled to the same rights and obligations listed above. If the General Meeting of Shareholders resolves on paying dividends for a given year when the Bank is redeeming these preferred shares, dividend distribution thereof shall be calculated pursuant to actual days in the year up to the date of redemption. 2. These preferred shares shall not be convertible within 1 year of the issuance date (inclusive). From the day after the first anniversary of issuance, holders of these preferred shares may apply to convert all or part of their holdings into common shares at a conversion ratio of 1:1, after which the rights and obligations entailed by common shares shall apply. Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares.
Market price per share	2016	High	Not applicable
		Low	Not applicable
		Average	Not applicable
	2017	High	Not applicable
		Low	Not applicable
		Average	Not applicable
	2018	High	Not applicable
		Low	Not applicable
		Average	Not applicable
	Year to date as of April 16, 2019 (Note)	High	10.55
		Low	10.2
		Average	10.43
Other rights	Amount converted or subscribed to as of the date of publication of this annual report		These preferred shares cannot be converted into common shares within 1 year of the issuance date (inclusive).
	Issuance and conversion/subscription rules		These preferred shares shall not be convertible within 1 year of the issuance date (inclusive). From the day after the first anniversary of issuance, holders of these preferred shares may apply to convert all or part of their holdings into common shares at a conversion ratio of 1:1, after which the rights and obligations entailed by common shares shall apply. Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares.

Item \ Issuance (launch) date	November 29, 2018
Impact of issuance on equity of shareholders of preferred shares and possible dilution of equity	The Bank's capital increase via this issuance of Preferred Stock A comes with no maturity date. Investors are not given a put option but may convert their holdings into common shares at a 1:1 conversion ratio 1 year after issuance. As holders of these preferred shares are expected to exercise conversion at different points of time, any dilution of equity will be deferred and an immediate impact on the Bank's managerial control and earnings per share is deemed unlikely. If all the holders of these preferred shares choose to convert their holdings into common shares, the maximum equity dilution ratio will be: $= \dfrac{\text{Number of new shares issued for this capital increase}}{\text{Number of shares outstanding} + \text{Number of new shares issued for this capital increase}}$ $= \dfrac{300{,}000{,}000 \text{ shares}}{2{,}413{,}006{,}000 \text{ shares} + 300{,}000{,}000 \text{ shares}}$ $= 11.06\%$ As shown above, if all the holders of these preferred shares choose to convert their holdings into common shares, the maximum equity dilution ratio will be 11.06%, a reasonably acceptable level. Moreover, no dilution will be incurred until holders of these preferred shares start to apply for conversion. Any dilution of equity is thus expected to be deferred and only a limited impact on the equity of existing shareholders is to be expected over the long term.
Impact on equity of existing shareholders	Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares. In terms of the impact on equity of existing shareholders, issuance of these preferred shares necessitates distribution of dividends among their holders prior to conversion, thereby reducing the earnings available for distribution among holders of common shares. Upon conversion of these shares of Preferred Stock A into common shares, however, dividend distribution for preferred shares will decrease as well. While holders of these preferred shares are entitled to convert their holdings into common shares, their conversion tends to occur at different points of time and thus the dilution of earnings per share will not be immediate. Moreover, this capital increase has ushered in regulatory capital, which not only gives an immediate boost to the Bank's capital adequacy ratio but also can be used in extending loans. This will help the Bank enhance its earnings capacity over the medium-to-long term and thus have a positive effect on equity of existing shareholders.

Note: November 29, 2018 was the record date (issuance date) for this capital increase via issuance of preferred stock A, with the shares thereof becoming available for trading on the Taiwan Stock Exchange on January 9, 2019.

4. Global Depository Receipts、Employee Stock Options、New Restricted Employee Shares and Information of Other Financial Institutions Acquired or Transferred: None.

5. Financing Plans and Implementation

■ Plans for Bank Debentures and Implementation Status

A. To sustain the medium- and long-term lending business, the Bank applied to the competent authority in 2017-2018 for issuance of bank debentures. The said debentures are due to be issued within one year after regulatory approval is granted.

(A) The Bank secured approval under the Financial Supervision Commission's letter of November 13, 2017, ref. Jin-Guan-Yin-Piao-Zi No. 10600259320, for issuing NT$3 billion of subordinated financial debentures. The Bank issued NT$1.75 billion of such on December 27, 2017 and NT$1.25 billion of such on June 29, 2018, thereby using up the approved issuance quota.

(B) The Bank secured approval under the Financial Supervision Commission's letter of June 14, 2018, ref. Jin-Guan-Yin-Piao-Zi No. 10702116800, for issuing NT$3 billion of subordinated financial debentures. After issuing NT$500 million of such on June 29, 2018, the Bank, as of the date of publication of this annual report, still had a NT$2.5 billion balance of approved issuance quota. The Bank is ready for further issuance within 1 year after regulatory approval when and if this is warranted by liquidity needs.

B. Benefits

(A) After issuing bank debentures in 2017-2018, the Bank was able to keep up its capital adequacy ratio of not lower than 13.5%.

(B) The Bank's outstanding balance of loans, as of the end of 2018, also rose to NT$182.1 billion from NT$146.1 billion as of the end of 2016.

C. Plans completed in the most recent three years that failed to produce the desired benefits: None.

V. Operational Highlights

1. Business Activities

The Bank mainly operates the following businesses:

- Acceptance of various types of deposits.
- Issuance of financial bonds.
- Handling of loans, discounts, and acceptances.
- Handling of domestic and foreign exchange services.
- Handling of domestic and foreign guarantee services.
- Issuance of domestic and foreign L/Cs.
- Agency collection and payment services.
- Investment in and underwriting of securities.
- Proprietary trading of government bonds.
- Factoring services.
- Provision of financial consulting connected with financing and non-financing services.
- Wealth management services.
- Acting as an agent for personal insurance and property insurance.
- Handling of debit card services.
- Handling of guarantee services connected with export and import foreign exchange, outward and inward remittances, foreign currency deposits and loans, and foreign currency guaranteed payments.
- Handling of services permitted under the Trust Enterprise Act.
- Handling of financial derivatives services.
- Handling of other services approved by the competent authority.

Weight of business activities

Unit: NT$ 1,000

Year / Item	2018		2017	
	Amount	%	Amount	%
Net interest income	2,181,521	46	1,976,217	44
Net fee income	610,128	13	656,229	14
Gains or losses on financial assets (liabilities) at fair value through profit or loss	1,385,777	29	(540,380)	(12)
Realized gains or losses on available-for-sale financial assets	-	-	394,922	9
Gains from sale of fair value through other comprehensive income financial assets	78,990	2	-	-
Net gain or loss on exchange	(536,618)	(11)	1,244,443	28
Share of profit or loss of subsidiaries and affiliated businesses accounted for using equity method	880,415	19	695,405	15
Net profit apart from interest	129,670	2	79,304	2
Net income	4,729,883	100	4,506,140	100

(1) Business Review

As Taiwan's first digitally focused bank, the Bank is committed to financial innovation and fintech-empowered services. In 2018, the Bank's domestic business locations included its Taipei Headquarters, Taichung Branch, Kaohsiung Branch, Hsinchu Branch, and Zhongxiao Dunhua Branch as well as Taipei Vie Show Branch. In addition, the competent authority approved the establishment of regional service units in Taoyuan, Hsinchu, and Tainan; apart from promoting this Bank's financial products, these service units also provide all-round financial services to clients throughout northern, central, and southern Taiwan. Our first overseas branch—Hong Kong Branch—opened in April 2009; this branch has since extended our financial products and services platform to Hong Kong and the Greater China area, thereby serving local clients and Taiwanese-invested enterprises from a close distance and promoting win-win outcomes through long-term cooperation characterized by mutual trust and reciprocity.

A. Credit Extension

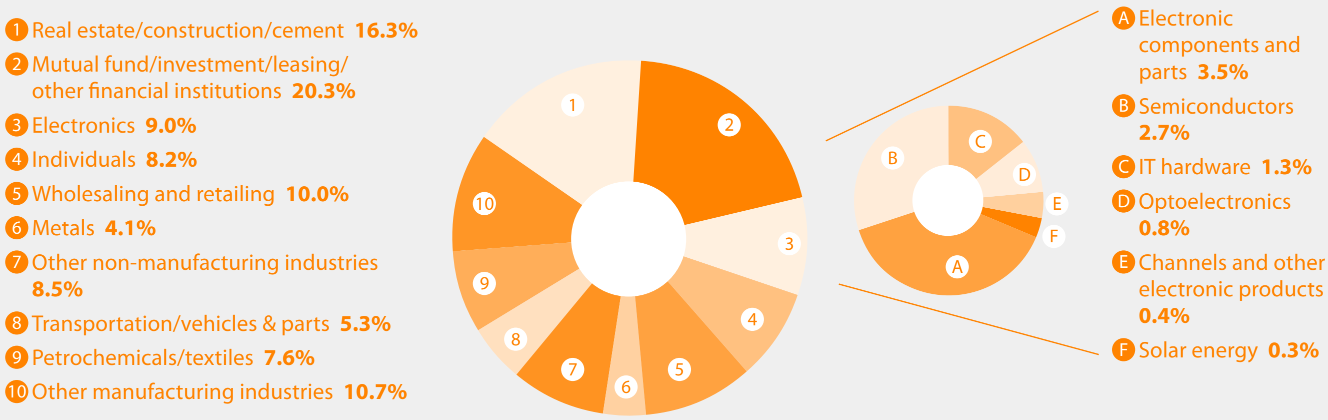
In 2018, the Bank made aggressive inroads into the personal banking sector while continuing to actively cultivate clients in Taiwan and abroad for its corporate banking services. In order to cater to different customer segments, the Bank developed a wide range of loan products that truly meet customer needs. Made available are diverse products featuring multiple interest rate structures and repayment options as well as convenient online applications. These include first mortgage loans, three-stage repayment mortgage loans, tiered interest rate unsecured loans, and debt-integrated credit products.

With regard to lending services, apart from pursuing stable growth, we also sought to disperse our operating risk. As such, we adopted conservative and prudent business policies and, at the same time, cautiously and rigorously sought to keep up lending quality and ensure reasonable earnings.

As of the end of 2018, this Bank's overall credit assets (outstanding balance of NT dollar and foreign currency lending) came in at NT$204.1 billion (including receivable L/C amounts), an increase of NT$22.4 billion from a year earlier. Meanwhile, the Bank recorded a non-performing loan ratio of 0.02% and an NPL coverage ratio of 9,769.92%, attesting to its sound asset quality.

By industry, the mutual fund/investment/leasing/other financial institutions category accounted for the greatest share of our credit risk exposure, or 20.3%, at the end of 2018. Next came the real estate/construction/cement industry category with 16.3%, the wholesaling and retailing industry with 10.0%, the electronics industry with 9.0%, individuals with 8.2%, the petrochemicals/textiles industry with 7.6%, the transportation/vehicles and parts industry with 5.3%, the metals industry with 4.1%, and others (manufacturing/non-manufacturing industries) with 19.2%. Within the electronics sector, the electronic components and parts industry recorded the greatest credit risk exposure of 3.5%, followed by the semiconductor industry with 2.7%, the IT hardware industry with 1.3%, the optoelectronics industry with 0.8%, the channels and other electronics industries with 0.4%, and the solar energy industry with 0.3%.

Clockwise from upper left



We are actively cultivating new clients in Taiwan and abroad. To seek stable growth and diversify operating risk, we are proactive to consolidate our existing customer base and make inroads into the niche segment of mid-market enterprises, which promises to make an important foundation for promoting various co-marketing undertakings.

Syndicated loans have always been the mainstay of our lending business. The Bank's Corporate Finance Department excels at providing customized services and quick and precise financing solutions to clients, raising funds for them, and helping them resolve critical problems. Our target clients are chiefly located in the Greater China area (Taiwan, Hong Kong, and China) and span a wide range of industries. Coming with a full spectrum of funding solutions, the Bank is ready to share growth with domestic and international businesses. Our meticulous professional services not only help companies maintain growth but also enhance their competitiveness.

In 2018, companies reduced their capital expenditures amid slowing economic growth both at home and abroad, a worsening trade war between the U.S. and China, and an ever-deteriorating global market. Alongside a gradual decrease in syndicated loans, it was increasingly difficult to secure lead bank status. Yet, on top of a solid customer base built over the years, the Bank always prides itself on staying focused on corporate clients with growth prospects, joining forces with affiliates for co-marketing endeavors, and specializing in cross-border structured cases. The Bank's focusing only on niche projects brought one of its key earnings drivers.

B. Deposits

For the sake of both liquidity and security, the Bank gives priority to deposit stability. As such, emphasis is placed on diversifying the maturities of time deposits while actively soliciting demand deposits to bring down capital costs. As of the end of 2018, the Bank's outstanding balance of NT dollar and foreign currency deposits came in at approximately NT$240.4 billion, an increase of 31.37% from a year earlier.

In addition, the expansion in our foreign currency loans makes it necessary to aggressively grow foreign currency deposits as well. The Bank's end-2018 balance of foreign currency deposits was equivalent to roughly NT$91.0 billion, growing a substantial 47.01% from the previous year.

The Bank's various personal deposit products and services have something in common: they are all driven by customer needs. These include online opening of NT dollar and foreign currency digital accounts without visiting a physical branch, NT dollar and foreign currency demand and time deposits, children's accounts, foreign exchange swaps, and various innovative payment and account transfer services. We seek to meet clients' cash management and funds allocation needs via both digital and physical channels.

C. Foreign Exchange and Offshore Banking

In 2018, we continued to offer trade financing services and give priority to maintaining a reasonable interest spread in our foreign exchange financing operations. As of the end of the year, our outstanding balance of foreign currency loans stood at about NT$60.2 billion, up 14.67% from a year earlier. With regard to offshore banking, the Bank offered DBU and OBU services across the Taiwan Strait while further strengthening services to clients that have established multinational operations centers so that they could secure the funds needed for offshore operations. Meanwhile, the Bank responded to the rapid development of trade across the Taiwan Strait by enhancing the quality of service to Taiwanese firms, thereby fostering business development and attracting even more business opportunities.

D. Direct Investment

The Bank obtained permission from the Financial Supervisory Commission to become a commercial bank in March 2015. And now we focus on the disposal of our original investment portfolio. As of the end of 2018, the Bank had a total of 19 domestic and foreign investment accounts, with a combined outstanding balance of NT$936 million.

E. Financial Product Trading

The Bank's financial product trading operations include financial product transactions and marketing. We trade foreign exchange and fixed-income products as well as their derivatives, while our financial product marketing services chiefly refer to those meant to provide clients with various financial products and services and financial hedging instruments.

In 2018, the Bank continued to strengthen its overall risk management, monitor market value assessments, optimize trading systems and internal management protocols, strengthen training of salespeople and managerial officers, and make preparations for a number of new operations and products. Although the U.S.-China trade war and the Federal Reserve's rate hikes added volatility to financial markets worldwide, the global funds environment remained relatively loose. In turn, the Bank's fixed income investments continued to bring handsome rewards.

F. Securities Trading

The Bank's securities business chiefly consists of investment in the shares of domestic companies listed on the Taiwan Stock Exchange and Taipei Exchange. In 2018, the global economy peaked and began losing steam. Europe and China were the first to head for a downward trend at the beginning of the year, soon after which the U.S.-China trade war intensified. Coupled with the Federal Reserve's persisting with its rate hike cycle and shrinking of balance sheet, the global funds environment tightened and economic indicators started to deteriorate, driving down stock markets accordingly. In Taiwan, the Taiex managed to consolidate around the 10,500-point mark in the first half of the year but fell to 9,400 points at year's end, finishing the year with a decline of 915 points (8.6%). The Bank responded to such drastic fluctuations with a timely adjustment in its portfolio and was able to keep up a relatively handsome profit, a showing far superior to that of the Taiex.

G. Project Finance

Project finance encompasses project financing and financial advisory. Project financing chiefly provides private companies and government-run enterprises with a wide range of project financing and project development services. We can provide comprehensive project financial planning, investment feasibility assessment, structuring of syndicated project loans, transfer of trust beneficiary rights, drafting of strategies for contract negotiations, and assistance with the acquisition of funds to participate in equity investments. Our financial advisory services are meant to provide clients with tailor-made solutions, that is, consulting with regard to debt arrangement, corporate consolidation and M&As, reorganization, fund-raising, M&A financing, and tax planning.

H. Trust Business

When it comes to trust business, the Bank mainly aims to develop trust, securitization, and asset management services. Our trust services focus on monetary and real estate trust; our securitization services are geared toward developing various kinds of securitized products; and our asset management services are mainly aimed at helping clients allocate assets and build well-rounded portfolios.

With regard to mutual funds, we are earnest to create comprehensive product lines. Emphasis is also placed on promoting "Robot Advisory": big data analytics is adopted to help clients optimize investment portfolios that strike a balance between flexibility and security for their asset allocations.

As of the end of 2018, the outstanding balance of assets entrusted to the Bank came in at NT$13.1 billion, a year-on-year increase of NT$10.4 billion. Newly introduced in the year was the Bank's real estate investment trust (REIT) business, whose outstanding balance stood at NT$3.2 billion at year's end.

I. Cash Management and e-Banking

As Taiwan's first digitally focused bank, the Bank is committed to financial innovation and fintech-empowered services. In 2015, the Bank took the lead to initiate corporate e-banking, introduce the industry's first fully integrated secure carrier, and built an electronic trading platform that accommodates automated transactions with a view to ensuring both convenience and security. This was followed in 2016 by our expansion of corporate e-banking services to Hong Kong.

While reinventing itself as a commercial bank and launching into retail banking in 2017, the Bank also upgraded its corporate e-banking platform and ushered in an automated online payroll service. With customer demand for remittances and the automated online payroll service steadily on the rise, the Bank further upgraded both tangible and intangible aspects in 2018 to optimize these services and help customers conclude massive transactions in no time. By staying flexible to offer customized services, the Bank was able to help corporate clients reduce financial and manpower costs and enhance transaction efficiency. This stride toward meeting a growing variety of customer needs certainly contributed to strengthening customer loyalty. In 2018, the Bank's corporate e-banking platform recorded a total of 309,654 online transactions, jumping by 73.9% from 177,054 a year earlier.

As the market became increasingly digitized, we began developing and deploying a digital corporate banking platform in 2017. This platform, accessible anytime and anywhere, integrates the Bank's internal systems and strengthens our sales, management, and efficiency across the board, thereby optimizing our management of corporate banking services. Going online in January 2018, this platform enables managerial officers and salespeople to get hold of the latest first-hand information with regard to sales and customers on a real-time basis. But the job is never done. The Bank is ready to respond to changing needs of all business units by further optimizing the platform and developing new features, thereby maximizing the efficiency of sales management.

On top of our Corporate Tier Rate Campaign for Fresh Funds in NTD Savings Account, we introduced a similar campaign in 2018 to attract large deposits. The initiative was meant not only to attract new customers and foster growth in deposits but also to add diversity to our customer base. This bid for stable funds paid off as the Bank's Taiwan dollar demand deposits hit an all-time high. In line with our goal of sustainability and commitment to engaging in and promoting the B Corporation initiative, we also introduced Corporate Higher Rate Campaign for Mega-Customer in NTD Savings Account specifically for the B Corporation community in 2017. In keeping with our commitment to social engagement and sustainable development, this was followed in 2018 by two similar preferential offerings: one meant for social enterprises and the other for small and medium-sized enterprises.

J. Digital Retail Banking Services

- Payment: In addition to debit cards with more than 500 personalized card designs to choose from, we provide affinity cards issued in conjunction with online restaurant reservation platforms, gaming companies, and electronic stored value card operators. Featuring both attractive incentives and zero-risk card use, they rightly give cardholders peace of mind.
- Wealth Management: We provide a wide range of wealth management products, including mutual funds and "Robot Advisory," to meet the diverse needs of different customers.
- Insurance: We provide customers with the best-fitting insurance products in different stages of their lives.
- Electronic Banking: We provide secure and convenient online/mobile banking services, and our user-friendly interface and convenient functions allow users to easily check their accounts, make transfers, sell or buy foreign exchange, pay fees, perform mutual fund transactions, and conduct various other operations. We also offer 24-hour video customer service: our customers are invited to take advantage of all manner of financial services anytime, anywhere.

(2) Business Plan for 2019

A. Credit Extension

In the face of an intensely competitive credit market, we strategically consider ourselves a "boutique bank" in the corporate banking sector. We are ready to build on our existing customer base and implement the following action plans:

(A) Encourage new accounts, expand the Bank's customer base, and uncover structured deal opportunities as a means of increasing fee income.

(B) Continue cultivation of quality clients and establish a new clientele of "strategic partner accounts" to increase the ROA.

(C) Build on the benefits of e-banking and e-factoring to grow the Bank's global transaction service (GTS) business, thereby complementing the growth in fee income and demand deposits. Use existing large clients as the basis for expanding to other members of their supply chains—an expansion of both our customer base and business opportunities.

(D) Vie for lead bank status in quality domestic and overseas syndicated loans to meet customer needs for fund-raising and capital allocation.

(E) Make use of our branches in Taiwan and Hong Kong as two engines for driving the expansion of our customer base and broadening of business scope.

In terms of retail banking, we adapt to regulatory opening whenever warranted and honor our positioning as a digital bank as we commit ourselves to providing customers with more convenient lending services online. System and process optimization is always an ongoing endeavor in order to better meet customer needs. Big data analytics is conducted to predict customer behavior with a view to delivering the most fitting product information and consulting service in a timely manner. Thanks to our customer services rendered by voice, video, and text, customers are accorded a full spectrum of financial services without the need to visit a physical outlet of the Bank in person.

B. Deposits

To expand sources of stable funds and reduce liquidity risk, we make it a point to adjust our deposit account structure and increase the weighting of demand deposits in 2019.

Restructuring into a commercial bank means that our bid for attracting more depositors is no longer bound by regulations governing industrial banks and that we are free to pursue expansion by building on our corporate customer base. Meanwhile, we will continue to optimize our corporate e-banking services, enhance incentives for new deposits, and offer favorable terms for large corporate deposits that are invariably price-sensitive, thereby securing long-term, low-interest funds and keeping up our interest spread on the back of low-cost funds.

Based on our business goals, we will come up with different deposit plans designed specifically for different customer segments. Such preferential offers as tiered demand deposit packages will be introduced to persuade customers to keep more deposits with us, thereby making O-Bank their primary partner bank.

The Bank will also usher in various types of preferential Taiwan dollar and foreign currency deposits, bolster account capabilities to further increase customer dealings, and introduce children's accounts to help the young generation familiarize themselves with wealth management early on by means of our digital banking services. New efforts will be made to persuade customers to make the Bank their primary partner in terms of capital allocation. Under our member-get-member (MGM) initiative, we will further encourage existing clients to recommend new ones and integrate resources within the O-Bank Group to attract more salary transfer accounts and thus accelerate expansion of our customer base. At the same time, we are relying on cross-industry alliances to gain access to the existing clients of our partners. We are also taking advantage of internet and social media to expand our exposure and recognition and in turn facilitate customer growth.

C. Foreign Exchange and Offshore Banking

In the face of a rapidly changing global economy and uncertainties hovering over U.S.-China trade, the Bank will persist with our prudent strategy that gives priority to risk management as it seeks to further expand the mainland Chinese market. Working together, the Bank's representative office in Tianjin and Suzhou-based IBT International Leasing Corp. as well as the latter's branches in Dongguan, Nanjing, Zhongshan, and Tianjin will cater mainly to small and medium-sized enterprises and microbusinesses across China's three major economic regions: the Bohai Bay Economic Rim, the Yangtze River Delta, and the Pearl River Delta, thereby fulfilling our vision for a financial services network that spans Greater China.

The Bank's Tianjin representative office, established in mid-April 2012, mainly engages in market research and assists affiliates of the O-Bank Group in liaison affairs with regard to businesses in this northern coastal metropolis. As the first Taiwanese-invested financial institution making its way into Tianjin, the Bank is proactive to promote interaction between financial and industrial circles in Tianjin and Taiwan. In addition to helping boost the Bank's reputation in the Tianjin market, the representative office also acts as an important bridge for bilateral interchange between Taiwan and Tianjin.

Since its establishment in 2011, IBT International Leasing Corp. has won any number of accolades for its extraordinary operating performance and risk management. The honors it has garnered on the China Financial Leasing Honor Roll over the years include the Emerging Force Award in 2012, the Pioneer Award in 2013 and 2014, the Special Contribution Award in 2015, the Outstanding Innovation Award in 2016, the Achievement Award in 2017, and the Company of the Year Award in 2018. It is thus the only Taiwanese company to have been awarded by the China Financial Leasing Honor Roll for seven consecutive years. Likewise, IBT International Leasing Corp. was accorded the Jiangsu Province Financial Leasing Association's Annual Award for Outstanding Company for three straight years—2016, 2017, and 2018. Separately, IBT International Leasing Corp. won Jiangsu Province's Award for Distinctive Use of Financial Technology in 2016, secured recognition as the regional headquarters of a multinational in Suzhou in 2017, and was ranked among the top 10 regional headquarters of multinationals in 2018. To use the capital of our leasing ventures in mainland China more efficiently and integrate their finances, businesses, and operations, the Bank has decided to have IBT International Leasing Corp. absorb IBT Tianjin International Leasing Co., Ltd. The move promises to upgrade management efficiency and help the Bank make more aggressive forays into mainland China's leasing market.

On January 15, 2019, the Bank secured approval from the Financial Supervisory Commission to team up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to establish Beijing Sunshine Consumer Finance Company Limited. Ready to invest 200 million Renminbi for a 20% stake in the joint venture, the Bank expects to take advantage of our strength in fintech as a digitally focused bank and create a win-win scenario by connecting with mainland China's consumer banking on the internet. This prospective joint venture is expected to secure approval of mainland China's competent authority for commencing business in the second half of this year. This three-way collaboration—the Bank's financial innovation, China Everbright Bank's vast customer base, and China CYTS Tours Holding's wide-ranging travel business—promises to deliver a brand-new digital banking experience that truly meets consumer needs. In the days ahead, the Bank is ready to rely on IBT International Leasing Corp. for serving SMEs and microbusinesses and Beijing Sunshine Consumer Finance Company Limited for delivering retail banking services. That is, they will serve as the Bank's double engines for driving our continuous expansion in mainland China. Separately, to take advantage of government incentives under its New Southbound Policy, the Bank will proactively evaluate M&A possibilities and seek out strategic partners that can facilitate our expansion in Southeast Asia and strengthen our presence in the region's financial market.

D. Direct Investment

In the wake of the Bank's reorganization into a commercial bank, we will give priority to disposing of our original investment portfolio in 2019. Such disposals are expected to be completed by the end of this year.

E. Financial Product Trading and Investment

As the year 2019 unfolds, an uncertain future awaiting the U.S.-China trade war, the specter of another U.S. government shutdown, the possibility of more rate hikes by the Fed, QE unwinding, geopolitical risks, and rising fluctuations across stock markets are bound to weigh on global financial markets and the world economy. Trading financial products will be made even more challenging than it already is.

While global financial markets have seen drastic ups and downs on jitters over the U.S.-China trade war and the Fed's further tightening, the Fed already indicated after its January meeting that it will be patient about pushing interest rates even higher and that it is ready to adjust the pace of QE unwinding in line with "global economic and financial developments." It is a reasonable expectation that the volatility of global financial markets will ease over time.

In a statement after its board meeting in December 2018, Taiwan's central bank said there is downside risk to the world economy in 2019 because of the escalating trade conflict between the U.S. and China, tightening global financial conditions, and volatile fluctuations across global financial markets. It is thus perceived that there will be room for monetary easing in this country. On the other hand, the Taiwan dollar is expected to experience wider swings precisely because of the many international uncertainties cited above.

(A) Trading and investing in fixed-income products

Faced with a rapidly changing financial environment, the Bank is set to strengthen balance sheet management and stringently control asset quality. This year we will pay special attention to dealing in quality assets, taking advantage of the diverse interest rate environments of different currencies, and readjust the mix of bond holdings with fixed and floating rates, thereby ensuring that the interest rate risks and rewards of our entire asset pool truly meet our needs. Moreover, the Bank will draw on interest rate derivatives as a means to help stabilize and enhance earnings.

(B) Marketing financial products

Our sales team will carefully assess customers' risk tolerance while working to strengthen customer relations. Based on market conditions and customer characteristics and needs, we will provide customers with meticulous market analysis and diverse financial products to help them adapt to the ever-changing world market.

F. Securities Trading

According to a recent downward revision by the International Monetary Fund (IMF), the world economy is expected to grow 3.5% in 2019. But the slowing world economy will surely sustain a further blow if the uncertainties hovering over the U.S.-China trade war drag on. As such, the subsequent changes on both the economic and liquidity fronts will weigh even more on this year's stock market performance. Given the prospect that the local economy may undergo a downward adjustment, Taiwan's export growth may be reversed, and listed companies will have a tough time keeping up their earnings, the local stock market appears poised to undergo rangebound consolidation and remain vulnerable to wider-than-average fluctuations. To keep up profit generation, the Bank is ready to adopt a flexible trading strategy, that is, focusing on blue chips and high-yield shares while also buying into select targets that are expected to benefit from still promising industry trends and continue delivering reasonable earnings growth.

G. Project Finance

As the year 2019 unfolds, we will build on our extensive customer base in the Greater China area and provide corporate clients with optimal customized solutions. Assistance will be offered in such areas as debt arrangement, corporate consolidation and M&As, restructuring, fund-raising, M&A financing, and tax planning. At the same time, we will draft feasible financial and commercial frameworks for various development projects and create financing and investment opportunities that are likely to emerge accordingly.

H. Trust Business

The Bank is proactive to develop trust services and diversify trust offerings to cater to even more consumers. In 2019, priority will be given to giving customers an additional option in terms of investment and wealth management by undertaking foreign currency non-discretionary money trusts for investing in foreign securities. Emphasis will also be placed on developing escrow, advance payment trust, and personal trust services. In short, we will devise tailor-made trust contracts to meet all manner of customer needs.

I. Cash Management and e-Banking

In 2018, O-Bank introduced its digital corporate banking platform, a fully integrated IT platform that draws on fintech and big data analytics to internally deliver real-time services at all times. In 2019, the Bank will develop more deposit offerings for corporate clients to enhance our liquidity and lower capital costs while further strengthening our collection and payment services. In terms of cash flow services, a dynamic verification mechanism will be developed and introduced into transactions by fax. In addition to simplicity and convenience, this will enhance transaction security by doing away with the risk associated with hard copies, increase efficiency, and bring down costs for both the Bank and its customers. Equally important in 2019 will be tracking market development and growing the Bank's Taiwan dollar capital position by offering a diversity of Taiwan dollar and foreign currency demand and time deposit packages. The goal is to create a win-win scenario in which the Bank benefits from earnings growth while building closer customer relations.

J. Digital Retail Banking Services

In terms of business strategies, we will continue to focus on seeking out new quality customers while strengthening our partnership with existing ones. Events and activities will be organized to facilitate interaction with customers in order for the Bank to be recognized as a premier digitally focused bank that delivers a "secure, convenient, beneficial, and interesting" customer experience.

- Payment services: Keep up partnerships with e-commerce vendors, startups, and electronic payment operators to better meet diverse customer needs.
- Digital wealth management services: Complement a wide range of preferential mutual fund offerings with our Robot Advisory initiative to give customers not only fee discounts but also custom-made

recommendations with regard to their investment portfolios, thereby fulfilling our vision for financial inclusion.

- Insurance services: Form strategic alliances with insurers to provide customers with better-rounded insurance products and services.
- E-banking services: Continue to optimize platform layout and operations, refine customer experiences, and provide customers with fitting product information based on customer behavior and dealings with the Bank.

(3) Market Analysis

A. Industry status and future prospects

Despite sustaining its recovery for a while, the world economy began to come under pressure before 2018 ran its course. Fueling this initial expansion was mainly the developed world, in particular the U.S. that delivered an impressive showing on the back of tax cuts and an expansion in both government spending and private investment. Things took a turn in the second half of the year as the U.S.-China trade conflict intensified and emerging markets became increasingly volatile. The world economy slowed and global financial markets experienced big swings. As an export-driven economy, Taiwan did quite well in the first half but could not escape unscathed from the global softening over the remainder of the year. According to Directorate General of Budget, Accounting and Statistics tallies, Taiwan's GDP growth decelerated to 2.63% in 2018 from 3.08% a year earlier.

In 2018, Taiwan's financial services industry saw its total pretax profit fall 2.8% from a year earlier to NT$523.3 billion. By industry, both the insurance and securities sectors sustained declines while the banking sector managed to keep up positive growth. Combined, domestic banks saw their 2018 pretax profit grow 9.25% from the year before to another record high of NT$334.2 billion, marking a fifth straight year for this total to exceed the NT$300 billion mark. Of these numbers, the headquarters and domestic branches of local banks had pretax profit of NT$217.7 billion for the year, representing a substantial 11.79% year-on-year increase. In terms of offshore earnings, the OBUs and foreign and mainland Chinese branches of local banks saw their combined profits increase a subdued 4.8% in 2018 from a year earlier due to the need for the mainland Chinese branches of Taiwanese banks to increase provisions against a hike in NPLs. As a whole, domestic banks saw their 2018 ROE and ROA rise from 8.97% and 0.67% the year before to 9.31% and 0.7%, respectively, both three-year highs. In terms of asset quality, domestic banks registered NPL and NPL coverage ratios of 0.24% and 575.44% respectively at the end of 2018, attesting to reasonably sound asset quality. Given the advances in fintech and foreign banks' accelerated withdrawal, Taiwan saw the number of domestic banks' branches fall by 14 from a year earlier to 3,403 at the end of 2018.

As 2019 unfolds, a number of uncertainties appear poised to lie in wait: heightened tensions in the global trade regime, monetary tightening of major economies, China's localization of supply chains and the inevitable readjustment it must bring, the long drawn-out Brexit drama, and geopolitical risks that continue to haunt many parts of the world. O-Bank thus expects the world economy to expand at an ever slower pace, which certainly does not bode well for Taiwan's outbound shipments and domestic demand. For its part, the Directorate General of Budget, Accounting, and Statistics already forecast weaker 2019 GDP growth of 2.27%, a three-year low. When it comes to the operating environment facing the banking industry this year, mounting pressure economy is likely to dampen capital demand and investment inclination among businesses. Still, interest rates are unlikely to move much in the near term as the central bank is keeping up its loose monetary policy. Coupled with still low costs for unsecured lending, domestic banks should be able to uphold asset quality while seeking to expand their loans. On the other hand, longtime competition among domestic banks has seen their interest spread slip steadily, making it more challenging for them to continue growing interest income. On the other hand, banks are confronted with many other challenges, notably higher costs stemming from the need to ensure compliance with anti-money laundering (AML), information security, and personal information protection regulations. Coupled with the competent authority's increasingly stringent regulations governing capital and liquidity, caution is warranted for assessing the 2019 earnings outlook of domestic banks.

B. An outburst of internet-only banks

To accommodate the banking industry's moving toward digital services and meet consumer needs, the Financial Supervisory Commission unveiled principles for the establishment of internet-only banks in April 2018. As of February 2019, the FSC had already received applications from LINE Corp. (LINE Bank), Chunghwa Telecom Co., Ltd. (Next Bank), and Rakuten, Inc. (Rakuten International Commercial Bank Co., Ltd.). It is expected that Taiwan will see the birth of its first internet-only bank at the end of 2019 or the beginning of 2020 at the soonest. All these internet-only bank aspirants are partners from different lines of business whose thinking is entirely different from that of traditional banks. Their catch is to focus on financial innovation and delivery of financial services to all sorts of consumption platforms, thereby making a business model and offering services unlike what their peers from the established banking industry have to offer. Separately, these cross-sector operators will be able to take the information they get from online banking for use by their original lines of business. As such, consumer stickiness will be increased in a better-rounded ecosystem of digital services. Against this unstoppable move toward digital banking, internet-only banks are set to have a major impact on the country's financial services market.

C. Transformation of banks driven by digital technology

The rapid advances in financial technology (Fintech) have not only changed how banks interact with customers but also revolutionized the operating model traditional banks used to take for granted. Coupled with the entry of nonfinancial businesses armed with technological knowhow into the arena, banks have come under even greater pressure to go digital. Against this backdrop, the Financial Supervisory Commission began easing regulations in 2014 to help foster a digital banking environment. The financial services industry has since then been permitted to engage in online deposits, loans, and wealth management and invest in fintech enterprises. Since the promulgation of the Financial Technology Development and Innovative Experimentation Act in 2018, the regulatory sandbox has admitted such innovations as a mobile identity verification mechanism, which is a collaboration between the banking and telecom sectors. These developments will go a long way toward accelerating Taiwan's fintech development and making its financial services industry more competitive.

Fintech applications are playing an increasingly important role in the transformation of banks. Mobile communications, social media, cloud services, and big data analytics have found their way into payment, insurance, financing, fund-raising, and investment services. For financial services, the physical is making way for the virtual by the day. In a departure from the dependence of traditional banks on a massive network of physical outlets, O-Bank has adopted a strategy of focusing on virtual channels and delivering banking services under a brand-new business model precisely with a view to taking advantage of this ongoing trend.

Separately, the Bank is also proactive to seek out partners outside the financial services industry in order to secure the advanced technologies or customer pools of technology companies or platform operators, form strategic alliances, and increase opportunity of customer acquisition and customer's stickiness to the bank.

D. Development strategy and positive/negative factors

(A) Development strategy:

Given the younger generation's heavy dependence on mobile devices, our retail banking services will be geared mainly toward digital finance. We are using advanced information systems and technologies in conjunction with social media and cloud marketing to transform ourselves into a digitally focused bank that draws on virtual channels to provide inclusive financial products and services. We will also employ big data analytics and strategic alliances to achieve a cost advantage and create a superior customer experience, while providing more convenient, friendlier banking services to meet customer needs across the younger generation. In terms of corporate banking services, we will persist with our "intensive cultivation" strategy that values quality over quantity. We will carefully select customers and strengthen product co-marketing in order to effectively boost customer contribution to our earnings. Equal emphasis will be placed on introducing more niche products in step with market developments.

To meet the rapidly growing financing needs of SMEs in China, we will further expand our leasing ventures across the Taiwan Strait and establish a shared platform on this front. We will also draw on the consumer banking joint venture due to be set up in the second half of this year to make inroads into China's consumer banking market that comprises both SMEs and individuals, thereby maximizing the benefits of our investments on the mainland. In the days ahead, we will continue to seek out domestic and foreign opportunities for acquisitions, expand our service scale, and strengthen our position in the domestic market, thereby achieving both external growth and earnings growth.

(B) Positive factors:

The Bank prides itself in being spared any burden of outdated systems and running on a highly agile organization. We are ready to adopt the world's most advanced information systems, and our organizational structure is highly flexible, allowing us to make rapid business decisions. We are using virtual channels to develop a business model characterized by agility, speed, and convenience, through which customers are provided with financial services of excellent quality at reasonable prices.

In addition, we have accumulated ample corporate banking experiences and an extensive customer base comprising business conglomerates over the course of 19 years. All these naturally form a solid backing for our launching into retail banking. In the future, the O-Bank Group will adopt an all-encompassing strategy to build on our existing corporate and individual clients for creating an equally solid foundation for retail banking services.

(C) Negative factors:

Being a newcomer—a lesser-known name—in the retail banking market, the Bank will continue to draw on social media and other channels to increase exposure and expand customer sources. In terms of physical outlets, we will reposition our branches as digital service experience centers that come with features attractive enough to draw customer attention. We will also work to have virtual and physical channels complement each other. The ultimate objective is to have customers appreciate us as a bank that is always ready to provide them with financial services.

(4) Financial Product Research and Business Development

A. Corporate Banking

Digital corporate banking platform:

We will strengthen our corporate customer management mechanisms and develop a digital platform that helps our corporate banking units and personnel track and monitor customer status and operating performance on a real-time and integral basis. The availability of in-house business indicators will enable relevant staffers and managerial officers to monitor customers' current-day, current-month, and current-year cumulative performance at any time, making it possible to track the target attainment and performance improvement of individuals, units, and the Bank at large. In addition, this platform provides notification of such information as capital levels and due dates, offers a calendar tool facilitating arrangement of customer visits, conferences, and the like, and allows real-time interest rate and exchange rate queries.

R&D expenditures during the most recent two years and expected future expenditures:

Unit: NT$1,000

Year	2019 (projected number)	2018 (actual number)	2017 (actual number)
Amount	3,100	1,500	6,800
Growth rate (%)	107%	(78%)	70%

B. Retail Banking

The Bank was restructured into a commercial bank in 2017. R&D expenses totaling NT$428 million went toward developing digital banking systems that year. The goal is to provide customers with a full range of online financial services and financial products different from those offered by other banks.

- E-banking: We offer a number of online services such as multiple account transfer options (transfer by QR code, "Mobile Number Is Account Number," transfer by contacts, etc.), online and automatic payments, and online queries and quota-setting for children's accounts. Also offered are such services as expenditure analysis, easy bookkeeping, and automatic reconciliation. Meanwhile, we examine the aforesaid services for the sake of optimization on a regular basis so as to make sure that our services truly meet customer needs.
- Robot Advisory: We provide customers with easy and rational choices when it comes to investing and managing their assets. Our system's algorithm lets customers assemble investment portfolios that match their risk attributes and notifies them of opportune times for portfolio adjustments offered by changes in the market.
- Online personal unsecured loans: Customers are given the option of applying for unsecured loans through either our website or app. They can also secure timely information and services even by using different devices.
- Three-stage repayment mortgage loans: We provide customers with greater repayment flexibility. Based on their income levels in different stages in life, customers are free to choose a mode of repayment they see fit.
- 24-hour real-person video customer service: Customers are given the option of talking to our service personnel face-to-face on their mobile devices anytime, anywhere. O-Bank always stands by.

(A) R&D expenditures during the most recent two years and expected future expenditures:

Unit: NT$1,000

Year	2019 (projected number)	2018 (actual number)	2017 (actual number)
Amount	137,000	136,928	427,907
Growth rate (%)	0%	(68%)	13,193%

Note: The Bank's 2017 R&D expenditures mainly went toward installing a core system and other digital platforms in line with our transformation into a commercial bank. In 2018, R&D expenditures were meant mainly for system optimization and functional expansion; user experience and feedback served as the basis for our efforts to further improve our system and enhance operating efficiency and service quality.

(B) Research and development results during 2018

Unit: NT$1,000

Project	Investment
Strengthening of e-banking	110,933
Strengthening of cloud service platform	7,500
Optimization of online lending procedures	6,444
Upgrade of Robot Advisory	4,275
Strengthening of customer service system	4,096
Big data marketing	3,680

(C) Future research and development plans

Unit: NT$1,000

Plans/projects during the most recent year	Current progress	Further required R&D expenses	Expected date of completion	Main factors weighing on success of future R&D
Optimization of insurance system	In progress (completion: 60%)	2,541	2019.6.30	Integrity of business planning and availability of system development manpower
Strengthening of mutual fund investment system	In progress (completion: 20%)	6,698	2019.9.30	
Strengthening of e-banking and membership management	In progress (completion: 20%)	30,975	2019.12.31	
Optimization of lending procedures	In progress (completion: 20%)	30,324	2019.12.31	
Strengthening of back-end support system	Under planning	60,883	2019.12.31	
Strengthening of video customer service system	Under planning	5,579	2019.12.31	

In the days ahead, we will always give priority to meeting customer needs as we adapt to a rapidly changing market and take up the challenge posed by an anticipated outburst of internet-only banks. We will focus our resources on developing and delivering features and services that customers really want and need, thereby making their most trustworthy digital bank.

C. Trust Business

In 2019, the Bank will give customers an additional option in terms of investment and wealth management by undertaking foreign currency non-discretionary money trusts for investing in foreign securities. With regard to monetary trusts, we are keen to apply innovative technologies and develop such services as advance collections trusts and electronic payment stored-value trusts. At the same time, we are set to promote charitable trusts in line with our altruistic ideal of "benefiting others to fulfill oneself."

Trust products offered during the most recent two years and their amounts:

Unit: NT$1 million

Item	2018	2017
Non-discretionary money trusts for investing in domestic and foreign securities	494	132
Other monetary trusts	3,022	499
Real estate trusts	5,930	1,787
Real estate investment trusts	3,244	N/A
Advance collections trusts	381	251

D. Risk Management

To effectively implement a risk-driven internal control mechanism, O-Bank teamed up with our consulting team to establish a GRC (Governance, Risk Management, Compliance) management platform in 2018. As of the end of 2018, we had already completed planning for the operational risk management structure under the GRC platform. The Bank expects to start phasing in the platform upon its completion scheduled for later this year.

(5) Short- and Mid- to Long-Term Business Development Plans

Taking into account current political and economic conditions at home and abroad and various factors favorable and unfavorable to our development, the Bank will work vigorously for business growth. To achieve the said goal, we have drafted the following short- and mid- to long-term business development plans:

A. Short-term business development plans:

(A) Further expand customer base and enhance customer contribution

As a latecomer to the ranks of commercial banks pitted against an intensely competed environment, the Bank will work along several lines to grow our retail banking customer base and enhance customer contribution. On one hand, we will build on our O-Life platform and strength in digital banking to establish strategic alliances with ecommerce and consumer industry leaders for provision of joint services that focus on everyday needs. As we gradually establish a brand alliance and ecosystem, we will be able to enter consumers' everyday applications and reap large numbers of new customers. On the other hand, we will draw from systemization and digitization for managing customer lifetime value (CLV) in stages and deepen customer dealings with us, thereby increasing product penetration and customer contribution. Equal emphasis will be placed on delivering an optimal customer experience, thereby creating an excellent reputation and soliciting customer recommendations to others.

(B) Persist with the "intensive cultivation" strategy to uphold corporate banking quality

Strategically speaking, "intensive cultivation" will continue to characterize our corporate banking services. On top of keeping up a quality balance sheet, we will seek to maximize the benefits of capital utilization. Alongside bolstering cross-selling in conjunction with the retail banking team, our corporate banking business will continue promoting niche services such as TMU, structured financing, and securitization and seek to provide customers with the best possible total solutions. At the same time, we will optimize asset allocation, upgrade operating systems, and streamline operating procedures to enhance overall operating efficiency.

(C) Bolster co-marketing, create synergies

We will make good use of our existing corporate banking customer base in expanding such services as salary transfers, VIP mortgage loans, and unsecured loans. We will also strive for geometric—not merely arithmetic—synergies by taking advantage of the face-to-face presentations jointly organized by the Bank and our partner insurers to promote wealth management products among business owners. To better meet specific needs, we will combine our innovations in both corporate and retail banking to develop customized financial services and provide tailor-made total solutions to fulfill our corporate philosophy of "One Bank."

(D) Continue growing competent professionals

In tandem with our business and organizational development, the Bank will continue to search for professionals from different disciplines called for in this emerging digital age of ours. We are also ready to train inexperienced novices through industry-academia collaboration and summer internship programs. Separately, on top of offering various training in compliance with external regulations, the Bank is ready to map out a special program under which promising employees from all departments will be selected for systematic training, thereby helping with the Bank's talent retention.

(E) Stand by commitment to corporate social responsibility

Since our launch into various corporate social responsibility initiatives, the Bank has won not only international certification as a B corporation but also a good number of accolades from outside organizations dedicated to CSR evaluation. In the days ahead, the Bank is ready to keep up our solid track record and do our share in serving both the environment and community.

B. Mid- to long-term business development plans:

(A) Create a competitive digital banking brand name

We will actively seek out opportunities for cooperation in the areas of fintech applications and innovative business models with a view to ushering advanced technology into digital banking operations and revolutionizing how banks are to be run, thereby crafting a wider range of inclusive financial services. At the same time, we will make good use of big data and cloud computing to develop a wide range of products that meet diverse customer needs. At the end of the day, we aim to consolidate our position and image as a powerful digital bank capable of providing customers with an utterly refreshing experience in digital innovation.

(B) Launch M&As at opportune moments

To expand the Bank's business scope and reach and enhance our market standing, we will stay on the watch for viable M&A opportunities both at home and abroad.

(C) Continue to promote the "Wangdao" spirit

We have long believed that every enterprise is defined by its corporate culture. Thus, the Bank is proactive not only to promote the "wangdao (benevolent way)" spirit of "benefiting others to fulfill oneself" internally but also to share this altruistic ideal with all stakeholders. As the Bank continues to expand, we will stand by this benevolent way as we invite more like-minded professionals to get on board. While our organization is set to get bigger and bigger, the Bank will enhance operational efficiency through following this benevolent way faithfully. Externally, the Bank has also taken the lead to demonstrate our commitment to this altruistic ideal by endorsing the B Corporation initiative. In the days ahead, we expect to develop financial services that combine our corporate social responsibility and professional financial expertise and prove even more beneficial to the public.

2. Human Resources

(1) The Bank's number of employees, as well as their average years of service, average age, educational background, and professional licenses held during the most recent two years and the current year up to the date of publication of this annual report:

Year		2017/12/31	2018/12/31	2019/4/16
Number of Employees	Clerks	796	790	792
	Workers	32	31	29
	Total	828	821	821
Average Age		38.6	39.2	39.2
Average Years of Service		3.8	4.3	4.3
Distribution of Academic Degrees	PhD	0.3%	0.3%	0.3%
	MA	36.4%	33.6%	33.4%
	BA	61.7%	64.1%	64.2%
	Senior High School	1.6%	2.0%	2.1%
Professional Licenses Held	Banks' Internal Control and Audit Exam	342	344	359
	Exam on Financial Market Knowledge and Professional Ethics	355	391	392
	Trust Services Competency Exam	308	321	326
	Structured Commodities Salesperson Qualification Exam	124	131	132
	Financial Derivatives Salesperson Qualification Exam	4	27	25
	Securities Brokerage Salesperson Qualification Exam	65	59	64
	Securities Brokerage Senior Salesperson Qualification Exam	116	110	109
	Personal Insurance Salesperson Qualification Exam	137	220	227
	Property Insurance Salesperson Qualification Exam	118	147	156
	Exam for Personal Insurance Salespeople Selling Foreign Currency, Non-Investment Products	36	44	48
	Entry-Level Lending Personnel Qualification Exam	159	157	155
	Entry-Level Forex Personnel Qualification Exam	135	136	134
	Bond Trading Competency Exam	30	30	30
	Forex Trading Competency Exam	8	6	6
	Bills Salesperson Qualification Exam	46	44	44
	Securities Investment and Trust Salesperson Qualification Exam	67	70	66
	Securities Analyst Qualification Exam	5	4	4
	ACAMS Certification	2	3	4
	CISA Certification	-	2	2
	CPA Certification of the ROC	-	3	3

Note: The employee tallies in the table do not take account of those working at overseas branch entities.

(2) Status of employee training:

To meet the need for migrating toward digital banking and ushering in a new business model, the Bank devises comprehensive training programs and career paths for employees based on its operating strategy and goal while paying special attention to incorporating the Bank's core values and specific requirements. Each year, training programs that focus on management capacity and specialized skills are designed separately for employees of different levels to enhance their competitiveness.

In 2018, the Bank hosted 397 internal training courses and drew on outside organizations for another 520 courses. Trainees totaled 25,617 persons. Combined, the Bank's employees underwent a total of 33,690 hours of training, averaging out to 38.1 hours at an average cost of over NT$5,505 per person.

On top of the internal and external courses cited above, the Bank's digital learning platform—O-Bank Digital Academy—also provides a wide range of in-house and outsourced courses that cover various financial disciplines, legal compliance, and management issues. In 2018, a total of 332 such online training courses were offered and employee attendances amounted to 17,011 hours.

To accommodate migration toward updated international criteria for cerrtification of personal information protection, the Bank offered a series of training on personal information protection in 2018 to get aligned with international practices and enhance employee awareness on this front.

3. Corporate Social Responsibilities and Code of Ethical Conduct

Committed to sustainable development since its inception, the Bank has continuously devoted itself to the five major corporate social responsibility areas of employee care, customer service, corporate governance, environmental protection, and social engagement. In January 2015, the Bank established its Corporate Social Responsibility Committee and took in the highest-ranking managerial officers of all departments as committee members. Reporting to the Board of Directors on an annual basis, the committee is charged with the task of making real the Bank's belief in ethical management throughout, thereby ensuring that the Bank fulfills its responsibilities to all stakeholders: employees, customers, shareholders, suppliers, and the public. Since publishing its first year report to disclose results of implementing corporate social responsibility initiatives in 2016, the Bank has to date emerged a recipient of the Taiwan CSR Awards granted by the Taiwan Institute for Sustainable Energy for three consecutive years.

With regard to employee care, we continue to provide annual training to bolster employee competitiveness. We have also trained in-house lecturers and developed a digital platform for e-learning. In addition to strengthening employee awareness of health and safety, we strive to foster sporting groups among employees in order to create a workplace conducive to a balanced lifestyle. Equal attention is paid to creating a working environment of gender equality as well as diversity and equity. In the area of customer service, we faithfully comply with the competent authority's regulations, effectively protect customer privacy and transaction security, and provide customers with convenient and quick financial services, both physical and virtual. Since our launch into retail banking in 2017, we have been committed to innovation in digital banking while delivering products that meet consumer needs. In the area of corporate governance, we make it a point to maintain information transparency and open disclosure. We have established the Audit Committee and appointed independent directors to ensure the effective supervision of internal operations. Furthermore, we have enacted the Procedures for Ethical Management and Guidelines for Conduct and Principles for Fair Treatment of Customers. In addition, we have established a "whistleblower mechanism," drafted anti-corruption and fraud prevention policies, and promoted employee training and awareness, thereby making real our belief in ethical management in every aspect of our business. In terms of environmental protection, we advocate energy conservation and carbon reduction, strengthen water resources management and waste reduction, promote green procurement, and urge suppliers to do their part in fulfilling corporate social responsibility. A highlight on this front was the Bank's securing ISO 14001 certification in environmental management in 2018. In terms of social engagement, we abide by our humane belief as we participate in a wide array of social concern and public welfare activities. Apart from concern for underprivileged groups, we also dedicate our efforts to promoting art education and encourage employees to join us in such endeavors. Thanks to the Bank's multifaceted, systematic endeavors toward fulfilling corporate social responsibility, we won certification of B Lab of the U.S. in 2017 as a B Corporation, the highest honor in the sphere of corporate social responsibility for today's business community worldwide. O-Bank was not only the first listed bank to have been thus certified worldwide but also the first listed company and financial services provider in Taiwan to have won this honor.

In keeping with its commitment to corporate social responsibility, the Bank maintains a spirit of service that values learning, innovation, and sustainability. Setting up an education foundation as early as July 2000, we draw on our corporate expertise, government support, and private resources to vigorously promote various industry-academia collaborations, technology management seminars, entrepreneurship workshops, and artistic and cultural activities. We hope to open new horizons for the public and the younger generation, inspire the spirit of innovation, and cultivate the capacity for art appreciation, thereby boosting the country's competitiveness and cultural endowment. With its sponsorship of art events meant for charity, innovative startups, and social engagement events, the O-Bank Education Foundation was a recipient of the Arts & Business Awards of the Council for Cultural Affairs in 2010 and of the 9th National Civic Service Awards of the Ministry of the Interior in 2011. These honors attest to the Bank's dedication to fulfilling its corporate social responsibility.

- Social Welfare

  Over the years the Bank has been proactive to get involved in social welfare activities in line with its aspiration for following the "Wangdao (benevolent way)" spirit of "benefiting others to fulfill oneself" as well as its commitment to fulfilling corporate social responsibility. In 2018, our major social welfare undertakings consisted of participation in activities benefiting schoolchildren in isolated areas and promotion of social enterprises. To keep schoolchildren in remote areas company in their childhood, we provided both support for schools and daily assistance: offering scholarships to outstanding young students, joining schoolchildren in celebrating the holidays, joining Taiwan Bar to introduce animations for dissemination of financial knowledge, sponsoring events to promote financial knowledge, and hosting events at the Dream Cinema.

  We have also actively promoted and supported social enterprises through tangible actions, including the holding of farmers' markets, invitation for social enterprises to set up stalls, and initiation of group buying from social enterprises. In addition, we also host lectures for the managers of social enterprises to promote their cause so that the ideal of social enterprises can gain a bigger audience and all employees of the Bank can learn more about them. In 2018, the Bank introduced a couple of financial services tailored specifically for social enterprises: preferential demand deposit interest rates and salary transfer account services. As Taiwan's first bank to be certified as a B Corporation, we are also proactive to help promote the B Corporation initiative in this country. After offering preferential demand deposit interest rates and salary transfer account services to certified companies in 2017, the Bank ushered in loans designed specifically for them in 2018. By taking action and drawing on financial resources to support "businesses that do good to the world," the Bank demonstrates its resolve to make a staunch ally of Taiwan's B Corporation community.

  Since 2009, the Bank has sponsored the Xue Xue Foundation's Chinese Zodiac Animals Scholarship Program on an annual basis. Likewise, we have offered annual sponsorship to the Criminal Investigation and Prevention Association since 2008 to help boost academic research and deliver practical assistance in police administration.

- Education in Culture and the Arts

  In order to promote art education, we have held a series of artistic and cultural activities since 2008, including concerts, exhibitions, "Stars of Tiding Exhibition," "Stars of Tiding Art Advocacy Project," "Art Salons," and "Creating

Arts and Experiences." We provide stages for new artistic talents to perform on, help emerging artists to engage in interdisciplinary study, and promote the development of the art industry. At the same time, we also help develop the creative potential of underprivileged third, fourth, and fifth graders.

In 2018, the O-Bank Education Foundation held a total of 46 artistic and cultural events. Of these, 21 were concerts, three lectures on culture and the arts, seven art exhibitions, one Christmas lights switch-on, four visits and guided tours, two events co-hosted with outside organizers, and eight artistic and cultural visits and workshops intended for underprivileged schoolchildren. These activities attracted nearly 20,000 participants. Our Art Advocacy Project provided support to 52 young musicians and 28 young artists in 2018. Exhibitions and concerts were held to provide these young talents with a stage to perform on. To cultivate art appreciation ability among the young, we organized eight "Creating Arts and Experiences" sessions in 2018. The participating artists personally served as tour guides, designed teaching materials, and performed teaching. This activity encouraged elementary school pupils' artistic talents, and let them show their works at a year-end exhibition. Moreover, there was one special session where senior citizens were invited to have a try on making handicrafts. Of the 134 people participating in the latest "Creating Arts and Experiences" sessions, 109 were underprivileged children and 10 senior citizens.

4. Non-Executive Employees, Annual Employee Welfare Costs and the Difference from the Previous Year:

Year	2017	2018	Difference (%)
Number of Non-Executive Employees	702	703	0.1
Average Expenditure for Employee Benefits (NT$ thousands)	1,113	1,208	8.6

Note 1: The employee tallies in the table do not take account of those working at overseas branch entities.

Note 2: Pursuant to IAS 19 that prescribes the accounting for all types of employee benefits, expenditures for employee benefits comprise all forms of consideration given by an enterprise to employees—salaries, premiums for labor and national health insurance, pensions, and other related expenses.

5. Information Equipment

(1) Hardware and Software Configurations of Major Information Systems

The Bank's major information systems include those meant for front-end trading, mid-end management, back-end operations, and office automation. The primary hardware lineup includes IBM RS6000, Oracle SPARC, HP ProLiant, and Lenovo xServer while software, IBM AIX, RedHat Linux, Oracle Solaris, Windows Server, VMware, Oracle DB, and Windows SQL DB. Besides conducting in-house supervision and maintenance of the said major hardware and software, the Bank has also contracted suppliers for routine maintenance and emergency repairs in order to make sure that all information equipment runs smoothly at all times. The Bank is ready to gradually expand the foregoing information systems in coming years if this is warranted by business needs and performance considerations.

(2) System Development or Procurement

A. Major Special Projects Undertaken in 2018:

(A) Upgrade of the corporate banking system for NTD services: The corporate banking core system for NTD services was transferred to the latest IBM mainframe while also upgrading system software (CICS, Oracle, COBOL) and the core platform (ATS) to enhance the operational efficiency of corporate banking information systems.

(B) Conversion of the foreign exchange system: The EximBill foreign exchange system underwent conversion.

(C) Upgrade of the core system at the Hong Kong Branch: The core system of the Hong Kong Branch was upgraded and moved back to the Infrastructure Department's computer room.

(D) Installation of a new credit checking/reviewing system for corporate banking: Retiring the old credit checking/reviewing system to save on data maintenance costs and facilitate information reuse by risk management personnel.

(E) Installation of the telemarketing system in Banqiao: A computer room and related systems were installed at the Bank's telemarketing center in Banqiao to handle such procedures as outbound calls, administrative management, and policy intakes as well as such functions as backend parameter management, authority management, and data transmission to and from outside insurance agent systems.

(F) (Campaign Code List) CLS System: The system was installed to provide rosters for use in switching between the Bank's sales campaigns.

(G) Installation of the system for accessing pre-designated accounts: The system allows customers to use pre-designated accounts for mobile payments when conducting transactions on the Bank's partner online payment platforms. Meanwhile, designated customers are given the option of using their O-Bank accounts in making payments, securing overdrafts, or engaging in financing on the platform meant for pharmaceutical firms.

(H) Installation of the platform for redeeming rewards: This platform was installed for customers to redeem rewards for various promotional campaigns or register entries thereof online.

(I) Expansion of the information center's computer room: To accommodate greater demand for various systems on the back of business expansion, the project was undertaken to bring in more facilities needed for the mainframe and networking equipment in the information center's computer room.

B. Future Plans:

Highlight projects for 2019 include a number of ongoing ones—upgrade of the corporate banking system for NTD services, conversion of the foreign exchange system, upgrade of the core system at the Hong Kong Branch, and installation of a new credit checking/reviewing system for corporate banking, as well as installation of an NPL system. In tandem with its business strategy, the Bank will also develop other information systems characterized by security, scalability, and integrability, thereby attaining business goals and enhancing customer satisfaction.

(3) Operational Sustainability

The Bank has produced data backup media for off-site storage to prepare for the eventuality of natural disasters or human errors causing malfunction of computer mainframes or communications systems, thereby disrupting critical information operations. Moreover, the Bank has also established a remote backup center in the Acer Aspire Park in Longtan. In the event of any disaster, personnel of the Bank can immediately go to the remote backup center and have the primary information systems resume operations. Separately, the Bank conducts operational sustainability simulations for both information and business operations each year to enhance employee capacity for and familiarity with crisis management and ensure the smooth operations of the remote backup center in the event of any disaster.

(4) Information Security

A. Information Security Organization:

To effectively implement its information security management system and enforce relevant operations, the Bank established an information security promotion team and an information security implementation and examination team in November 2016. Convened by the chief operating officer, the information security promotion team is responsible for supervising and deciding on matters in relation to the information security management system. The team also convenes regular meetings to examine the implementation status of the information security management system and provide the resources needed.

B. Information Security Management System:

To ensure the confidentiality, completeness, usability, and legality of information assets and prevent intentional or accidental threats both within and without, the Bank has taken account of its business needs while enacting its information security policy and operational regulations. From setting information security policies and goals and adopting implementation and maintenance measures to reviewing and amending policies and regulations on a regular basis and assessing risks, the Bank follows the PDCA (Plan-Do-Check-Act) cycle as it seeks ceaselessly to improve and strengthen all relevant aspects on this front. After securing ISO 27001 certification for information security management in January 2017, the Bank now undergoes reexamination by an impartial third-party certification unit each year to ensure the effective operations of its information security management system.

The Bank's information security goals are as follows:

- Ensure the confidentiality of information assets by enforcing control of access to information and requiring that only authorized personnel are given such access.
- Ensure the completeness of information operations management to prevent unauthorized alteration.
- Ensure the uninterrupted functioning of information operations.
- Ensure the compliance of information operations with applicable laws and regulations.

C. Protective Measures for Information Security:

To ensure the security of its information environment, the Bank has installed the following: antivirus software, double firewalls, intrusion prevention, advanced persistent threat (APT) prevention, file and mainframe access control, network traffic anomaly detection, denial of service (DoS) prevention, automatic updating of patches, website links control, instant messaging control, email filtering, control of USB storage devices, information leakage prevention, database monitoring, control of mobile devices, management of privileged accounts, scanning for system vulnerabilities, source code analysis, and penetration tests. Each year the Bank also conducts information security evaluation of computer systems and undertakes inspection of apps on mobile platforms to strengthen the security of network communications, computer systems, and various applications.

D. Information Security Training and Awareness Promotion:

In 2018, the Bank provided all employees with three-hour training on information security to help them better grasp its importance as well as the threats and regulatory trends on this front and thus enhance their information security awareness and vigilance. Separately, the Bank's dedicated personnel charged with information security are required to undergo relevant training of not less than 15 hours.

E. Overall Information Security Implementation:

In the first quarter of 2018, the Bank filed a report to the Board of Directors on overall information security implementation during the previous year. The head of the dedicated information security unit was joined by the chairman of the board, the president, and the chief auditor in issuing the Declaration of Overall Information Security Implementation.

6. Labor Relations

(1) Employee benefit plans and retirement system as well as the status of their implementation; the status of labor-management agreements and measures for preserving employee rights and interests:

A. Benefit Plans:

(A) Employee Insurance: In addition to offering labor insurance and national health insurance, as required by law, the Bank provides employees and their families with group insurance and increases their coverage under term insurance, accident and injury insurance, hospitalization insurance, cancer insurance, accident insurance for overseas business trips, and occupational hazard insurance. This makes a well-rounded insurance scheme that helps create a carefree working environment for employees.

(B) Health Checkups: Each year employees of the Bank are entitled to health checkups that are more thorough than is required by applicable laws and regulations. The Bank also conducts follow-up inquiries to help employees keep track of their health in order to ensure that they are taken good care of both physically and mentally.

(C) Study Grants: The Bank offers grants for employees to take outside courses, pursue academic degrees, go abroad for advanced studies, and take various certification tests.

(D) Preferential Loans: The Bank provides employees with preferential loans to meet personal needs, including mortgages and consumer loans.

(E) Counseling: To help employees relieve stress, the Bank teams up with "Teacher Chang" to offer counseling on family and interpersonal relations and those between the sexes as well as self-adjustment at the workplace. Employees are free to go to Teacher Chang and book a counseling session directly.

(F) Massaging: Visually impaired massagists are engaged to help employees relieve stress in the office while giving people with visual impairments a job opportunity.

(G) Health Station: Employees are provided with a variety of fitness and recreational facilities, including treadmills, spinning bikes, cross trainers, stationary bikes, dart machines, and golf driving range equipment, to help them relieve stress and stay efficient in the office.

(H) Refreshment Spot: Employees are provided with all sorts of snacks and locally sourced organic fruits and vegetables for both replenishment and relaxation.

(I) Reading Room: All sorts of books, periodicals, and magazines are offered to help employees gain knowledge and relax themselves.

(J) Other Benefits: To enhance employee wellbeing, the Bank offers gifts of money for major traditional holidays and birthdays, childcare subsidies, and wedding, funeral, childbirth, and illness allowances, as well as organizes family day events, year-end dinners, and club activities.

(K) Considering employees' needs to take care of their families, the Bank offers special leave in the event of parents or children getting sick, leave for volunteering, leave for male employees to keep their wives company for pregnancy checkups, birthday leave, and flexible working hours. Meanwhile, the Bank has taken the lead to care for transgender employees. With same-sex partner certificates issued by the relevant household registration office or other relevant certificates, employees are equally entitled to marital leave, leave for keeping partners company for pregnancy checkups, paternity leave, and funeral leave.

(L) The Bank organizes a diversity of arts and humanities activities—artistic and cultural performances, guided concerts, and guided visits to art exhibitions—on a non-routine basis.

B. Retirement System:

To effectively care for employees, the Bank implements an employee retirement system in accordance with the Labor Standards Act, the Labor Pension Act, and the Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds. Based on the Bank's Regulations Governing Employee Retirement, all employees in Taiwan are entitled to the following retirement system:

(A) Retirement system under the Labor Standards Act: The Bank, in accordance with provisions of the Labor Standards Act, makes a monthly labor pension reserve appropriation equivalent to 2% of an employee's total wage and has the Labor Pension Reserve Fund Supervisory Committee deposit this amount in a designated account at the Bank of Taiwan whose management is entrusted to the Bureau of Labor Funds, Ministry of Labor.

(B) Labor Pension Act: The Bank makes monthly appropriations to be deposited in the labor pension reserve fund account. Upon implementation of the Labor Pension Act, the Bank also began, on a monthly basis, making labor pension contributions not lower than 6% of qualified employees' monthly wages to their individual accounts at the Bureau of Labor Insurance, Ministry of Labor. In terms of employees who voluntarily make contributions out of their wages to the labor pension reserve fund, the Bank shall withhold a percentage of their wages of their choosing and deposit the amount in their individual accounts at the Bureau of Labor Insurance, Ministry of Labor.

(C) Qualifications for Employees to Apply for Retirement:

A. Voluntary Retirement

An employee may apply for voluntary retirement under any of the following circumstances:

(A) Where the employee attains the age of 55 and has worked for not fewer than 15 years.

(B) Where the employee has worked for not fewer than 25 years.

(C) Where the employee attains the age of 60.

(D)Where the employee attains the age of 55 and has worked as a driver or security guard.

B. Compulsory Retirement

The Bank shall notify an employee of compulsory retirement if either of the following situations has occurred: a. Where the employee attains the age of 65 b. Where the employee is unable to perform his/her duties due to disability.

(D) Criteria for Payment of Pensions:

A. For employees who reported to work prior to June 30, 2005 and choose to retain applicability to the retirement mechanism in the Labor Standards Act:

- Two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be not more than 45. The length of service is calculated as half year when it is less than six months and as one year when it is more than six months;

- In accordance with Article 55, paragraph 1, subparagraph 2, an additional 20% on top of the aforesaid amount shall be given to employees forced to retire due to disability incurred from the execution of their duties.

B. For employees applicable to provisions of the Labor Pension Act, which went into effect July 1, 2005:

- Of the employees who reported to work prior to June 30, 2005, their years of service before their choosing a switch of applicability to the Labor Pension Act shall be reserved and, in turn, their pension entitlement for the given period shall be calculated in accordance with provisions laid out above.
- In terms of the employees applicable to provisions of the Labor Pension Act, which went into effect July 1, 2005, the Bank shall, pursuant to the Table of Monthly Contributions for Labor Pension promulgated by the Ministry of Labor, contribute the equivalent to 6% of their monthly wages as labor pension on a monthly basis.

C. Labor-Management Agreements:

To promote labor-management relations and hear what employees have to say, the Bank's has established a number of channels for communicating with them:

(A) Hold labor-management meetings on a regular basis: The annual labor-management meeting is held to discuss matters with regard to the protection of labor under applicable laws and regulations, such as overtime work and nighttime work for female employees. Any resolution adopted by the meeting shall be incorporated into the Bank's working regulations and made known to all employees. Meanwhile, the Bank continues to promote employee awareness of key regulations governing attendance and overtime work, thereby ensuring the rights and interests of all employees.

(B) Organize employee conferences on a regular basis: To strengthen the interaction between employees and senior managers, the Bank holds employee conferences on a regular basis so that employees and senior managers can exchange opinions and communicate face to face.

(C) Install mailboxes to communicate with and care for employees: To protect employee rights and ensure effective communication, the Bank has established mailboxes for employees to file general complaints and sexual harassment charges. Complaint documents and letters shall be treated as confidential information to protect the rights and interests of the informing party. Separately, the "WeCare Mailbox" is put in place to encourage employees to make suggestions on employee care and help establish a workplace open to communication.

(D) "Corner for O-Bank Employees": The Bank has established "Corner for O-Bank Employees" on Facebook to make public all sorts of information whenever warranted and thus keep employees stay up to date. In addition, the Bank is proactive to uncover employee needs and suggestions through its internal publication "TOUCH News" and by way of non-routine employee surveys.

Any newly introduced or corrective measures that bear on labor-management relations shall be preceded by full communication and consensus building between the two sides. Employees can also present their personal opinions through internal channels or directly to supervisors, thereby attaining effective communication and promoting labor-management relations.

D. Measures for Preserving Employee Rights and Interests: In addition to enacting well-rounded internal regulations and operating procedures, the Bank makes it a point to uphold employee rights and interests and make sure that employees perform their duties in accordance with applicable laws or regulations and internal control regulations. The said regulations and procedures contain clearly defined provisions with regard to working hours, requesting and taking leave, salaries and bonuses, rewards and penalties, retirement, and occupational safety and health. To spare employees from sexual harassment and uphold gender equality at the workplace, the Bank has also implemented preventive measures and adopted regulations for filing complaints and imposing penalties. A sexual harassment complaint handling committee is now in place to receive allegations, conduct investigations, and take whatever action is warranted accordingly.

(2) Losses sustained as a result of labor disputes (including violations of the Labor Standards Act detected in labor inspections):

Thanks to human-based management, the Bank has been able to enjoy harmonious labor-management relations and thus has not sustained any losses arising from labor disputes or violations of the Labor Standards Act detected in labor inspections during the most recent year and the current year up to the date of publication of this annual report.

7. Material Contracts:

Type of Contract	Contracting Parties	Commencement and Expiration Dates	Major Content	Restrictive Clauses
Contract on authorization and maintenance of the Bank's new core system	The Bank and International Integrated Systems, Inc.	2015/11/9-2030/11/8	Installation of a new core system after the Bank's transformation to a commercial bank	As provided by the contract
Contract on authorization for system use and provision of special project service	The Bank and Salesforce.com Singapore Pte. Ltd.	2019/2/15-2022/2/14	Authorization for system use and provision of special project service after the Bank's transformation to a commercial bank	As provided by the contract
Contract on installation of a new infrastructure for core and peripheral systems	The Bank and International Integrated Systems, Inc.	2016/3/11-2019/12/31	Installation of a new infrastructure for core and peripheral systems after the Bank's transformation to a commercial bank	As provided by the contract
Installation of personal/mobile banking systems and provision of special project service	The Bank and IBM Taiwan	2016/3/30-2018/4/2	Installation of personal/mobile banking systems and provision of special project service after the Bank's transformation to a commercial bank	As provided by the contract
Contract on production and delivery of bank/debit cards	The Bank and Gemalto Taiwan Co., Ltd.	2018/10/6-2019/10/5	Production and delivery of bank/debit cards	As provided by the contract
Contract on production and delivery of bank/debit cards	The Bank and Taiwan Name Plate Co., Ltd.	2018/6/5-2019/6/4	Production and delivery of bank/debit cards	As provided by the contract
Contract on cash transport for the Bank	The Bank and Taiwan Security Co., Ltd.	2019/1/1-2020/12/31	Cash transport	As provided by the contract
Contract on cash transport for the Bank	The Bank and Lee Bao Security Co., Ltd.	2019/1/1-2020/12/31	Cash transport	As provided by the contract

8. Securitization:

The O-Bank Number One Real Estate Investment Trust (REITs) Fund, for which the Bank acts as lead arranger and trustee, was listed on the Taiwan Stock Exchange on June 21, 2018. The ninth REIT fund to go public in Taiwan, it marks the first instance of the local financial services industry launching into real estate securitization in nearly 11 years. The underlying assets of this NT$3 billion fund include two types: office building and commercial complex, for which Sinyi Global is engaged to help enhance management efficiency.

VI. Financial Information

1. Five-Year Financial Summary

(1) Condensed Balance Sheet and Comprehensive Income Statement

A. Consolidated Balance Sheets

Unit: NT thousands

Item \ Year		The Last Five Years				
		2018	2017	2016	2015	2014
CASH AND CASH EQUIVALENTS, DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS		**31,834,070**	18,132,429	23,106,957	16,879,083	27,193,320
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**151,512,614**	154,136,983	147,722,285	159,678,561	138,404,925
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		**149,952,752**	-	-	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST		**499,939**	-	-	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS		**-**	149,145,722	126,981,565	115,841,981	95,063,691
DERIVATIVE FINANCIAL ASSETS FOR HEDGING		**-**	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS		**991,363**	5,682,864	200,092	4,100,000	1,750,739
RECEIVABLES, NET		**20,829,951**	21,202,093	19,046,408	19,759,425	16,292,701
CURRENT TAX ASSETS		**381,082**	301,362	200,582	207,351	208,147
ASSETS HELD FOR SALE, NET		**-**	-	-	-	-
DISCOUNTS AND LOANS, NET		**197,338,050**	180,086,186	162,544,641	146,443,247	131,025,730
HELD-TO-MATURITY FINANCIAL ASSETS		**-**	499,821	5,544,703	9,849,587	4,884,679
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD		**-**	-	107,981	170,642	268,834
RESTRICTED ASSETS		**-**	-	148,214	450,649	465,909
OTHER FINANCIAL ASSETS		**1,329,918**	1,283,434	1,520,931	1,837,635	2,746,204
PROPERTY AND EQUIPMENT, NET		**2,951,660**	3,084,952	3,771,171	3,017,250	2,943,946
INVESTMENT PROPERTY, NET		**-**	-	-	8,157	8,283
INTANGIBLE ASSETS, NET		**2,457,300**	2,403,367	1,499,011	1,408,773	1,283,828
DEFERRED TAX ASSETS, NET		**672,656**	582,334	565,263	554,623	539,317
OTHER ASSETS		**1,090,219**	4,030,474	3,924,946	5,779,178	4,983,247
TOTAL ASSETS		**561,841,574**	540,572,021	496,884,750	485,986,142	428,063,500
DEPOSITS FROM THE CENTRAL BANK AND BANKS		**55,529,376**	53,032,639	56,697,931	47,840,792	43,586,167
DUE TO THE CENTRAL BANK AND BANKS		**-**	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		**793,272**	791,018	2,377,872	6,289,076	5,795,508
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING		**-**	-	-	-	-
SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE		**151,446,900**	189,821,968	163,304,781	171,238,096	136,519,486
ACCOUNTS PAYABLES		**5,636,437**	5,022,681	3,753,143	4,477,081	2,857,519
CURRENT TAX LIABILITIES		**17,857**	136,269	75,726	55,409	85,506
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE		**-**	-	-	-	-
DEPOSITS AND REMITTANCES		**261,803,321**	198,286,700	184,587,611	172,776,282	156,516,082
BANK DEBENTURES		**17,850,000**	20,400,000	17,450,000	14,950,000	14,980,000
PREFERRED STOCK LIABILITIES		**-**	-	-	-	-
OTHER FINANCIAL LIABILITIES		**15,034,414**	22,337,877	18,831,642	18,317,578	19,457,077
PROVISIONS		**1,869,428**	1,874,368	1,801,044	1,741,005	1,672,612
DEFERRED TAX LIABILITIES		**341,015**	216,007	248,870	230,434	156,281
OTHER LIABILITIES		**2,400,842**	2,477,851	1,885,021	1,789,099	1,454,596
TOTAL LIABILITIES	BEFORE DISTRIBUTION	**512,722,862**	494,397,378	451,013,641	439,704,852	383,080,834
	AFTER DISTRIBUTION	**Note 2**	495,121,280	452,099,494	440,900,105	384,035,889
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANKS		**31,989,128**	29,282,593	29,388,658	29,678,133	28,671,261
CAPITAL STOCK	BEFORE DISTRIBUTION	**27,130,063**	24,130,063	23,905,063	23,905,063	23,905,063
	AFTER DISTRIBUTION	**Note 2**	24,130,063	23,905,063	23,905,063	23,905,063
CAPITAL SURPLUS		**8,503**	7,730	3,193	1,773	-
RETAINED EARNINGS	BEFORE DISTRIBUTION	**5,010,543**	5,124,400	5,195,687	4,759,374	4,003,935
	AFTER DISTRIBUTION	**Note 2**	4,400,498	4,109,834	3,564,121	3,048,880
OTHER EQUITY		**(159,981)**	20,400	284,715	1,030,616	812,883
TREASURY STOCK		**-**	-	-	(18,693)	(50,620)
NON-CONTROLLING INTERESTS		**17,129,584**	16,892,050	16,482,451	16,603,157	16,311,405
TOTAL EQUITY	BEFORE DISTRIBUTION	**49,118,712**	46,174,643	45,871,109	46,281,290	44,982,666
	AFTER DISTRIBUTION	**Note 2**	45,450,741	44,785,256	45,086,037	44,027,611

Note 1: The fiscal years for which reports were CPA audited.
Note 2: The appropriation of earnings for 2018 has yet to be approved by 2019 general shareholders' meeting.

B. Consolidated Statement of Comprehensive Income

Unit: NT thousands; EPS in dollars

Item \ Year	The Last Five Years				
	2018	**2017**	**2016**	**2015**	**2014**
Interest revenue	**9,183,853**	7,614,208	6,874,444	6,273,240	5,564,810
Less: Interest expenses	**4,959,744**	3,584,088	2,723,007	2,888,663	2,859,696
Net interest	**4,224,109**	4,030,120	4,151,437	3,384,577	2,705,114
Net revenue other than interest	**3,597,804**	3,883,934	3,570,534	3,741,028	4,216,528
Total net revenue	**7,821,913**	7,914,054	7,721,971	7,125,605	6,921,642
Provisions	**(547,214)**	(894,250)	(609,637)	(401,890)	(270,359)
Total operating expenses	**(4,604,221)**	(4,175,614)	(3,536,549)	(3,044,719)	(3,273,404)
Profit from continuing operations before income tax	**2,670,478**	2,844,190	3,575,785	3,678,996	3,377,879
Income tax expenses	**(730,948)**	(732,303)	(833,742)	(690,425)	(624,196)
Profit from continuing operations	**1,939,530**	2,111,887	2,742,043	2,988,571	2,753,683
Net profit (loss) from discontinued operations	**2,823**	(52,986)	92,956	(67,821)	-
Net profit for the year	**1,942,353**	2,058,901	2,834,999	2,920,750	2,753,683
Other comprehensive income, net of income tax	**(381,787)**	(41,924)	(1,099,318)	416,497	717,598
Total comprehensive income	**1,560,566**	2,016,977	1,735,681	3,337,247	3,471,281
Net profit attributable to: Owners of the Bank	**954,659**	1,072,080	1,643,898	1,726,066	1,768,580
Net profit attributable to: Non-controlling interests	**987,694**	986,821	1,191,101	1,194,684	985,103
Total comprehensive income attributable to: Owners of the bank	**730,675**	799,316	892,217	1,928,227	2,417,364
Total comprehensive income attributable to: Non-controlling interests	**829,891**	1,217,661	843,464	1,409,020	1,053,917
Earnings per share	**0.40**	0.45	0.69	0.72	0.74

Note : The fiscal years for which reports were CPA audited.

C. Individual Balance Sheets

Unit: NT thousands

Item \ Year	The Last Five Years				
	2018	2017	2016	2015	2014
CASH AND CASH EQUIVALENTS, DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	**25,354,849**	13,015,386	17,865,166	12,447,787	23,032,946
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**53,820,259**	44,703,932	39,538,632	43,244,877	40,791,063
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**48,889,287**	-	-	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST	**499,940**	-	-	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS	**-**	48,598,498	32,628,260	28,999,739	20,152,502
DERIVATIVE FINANCIAL ASSETS FOR HEDGING	**-**	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS	**-**	-	-	-	-
RECEIVABLES, NET	**6,842,372**	5,891,803	4,690,507	5,310,002	2,901,504
CURRENT TAX ASSETS	**82,212**	54,922	55,293	12,598	8,260
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET	**-**	-	-	-	-
DISCOUNTS AND LOANS, NET	**179,388,428**	162,757,142	143,940,139	127,322,632	116,041,998
HELD-TO-MATURITY FINANCIAL ASSETS	**-**	499,821	5,544,703	9,849,587	4,499,471
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	**14,120,402**	14,219,590	14,242,663	16,475,130	16,642,945
RESTRICTED ASSETS	**-**	-	-	-	-
OTHER FINANCIAL ASSETS, NET	**614,919**	777,105	1,039,445	1,234,552	1,570,044
PROPERTY AND EQUIPMENT, NET	**2,757,103**	2,864,155	3,524,300	2,724,988	2,639,108
INVESTMENT PROPERTY, NET	**-**	-	-	-	-
INTANGIBLE ASSETS, NET	**1,274,262**	1,248,176	248,507	111,489	28,774
DEFERRED TAX ASSETS, NET	**164,392**	138,133	79,550	110,237	177,931
OTHER ASSETS	**531,695**	251,373	1,757,667	3,134,069	2,339,336
TOTAL ASSETS	**334,340,120**	295,020,036	265,154,832	250,977,687	230,825,882
DEPOSITS FROM THE CENTRAL BANK AND BANKS	**28,984,872**	34,894,919	41,875,141	36,830,792	31,346,167
DUE TO THE CENTRAL BANK AND BANKS	**-**	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**780,811**	700,106	2,349,989	6,135,494	5,360,113
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING	**-**	-	-	-	-

Item \ Year		The Last Five Years				
		2018	2017	2016	2015	2014
SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE		**4,400,442**	15,845,930	2,091,749	-	844,143
ACCOUNTS PAYABLES		**4,834,006**	4,100,342	2,705,487	2,075,257	1,347,183
CURRENT TAX LIABILITIES		**-**	91,977	-	42,804	27,263
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE		**-**	-	-	-	-
DEPOSITS AND REMITTANCES		**240,461,299**	183,021,391	164,056,836	155,577,590	141,240,986
BANK DEBENTURES		**17,850,000**	20,400,000	17,450,000	14,950,000	14,980,000
PREFERRED STOCK LIABILITIES		**-**	-	-	-	-
OTHER FINANCIAL LIABILITIES		**4,321,291**	5,997,782	4,648,821	5,021,807	6,480,076
PROVISIONS		**328,048**	241,454	176,479	193,425	160,193
DEFERRED TAX LIABILITIES		**333,990**	215,911	239,307	198,580	131,173
OTHER LIABILITIES		**56,233**	227,631	172,365	273,805	237,324
TOTAL LIABILITIES	BEFORE DISTRIBUTION	**302,350,992**	265,737,443	235,766,174	221,299,554	202,154,621
	AFTER DISTRIBUTION	**Note 2**	266,461,345	236,852,028	222,494,807	203,109,676
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANKS		**-**	-	-	-	-
CAPITAL STOCK	BEFORE DISTRIBUTION	**27,130,063**	24,130,063	23,905,063	23,905,063	23,905,063
	AFTER DISTRIBUTION	**Note 2**	24,130,063	23,905,063	23,905,063	23,905,063
CAPITAL SURPLUS		**8,503**	7,730	3,193	1,773	-
RETAINED EARNINGS	BEFORE DISTRIBUTION	**5,010,543**	5,124,400	5,195,687	4,759,374	4,003,935
	AFTER DISTRIBUTION	**Note 2**	4,400,498	4,109,833	3,564,121	3,048,880
OTHER EQUITY		**(159,981)**	20,400	284,715	1,030,616	812,883
TREASURY STOCK		**-**	-	(18,693)	(18,693)	(50,620)
NON-CONTROLLING INTERESTS		**-**	-	-	-	-
TOTAL EQUITY	BEFORE DISTRIBUTION	**31,989,128**	29,282,593	29,388,658	29,678,133	28,671,261
	AFTER DISTRIBUTION	**Note 2**	28,558,691	28,302,804	28,482,880	27,716,206

Note 1: The fiscal years for which reports were CPA audited.
Note 2: The appropriation of earnings for 2018 has yet to be approved by 2019 general shareholders' meeting.

D. Individual Income Statement

Unit: NT thousands; EPS in dollars

Account \ Year	The Last Five Years				
	2018	**2017**	**2016**	**2015**	**2014**
Interest revenue	**5,505,554**	4,138,029	3,629,099	3,356,594	2,962,829
Less: Interest expenses	**3,324,033**	2,161,812	1,545,201	1,618,207	1,585,879
Net interest	**2,181,521**	1,976,217	2,083,898	1,738,387	1,376,950
Net revenue other than interest	**2,548,362**	2,529,923	2,234,832	2,051,922	2,178,507
Total net revenue	**4,729,883**	4,506,140	4,318,730	3,790,309	3,555,457
Provisions	**(453,038)**	(534,168)	(409,498)	(144,269)	(221,658)
Total operating expenses	**(3,150,159)**	(2,746,189)	(2,052,648)	(1,641,040)	(1,419,331)
Profit from continuing operations before income tax	**1,126,686**	1,225,783	1,856,584	2,005,000	1,914,468
Income tax expenses	**(172,027)**	(153,703)	(212,686)	(278,934)	(145,888)
Profit from continuing operations	**954,659**	1,072,080	1,643,898	1,726,066	1,768,580
Net profit (loss) from discontinued operations	**-**	-	-	-	-
Net profit for the year	**954,659**	1,072,080	1,643,898	1,726,066	1,768,580
Other comprehensive income, net of income tax	**(223,984)**	(272,764)	(751,681)	202,161	648,784
Total comprehensive income	**730,675**	799,316	892,217	1,928,227	2,417,364
Net profit attributable to: Owners of the Bank	**Not Applicable**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net profit attributable to: Non-controlling interests	**Not Applicable**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total comprehensive income attributable to: Owners of the bank	**Not Applicable**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total comprehensive income attributable to: Non-controlling interests	**Not Applicable**	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Earnings per share	**0.40**	0.45	0.69	0.72	0.74

Note : The fiscal years for which reports were CPA audited.

E. Auditors' Opinions from 2014 to 2018:

Year	Accounting Firm	CPA	Audit Opinion
2018	Deloitte & Touche	Yang, Cheng-hsiu 、Chen, Li-chi	Unmodified Opinion
2017	Deloitte & Touche	Yang, Cheng-hsiu 、Chen, Li-chi	Unmodified Opinion
2016	Deloitte & Touche	Yang, Cheng-hsiu 、Chen, Li-chi	Unmodified Opinion
2015	Deloitte & Touche	Yang, Cheng-hsiu 、Chen, Li-chi	Unmodified Opinion
2014	Deloitte & Touche	Yang, Cheng-hsiu 、Chen, Li-chi	Unmodified Opinion

2. Five-Year Financial Analysis

(1) Consolidated Financial Analysis

Unit: NT thousands

Analysis Item \ Year		The Last Five Years				
		2018	2017	2016	2015	2014
Operating Capacity	Loan to deposit Ratio (%)	**76.50**	92.18	89.39	86.19	85.32
	NPL Ratio (%)	**0.02**	0.25	0.02	0.28	0.34
	Ratio of interest payments against annual average deposit balance (%)	**1.08**	0.78	0.61	0.75	0.81
	Ratio of interest revenues against annual average loan balance (%)	**2.96**	2.54	2.60	2.54	2.56
	Total assets turnover rate (times)	**1.42**	1.53	1.57	1.56	1.69
	Average revenue per employee (in NTD thousand)	**5,365**	5,406	5,841	5,696	5,821
	Average earnings per employee (in NTD thousand)	**1,332**	1,406	2,144	2,335	2,316
Profitability	Return on Tier 1 capital (%)	**6.35**	7.00	12.05	17.42	17.14
	Return on assets (%)	**0.35**	0.40	0.58	0.64	0.67
	Return on equity (%)	**4.08**	4.47	6.15	6.40	6.26
	Net income ratio (%)	**24.83**	26.02	36.71	40.99	39.78
	Earnings per share (in NT$ dollars)	**0.40**	0.45	0.69	0.72	0.74
Financial structure	Total liabilities to total assets ratio (%)	**90.99**	91.17	90.46	90.17	89.15
	Total property and equipment to equities ratio (%)	**6.01**	6.68	8.22	6.52	6.54
Growth rate	Growth rate of assets (%)	**3.93**	8.79	2.24	13.53	8.91
	Growth rate of profitability (%)	**(4.39)**	(24.30)	2.24	6.96	21.87
Cash Flow	Cash flow ratio (%)	**6.69**	4.12	2.05	Note 8	15.68
	Cash flow adequacy ratio (%)	**202.32**	42.78	22.21	9.59	75.24
	Cash flow satisfied ratio (%)	**Note 8**	56.89	103.15	Note 8	307.18
Liquidity reserves ratio (Individual) (%)		**45.61**	37.37	42.84	39.13	39.13
Total secured loans to related parties (Individual)		**1,012,134**	1,180,079	1,094,210	1,503,520	1,405,880
Ratio of total secured loans to related parties against total loans (Individual) (%)		**0.50**	0.66	0.71	1.08	1.19
Scale of Operations (Individual)	Market share of assets (%)	**0.66**	0.60	0.56	0.55	0.52
	Market share of worth (%)	**0.83**	0.81	0.84	0.91	0.98
	Market share of deposits (%)	**0.66**	0.52	0.48	0.47	0.45
	Market share of loans (%)	**0.66**	0.63	0.58	0.53	0.50

Please explain the reasons for any changes in financial ratios in the past two years. (Analysis is not required if the changes were smaller than 20%)

1. Overdue loans ratio is over than that of the previous year mainly due to a decrease in the amount of overdue loans.
2. Ratio of interest payments against annual average deposit balance is over than that of the previous year mainly due to an increase in the periodic deposit interest rate.
3. Growth rate of assets is lower than of the previous year mainly due to slower growth in both discounts and loans.
4. Growth rate of profitability shows improvement from the previous year due to a smaller decline in pretax profit.
5. Ratio of cash flow is over than that of the previous year primarily due to an increase in the net cash in-flow in business operations.
6. Cash flow adequacy ratio is higher than that of the previous year mainly due to an increase in cash flow from operating activities.
7. Liquidity reserves ratio is higher than that of the previous year mainly due to an increase in the central bank's NCDs and government bonds used as liquidity reserves.
8. Ratio of total secured loans to related parties against total loans is lower than of the previous year mainly due to an increase in the balance of loans.
9. Market share of deposits is higher than that of the previous year mainly due to a big increase in the balance of deposits.

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The following calculation formulas shall be listed at the end of this Table in the annual report:

1. Operating ability
   (1) Ratio of loans to deposits = total loans / total deposits
   (2) Overdue loans ratio = (loans overdue + other overdue) / total loans
   (3) Ratio of interest cost to annual average deposits = interest cost / annual average deposits
   (4) Ratio of interest income to annual average loans outstanding = interest income / annual average loans outstanding
   (5) Total assets turnover = net operating revenue / average of total assets
   (6) Average operating revenue per employee (Note 6) = net operating revenue / number of employees
   (7) Average profit per employee = after-tax income / total number of employees
2. Profitability
   (1) Return on tier 1 capital = before-tax earnings or losses / Net Average Tier I Capital
   (2) Return on assets = net income / average of total assets
   (3) Return on equity = net income / average of total equity
   (4) Ratio of net income = net income / total revenue
   (5) Earnings per share = (net income – preferred stock dividend)/average weighted outstanding stock (Note 4)
3. Financial structure
   (1) Ratio of liabilities to assets = liabilities / total assets
   (2) Ratio of real estate & equipment to equity = real estate and equipment assets / equity
4. Growth rate
   (1) Asset growth rate = (total assets of the year – total assets of previous year) / total assets of previous year
   (2) Profit growth rate = (before-tax earnings or losses of the year – before-tax earnings or losses of previous year) / before-tax earnings or losses of previous year
5. Cash flow (Note 7)
   (1) Ratio of cash flow = net cash flow from business activities / (call loans and overdrafts from banks + commercial paper payable + financial liabilities measured at fair value through profit or loss (fvtpl) + bonds and bills sold under repurchase agreements + current portion of payables)
   (2) Ratio of cash flow to dividends and expenditures = net cash flow from business activities for the past five years / (capital expenditures + cash dividends) for the past five years
   (3) Ratio of cash flow for operating to cash flow from investing = net cash flow from business activities / net cash flow from investing activities
6. Liquidity reserves ratio = liquid assets stipulated by CBC / reserves appropriated for various types of deposits

7. Operating scale
   (1) Market share of asset = total assets / total assets of the major financial institutions (Note 5)
   (2) Market share of net worth = net worth / total net worth of the major financial institutions
   (3) Market share of deposit = total deposits / total deposits of the major financial institutions
   (4) Market share of loan = total loans / total loans of the major financial institutions

Note 3: Total liabilities are deducted from guarantee liability preparation and accidental loss provisions

Note 4: The calculation formula for the earnings per share of the preceding paragraph should pay particular attention to the following matters when measuring:
(1) Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
(2) In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
(3) In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
(4) If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
(5) In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, then no adjustment need be made.

Note 5: Financial institutions capable of operating deposits and loans, including the local banks, branches of China's banks in Taiwan, branches of foreign banks in Taiwan, credit cooperatives, credit departments of agriculture and fishery associations.

Note 6: Revenue refers to the total of interest income and non-interest income.

Note 7: Give special attention to the following matters when carrying out cash flow analysis:
(1) Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
(2) Capital expenditures means the amounts of cash out-flows for annual capital investment.
(3) Cash dividend includes cash dividends from both common shares and preferred shares.

Note 8: If the net cash flow from operating activities is negative, it will not be calculated. Moreover, if the cash flow satisfied ratio's net cash flow from operating activities is negative or the net cash flow of investment activities is positive, it shall not be calculated.

(2) Consolidated Capital Adequacy

Unit: NT thousands

Analysis Item \ Year			The Last Five Years				
			2018	**2017**	**2016**	**2015**	**2014**
Eligible Capital	Common Shares Equity Tier 1		**42,039,566**	39,951,052	39,970,360	21,316,632	20,163,160
	Other Tier 1 Capital		**2,248,225**	-	-	-	-
	Tier 2 Capital		**7,639,991**	8,193,754	7,958,989	4,168,719	4,969,418
	Eligible Capital		**51,927,782**	48,144,806	47,929,349	25,485,351	25,132,578
Amount of risk- weighted assets	Credit risk	Standard	**308,063,174**	281,472,735	269,123,088	150,471,365	141,354,706
		Internal ratings-based approach	**-**	-	-	-	-
		Asset securitization	**-**	-	-	-	-
	Opera- tional risk	Basic indicator approach	**9,260,225**	8,580,350	8,216,913	7,111,525	6,566,038
		Standard/ alternative standardized approach	**-**	-	-	-	-
		Advanced measurement approach	**-**	-	-	-	-
	Market risk	Standard	**76,233,338**	69,522,775	59,733,113	6,228,413	10,448,613
		Internal models approach	**-**	-	-	-	-
	Total risk-weighted assets		**393,556,737**	359,575,860	337,073,114	163,811,303	158,369,357
Capital adequacy ratio			**13.19%**	13.39%	14.22%	15.56%	15.87%
Ratio of common equity to risk-weighted assets			**11.25%**	11.11%	11.86%	13.01%	12.73%
Ratio of Tier 1 capital to risk-weighted assets			**10.68%**	11.11%	11.86%	13.01%	12.73%
Leverage ratio			**6.86%**	6.70%	7.18%	8.15%	-

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The table shall disclose the calculation formula as follows:

(1) Eligible Capital = Common Shares Equity Tier 1 + other tier 1 capital + tier 2 capital

(2) Risk weighted assets = credit risk weighted assets + (capital requirement for operational risk + capital requirement for market risk) ×12.5

(3) Capital adequacy ratio = Eligible Capital / amount of risk-weighted assets

(4) Common stock based capital ratio = (Common Shares Equity Tier 1+ Other Tier 1 Capital) / amount of risk-weighted assets

(5) Common Shares Equity Tier 1 risk based capital ratio = Common Shares Equity Tier 1/amount of risk-weighted assets

(6) Leverage ratio = Common Shares Equity Tier 1+ Other Tier 1 Capital / total risk exposure

Note3: Leverage ratio was disclosed since 2015.

(3) Individual Financial Analysis

Unit: NT thousands

Analysis item		The Last Five Years				
		2018	2017	2016	2015	2014
Operating Capacity	Loan to deposit Ratio (%)	**75.71**	90.25	89.06	83.25	83.74
	NPL Ratio (%)	**0.02**	0.25	0.02	0.28	0.34
	Ratio of interest payments against annual average deposit balance (%)	**1.04**	0.79	0.59	0.76	0.85
	Ratio of interest revenues against annual average loan balance (%)	**2.55**	2.23	2.18	2.04	2.07
	Total assets turnover rate (times)	**1.50**	1.61	1.67	1.57	1.72
	Average revenue per employee (in NTD thousand)	**5,152**	4,930	5,623	8,064	9,234
	Average earnings per employee (in NTD thousand)	**1,040**	1,173	2,140	3,672	4,588
Profitability	Return on Tier 1 capital (%)	**4.97**	5.89	9.15	10.50	10.82
	Return on assets (%)	**0.30**	0.38	0.64	0.72	0.86
	Return on equity (%)	**3.12**	3.65	5.57	5.92	6.38
	Net income ratio (%)	**20.18**	23.79	38.06	45.54	49.74
	Earnings per share (in NTD)	**0.40**	0.45	0.69	0.72	0.74
Financial structure	Total liabilities to total assets ratio (%)	**90.38**	90.03	88.89	88.14	87.54
	Total property and equipment to equities ratio (%)	**8.62**	9.78	11.99	9.18	9.20
Growth rate	Growth rate of assets (%)	**13.33**	11.26	5.65	8.73	26.32
	Growth rate of profitability (%)	**(8.08)**	(33.98)	(7.40)	4.73	46.41
Cash Flow	Cash flow ratio (%)	**33.81**	Note 3	Note 3	13.37	42.28
	Cash flow adequacy ratio (%)	**176.97**	114.74	110.13	196.14	366.38
	Cash flow satisfied ratio (%)	**3,043.40**	Note 3	Note 3	42.08	171.58
Liquid reserves ratio (%)		**45.61**	37.37	42.84	45.86	39.13
Total secured loans to related parties (in NTD thousand)		**1,012,134**	1,180,079	1,094,210	1,503,520	1,405,880
Ratio of total secured loans to related parties against total loans (%)		**0.50**	0.66	0.71	1.08	1.19
Scale of Operations	Market share of assets (%)	**0.66**	0.60	0.56	0.55	0.52
	Market share of worth (%)	**0.83**	0.81	0.84	0.91	0.98
	Market share of deposits (%)	**0.66**	0.52	0.48	0.47	0.45
	Market share of loans (%)	**0.66**	0.63	0.58	0.53	0.50

Please explain the reasons for any changes in financial ratios in the past two years. (Analysis is not required if the changes were smaller than 20%)

1. Overdue loans ratio is over than that of the previous year mainly due to a decrease in the amount of overdue loans.
2. Ratio of interest payments against annual average deposit balance is over than that of the previous year primarily due to increase in the periodic deposit interest rate.
3. Return on assets is lower than that of the previous year mainly due to a decline in net income and an increase in average assets.
4. Growth rate of profitability shows improvement from the previous year due to a smaller decline in pretax profit.
5. Cash flow adequacy ratio is higher than that of the previous year mainly due to an increase in cash flow from operating activities.
6. Liquidity reserves ratio is higher than that of the previous year mainly due to an increase in the central bank's NCDs and government bonds used as liquidity reserves.
7. Ratio of total secured loans to related parties against total loans is lower than of the previous year mainly due to an increase in the balance of loans.
8. Market share of deposits is higher than that of the previous year mainly due to a big increase in the balance of deposits.

Note 1: The fiscal years for which reports were CPA audited.

Note 2: Please refer to consolidated financial analysis for the calculation formulas for each item in the above Table.

Note 3: If the net cash flow from operating activities is negative, it will not be calculated. Moreover, if the cash flow satisfied ratio's net cash flow from operating activities is negative or the net cash flow of investment activities is positive, it shall not be calculated.

(4) Individual Capital Adequacy

Unit: NT thousands

Analysis Item / Year			The Last Five Years				
			2018	2017	2016	2015	2014
Eligible Capital	Common Shares Equity Tier 1		**23,857,101**	20,691,448	20,914,400	19,681,826	18,521,236
	Other Tier 1 Capital		**750,999**	-	-	-	-
	Tier 2 Capital		**4,518,127**	5,160,148	4,691,143	2,663,223	3,493,045
	Eligible Capital		**29,126,227**	25,851,596	25,605,543	22,345,048	22,014,281
Amount of risk- weighted assets	Credit risk	Standard	**196,614,687**	177,038,851	162,090,192	147,924,999	138,084,332
		Internal ratings-based approach	**-**	-	-	-	-
		Asset securitization	**-**	-	-	-	-
	Operati-onal risk	Basic indicator approach	**8,071,238**	7,422,913	6,946,513	5,991,475	5,311,663
		Standard/ alternative standardized approach	**-**	-	-	-	-
		Advanced measurement approach	**-**	-	-	-	-
	Market risk	Standard	**8,099,200**	4,165,338	4,003,900	4,366,688	4,062,875
		Internal models approach	**-**	-	-	-	-
	Total risk-weighted assets		**212,785,125**	188,627,102	173,040,605	158,283,162	147,458,870
Capital adequacy ratio			**13.69%**	13.71%	14.80%	14.12%	14.93%
Ratio of common equity to risk-weighted assets			**11.56%**	10.97%	12.09%	12.43%	12.56%
Ratio of Tier 1 capital to risk-weighted assets			**11.21%**	10.97%	12.09%	12.43%	12.56%
Leverage ratio			**7.16%**	7.24%	7.81%	7.64%	-

Note 1: The fiscal years for which reports were CPA audited.
Note 2: Please refer to consolidated capital adequacy for the calculation formulas for each item in the above Table.
Note 3: Leverage ratio was disclosed since 2015.

3. Any Financial Distress Experienced by the Company or Its affiliated Enterprises and Impact on the Company's Financial Status, in the Latest Year Up Till the Publication Date of This Annual Report: None.

4. Review Report of 2018 Financial Statements by the Audit Committee

O-Bank Co., Ltd.

Audit Committee Report

The Board of Directors has compiled and submitted the Bank's consolidated and parent balance sheets, income statements, statements of changes in shareholders' equity, and cash flow statements for 2018 audited by certified public accountants Yang, Cheng-hsiu and Chen, Li-chi of Deloitte & Touche, business report, and statement of distribution of earnings to the Audit Committee. After reviewing the abovementioned statements and reports and discussing with the CPAs, the Audit Committee has found them to meet the requirements of applicable laws and regulations. This report is hereby prepared and submitted in accordance with Articles 14-4 and 14-5 of the Securities and Exchange Act.

Thomas Yue

Convener of the Audit Committee

O-Bank Co., Ltd.

Date: March 22, 2019

5 Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report

O-Bank and Subsidiaries

Consolidated Financial Statements for the

Years Ended December 31, 2018 and 2017 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, 2018 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. 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,

O-BANK

March 22, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

We have audited the accompanying consolidated financial statements of O-Bank and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Public Bills Finance Companies and 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.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions 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, 2018. 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 descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2018 are as follows:

Allowance for Credit Losses of Loans

Concerning the accounting policy on the allowance for credit losses, refer to Note 4.6. to the accompanying financial statements; for the critical accounting judgments, estimates and appropriateness of assumptions of loan impairment, refer to Note 5.a. to the accompanying financial statements; and for the allowance for credit losses, refer to Note 13 to the accompanying financial statements.

Management performs assessments for the expected credit losses of loans to establish and recognize allowances for credit losses. Management uses judgment in making assumptions about risk of default and expected loss rates based on past history, existing market conditions as well as forward-looking estimates, and it estimates the amount of 12-month or lifetime expected credit losses based on whether loans have increased significantly since initial recognition. Management also refers to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" to calculate the minimum allowance for credit losses. The aforementioned risk of default and expected loss rates involve estimations and judgments, which affect the adequacy of the allowance for credit losses; therefore, we consider the allowance for credit losses to be a key audit matter.

In response to this key audit matter, we:

- Understood and tested management's internal control design and execution for the allowance for credit losses.
- Assessed the rationality of the main assumption for the evaluation model of expected credit losses of loans.
- Assessed the rationality of the amount of expected credit losses from selected samples of loans.
- Verified whether the classifications of loans are in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and performed our own calculations for the allowances for credit losses to verify whether the allowances met the legal standards.

Assessment of Reserve for Guarantee Liabilities

Concerning the accounting policy on the reserve for guarantee liabilities, refer to Note 4.6. to the accompanying consolidated financial statements; for the significant accounting judgments, estimations and uncertainty of assumptions of the reserve for guarantee liabilities, refer to Note 5.a. to the accompanying consolidated financial statements; and the reserve for guarantee liabilities is detailed in Note 13 to the accompanying consolidated financial statements.

The reserves set aside for the guarantee liabilities of China Bills Finance Corporation are in accordance with both the International Financial Reporting Standard 9 "Financial Instruments", whereby the expected losses of guarantee obligations generated by financial guarantee agreements are evaluated, and the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt" (referred to as the "Regulations for Evaluating Bad Debts"), whereby the reserves for guarantee liabilities are classified and made.

The probability of guarantee obligations and the evaluation of expected losses generated by the aforementioned financial guarantee agreements are related to management's objective judgment, material estimation assumptions (i.e. the risk of default and expected loss rates), and the classification of and provision for credit assets which are in accordance with the Regulations for Evaluating Bad Debts and which will influence the amount of the reserve for guarantee liabilities; therefore, we consider the impairment assessment of guarantee agreements to be a key audit matter.

In response to this key audit matter, we:

- Understood the internal controls, which were determined by the management and relate to the evaluated impairment of the reserve for guarantee liabilities generated by financial guarantee agreements, and tested the operating effectiveness of the internal controls.
- Tested the accuracy of the credit asset expected losses tables.
- Tested whether the classification of and provision for credit assets are accordance with the regulations of the competent authority.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Public Bills Finance Companies and 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 consolidated 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 consolidated 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 and appropriate audit evidence regarding the financial information of 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, 2018 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 Chen-Hsiu Yang and Li-Chi Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2019

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 accepted and 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.

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018 Amount	2018 %	2017 Amount	2017 %
CASH AND CASH EQUIVALENTS (Notes 6 and 44)	$ 9,227,068	2	$ 6,625,973	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	22,607,002	4	11,506,456	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 44)	151,512,614	27	154,136,983	29
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 44 and 48)	149,952,752	27	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 44 and 48)	499,939	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 10)	991,363	-	5,682,864	1
RECEIVABLES, NET (Notes 11 and 13)	20,829,951	4	21,202,093	4
CURRENT TAX ASSETS	381,082	-	301,362	-
DISCOUNTS AND LOANS, NET (Notes 12, 13 and 44)	197,338,050	35	180,086,186	33
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 14 and 44)	-	-	149,145,722	28
HELD-TO-MATURITY FINANCIAL ASSETS (Note 44)	-	-	499,821	-
OTHER FINANCIAL ASSETS (Notes 18 and 44)	1,329,918	-	1,283,434	-
PROPERTY AND EQUIPMENT, NET (Note 19)	2,951,660	1	3,084,952	1
INTANGIBLE ASSETS, NET (Note 20)	2,457,300	-	2,403,367	-
DEFERRED TAX ASSETS (Note 40)	672,656	-	582,334	-
OTHER ASSETS (Note 21)	1,090,219	-	4,030,474	1
TOTAL	$ 561,841,574	100	$ 540,572,021	100

ASSETS	2018 Amount	%	2017 Amount	%
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the Central Bank and banks (Note 22)	$ 55,529,376	10	$ 53,032,639	10
Financial liabilities at fair value through profit or loss (Note 8)	793,272	-	791,018	-
Notes and bonds issued under repurchase agreement (Note 23)	151,446,900	27	189,821,968	35
Payables (Note 24)	5,636,437	1	5,022,681	1
Current tax liabilities	17,857	-	136,269	-
Deposits and remittances (Notes 25 and 43)	261,803,321	47	198,286,700	37
Bank notes payable (Note 26)	17,850,000	3	20,400,000	4
Other financial liabilities (Note 27)	15,034,414	3	22,337,877	4
Provisions (Notes 13, 28 and 29)	1,869,428	-	1,874,368	-
Deferred income tax liabilities (Note 40)	341,015	-	216,007	-
Other liabilities (Note 30)	2,400,842	-	2,477,851	-
Total liabilities	512,722,862	91	494,397,378	91
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital				
Common stock	24,130,063	4	24,130,063	5
Preferred stock	3,000,000	1	-	-
Total capital	27,130,063	5	24,130,063	5
Capital surplus	8,503	-	7,730	-
Retained earnings				
Legal reserve	3,184,667	1	2,880,297	1
Special reserve	1,215,831	-	1,229,536	-
Unappropriated earnings	610,045	-	1,014,567	-
Total retained earnings	5,010,543	1	5,124,400	1
Other equity interest	(159,981)	-	20,400	-
Total equity attributable to owners of the Bank	31,989,128	6	29,282,593	6
NON-CONTROLLING INTERESTS	17,129,584	3	16,892,050	3
Total equity (Note 31)	49,118,712	9	46,174,643	9
TOTAL	$ 561,841,574	100	$ 540,572,021	100

The accompanying notes are an integral part of the consolidated financial statements.

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST INCOME (Note 32)	$ 9,183,853	117	$ 7,614,208	96	21
INTEREST EXPENSE (Notes 32 and 43)	(4,959,744)	(63)	(3,584,088)	(45)	38
NET INTEREST REVENUE	4,224,109	54	4,030,120	51	5
NET REVENUE OTHER THAN INTEREST INCOME					
Net service fee revenue (Notes 33 and 43)	1,778,590	23	1,860,135	24	(4)
Gains on financial assets or liabilities measured at fair value through profit or loss (Note 34)	2,139,349	27	195,846	2	992
Realized gain on financial assets at fair value through other comprehensive income (Note 35)	146,471	2	-	-	-
Realized gain on available-for-sale financial assets (Note 36)	-	-	406,909	5	(100)
Foreign exchange gain (loss), net	(625,764)	(8)	1,227,205	16	(151)
Gains on financial assets at amortized cost (Note 18)	-	-	25,685	-	(100)
Other net revenue other than interest income (Note 43)	159,158	2	168,154	2	(5)
Total net revenue other than interest	3,597,804	46	3,883,934	49	(7)
NET REVENUE	7,821,913	100	7,914,054	100	(1)
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 13)	(547,214)	(7)	(894,250)	(11)	(39)

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits expenses (Notes 29, 37 and 43)	$ 2,651,824	34	$ 2,577,443	33	3
Depreciation and amortization expenses (Note 38)	425,014	5	313,764	4	35
Other general and administrative expenses (Notes 39 and 43)	1,527,383	20	1,284,407	16	19
Total operating expenses	4,604,221	59	4,175,614	53	10
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	2,670,478	34	2,844,190	36	(6)
INCOME TAX EXPENSE (Note 40)	730,948	9	732,303	9	-
INCOME FROM CONTINUING OPERATIONS	1,939,530	25	2,111,887	27	(8)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 15)	2,823	-	(52,986)	(1)	105
NET PROFIT FOR THE YEAR	1,942,353	25	2,058,901	26	(6)
OTHER COMPREHENSIVE INCOME (LOSS)					
Components of other comprehensive income that will not be reclassified to profit or loss:					
Gains (losses) on remeasurements of defined benefit plans	3,378	-	(3,467)	-	197
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	(132,947)	(2)	-	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 40)	1,583	-	-	-	-

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Components of other comprehensive income that will be reclassified to profit or loss:					
Exchange differences on translation	$ 153,406	2	$ (507,607)	(7)	130
Unrealized gains on valuation of available-for-sale financial assets	-	-	393,310	5	(100)
Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note 17)	-	-	6,892	-	(100)
Revaluation losses on investments in debt instruments measured at fair value through other comprehensive income	(403,755)	(5)	-	-	-
Reversal of Impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(8,429)	-	-	-	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 40)	4,977	-	68,948	1	(93)
Other comprehensive loss for the year, net of income tax	(381,787)	(5)	(41,924)	(1)	811
TOTAL COMPREHENSIVE INCOME	$ 1,560,566	20	$ 2,016,977	25	(23)
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	$ 954,659	12	$ 1,072,080	14	(11)
Non-controlling interests	987,694	13	986,821	12	-
	$ 1,942,353	25	$ 2,058,901	26	(6)

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 730,675	9	$ 799,316	10	(9)
Non-controlling interests	829,891	11	1,217,661	15	(32)
	$ 1,560,566	20	$ 2,016,977	25	(23)
EARNINGS PER SHARE (Note 41)					
From continuing and discontinued operations					
Basic	$ 0.40		$ 0.45		
Diluted	$ 0.40		$ 0.45		
From continuing operations					
Basic	$ 0.40		$ 0.47		
Diluted	$ 0.40		$ 0.47		

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Equity Attributable					
	Capital Stock				Retained Earnings	
	Common Stock (Thousands)	Preferred Stocks (Thousands)	Total	Capital Surplus	Legal Reserve	Special Reserve
BALANCE AT JANUARY 1, 2017	$ 23,905,063	$ -	$ 23,905,063	$ 3,193	$ 2,390,828	$ 1,173,293
Appropriation of 2016 earnings						
Legal reserve	-	-	-	-	489,469	-
Special reserve	-	-	-	-	-	56,243
Cash dividends distributed by the Bank	-	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-
Issue of shares	225,000	-	225,000	4,537	-	-
Share-based payments	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536
Effect of retrospective application	-	-	-	-	-	-
BALANCE AT JANUARY 1, 2018	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536

(In Thousands of New Taiwan Dollars)

toOwners of the Bank (Note 31)							
		Other Equity (Note 31)					
Unappropriated Earnings	Total	Exchange Differences on Foreign Financial Statements	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measures at Fair Value Through Other Comprehensive	Owner of the Bank	Non-controlling Interests (Note 31)	Total Equity
$ 1,631,566	$ 5,195,687	$ 190,990	$ 93,725	$ -	$ 29,388,658	$ 16,482,451	$ 45,871,109
(489,469)	-	-	-	-	-	-	-
(56,243)	-	-	-	-	-	-	-
(1,085,854)	(1,085,854)	-	-	-	(1,085,854)	-	(1,085,854)
1,072,080	1,072,080	-	-	-	1,072,080	986,821	2,058,901
(8,449)	(8,449)	(407,256)	142,941	-	(272,764)	230,840	(41,924)
1,063,631	1,063,631	(407,256)	142,941	-	799,316	1,217,661	2,016,977
-	-	-	-	-	-	(808,062)	(808,062)
(49,064)	(49,064)	-	-	-	180,473	-	180,473
-	-	-	-	-	-	-	-
1,014,567	5,124,400	(216,266)	236,666	-	29,282,593	16,892,050	46,174,643
(208,457)	(208,457)	-	(236,666)	144,112	(301,011)	90,927	(210,084)
806,110	4,915,943	(216,266)	-	144,112	28,981,582	16,982,977	45,964,559

	Equity Attributable					
	Capital Stock				Retained Earnings	
	Common Stock (Thousands)	Preferred Stocks (Thousands)	Total	Capital Surplus	Legal Reserve	Special Reserve
Appropriation of 2017 earnings						
Legal reserve	-	-	-	-	304,370	-
Special reserve	-	-	-	-	-	(13,705)
Cash dividends distributed by the Bank	-	-	-	-	-	-
Unclaimed dividends	-	-	-	308	-	-
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	465	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-
Issue of shares	-	3,000,000	3,000,000	-	-	-
Capital reduction of subsidiaries for cash received by non-controlling interest	-	-	-	-	-	-
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2018	$ 24,130,063	$ 3,000,000	$ 27,130,063	$ 8,503	$ 3,184,667	$ 1,215,831

The accompanying notes are an integral part of the consolidated financial statements.

toOwners of the Bank (Note 31)		Other Equity (Note 31)					
Unappropriated Earnings	Total	Exchange Differences on Foreign Financial Statements	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measures at Fair Value Through Other Comprehensive	Owner of the Bank	Non-controlling Interests (Note 31)	Total Equity
(304,370)	-	-	-	-	-	-	-
13,705	-	-	-	-	-	-	-
(723,902)	(723,902)	-	-	-	(723,902)	-	(723,902)
-	-	-	-	-	308	1,174	1,482
-	-	-	-	-	465	-	465
-	-	-	-	-	-	(683,005)	(683,005)
954,659	954,659	-	-	-	954,659	987,694	1,942,353
2,405	2,405	123,460	-	(349,849)	(223,984)	(157,803)	(381,787)
957,064	957,064	123,460	-	(349,849)	730,675	829,891	1,560,566
-	-	-	-	-	3,000,000	-	3,000,000
-	-	-	-	-	-	(1,453)	(1,453)
(138,562)	(138,562)	-	-	138,562	-	-	-
$ 610,045	$ 5,010,543	$ (92,806)	$ -	$ (67,175)	$ 31,989,128	$ 17,129,584	$ 49,118,712

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	$ 2,670,478	$ 2,844,190
Profit (loss) from discontinued operations before tax	2,877	(48,091)
Adjustments to reconcile profit (loss):		
Depreciation expense	191,971	179,342
Amortization expense	233,493	135,700
Expect credit losses/recognition of provisions	538,605	894,250
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(292,991)	380,579
Interest expense	4,959,744	3,584,095
Interest income	(9,195,625)	(8,179,557)
Dividends income	(101,079)	(86,143)
Share-based payments	-	4,537
Share of profit of associates and joint ventures accounted for using equity method	(4,944)	(16,630)
Gain on disposal of property and equipment	(2,363)	(409)
Impairment loss on financial assets	-	28,199
Gain on disposal of investments	-	(346,451)
Changes in operating assets and liabilities:		
Increase in due from the Central Bank and call loans to banks	(1,663,780)	(2,187,491)
Decrease (increase) in financial assets at fair value through profit or loss	3,141,016	(7,153,224)
Decrease in financial assets at fair value through other comprehensive income	137,299	-
Increase in receivables	(455,667)	(2,460,732)
Increase in discounts and loans	(17,830,922)	(18,020,166)
Increase (decrease) in deposits from the Central Bank and banks	2,496,737	(3,665,292)
Increase (decrease) in financial liabilities at fair value through profit or loss	2,254	(1,586,854)
(Decrease) increase in notes and bonds issued under repurchase agreement	(38,375,068)	26,517,187
Increase in payable	449,604	1,095,951
Increase in deposits and remittances	63,516,621	13,699,089
Net change in provisions	(9,468)	12,695
Cash inflow generated from operations	10,408,792	5,624,774
Interest received	9,445,925	8,678,749
Interest paid	(4,793,645)	(3,410,461)
Dividends received	101,079	248,094
Income taxes paid	(814,143)	(767,226)
Net cash flows from operating activities	14,348,008	10,373,930

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss designated as such at initial recognition	$ -	$ (2,411,318)
Proceeds from disposal of financial assets at fair value through profit or loss designated as such at initial recognition	-	2,718,595
Acquisition of available-for-sale financial assets	-	(217,514,203)
Proceeds from disposal of available-for-sale financial assets	-	194,554,138
Proceeds from repayments of held-to-maturity financial assets	-	5,045,000
Acquisition of financial assets at cost	-	(17,712)
Proceeds from disposal of financial assets at cost	-	87,197
Proceeds from capital reduction of financial assets at cost	-	27,289
Proceeds from disposal of investments accounted for using equity method	4,944	11,839
Acquisition of property and equipment	(300,091)	(497,640)
Proceeds from disposal of property and equipment	59,656	4,689
Decrease (increase) in refundable deposits	2,851,478	(322,450)
Acquisition of intangible assets	(183,566)	(184,682)
Increase in other financial assets	(1,219,825)	-
Decrease in other assets	88,777	265,136
Net cash flows from (used in) investing activities	1,301,373	(18,234,122)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(1,330,691)	(694,995)
Increase (decrease) in commercial papers	(2,299,676)	499,733
Proceeds from issue bank debentures	1,750,000	3,750,000
Repayments of bank debentures	(4,300,000)	(800,000)
Proceeds from (repayments of) long-term borrowings	(1,996,605)	3,711,920
Decrease in other financial liabilities	(1,676,491)	(10,423)
(Decrease) increase in other liabilities	(71,251)	589,364
Dividends paid to ownership of the Bank	(723,902)	(1,085,854)
Proceeds from issuing shares	3,000,000	175,936
Dividends paid to non-controlling interest	(683,005)	(808,062)
Net cash flows (used in) from financing activities	(8,331,621)	5,327,619
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	28,600	853,326
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,346,360	(1,679,247)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	17,606,425	19,285,672
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 24,952,785	$ 17,606,425

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2018 and 2017:

	December 31	
	2018	**2017**
Cash and cash equivalents reported in the statement of financial position	$ 9,227,068	$ 6,625,973
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	14,734,354	5,297,588
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	991,363	5,682,864
Cash and cash equivalents at end of the year	$ 24,952,785	$ 17,606,425

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Industrial Bank of Taiwan started its preparation for incorporation on March 2, 1998, was authorized for incorporation by the Ministry of Finance on July 27, 1999, and began its business operations on September 2, 1999.

To be in coordination with the government's financial liberation policy and to increase the operating efficiency, on August 14, 2015, the Industrial Bank of Taiwan's board of directors (the "Board") approved of the application for a change of registration to a commercial bank and for a change of name to "O-Bank Commercial Bank Corp. Ltd." ("O-Bank" or the "Bank"). The Financial Supervisory Commission (the "FSC") accepted the application on December 15, 2016 and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. On January 1, 2017, the Banking Bureau approved and issued the operating license for the Bank to operate a commercial banking business. The Bank's name was changed from "Industrial Bank of Taiwan" to "O-Bank Commercial Bank Corp. Ltd." on January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank notes; (c) providing loans, discounts, and acceptance business; (d) providing domestic and foreign exchange and guarantee business; (e) issuing letters of credit at home and abroad; (f) making receipts and payments by agents; (g) investing in and underwriting offering of securities; (h) dealing in government bonds; (i) factoring; (j) providing financial advisory services to financing and non-financing business; (k) wealth management business; (l) providing personal insurance and property insurance agent business; (m) dealing with credit card business; (n) providing foreign exchange services for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (o) overseeing trust business under the Trust Business Law and regulations; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

As of December 31, 2018, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and Digital Wealth Management Department. It also has six domestic branches - Taipei VieShow Branch, Zhongxiao Dunhua Branch, Hsinchu Branch, Taichung Branch and Kaohsiung Branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin Representative Office.

The Bank's stocks were listed on the Emerging Stock Market of the Taipei Exchange ("TPEx") starting in August 2004. And the Taiwan Stock Exchange approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEx to the TWSE on May 5, 2017.

The consolidated financial statements are presented in the Bank's functional currency, the New Taiwan dollar.

As of December 31, 2018 and 2017, the Bank had 1,458 and 1,464 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board and authorized for issue on March 22, 2019.

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

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

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

- IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for the classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

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

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Derivatives	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	$ 695,625	$ 695,625	1)
Equity securities	Held-for-trading	Mandatorily at FVTPL	446,684	446,684	1)
	Available-for-sale	Mandatorily at FVTPL	75,801	75,801	1)
	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	3,557,736	3,548,181	2)
	Measured at cost	Mandatorily at FVTPL	119,464	126,081	1)
	Measured at cost	FVTOCI - equity instruments	1,053,877	1,231,374	2)
Mutual funds	Held-for-trading	Mandatorily at FVTPL	150,387	150,387	1)
	Available-for-sale	Mandatorily at FVTPL	21,774	21,774	1)
Debt securities	Held-for-trading	Mandatorily at FVTPL	499,600	499,600	1)
	Available-for-sale	FVTOCI - debt instruments	145,490,411	145,490,411	2)
	Held-to-maturity	At amortized cost	499,821	499,821	3)
Bills securities	Held-for-trading	Mandatorily at FVTPL	102,220,610	102,220,610	1)

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Fixed-rate commercial bonds	Held-for-trading	Mandatorily at FVTPL	25,876	25,876	1)
Negotiable certificates of deposit	Held-for-trading	Mandatorily at FVTPL	42,102,749	42,102,749	1)
Structured debt	Designated as at fair value through profit or loss	Mandatorily at FVTPL	590,880	590,880	1)
Convertible bonds	Designated as at fair value through profit or loss	Mandatorily at FVTPL	7,439,200	7,439,200	1)
Discounts and loans	Loans and receivables	At amortized cost	180,086,186	179,928,289	4)
Notes receivable, accounts receivable and other receivables	Loans and receivables	At amortized cost	21,202,093	20,976,008	5)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Financial assets at fair value through profit or loss	$ 154,136,983	$ -	$ -	$ 154,136,983	$ -	$ -	
Add: From available for sale (IAS 39)	-	97,575	-	97,575	(4,372)	4,372	1)
Remeasurement of financial assets measured at cost (IAS 39)	-	119,464	6,617	126,081	6,617	-	1)
	154,136,983	217,039	6,617	154,360,639	2,245	4,372	
FVTOCI							
Debt instruments							
Add: From available for sale (IAS 39)	-	145,490,411	-	145,490,411	(44,061)	44,061	2)
Equity instruments							
Add: From available for sale (IAS 39)	-	3,557,736	(9,555)	3,548,181	5,118	(14,673)	2)
Add: Financial assets measured at cost (IAS 39)	-	1,053,877	177,497	1,231,374	235,154	(57,657)	2)
	-	150,102,024	167,942	150,269,966	196,211	(28,269)	
Amortized cost							
Add: From held to maturity (IAS 39)	-	499,821	-	499,821	-	-	3)
	154,136,983	150,818,884	174,559	305,130,426	198,456	(23,897)	
Discounts and loans, net	180,086,186	-	(157,897)	179,928,289	(157,897)	-	4)
Receivables, net	21,202,093	-	(226,085)	20,976,008	(226,085)	-	5)
Deferred tax assets	582,334	-	80,305	662,639	80,305	-	4), 5)
Provisions	1,874,368	-	80,966	1,955,334	(80,966)	-	6)
Non-controlling interests	16,892,050	-	90,927	16,982,977	(22,270)	(68,657)	
	$ 374,774,014	$ 150,818,884	$ 42,775	$ 525,635,673	$ (208,457)	$ (92,554)	

1) Mutual funds, previously classified as available-for-sale under IAS 39, were classified mandatorily as at FVTPL under IFRS 9 because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. On January 1, 2018, the retrospective adjustment resulted in a decrease of $11,025 thousand in retained earnings and an increase of $11,025 thousand in other equity - unrealized gains (losses) on valuation of available-for-sale financial assets.

   Stock investments that were previously classified as available-for-sale under IAS 39 were classified as at FVTPL under IFRS 9. The other equity - unrealized gain (loss) of $6,653 thousand on available-for-sale financial assets was reclassified to retained earnings.

   Stock investments in unlisted stocks, previously measured at cost under IAS 39, were classified as at FVTPL under IFRS 9 and were remeasured at fair value. Consequently, on January 1, 2018, an increase of $6,617 thousand was recognized in both financial assets at FVTPL and retained earnings.

2) The Group elected to designated all of its investment in debt instruments, previously classified as available-for-sale under IAS 39, as at FVTOCI with an assessment of expected credit losses under IFRS 9 because the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

   According to the occurrence of events and circumstances on January 1, 2018, the Group evaluated that the objective of the business model is achieved by collecting both the contractual cash flows and the selling of financial assets. As a result, on January 1, 2018, the retrospective adjustment resulted in a decrease of $44,061 thousand in retained earnings and an increase of $44,061 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI.

   The Group elected to designated all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9 with a remeasurement to fair value; as a result, on January 1, 2018, a decrease of $9,555 thousand was respectively recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI.

   The Group recognized impairment loss on certain investments in equity securities, previously classified as available-for-sale under IAS 39, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, on January 1, 2018, an adjustment was made that resulted in an increase of $5,118 thousand in retained earnings and a decrease of $5,118 thousand in the carrying amount of the other equity - unrealized gain (loss) on financial assets at FVTOCI.

   Investments in unlisted stocks, previously measured at cost under IAS 39, have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, on January 1, 2018 an increase of $177,497 thousand was respectively recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI.

   The Group recognized impairment loss on certain investments in equity securities measured at cost under IAS 39, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, on January 1, 2018, an adjustment was made that resulted in an increase of $235,154 thousand in retained earnings and a decrease of $235,154 thousand in the carrying amount of the other equity - unrealized gain (loss) on financial assets at FVTOCI.

3) Debt instruments, previously classified as held-to-maturity financial assets and as at amortized cost under IAS 39, were classified as at amortized cost with an assessment of expected credit losses under IFRS 9. On January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

4) Discounts and loans that were previously classified as loans and receivables under IAS 39 were classified as financial assets measured at cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, on January 1, 2018, the adjustments comprised an increase of $157,897 thousand in loss allowance, an increase of $23,700 thousand in deferred tax assets, and a decrease of $134,197 thousand in retained earnings.

5) Notes receivable, trade receivables, and other receivables that were previously classified as loans and receivables under IAS 39 were classified as financial assets at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, on January 1, 2018, the adjustments comprised an increase of $226,085 thousand in the loss allowance, an increase of $56,605 thousand in deferred tax assets, and a decrease of $169,480 thousand in retained earnings.

6) Provisions were assessed for expected credit losses under IFRS 9. As a result of retrospective application, on January 1, 2018, the adjustments comprised an increase of $80,966 thousand in the loss allowance and a decrease of $80,966 thousand in retained earnings.

b. The Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed by the FSC for application starting from 2019.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.
Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.
Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) 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.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be 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, or investment properties if the right-of-use assets meet the definition of investment properties, 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 Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed 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. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Group expects to apply the following practical expedients:

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. All right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 532,655	$ 532,655
Total effect on assets	$ -	$ 532,655	$ 532,655
Lease liabilities	$ -	$ 532,655	$ 532,655
Total effect on liabilities	$ -	$ 532,655	$ 532,655

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Bank should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

3) Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

4) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group will apply the above amendments prospectively.

Except for the above impact, as of the date the 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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.
Note 2: 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 3: The Bank shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e. the Group's share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e. the Group's share of the gain or loss is eliminated.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

2) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

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 AND REPORTING 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 Public Bills Finance Firms, and IFRSs as endorsed and issue into effect 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 revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Since the operating cycle in the banking industry cannot be clearly identified, accounts included in the consolidated financial statements of the Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 48 for the maturity analysis of assets and liabilities.

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of 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. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 16, Tables 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Foreign Currencies

In preparing the Group's consolidated financial statements, transactions in currencies other than the Group's functional currency (i.e. 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 arising 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 from 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 cases, 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 translated using the exchange rate at the date of the transaction.

For the purpose of consolidated financial statements, the functional currencies of the Group (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Bank) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investment in Associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but does not control or joint control such policies.

The Group uses the equity method to account for its investments in its associate. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Bank's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of 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.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group 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 issuance 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. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Measurement category

2018

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 assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or 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 investment in debt instruments at FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 47.

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, and trade receivables are measured at amortized cost, which equals the 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 such 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 such financial assets; and

b) Financial assets that are not initially credit-impaired or not credit-impaired when purchased but subsequently become credit-impaired, for which the interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

3) Investments in debt instruments at FVTOCI

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

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

b) The contractual terms of the debt instrument 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 as at FVTOCI is not permitted if the equity investment is held-for-trading or if it is a 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, it 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.

2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held-for-trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held-for-trading if:

a) It has been acquired principally for the purpose of selling it in the near future; or

b) On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or

c) It is a derivative that is not designated and effective as a hedging instrument.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

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

b) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and whose performance is 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.

c) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets cannot be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity other than those that the entity, upon initial recognition, designates as at fair value through profit or loss or designates as available-for-sale or meet the definition of loans and receivables. Foreign corporate and bank notes payable that the Group has positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets measured at fair value, changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method, and dividends on available-for-sale equity investments are all recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss that was previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets cannot be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loans, trade receivables, cash and cash equivalent and overdue receivables) are measured at amortized cost using the effective interest method less any impairment. However, in accordance with Article 10, paragraphs 7 and 10 of the Regulations Governing the Preparation of Financial Reports by Public Banks, the effect of discounting can't be the amount of the original measure.

b. Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including discounts and loans and receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group's policy is to always recognize lifetime expected credit losses (i.e. ECLs) on trade receivables and lease receivables. For all other financial instruments, the Group will recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank will measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses calculated by using the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs 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 such a financial asset.

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” issued by the authorities, the Group should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as noteworthy, substandard, having highly doubtful collectability and uncollectable, on the basis of the customers’ financial position, a valuation of the respective collateral and the length of time in which the principal repayments or interest payments have become overdue.

The Bank made minimum provisions of 100%, 50%, 10%, 2% and 1% for credit assets deemed to be uncollectable, to have highly doubtful collectability, to be substandard, to be noteworthy and to have sound credit (excluding assets that represent claims against an ROC government agency), respectively.

Furthermore, under Rule No. 10300329440 issued by the FSC that banks should make at least 1.5% provisions for loans for house purchases, renovations and constructions, respectively.

The Group shall determine the unrecoverable claims and write them off after reporting them to the Board for approval.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as loans and receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

Loans and receivables are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

a. Significant financial difficulty of the debtor;

b. Account receivables becoming overdue; or

c. It becoming probable that the debtor will enter bankruptcy or financial re-organization.

Loans and receivables that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank’s past experience in the collection of payments, an increase in the number of delayed payments as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of its estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the loans and receivables' original effective interest rate.

The carrying amount of loans and receivables is reduced through the use of an allowance account. When loans and receivables are considered uncollectable, they are written off against the allowance account. Recoveries of amounts previously written off are credited to a bad debts account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

According to the policies mentioned above, the classification of loan assets is divided into the following categories: Normal credits, credits under observation, credits that are likely to be received in full, credits that will be difficult to receive in full, and credits that will not be received in full. The minimum allowance for credit losses and the reserve for losses on guarantees for the aforementioned classes should be 1% (0.5% for 2013), 2%, 10%, 50% and 100% of outstanding credits, respectively. Rule No. 10300329440 issued by the FSC, stipulates that the minimum allowance for mortgage and improvement loans should be 1.5% as of December 31, 2016.

Credits deemed uncollectable are eligible to be written off upon approval by the Board of Directors.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

When there is objective evidence that financial assets carried at cost when an impairment loss has occurred, the amount of the loss is recognized under the heading of impairment losses on assets. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by its impairment loss directly for all financial assets with the exception of loan and receivables, where the carrying amount is reduced through the use of an allowance account. When loans and receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of a bad debt are recognized in profit or loss.

c. Derecognition of financial assets

Before 2018, on derecognition of a financial asset 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, 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 an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments

Debt and equity instruments issued by a 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.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

Financial liabilities

a. Subsequent measurement

Except for the following situation, all financial liabilities are measured at amortized cost using the effective interest method less any impairment (refer above to the subsection within this note entitled "Held-to-maturity investments" for the definition of effective interest method):

1) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held-for-trading or designated as at FVTPL.

A financial liability is classified as held-for-trading if:

a) It has been acquired principally for the purpose of repurchasing it in the near future; or

b) On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or

c) It is a derivative that is not designated and effective as a hedging instrument.

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

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

Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. The fair value is determined in the manner described in Note 47.

b. Financial guarantee contracts

2018

Financial guarantee contracts issued by the Group are subsequently measured at the higher of:

1) The amount of the loss allowance reflecting expected credit losses of IFRS 9 endorsed by the FSC; and

2) Where appropriate, the amount initially recognized less the cumulative amount, which of IFRS 15 endorsed by the FSC, of income recognized in accordance with the revenue recognition policies.

Besides the above, according to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt" issued by the authorities, the reserve for losses is subsequently measured at the higher of the above.

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 losses; and the amount initially recognized less the cumulative amortization.

2017

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of the best estimate of the obligation under the contract and the amount initially recognized less the cumulative amortization recognized.

c. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, are cancelled or expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date on which 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 hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

Non-performing Loans

Under the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans issued by the competent authority, loans and other credits (including accrued interests) that remain unpaid as they fall due are transferred to non-performing loans, if the transfer is approved by the Board of Directors.

Non-performing loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Freehold land is not depreciated.

Depreciation is recognized to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. 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 the estimates accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the assets' estimated useful lives. 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 the estimates accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

b. Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from derecognition of an intangible asset, which is measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Goodwill

Goodwill arising from the acquisition of a business is measured 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 attributed 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 pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for 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 which is 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 any 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is any indication that the asset may be impaired.

The 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.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding 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 for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Provisions are measured at the best estimate of the discounted cash flows 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.

Onerous contracts

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

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 services.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, 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 in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, 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 to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is 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 taxes 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 taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Interest and Service Revenue Recognition

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as non-performing loans. The interest revenue on those loans and credits is recognized upon collection. Dues from storm and billing agreements that extend interest income, in accordance with the provisions of the Ministry of Finance, are recognized as interest income upon collection.

Revenue from brokering is recognized when the earnings process has been completed.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, 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 estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets and financial guarantee contract - 2018

The impairment of loans and receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs of the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Guarantee provisions assessment - 2017

In addition to the assets appraisal loss reserves stipulated for bills finance companies and the treatment of bad debt from overdue credit collections, when the Group decides whether the reserve provided for its guarantee liabilities is appropriate, it mainly judges whether the guarantee liabilities are likely to occur and whether cash inflows may be generated after the guarantee obligation arises. Evidence used in making such judgments may include observable information indicating adverse changes in the debtor's payment status or industry information related to debt arrears. The Group regularly reviews the assumptions used in making the judgment in order to reduce the difference between the estimated and actual losses.

c. Estimated impairment of loans and receivables - 2017

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31 2018		December 31 2017	
Cash on hand and petty cash	$	153,719	$	58,709
Checking for clearing		1,159,621		297,376
Due from banks		7,913,728		6,269,888
	$	9,227,068	$	6,625,973

Refer to Note 44 for information relating to due from banks pledged.

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	December 31 2018		December 31 2017	
Reserves for deposits - Type A	$	1,560,003	$	2,431,670
Reserves for deposits - Type B		4,808,616		3,567,242
Reserves for deposits - Financial		1,500,954		200,104
Call loans		14,734,354		5,297,588
Others		3,075		9,852
	$	22,607,002	$	11,506,456

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2018		December 31 2017	
Financial assets mandatorily classified as at FVTPL				
Convertible bonds - domestic	$	6,894,527	$	-
Convertible bonds - overseas		308,774		-
Structured debt		610,614		-
		7,813,915		-
Derivative financial assets				
Foreign exchange forward contracts		740,592		-
Forward contracts		28,342		-
Interest rate swap contracts		39,083		-
Cross-currency swap contracts		29,827		-
		837,844		-
Non-derivative financial assets				
Short-term instruments		90,661,572		-
Negotiable certificates of deposit		51,739,597		-
Stocks and beneficiary certificates		359,716		-
Government bonds		99,970		-
		142,860,855		-
	$	151,512,614	$	-

	December 31 2018	December 31 2017
Financial assets designated as at fair value through profit or loss		
Convertible bonds - domestic	$ -	$ 7,015,753
Convertible bonds - overseas	-	423,447
Structured debt	-	590,880
	-	8,030,080
Financial assets held-for-trading		
Derivative financial instruments		
Foreign exchange swap contracts	-	483,678
Forward contracts	-	23,273
Interest rate swap contracts	-	35,278
Asset swap contracts	-	153,396
	-	695,625
Non-derivative financial assets		
Short-term instruments	-	102,246,486
Negotiable certificates of deposit	-	42,102,749
Stocks and beneficiary certificates	-	597,071
Corporate bonds	-	15,369
When-issued bonds	-	449,603
	-	145,411,278
	$ -	$ 154,136,983

(Continued)

	December 31 2018	December 31 2017
Financial liabilities designated as at fair value through profit or loss		
Financial liabilities held-for-trading		
Derivative financial instruments		
Foreign exchange swap contracts	$ 619,881	$ 539,449
Forward contracts	39,163	108,647
Interest rate swap contracts	128,343	134,299
Others	961	1,378
	788,348	783,773
Non-derivative financial liabilities		
Commercial paper contracts	4,924	7,245
	$ 793,272	$ 791,018

(Concluded)

The Group engages in derivative transactions, including forward contracts, cross-currency swap contracts and foreign currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As the engagement in interest rate swap contracts and cross-currency swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Group strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2018 and 2017 were follows:

	December 31	
	2018	2017
Interest rate swap contracts	$ 23,279,433	$ 27,273,572
Foreign exchange swap contracts	84,155,536	102,324,144
Cross-currency swap contracts	1,079,651	-
Forward contracts	6,239,093	4,144,156
Purchase commitments	700,000	500,000

As of December 31, 2018 and 2017, financial instruments at fair value through profit and loss in the amount of $62,414,535 thousand and $74,676,800 thousand were under agreement to repurchase.

Refer to Note 44 for information relating to financial instruments at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Current	
Investments in equity instruments at FVTOCI	$ 2,954,899
Investments in debt instruments at FVTOCI	
Domestic government bonds	49,458,259
Bank notes payable	33,449,576
Corporate bonds	60,676,073
Overseas government bonds	1,400,934
American mortgage-backed securities	2,013,011
	$ 149,952,752

a. Investments in equity instruments at FVTOCI

These investments in listed, unlisted, and emerging stocks are not held-for-trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 14, and 18 for information relating to their reclassification and comparative information for 2017.

The Group disposed stock classified as at FVTOCI for invested management purpose. The fair value of stocks classified as at FVTOCI that were disposed of was $4,878,622 thousand and the accumulated loss related to the sold assets of $138,562 thousand, was transferred from equity to retained earnings.

Refer to Note 44 for information relating to investments in equity instruments at FVTOCI pledged as security.

b. Investments in debt instruments at FVTOCI

1) The bonds were classified as available-for-sale financial assets under IAS 39. Refer to Notes 3 and 14 for information relating to their reclassification and comparative information for 2017.

2) Refer to Note 44 for information relating to investments in debt instruments at FVTOCI pledged as security.

3) Refer to Note 48 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.

4) On December 31, 2018, the Group sold its investments in debt instruments at FVTOCI on the condition of buying them back in the amount of $84,563,136 thousand.

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

The Group purchased under resale agreements and bond investments are all government bonds. As of December 31, 2018 and 2017, bonds purchased were under agreements to resell in the amount of $991,720 thousand and $5,684,543 thousand, respectively. As of December 31, 2018 and 2017, bonds purchased under agreements to resell were sold under agreement to repurchase in the amount of $990,000 thousand and $5,680,000 thousand, respectively.

11. RECEIVABLES, NET

	December 31	
	2018	2017
Lease payments receivable	$ 12,399,120	$ 12,765,418
Investment settlements receivable	459,188	345,750
Interest receivable	1,890,250	1,869,330
Factored receivables	4,714,725	4,592,967
Acceptances	225,582	248,592
Settlements receivable - trusteeship	84,729	6,179
Accounts receivable	1,213,552	1,974,917
Others	1,188,591	895,352
	22,175,737	22,698,505
Less: Allowance for possible losses	611,254	645,358
Unrealized interest revenue	734,532	851,054
Receivables, net	$ 20,829.951	$ 21,202, 093

Rental equipment is held as collateral for the lease payment receivable. The Group is not allowed to sell or re-pledge the collateral if the lessee has no arrears.

The Group provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 13 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 48 for the impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

	December 31	
	2018	2017
Short-term	$ 67,402,492	$ 63,392,465
Medium-term	119,135,400	110,257,040
Long-term	13,151,025	8,169,281
Export bill negotiated	50,167	175,106
Accounts receivables financing	508,098	358,704
Secured overdrafts	15,660	-
Overdue receivables reclassified from loan	27,337	415,442
	200,290,179	182,768,038
Less: Allowance for credit losses	2,952,129	2,681,852
	$ 197,338,050	$ 180,086,186

As of December 31, 2018 and 2017, the unrecognized interest revenue on the above loans amounted to $511 thousand and $5,716 thousand for the years ended December 31, 2018 and 2017. For the years ended December 31, 2018 and 2017, the Group wrote off credits only upon completing the required legal procedures.

Refer to Note 44 for information relating to discounts and loan assets pledged as security.

The Group provide an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 13 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 48 for the impairment loss analysis of discounts and loans.

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The allowance for impairment loss and provisions as of January 1, 2018 and December 31, 2018, grouped by credit ratings, are reconciled as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 257,337	$ 51,027	$ 293,133	$ 601,497	$ 43,861	$ 645,358
Adjustment on initial application of IFRS 9	615	199,964	25,506	226,085	-	226,085
Balance at January 1, 2018 per IFRS 9	257,952	250,991	318,639	827,582	43,861	871,443
Transfers						
To 12-month ECLs	7,092	(6,665)	(427)	-	-	-
To lifetime ECLs	(11,550)	11,550	-	-	-	-
To credit-impaired financial assets	(52)	(63,839)	63,891	-	-	-
New financial assets purchased	5,047	90,162	314,881	410,090	-	410,090
Derecognition of financial assets	(35,654)	(166,181)	(2,124)	(203,959)	-	(203,959)
Change in model or risk parameters	(3)	(3)	9	3	-	3
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	8,558	8,558
Write-offs	-	-	(482,140)	(482,140)	-	(482,140)
Withdrawal after write-offs	-	-	17,711	17,711	-	17,711
Exchange rate or other changes	(3,979)	(4,084)	(2,531)	(10,594)	142	(10,452)
Balance at December 31, 2018	$ 218,853	$ 111,931	$ 227,909	$ 558,693	$ 52,561	$ 611,254

Allowance for Discounts and Loans, Net	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 511,729	$ 98,492	$ 539,987	$ 1,150,208	$ 1,531,644	$ 2,681,852
Adjustment on initial application of IFRS 9	71,417	10,864	75,616	157,897	-	157,897
Balance at January 1, 2018 per IFRS 9	583,146	109,356	615,603	1,308,105	1,531,644	2,839,749
Transfers						
To 12-month ECLs	4,980	(4,980)	- -		-	-
To lifetime ECLs	(3,071)	3,071	-	-	-	-
To credit-impaired financial assets	(541)	-	541	-	-	-
New financial assets purchased	108,555	21,996	154,255	284,806	-	284,806
Derecognition of financial assets	(294,128)	(35,732)	(93,617)	(423,477)	-	(423,477)
Change in model or risk parameters	(197,732)	(44,991)	(12,875)	(255,598)	-	(255,598)

(Continued)

Allowance for Discounts and Loans, Net	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	$ -	$ -	$ -	$ -	$ 815,432	$ 815,432
Write-offs	(1,308)	(220)	(353,701)	(355,229)	-	(355,229)
Withdrawal after write-offs	-	-	17,756	17,756	-	17,756
Exchange rate or other changes	3,294	1,120	6,799	11,213	17,477	28,690
Balance at December 31, 2018	$ 203,195	$ 49,620	$ 344,761	$ 587,576	$ 2,364,553	$2,952,129

(Concluded)

Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 72,391	$ 3,134	$ -	$ 75,525	$ 1,494,026	$1,569,551
Adjustment on initial application of IFRS 9	61,822	19,144	-	80,966	-	80,966
Balance at January 1, 2018 per IFRS 9	134,213	22,278	-	156,491	1,494,026	1,650,517
Transfers						
To 12-month ECLs	278	(278)	-	-	-	-
New financial assets purchased	53,023	6,950	-	59,973	-	59,973
Derecognition of financial assets	(60,762)	(16,752)	-	(77,514)	-	(77,514)
Change in model or risk parameters	(28,667)	(1,119)	-	(29,786)	-	(29,786)
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	(41,314)	(41,314)
Withdrawal after write-offs	-	-	-	-	12,203	12,203
Exchange rate or other changes	128	19	-	147	1,557	1,704
Balance at December 31, 2018	$ 98,213	$ 11,098	$ -	$ 109,311	$ 1,466,472	$1,575,783

The movements of allowance for bad debts and provisions for the years ended December 31, 2017 are summarized as follows:

	For the Year Ended December 31, 2017			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2017	$ 517,921	$ 2,452,080	$ 1,511,876	$ 4,481,877
Allowance for bad debts (Note)	403,316	498,996	60,630	962,942
Write-offs	(267,756)	(182,694)	-	(450,450)
Effects of exchange rate changes	(8,123)	(86,530)	(2,955)	(97,608)
Balance at December 31, 2017	$ 645,358	$ 2,681,852	$ 1,569,551	$ 4,896,761

Note: Allowance for bad debts does not include the recovery from written-off credits. As of December 31, 2017, the recovery from written-off credits amounted to $68,692 thousand.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic government bonds	$ 49,286,274
Bank debentures	34,465,318
Corporate bonds	58,516,809
Stock and beneficiary securities	3,655,311
Overseas government bonds	988,259
American mortgage-backed securities	2,233,751
	$ 149,145,722

As of December 31, 2017, available-for-sale financial assets were sold under agreement to repurchase in the amount of $104,407,677 thousand.

Refer to Note 44 for information relating to available-for-sale financial assets pledged as security.

15. DISCONTINUED OPERATIONS

Chun Teng New Century Co., Ltd. (the former IBTS) decided to transfer operating rights and property of brokerage of securities to SinoPac Securities Corp. Ltd. approved by the temporary stockholders' meeting on May 25, 2016. Total price of transfer was $390,000 thousand, and set the business transfer date on September 26, 2016.

The subsidiary ended the securities business on September 23, 2016, and was dissolved and liquidated on November 11, 2016 approved by the board of directors' meeting on October 17, 2016.

From September 30, 2016, the self-operating and new financial assets business of the operating department of the subsidiary has ended and conformed to the discontinued operations definition of IFRS 5. Hence, the consolidated financial report regarded the operating department above as discontinued operations.

The details and cash flows information of discontinued operations are exhibited below:

	2018	2017
Interest income	$ 10,105	$ 7,580
Interest expenses	-	(7)
Net interest revenue	10,105	7,573
Net revenues other than interest income		
Net service fee revenue	84	145
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	5,806	(14,370)
Foreign exchange gain (loss), net	5,305	(11,126)
Share of profit of associates and joint ventures accounted for using equity method	-	1,009
Other net revenue other than interest income	8,735	(935)
Net revenue other than interest income	19,930	(25,277)
Net revenue	30,035	(17,704)

(Continued)

	2018	2017
Operating expenses		
Employee benefits expenses	$ 7,600	$ 12,655
Depreciation and amortization expense	450	1,278
Others general and administrative expenses	11,658	13,332
Total operating expenses	19,708	27,265
Income tax expense	54	4,895
Income (loss) from discontinued operations before write-off	10,273	(49,864)
Write-offs from transactions with related parties	(7,450)	(3,122)
Income (loss) from discontinued operations	$ 2,823	$ (52,986)
Income (loss) from discontinued operations attributable to:		
Owners of the Bank	$ 2,816	$ (52,853)
Non-controlling interests	7	(133)
	$ 2,823	$ (52,986)
Cash inflow from:		
Operating activities	$ 158,004	$ 123,994
Investing activities	(1,362)	877
Financing activities	(574,358)	-
Effects of exchange rate changes on cash and cash equivalents	(10,529)	(10,645)
Net cash inflow (outflow)	$ (428,245)	$ 114,226

(Concluded)

16.SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership December 31, 2018	% of Ownership December 31, 2017	Remark	Audit by CPA
The Bank	China Bills Finance Corporation (CBF)	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	Founded in 1978	Yes
	IBTH	Holding company	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing	Leasing	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	Founded in 2000	Yes
	Chun Teng New Century Co., Ltd. (former IBTS)	Investment (former Security Firm)	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016 and still recognized using the equity method)	Yes
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	Founded in 2011 in mainland China	Yes
	IBT Tianjin International Leasing Corp.	Leasing	100.00	100.00	Founded in 2013 in mainland China (commonly held with IBT VII)	Yes
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	Founded in 2014	Yes
Chun Teng New Century Co., Ltd (former IBTS)	IBTSH	Holding company	100.00	100.00	Founded in 2003 in the British Virgin Islands	Yes
IBTSH	IBTS HK	Investment	100.00	100.00	Founded in 2003 in Hong Kong	Yes
	IBTS Asia	Securities and investment	100.00	100.00	Founded in 2004 in Hong Kong	Yes
IBTH	EverTrust Bank	Banking	91.78	91.78	Founded in 1994 in California	Yes

To improve the development of China leasing business, the board of directors approved, that IBT International Leasing Corp. merges IBT Tianjin International Leasing Corp., and the date of merge will be January 1, 2019. The board of directors meeting date was September 26, 2018.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2018	2017
CBF	Taipei	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	December 31 2018	December 31 2017
CBF		
Equity attributable to:		
Owners of CBF	$ 6,609,502	$ 6,531,896
Non-controlling interests of CBF	16,688,991	16,493,036
	$ 23,298,493	$ 23,024,932

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Net interest revenue	$ 342,608	$ 459,614
Net profit from continuing operations	$ 1,335,419	$ 1,351,064
Other comprehensive income (loss) for the period	(236,507)	364,896
Total comprehensive income for the period	$ 1,098,912	$ 1,715,960
Profit attributable to:		
Owners of CBF	$ 378,842	$ 383,281
Non-controlling interests of CBF	956,577	967,783
	$ 1,335,419	$ 1,351,064
Total comprehensive income attributable to:		
Owners of CBF	$ 311,748	$ 486,797
Non-controlling interests of CBF	787,164	1,229,163
	$ 1,098,912	$ 1,715,960
Net cash inflow (outflow) from:		
Operating activities	$ (4,995,237)	$ (1,955,034)
Investing activities	(3,714)	(1,781,899)
Financing activities	4,953,282	2,686,844
Net cash outflow	$ (45,669)	$ (1,050,089)
Dividends paid to non-controlling interests of CBF	$ 683,005	$ 808,062

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

IBT II Venture Capital Co., Ltd. began dissolution and liquidation on March 31, 2017.

	For the Year Ended December 31	
	2018	2017
Equity investment benefits recognized using the equity method	$ -	$ 3,782
Disposition of benefits using the equity method	4,994	11,839
	$ 4,994	$ 15,621
The Bank's share of:		
Profit from continuing and discontinued operations	$ -	$ 4,791
Other comprehensive income	-	6,892
Total comprehensive income for the period	$ -	$ 11,683

The share of profit or loss and the other comprehensive income of associates and joint ventures are recognized and disclosed in accordance with financial statements which were audited by accountants in 2017.

18. OTHER FINANCIAL ASSETS

	December 31	
	2018	2017
Time deposits with original maturities more than 3 months	$ 113,913	$ 10,150
Pledged deposits	527,500	34,834
Reserve Account	49,598	65,109
Dismantling securities companies	614,919	-
Others	23,988	-
Financial assets measured at cost		
Domestic stocks	-	513,720
Foreign stocks	-	659,621
	$ 1,329,918	$ 1,283,434

Because the fair value of financial assets measured at cost could not be reliably measured, the Group did not evaluate the fair value on the balance sheet date. The Group disposed of certain financial assets measured at cost with carrying amounts of $84,794 thousand for the year ended December 31, 2017, recognizing a disposal gain of $2,403 thousand.

Refer to Note 44 for information relating to due from banks pledged.

19.PROPERTY AND EQUIPMENT

	December 31 2018		December 31 2017	
Carrying amounts of each class of				
Land	$	781,970	$	800,184
Buildings		1,369,375		1,438,531
Machinery and computer equipment		338,826		375,739
Transportation equipment		36,715		35,326
Office and other equipment		103,446		77,793
Lease improvement		233,827		216,467
Construction in progress and prepayments for equipment		87,501		140,912
	$	2,951,660	$	3,084,952

The movements of property and equipment for the years ended December 31, 2018 and 2017 are summarized as follows:

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2018	$ 848,222	$ 1,944,911	$ 732,062	$ 82,406	$ 241,495	$ 358,067	$ 140,912	$ 4,348,075
Additions	-	-	23,917	21,783	14,688	48,564	191,139	300,091
Disposals and scrapped	(66,252)	(46,236)	(4,921)	(20,720)	(5,191)	(34,837)	(16,638)	(194,795)
Reclassification	-	-	(2,811)	-	30,062	10,487	(227,988)	(190,250)
Net exchange differences	-	-	(278)	(6,381)	1,199	2,856	76	(2,528)
Balance at December 31, 2018	$ 781,970	$ 1,898,675	$ 747,969	$ 77,088	$ 282,253	$ 385,137	$ 87,501	$ 4,260,593
Accumulated depreciation								
Balance at January 1, 2018	$ 48,038	$ 506,380	$ 356,323	$ 47,080	$ 163,702	$ 141,600	$ -	$ 1,263,123
Disposals and scrapped	(48,038)	(23,492)	(4,341)	(18,987)	(4,869)	(37,775)	-	(137,502)
Depreciation expense	-	46,412	65,908	12,167	21,369	46,115	-	191,971
Reclassification	-	-	(8,492)	-	(2,319)	(5)	-	(10,816)
Net exchange differences	-	-	(255)	113	924	1,375	-	2,157
Balance at December 31, 2018	$ -	$ 529,300	$ 409,143	$ 40,373	$ 178,807	$ 151,310	$ -	$ 1,308,933

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
Carrying amounts								
Balance at December 31, 2018	$ 781,970	$ 1,369,375	$ 338,826	$ 36,715	$ 103,446	$ 233,827	$ 87,501	$ 2,951,660
Cost								
Balance at January 1, 2017	$ 848,222	$ 1,912,301	$ 576,009	$ 92,841	$ 214,116	$ 258,188	$ 1,026,389	$ 4,928,066
Additions	-	7,920	26,935	20,704	10,759	40,880	390,442	497,640
Disposals and scrapped	-	-	(66,470)	(23,310)	(6,063)	(2,843)	-	(98,686)
Reclassification	-	24,690	198,609	-	26,033	64,034	(1,274,729)	(961,363)
Net exchange differences	-	-	(3,021)	(7,829)	(3,350)	(2,192)	(1,190)	(17,582)
Balance at December 31, 2017	$ 848,222	$ 1,944,911	$ 732,062	$ 82,406	$ 241,495	$ 358,067	$ 140,912	$ 4,348,075
Accumulated depreciation								
Balance at January 1, 2017	$ 25,506	$ 458,290	$ 364,918	$ 55,591	$ 151,605	$ 100,985	$ -	$ 1,156,895
Disposals and scrapped	-	-	(66,281)	(20,139)	(5,819)	(2,167)	-	(94,406)
Depreciation expense	-	46,871	61,648	12,080	18,799	39,944	-	179,342
Net exchange differences	-	-	(3,962)	(452)	(883)	2,838	-	(2,459)
Impairment loss	22,532	1,219	-	-	-	-	-	23,751
Balance at December 31, 2017	$ 48,038	$ 506,380	$ 356,323	$ 47,080	$ 163,702	$ 141,600	$ -	$ 1,263,123
Carrying amounts								
Balance at December 31, 2017	$ 800,184	$ 1,438,531	$ 375,739	$ 35,326	$ 77,793	$ 216,467	$ 140,912	$ 3,084,952

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	5-55 years
Machinery and computer equipment	3-25 years
Transportation equipment	3-5 years
Office and other equipment	3-15 years
Lease improvement	5-8 years

20. INTANGIBLE ASSETS

	December 31	
	2018	2017
Carrying amounts of each class of		
Computer software	$ 1,287,701	$ 1,265,205
Goodwill	1,166,769	1,133,222
Others	2,830	4,940
	$ 2,457,300	$ 2,403,367

The movements of intangible assets for the year ended December 31, 2018 and 2017 are summarized as follows:

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2018	$ 1,885,101	$ 1,133,222	$ 7,289	$ 3,025,612
Additions	183,566	-	-	183,566
Reclassification	50,430	-	-	50,430
Effect of foreign currency exchange differences	957	33,547	217	34,721
Balance at December 31, 2018	$ 2,120,054	$ 1,166,769	$ 7,506	$ 3,294,329
Accumulated amortization and impairment loss				
Balance at January 1, 2018	$ 619,896	$ -	$ 2,349	$ 622,245
Amortization	231,278	-	2,215	233,493
Reclassification	(19,645)	-	-	(19,645)
Effect of foreign currency exchange differences	824	-	112	936
Balance at December 31, 2018	$ 832,353	$ -	$ 4,676	$ 837,029
Carrying amounts				
Balance at December 31, 2018	$ 1,287,701	$ 1,166,769	$ 2,830	$ 2,457,300

(Continued)

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2017	$ 756,267	$ 1,224,683	$ 7,882	$ 1,988,832
Additions	184,682	-	-	184,682
Reclassification	948,671	-	-	948,671
Effect of foreign currency exchange differences	(4,519)	(91,461)	(593)	(96,573)
Balance at December 31, 2017	$ 1,885,101	$ 1,133,222	$ 7,289	$ 3,025,612
Accumulated amortization and impairment loss				
Balance at January 1, 2017	$ 489,773	$ -	$ 48	$ 489,821
Amortization	133,287	-	2,413	135,700
Effect of foreign currency exchange differences	(3,164)	-	(112)	(3,276)
Balance at September 30, 2017	$ 619,896	$ -	$ 2,349	$ 622,245
Carrying amounts				
Balance at December 31, 2017	$ 1,265,205	$ 1,133,222	$ 4,940	$ 2,403,367

(Concluded)

The goodwill was recognized from IBT Holding Corp.'s purchase of 100% of the stocks of Ever Trust Bank on March 30, 2007. The investment cost exceeded the fair value of net identifiable assets.

When the Group executes the goodwill impairment test, Ever Trust Bank is used as a cash-generating unit, and the recoverable amount is assessed by the value in use of the cash-generating unit. The key assumptions base the expected future cash flows on the actual profit conditions of the cash-generating units. On the assumption of sustainable operations, the Group discounts the net cash flows from those of the operations of the cash-generating units in the next five years in order to calculate the value in use. Under the estimation of the Group, there is no occurrence of impairment.

The computer software and other intangible assets are amortized on a straight-line basis of 3 and 15 years, respectively.

21.OTHER ASSETS

	December 31	
	2018	2017
Refundable deposits	$ 433,155	$ 3,284,633
Life insurance cash surrender value	344,395	331,481
Prepayments	74,585	83,191
Others	238,083	331,169
	$ 1,090,218	$ 4,030,474

22. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31 2018	December 31 2017
Due to other banks	$ 53,377,161	$ 50,644,279
Call loans from Central Bank	2,152,215	2,388,360
	$ 55,529,376	$ 53,032,639

23. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENT

	December 31 2018	December 31 2017
Transaction instruments	$ 62,123,793	$ 73,913,268
Government bonds	31,013,011	44,006,703
Corporate bonds	43,415,222	52,474,842
Bank notes payable	14,894,874	19,427,155
	$ 151,446,900	$ 189,821,968
Date of agreements to repurchase	**Before June 2019**	**Before August 2018**
Amount of agreements to repurchase	$ 151,544,513	$ 189,938,375

24. PAYABLES

	December 31 2018	December 31 2017
Factored receivables	$ 1,821,591	$ 1,726,584
Checks clearing payable	1,159,621	297,345
Accrued expenses	941,904	906,054
Accrued interest	894,253	617,723
Acceptances	225,582	248,591
Investment settlements payable	107,965	579,579
Settlement accounts payable - execution of customer orders	84,724	84,006
Collections for others	146,221	151,750
Others	254,576	411,049
	$ 5,636,437	$ 5,022,681

25. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Deposits		
Checking	$ 5,114,611	$ 2,990,647
Demand	35,746,655	29,434,943
Time	211,109,170	161,489,043
Export remittance	6	11,261
Saving deposits	9,832,879	4,360,806
	$ 261,803,321	$ 198,286,700

26. BANK NOTES PAYABLE

	December 31	
	2018	2017
Subordinate debenture bonds first issued in 2011; fixed 2.30% interest rate; maturity: August 26, 2018; interest paid annually and repay the principal at maturity	$ -	$ 950,000
Subordinate debenture bonds second issued in 2011; fixed 2.30% interest rate; maturity: October 28, 2018; interest paid annually and repay the principal at maturity	-	3,350,000
Subordinate debenture bonds first issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repay the principal at maturity	1,650,000	1,650,000
Subordinate debenture bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	2,300,000	2,300,000
Subordinate debenture bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	1,300,000	1,300,000
Subordinate debenture bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
Subordinate debenture bonds forth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000

(Continued)

	December 31	
	2018	2017
Subordinate debenture bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	$ 2,000,000	$ 2,000,000
Subordinate debenture bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000
Subordinate debenture bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	-
Subordinate debenture bonds B second issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	1,050,000	-
	$ 17,850,000	$ 20,400,000

(Concluded)

27. OTHER FINANCIAL LIABILITIES

	December 31	
	2018	2017
Bank loans	$ 9,713,242	$ 13,040,538
Commercial papers payable	999,881	3,299,557
Funds obtained from the government - intended for specific types of loans	4,321,291	5,997,782
	$ 15,034,414	$ 22,337,877

a. Bank loans

	December 31	
	2018	2017
Short-term loans	$ 5,068,874	$ 6,399,565
Long-term loans	4,644,368	6,640,973
	$ 9,713,242	$ 13,040,538
Interest rate interval		
New Taiwan dollars	1.15%-1.50%	1.21%-1.50%
U.S. dollars	3.71%-5.00%	0.98%-5.20%
Renminbi	4.99%-6.18%	3.60%-6.42%

b.Commercial papers payable

	December 31	
	2018	2017
Commercial papers payable	$ 1,000,000	$ 3,300,000
Less: Unamortized discount	(119)	(443)
	$ 999,881	$ 3,299,557
Interest rate interval	0.65%-1.23%	0.49%-1.24%

c. Funds obtained from the government - intended for specific types of loans

	December 31	
	2018	2017
Funds obtained from the government - intended for specific types of loans	$ 4,321,291	$ 5,997,782

The Lending Fund is a development fund established by the Executive Yuan to promote the development of the financial market economy. The Bank applied for the quota and appointed Mega Bank, Export-Import Bank of the Republic of China, China Trust Commercial Bank, and Taiwan Enterprise Bank to act as the managing bank wherein the loan quota is available for use.

28.PROVISIONS

	December 31	
	2018	2017
Provisions for employee benefits	$ 293,645	$ 295,725
Reserve for losses on guarantees	1,497,762	1,569,551
Reserve for claims outstanding	-	9,092
Reserve for financing limits	78,021	-
	$ 1,869,428	$ 1,874,368

29.RETIREMENT BENEFITS PLANS

Draw Plan

The pension system under the "Labor Pensions Ordinance" applicable to the Bank and its subsidiaries is the required retirement plan stipulated by the government, except for Ever Trust Bank, which is not more than 10% of the annual salary of the respective employees. A pension of 6% of an employee's monthly salary is paid to the Labor Insurance Bureau under each individual's account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the year ended December 31, 2018 and 2017 was recognized in the consolidated statements of comprehensive income in the total amounts of $49,505 thousand, and $49,432 thousand, respectively.

Welfare Plan

The defined benefit plans adopted by the Bank in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contribution amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee'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 is managed by the Bureau of Labor Funds, Ministry of Labor; the Bank has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Bank's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 565,026	$ 574,324
Fair value of plan assets	(271,381)	(278,599)
Net defined benefit liability	$ 293,645	$ 295,725

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2017	$ 549,227	$ (269,151)	$ 280,076
Service cost			
Current service cost	18,950	-	18,950
Net interest expense (income)	5,389	(298)	5,091
Recognized in profit or loss	24,339	(298)	24,041
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,725)	(1,725)
Actuarial loss - changes in demographic assumptions	4,924	-	4,924
Actuarial gain - changes in financial assumptions	(4,099)	-	(4,099)
Actuarial loss - experience adjustments	4,662	-	4,662
Others	-	(295)	(295)
Recognized in other comprehensive income	5,487	(2,020)	3,467
Employer contributions	-	(9,478)	(9,478)
Benefits paid	(2,348)	2,348	-
Liabilities extinguished on settlement	(2,381)	-	(2,381)
Balance at December 31, 2017	$ 574,324	$ (278,599)	$ 295,725

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2018	$ 574,324	$ (278,599)	$ 295,725
Service cost			
Current service cost	30,894	-	30,894
Net interest expense (income)	5,263	(3,019)	2,244
Recognized in profit or loss	36,157	(3,019)	33,138
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,720)	(7,720)
Actuarial loss - changes in demographic assumptions	2,802	-	2,802
Actuarial loss - changes in financial assumptions	5,324	-	5,324
Actuarial gain - experience adjustments	(3,784)	-	(3,784)
Recognized in other comprehensive income	4,342	(7,720)	(3,378)
Employer contributions	-	(12,657)	(12,657)
Benefits paid	(30,614)	30,614	-
Actual payment	(19,183)	-	(19,183)
Balance at December 31, 2018	$ 565,026	$ (271,381)	$ 293,645

(Concluded)

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

a. 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.

b. Interest risk: A decrease in the government 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 plans' debt investments.

c. 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:

	December 31	
	2018	2017
Discount rate(s)	1.00%	1.125%
Expected rate(s) of salary increase	2.50%	2.50%

If possible reasonable changes 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:

		December 31, 2018
Discount rate(s)		
0.25% increase	$	(10,611)
0.25% decrease	$	10,988
Expected rate(s) of salary increase		
0.25% increase	$	10,654
0.25% decrease	$	(10,334)

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

	December 31			
		2018		2017
Expected contributions to the plans for the next year	$	14,368	$	10,151
Average duration of the defined benefit obligation		9.6-10 years		9.7-10 years

30. OTHER LIABILITIES

	December 31			
		2018		2017
Guarantee deposits received	$	1,981,734	$	1,923,253
Advance revenue		119,378		108,800
Others		299,730		445,798
	$	2,400,842	$	2,477,851

31. EQUITY

a. Capital stock

	December 31			
		2018		2017
Number of stock authorized (in thousands)		3,500,000		3,000,000
Amount of capital stock authorized	$	35,000,000	$	30,000,000
Number of stocks issued and fully paid (in thousands)				
Common stock		2,413,006		2,413,006
Preferred stock		300,000		-
Amount of stocks issued	$	27,130,063	$	24,130,063

Fully paid common stocks, which have a par value of $10, carry one vote per stock and carry a right to dividends.

The Bank is required to comply with the future operating plan and the Rules of Initial Public Offerings. The Board decided in its meeting on April 19, 2016 and the stockholders' decided in their meeting on June 3, 2016 to issue 22,500 thousand new stocks for cash increase, and those stocks have a par value of $10 and sold at $7 to $9.3 per share. The total selling price was $175,938 thousand. The difference debited to retained earnings was $49,062 thousand. The total capital stock after the issuance was $24,130,063 thousand. The base date was May 3, 2017. The Bank finished the registration on July 4, 2017.

According to the Company Law, the Bank retains 10% of the above-mentioned publicly issued stock for cash capital increase to be subscribed for by employees. In March 2017, the Bank decided on the number of stocks for subscription and their price. These were recognized as a compensation cost on the grant date in accordance with the International Accounting Standard 2 "Share-based payments".

The Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of $10 on June 27, 2018. The subscription date was November 11, 2018. And finished the registration on December 21, 2018. The rights and obligations of Series A preferred stockholders are as follows:

1) Series A preferred stock at 0.94375% plus 3.30625% (total 4.25%) per annum are a 5-year - calculation pursuant to the Interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years hereafter. Series A preferred stock are declared once per year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board may set a record date for the distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.

2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.

3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but capping at the value of issuance.

4) Series A preferred stockholders have no voting rights at the annual stockholders' meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders' meeting and also at the stockholders' meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders' meeting.

5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stock are converted into common stock, their rights and obligations are the same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the special year of distribution but may participate in the distribution of common stock surplus and additional paid in capital.

6) When the Bank conducts rights for cash issuance, Series A preferred stockholders have the same subscription rights as the common stockholders.

b. Capital surplus

	December 31			
	2018		2017	
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)				
Treasury stock transactions	$	3,193	$	3,193
Stock-based payments		4,537		4,537
Must be used to offset a deficit				
Unclaimed dividends		308		-
May not be used for any purpose				
Share of changes in capital surplus of associates or joint ventures		465		-
	$	8,503	$	7,730

Note: Such capital surplus may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital stock (limited to a certain percentage of the Bank's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, except the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Board as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. Legal reserve shall be appropriated until it has reached the Bank's capital surplus. When the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be distributed in cash. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 37.

The Bank's Articles of Incorporation also stipulate a dividend policy that the issuance of a stock dividend takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 20% of total dividends distributed. The distribution method is stipulated by standard, so the Bank may make adjustment approved by the stockholders' meeting when the Board asks for it.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's capital surplus. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash.

Under the Company Law, legal reserve shall be appropriated until it has reached the Bank's capital surplus. This reserve may be used to offset deficit. When the Bank has no loss and the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490, and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserved by the Bank.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016 a public issuing bank shall make a special surplus in the range of 0.5% to 1% of net profit after tax in 2016 to 2018. Since 2017, the staff of financial technology development arising from the transfer or placement of the same amount of spending opened a special reserve balance within the scope of the rotary when the deduction of other equity was reversed, and the reversed part could be distributed in cash.

The appropriations of earnings for 2017 and 2016 were approved in stockholders' meetings on June 14, 2018 and June 14, 2017, respectively. The appropriations and dividends per share were as follows:

	2017		2016	
	Appropriation of Earnings	Dividend Per Share (NT$)	Appropriation of Earnings	Dividend Per Share (NT$)
Legal reserve	$ 304,370		$ 489,469	
Special reserve appropriated (reversed)	(13,705)		56,243	
Cash dividends - common stock	723,902	$ 0.3	1,085,854	$ 0.45

The appropriation of earnings for 2018 had been proposed by the Bank's board of directors on February 27, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings
Legal reserve	$ 183,014
Special reserve	415,504
Cash dividends - preferred stock	11,527

The appropriation of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 14, 2019.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (216,266)	$ 190,990
Exchange differences arising on translating the financial statements of foreign operations	149,013	(467,600)
Income tax related to gains or losses arising on translating the financial statements of foreign operations	(25,553)	60,344
Balance at December 31	$ (92,806)	$ (216,266)

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 236,666	$ 93,725
Unrealized gain arising on revaluation of available-for-sale financial assets	-	380,775
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	-	(344,886)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	-	97,502
Effect of IFRS 9 retrospective application	(236,666)	-
Balance at December 31	$ -	$ 236,666

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Effect of IFRS 9 retrospective application	144,112
Balance at January 1 per IFRS 9	144,112
Recognized during the period	
Unrealized loss - debt instruments	(190,443)
Unrealized loss - equity instruments	(159,627)
Loss allowance of debt instruments	221
Other comprehensive income recognized in the period	(349,849)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	138,562
Balance at December 31,	$ (67,175)

e. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 16,892,050	$ 16,482,451
Effect of IFRS 9 retrospective application	90,927	-
Balance at January 1 per IFRS 9	16,982,977	16,482,451
Attribute to non-controlling interests		
Share of profit for the year	987,694	986,821
Unclaimed dividends	1,174	-
Exchange differences arising on translation of foreign entities	12,435	(31,202)
Unrealized loss on financial assets at FVTOCI	(173,591)	-
Actuarial gains on defined benefit plans	3,353	3,874
Unrealized gains and losses on available-for-sale financial assets	-	258,168
Subsidiaries refund capital	(1,453)	-
Subsidiaries dividends paid	(683,005)	(808,062)
Ending balance	$ 17,129,584	$ 16,892,050

32.NET INTEREST

	For the Year Ended December 31	
	2018	2017
Interest income		
Discounts and loans	$ 5,752,124	$ 4,470,228
Investments in marketable securities	1,995,635	1,832,738
Installment sales and lease	1,155,164	1,086,683
Due from the Central Bank and call loans to banks	161,238	89,676
Others	119,692	134,883
	9,183,853	7,614,208
Interest expense		
Deposits	2,484,211	1,492,364
Due to the central bank and banks	709,706	524,579
Bank notes payable	423,673	353,864
Securities sold under agreements to repurchase	868,193	757,332
Others	473,961	455,949
	4,959,744	3,584,088
	$ 4,224,109	$ 4,030,120

33.NET SERVICE FEE REVENUE (CHARGE)

	For the Year Ended December 31	
	2018	2017
Service fee		
Guarantee business	$ 731,130	$ 634,232
Loan business	152,153	244,292
Underwrite business	245,511	276,127
Trust business	13,004	7,556
Lease business	278,226	257,448
Credit examine business	357,738	339,722
Import and export business	38,740	32,889
Factoring business	83,733	56,650
Others	75,411	107,820
	1,975,646	1,956,736
Service charge		
Others	197,056	96,601
	$ 1,778,590	$ 1,860,135

34. GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH OR PROFIT LOSS

	For the Year Ended December 31	
	2018	2017
Realized gain profit or loss		
Bills	$ 71,338	$ 129,755
Stocks	(6,148)	158,000
Bonds	4,146	(2,680)
Derivatives	880,664	(688,351)
	950,000	(403,276)
Gains (losses) on valuation		
Bills	17,338	(31,674)
Stocks	71	22,304
Bonds	3,448	(5,341)
Derivatives	273,174	(251,648)
Others	1,848	(18,160)
	295,879	(284,519)
Interest revenue	893,470	883,641
	$ 2,139,349	$ 195,846

35. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	For the Year Ended December 31, 2018
Realized income - debt instruments	$ 45,392
Dividend revenue	101,079
	$ 146,471

36. REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	For the Year Ended December 31, 2018
Net profit on disposal - stocks	$ 316,045
Net profit on disposal - bonds	28,003
Dividend revenue	62,861
	$ 406,909

37. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits		
Salaries and wages	$ 2,214,942	$ 2,146,031
Directors' remuneration and fees	74,553	78,246
Labor insurance and national health insurance	153,180	138,723
Others	126,506	128,667
Post-employment benefits		
Pension	82,643	81,239
Stock-based payment		
Equity delivery	-	4,537
	$ 2,651,824	$ 2,577,443

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

The amounts and accrual rates of employees' compensation and remuneration of directors for the year ended December 31, 2018 and 2017 were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Year Ended December 31	
	2018	2017
Employees' compensation	$ 14,632	$ 15,919
Remuneration of directors	$ 29,265	$ 31,838

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate by next year.

The employees' compensation and remuneration of directors for 2017 and 2016, which were approved by the Board on February 27, 2018 and February 22, 2017, respectively, were as follows:

	2017		2016	
	Cash	Stock	Cash	Stock
Bonuses for employees	$ 15,919	$ -	$ 24,111	$ -
Bonuses for directors	31,838	-	48,223	-

There are no differences between the 2017 and 2016 actual amounts of employees' compensation and remuneration of directors and supervisors paid and the 2017 and 2016 amount recognized in the annual financial statements.

Information for 2018 and 2017 on the bonuses for employees, directors and supervisors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

38. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2018	2017
Property and equipment	$ 191,521	$ 178,064
Intangible assets	233,493	135,700
	$ 425,014	$ 313,764

39. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Year Ended December 31	
	2018	2017
Taxation	$ 229,009	$ 183,358
Rental	226,161	208,665
Management fee	46,645	43,712
Computer operating and consulting fees	233,571	125,479
Entertainment	66,256	59,367
Professional services	117,330	113,161
Advertisement	169,819	139,040
Others	438,592	411,625
	$ 1,527,383	$ 1,284,407

40. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current period	$ 607,227	$ 724,534
Income tax on unappropriated earnings	-	5,934
In respect of prior periods	6,940	(17,179)
	614,167	713,289
Deferred tax		
In respect of the current period	119,408	19,014
Effect of tax rate change	(2,627)	-
	116,781	19,014
Income tax expense recognized in profit or loss	$ 730,948	$ 732,303

The reconciliation of the income based on income before income tax at the statutory rate and income tax expense was as follows:

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 2,670,478	$ 2,844,190
Income tax expense calculated at the statutory rate	$ 819,548	$ 829,590
Realized loss on investment in equity instruments measured at fair value through other comprehensive	(27,533)	-
Nondeductible expenses and tax-exempt income in determining taxable income	(143,433)	(228,623)
Unrecognized loss carryforwards	4,704	11,537
Unrecognized temporary difference	4,187	(36,257)
Deductible loss carryforwards	(9,199)	(386)
Deductible tax amount of overseas income tax	(12,296)	(10,348)
Additional income tax under the Alternative Minimum Tax Act	682	76,940
Income tax on unappropriated earnings	-	6,271
Overseas tax	89,975	100,758
Effect of tax rate changes	(2,627)	-
Adjustments for prior years' tax	6,940	(17,179)
Income tax expense recognized in profit or loss	$ 730,948	$ 732,303

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Recognized in other comprehensive income		
Translation of foreign operations	$ 22,262	$ 69,149
Unrealized gain (loss) on financial assets at FVTOCI	(19,999)	-
Fair value remeasurement of available-for-sale financial assets	-	907
Actuarial gains (loss) on defined benefit plans	460	(1,108)
Effect of tax rate changes	(9,283)	-
Income tax recognized in other comprehensive income	$ (6,560)	$ 68,948

c. Deferred tax assets and liabilities

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Retroactive Adjustment	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference						
FVTPL financial assets	$ 39,726	$ -	$ 2,221	$ -	$ 144	$ 42,091
Property and equipment	8,093	-	(995)	-	227	7,365
Exchange difference on foreign operations	35,205	-	-	(6,772)	-	28,433
AFS financial assets	15,826	-	-	(15,826)	-	-
FVTOCI financial assets	-	-	-	39,649	(1,303)	38,346
Defined benefit plans	41,574	-	4,557	2,381	737	49,249
Doubtful debts	326,042	80,305	(691)	-	(2,438)	403,218
Provisions	74,799	-	(19,870)	-	-	54,929
Asset impairment	12,447	-	(6,456)	-	55	6,046
Other	28,622	-	16,557	-	(2,200)	42,979
	$ 582,334	$ 80,305	$ (4,637)	$ 19,432	$ (4,778)	$ 672,656

Deferred Tax Liabilities	Opening Balance	Retroactive Adjustment	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference						
FVTPL financial assets	$ -	$ -	$ 4,805	$ -	$ -	$ 4,805
FVTOCI financial assets	-	-	-	2,132	(8)	2,124
Associates	216,007	-	107,339	-	-	323,346
Exchange difference on foreign operations	-	-	-	10,740	-	10,740
	$ 216,007	$ -	$ 112,144	$ 12,872	$ (8)	$ 341,015

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	$ -	$ 39,684	$ -	$ 42	$ 39,726
Property and equipment	9,260	(550)	-	(617)	8,093
Exchange difference on foreign operations	15,496	-	19,709	-	35,205
AFS financial assets	23,401	(14,820)	907	6,338	15,826
Defined benefit plans	17,208	27,125	(1,108)	(1,651)	41,574
Doubtful debts	276,193	15,983	-	33,866	326,042
Provisions	79,806	(5,007)	-	-	74,799
Asset impairment	9,857	2,709	-	(119)	12,447
Other	134,042	(99,200)	-	(6,220)	28,622
	$ 565,263	$ (34,076)	$ 19,508	$ 31,639	$ 582,334

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	$ 19,711	$ (19,711)	$ -	$ -	$ -
Associates	179,719	36,288	-	-	216,007
Exchange difference on foreign operations	49,440	-	(49,440)	-	-
	$ 248,870	$ 16,577	$ (49,440)	$ -	$ 216,007

d. Assessment of the income tax returns

The income tax returns of the Bank through 2016 have been assessed by the tax authorities. The income tax returns of the Bank's subsidiary IBTM through 2017 have been assessed. The income tax returns of other subsidiaries through 2016 have been assessed by the tax authorities, except the Bank's subsidiary CBF for 2015. The Bank disagreed with the tax authorities' assessment of its 2016 tax return and plan to re-examine.

41.EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share		
From continuing operations	$ 0.40	$ 0.47
From discontinued operations	-	(0.02)
Total basic earnings per share	$ 0.40	$ 0.45
Diluted earnings per share		
From continuing operations	$ 0.40	$ 0.47
From discontinued operations	-	(0.02)
Total diluted earnings per share	$ 0.40	$ 0.45

Earnings used in calculating earnings per share and weighted average number of common stocks are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2018	2017
Earnings used in the computation of basic and diluted earnings per share		
From continuing operations	$ 951,843	$ 1,124,933
From discontinued operations	2,816	(52,853)
	$ 954,659	$ 1,072,080

Stock (In Thousand Shares)

	For the Year Ended December 31	
	2018	2017
Weighted average number of common stocks in computation of basic earnings per share	2,413,006	2,405,362
Effect of potentially dilutive common stocks:		
Employees' compensation or bonuses	2,107	2,190
Employees' stock option	-	110
	2,107	2,300
Weighted average number of common stocks used in the computation of diluted earnings per share	2,415,113	2,407,662

If the Bank offered to settle compensation or bonuses paid to employees in cash or stocks, then the Bank will assume the entire amount of the compensation or bonuses will be settled in stocks and the dilutive effect of the resulting potential stocks will be included in the weighted average number of stocks outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential stocks will be included in the computation of diluted earnings per share until the number of stocks to be distributed to employees is resolved in the following year.

42. STOCK-BASED PAYMENT AGREEMENTS

The Board in April 2016 and the stockholders in June 2016 resolved in their respective meetings to publicly issue 22,500 thousand common stock for which the payment would be in cash for the purpose of initial public offering, and 10% of such new stocks were reserved for employees' subscription. Consequently, an increase of $4,537 thousand was recognized in both employee benefits expense and capital surplus in 2017.

43. RELATED PARTY TRANSACTIONS

The transactions, account balances, income and loss of the Bank and its subsidiaries (which are the related parties of the Bank) are all eliminated upon consolidation, so they are not disclosed in this note. Except for other transactions disclosed in other notes, the transactions between the Group and other related parties are as follows:

a. The related parties and their relationships with the Bank are summarized as follows:

Related Party	Relationship with The Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture) (dissolved March 31, 2017)	Associates
IBT Education Foundation (IBTEF)	The Group is the major donor of the foundation
Taiwan Cement Corporation	The Group's legal director
Yi Chang Investment Co., Ltd.	The Group's legal director
Ming Shan Investment Co., Ltd.	The Group's legal director
Others	The Group's management and their other relatives

b. The significant transactions and balances with the related parties are summarized as follows:

1) Deposits

	Ending Balance	Interest Expense	Rate (%)
For the year ended December 31, 2018			
Associates	$ 265	$ 4	0.40
Others	2,680,948	47,430	0.00-6.56
	$ 2,681,213	$ 47,434	
For the year ended December 31, 2017			
Associates	$ 2,763	$ 46	0.25
Others	1,164,690	19,511	0.00-6.56
	$ 1,167,453	$ 19,557	

2) Loan

	Ending Balance	Interest Expense	Rate (%)
December 31, 2018	$ 430,000	$ 2,699	1.443

3) Directors acting as the guarantor of a loan balance

	Ending Balance	Rate (%)
December 31, 2017	$ 475,000	1.436

4) Service fee

	For the Year Ended December 31	
	2018	2017
Associates	$ -	$ 6
Others	28	8
	$ 28	$ 14

Service fee income is earned by providing authentication, custody and fund purchase services.

5) Other expenses

	For the Year Ended December 31	
	2018	2017
Others	$ 4,800	$ 4,400

Other expenses are donations.

6) Rental income and others

	For the Year Ended December 31	
	2018	2017
Others	$ 552	$ 782

Rental income received by the department is revenue from leasing contract of providing part of the office and equipment and management service contract.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 445,613	$ 419,238
Post-employment benefits	10,251	5,844
Stock-based payments	-	1,290
	$ 455,864	$ 426,372

The remuneration of directors and other key management personnel is determined by the remuneration committee based on individual performance and market trends.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law Article 32 and 33, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

44. PLEDGED ASSETS

	December 31	
	2018	2017
Due from banks	$ 223,500	$ 228,875
Financial assets at FVTPL	15,059,868	13,393,710
Financial assets at FVTOCI	2,140,376	-
Discounts and loans	9,067,994	8,919,490
Debt instrument investments measured at amortized cost	166,680	-
Available-for-sale financial assets	-	2,254,810
Held-to-maturity financial assets	-	149,946
Pledged time deposits	527,500	34,834
Compensation account for payment	49,598	65,109
	$ 27,235,516	$ 25,046,774

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of due from banks) and negotiable certificates of deposits (part of financial assets at FVTPL, debt instrument investments measured at amortized cost and held-to-maturity financial assets) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above available-for-sale financial assets were bond investments and were mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the United States. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limit with Federal Home Loan Bank of San Francisco. Restricted assets were provided not merely as collateral for short-term loans, commercial paper issued, contract security deposit and administrative reliefs but were also pledged for Central Bank's bond bidding.

45. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Except for other disclosures, as of December 31, 2018 and 2017, the Group had commitments as follows:

	December 31	
	2018	2017
Office decorating and contracts of computer software		
Amount of contracts	$ 146,125	$ 159,256
Payments for construction in progress and prepayments for equipment	87,501	140,878

b. The Group as lessee

Due to rental of buildings, the Group have been entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 31, 2028.

As of December 31, 2018 and 2017, refundable deposits paid under operating lease amounted to $33,183 thousand and $35,070 thousand.

The future minimum payments under non-cancellable operating lease are summarized as follows:

	December 31, 2018
Up to 1 years	$ 162,811
Over 1 year to 5 years	325,856
Over 5 years	82,714
	$ 571,381

46. TRUST BUSINESS UNDER THE TRUST LAW

Trust-related items are shown in the following balance sheet and trust property list:

Balance Sheet of Trust Accounts

	December 31	
	2018	2017
Trust assets		
Petty cash	$ 100	$ -
Bank deposits	2,799,410	350,848
Financial assets	1,072,854	360,484
Interest receivable	51	-
Prepayments	1,267	-
Real estate	9,165,625	1,957,995
Other assets	32,292	-
Total trust assets	$ 13,071,599	$ 2,669,327
Trust capital and liability		
Payables	$ 1,542	$ -
Unearned receipts	839	-
Taxes payable	4,233	-
Receipts under custody	106	-
Deposits received	76,680	-
Other liabilities	968	-
Trust capital	12,828,013	2,669,327
Provisions and accumulated profit and loss	159,218	-
Trust capital and liability	$ 13,071,599	$ 2,669,327

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2018	2017
Trust revenue		
Interest revenue	$ 1,807	$ 400
Rent revenue	57,210	-
Other revenues	48	-
Trust expenses		
Management fees	598	168
Fees	265	184
Tax	6,740	-
Other expenses	6,626	-
Income tax expense	151	22
	$ 44,685	$ 26

Note: The above income accounts of the trust business were not included in the Bank's income statement.

Trust Property List

	December 31	
	2018	2017
Petty cash	$ 100	$ -
Bank deposits	2,799,410	350,848
Stocks	228,378	228,378
Funds	844,477	132,106
Land	8,320,001	1,865,892
Real estate	845,623	92,103
Interest receivable	51	-
Prepayments	1,267	-
Others	32,292	-
	$ 13,071,599	$ 2,669,327

47. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at amortized costs	$ 499,939	$ 501,732	$ -	$ -
Held-to-maturity financial assets	-	-	499,821	505,129
Financial liabilities				
Bank notes payable	17,850,000	17,906,381	20,400,000	20,464,560

2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized costs	$ 501,732	$ -	$ 501,732	$ -
Financial liabilities				
Bank notes payable	17,906,381	17,906,381	-	-

Item	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-for-maturity financial assets	$ 505,129	$ -	$ 505,129	$ -
Financial liabilities				
Bank debentures	20,464,560	20,464,560	-	-

Refer to quoted market prices for fair value if there are public quotation on amortized cost financial assets, held-to-maturity financial assets, and bank debentures with active market. If quoted market prices are not available, the fair value is determined by using a valuation technique or counterparty quotation.

b. Fair value information - financial instruments measured at fair value on a recurring basis

1) The fair value hierarchy of the financial instruments as of December 31, 2018 and 2017 were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Stocks and beneficial certificates	$ 359,716	$ 288,217	$ -	$ 71,499
Bonds	99,970	-	99,970	-
Bills	90,661,572	-	90,661,572	-
Convertible bonds and structured bonds	7,813,915	293,692	1,021,828	6,498,395
Others	51,739,597	-	51,739,597	-
Financial assets at fair value through other comprehensive income				
Equity instruments	2,954,899	1,963,220	135,161	856,518
Debt instruments	146,997,853	-	146,997,853	-
Liabilities				
Financial liabilities at fair value through profit or loss	$ 4,924	$ -	$ 4,924	$ -
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	837,844	-	837,844	-
Liabilities				
Financial liabilities at fair value through profit or loss	788,348	-	788,348	-

(Concluded)

Item	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 597,071	$ 562,443	$ -	$ 34,628
Bonds	15,369	15,369	-	-
Bills	102,246,486	-	102,246,486	-
Others	42,552,352	-	42,552,352	-
Financial assets designated as fair value through profit or loss at initial recognition	8,030,080	-	1,292,119	6,737,961
Available-for-sale financial assets				
Stocks	3,655,311	3,655,311	-	-
Bonds	145,490,411	-	145,490,411	-
Non-derivative financial instruments				
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	7,245	-	7,245	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	695,625	-	542,229	153,396
Liabilities				
Financial liabilities at fair value through profit or loss	783,773	-	783,773	-

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to achieve by the two sides, in exchange of assets or settle of liabilities, fair value is the amount settled. Financial instruments at fair value through profit or loss, available-for-sale financial assets and financial assets at fair value through other comprehensive refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

i. Ensure the consistency and completeness of market data.

ii. The source of market data should be transparent, easy to access, and should come from independent resources.

iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.

iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with acquirable information generally used by other market participants to price financial instruments.

Fair values of forward contracts used by the Bank and its subsidiaries are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation, using the Murex+ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

i. Level 1 - quoted prices in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.

ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).

iii. Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Valuation in fair value of Level 3 items of financial instruments

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Convertible Bonds	Equity Instruments		
Beginning balance	$ 6,891,357	$ 34,628	$ -	$ 6,925,985
Effect of retrospective application (IFRS 9)	-	38,787	1,072,809	1,111,596
Recognition in profit or loss - financial assets (liabilities) at fair value through profit or loss	7,538	(1,916)	-	5,622
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	(30,714)	(30,714)
Purchases	8,755,000	-	653,257	9,408,257
Disposal	(9,155,500)	-	(838,834)	(9,994,334)
Ending balance	$ 6,498,395	$ 71,499	$ 856,518	$ 7,426,412

For the year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/ Sold	Transfer Out of Level 3	
Non-derivative financial instruments							
Financial assets at fair value through profit or loss							
Held-for-trading financial assets	$ 65,026	$ -	$ -	$ -	$ (30,398)	$ -	$ 34,628
Financial assets designated as fair value through profit or loss at initial recognition	211,644	(58,248)	-	-	-	-	153,396
Derivative financial instruments							
Financial assets at fair value through profit or loss							
Assets	10.390.780	(160,038)	9,996,100	-	(13,808,957)	-	6,737,961

4) Transfers between Level 1 and Level 2

The Group has no significant transfers between Level 1 and Level 2 for years ended December 31, 2018 and 2017.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible corporate bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. In order to calculate the zero coupon yield curve, the Group uses LIBOR rate and U.S. dollar Swap Rate plus Credit Charge. Were there to be a 10% or 1BP change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income in the respective 2018 and 2017 periods would be as follows:

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	$ 918	$ (918)	$ -	$ -
Equity instruments	10%	7,150	(7,150)	92,563	(92,563)

For the year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at fair value through profit or loss				
Derivative financial instruments	$ 1,076	$ (1,076)	$ -	$ -

48. FINANCIAL RISK MANAGEMENT

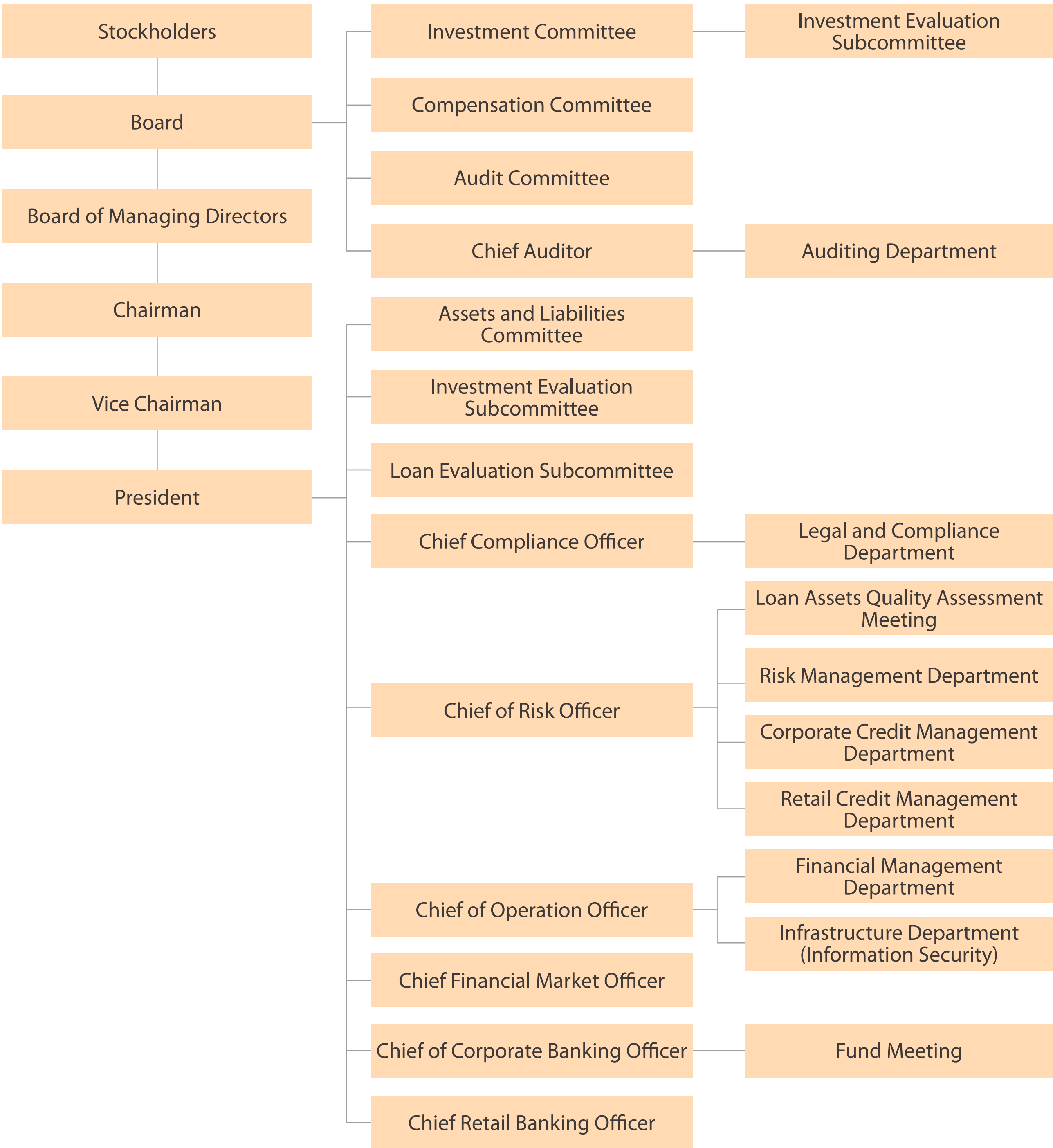
a. Overview

For the potential expected and unexpected risk, the Group establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness to ensure that all operating risks are controlled in the acceptable extent. The Group continues to engage actively in the capital adequacy ratio with the regulators and monitors to meet the III international requirements of the Basel Commission.

b. Risk management framework

Risk management framework of the Bank and its important individual in control are expressed as follows:

Ultimate responsibility for setting the Bank's risk appetite rests with the Board. The Auditing Department, Audit Committee, Investment Committee and Compensation Committee report to the Board. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the President, hold Capital Meetings and Quality Evaluation of Assets Meetings for discussing and considering risk management proposals regularly. The Risk Management Department is responsible for establishing a total scheme of risk management and monitoring the execution of such management.



1) Assets and Liabilities Committee: It has responsibility for oversight and review of significant issues, policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, review the asset and liability allocation and capital adequacy. It held assets and liabilities management meeting once a month.

2) Loan Evaluation Subcommittee: The subcommittee reviews the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department. After passing, the provisions should still be submitted to the level of competence review.

3) Investment Evaluation Subcommittee: Assessing and reviewing the investment cases transferred by the ministry of investment, they shall still be submitted to the “investment review committee” as required and submitted to the standing committee for consideration and approval.

4) Loan and investment assets assessment meetings held for various businesses:

a) Loan assets quality assessment meeting

i. Assess the status of credit asset quality and decide/review the strategy and course of action to be taken.

ii. Assess the probable loss of loan assets and discuss the adequacy of allowance for credit losses, assurance of responsibility to prepare and its recognition.

iii. Pass cases of credit assets which should be recognize loss, and mark the proposal to the board.

b) Investment assets quality assessment meeting

i. Access the status of investment asset quality from Rank 5-8, and choose the action to be taken.

ii. Authorized the investment assess result provide by evaluation staff. The composition of evaluation result is consisted with period, industries, economic recycle and evaluation method suggested by accounting principal.

iii. Access the probable loss of investment assets, pass cases of investment loss recognition, and make the proposal to the board.

iv. Track the status of customers still in operating which were full recognized as loss.

China Bills Finance Corporation’s (CBF) Board of Directors has the ultimate responsibility for risk framework decisions unit and oversees the implementation of the risk management. Business risk management which is headed by the president is comprised of Financial Assets and Liabilities Management Committee, Business Committee and the Investment Commission for the joint implementation of market risk, credit risk and operational risk control, and the other set of business and oversight of the audit office, and the business risk control management unit case. To effectively manage the overall risk and risks associated with integration of information, CBF has defined risk assessment methods and has summarized risk positions for the risk management group responsible for implementing the risk management operations.

c. Credit risk

1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligation to pay the Group in accordance with agreed terms. The source of credit risks includes the subjects in the balance sheet and off-balance sheet items.

2) Strategy/objectives/policies and procedures

a) Credit risk management strategy: The Bank are set as the implement the relevant provisions of the principles of credit risk management requirements and establish the Bank's credit risk management mechanism to ensure that the credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.

b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimized potential financial losses and pursue optimal reward.

Sound risk management systems and control processes, and strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations, the Bank's standards, and serve to maintain high credit standards and asset quality.

c) Credit risk management policy: The Bank establish risk management system to ensure the integrity of the Bank's business risk management and compliance particularly with the Financial Supervisory Commission issued the "financial holding companies and banking internal control and Auditing System Implementation Measures "and "norms for formulating proposals and execution of risk management policies by subsidiaries of banks"; to limit the credit risk of the Bank within the acceptable range, to maintain adequate capital and credit risk strategy to achieve the objectives, and to create maximum risk-adjusted returns.

d) Credit risk management process:

i. Risk identification

Credit risk management process begins with the identification of existing and potential risks, including the banking book and the trading book, including balance sheet and off-balance sheet transactions, along with financial innovation; as new credit businesses become increasingly complex, business executives in order do existing and new credit businesses, should be fully aware of the complexity involved in the business of credit risk, re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

ii. Risk measurement

i) The Bank manages asset portfolios by the risk rating scale.

The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk ratings must actually be scaled when the individual credit and investment accounts are approved. The continual change of the market gives rise to the change in credit or investment household. Therefore, risk ratings must be reevaluated and updated often to adjust the risk rating scale when it is verified.

ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope,
- "Concentrative risks" are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.
- It achieves the optimal profits.

iii. Risk communication

i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include: Asset quality, portfolio rating classification status, and all kinds of exception reports.

ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

i) The Bank shall establish monitoring system to assess changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties' credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.

ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.

iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.

iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.

v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.

b) Auditing Department: Directly examines and supervises the operation of the Bank's various control of risk management.

c) Audit Committee: Responsible for the stipulation and amendment stipulations on issues about internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.

d) Compensation Committee: Assists the board of directors in assessing and supervising the Bank's compensation policy and remunerations for directors and management personnel.

e) Investment Committee: Assists the board of directors in evaluating and supervising the quality of investment activities and conducting review of investment proposals.

f) Assets and Liabilities Committee: Holds asset/liability management meeting to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management and in charge of making decisions on policies.

g) Investment Evaluation Subcommittee: Responsible for evaluating and examining the investment proposal provided by the investment department. After the approval, the investment evaluation team passes the proposal to the board of executive directors and the investment committee.

h) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, they are still be submitted to the competent level for review.

i) Investment Assets Quality Assessment Meeting: Responsible for the examination of the quality status of investments on assets, in charge of making strategies and approves the proposal of the evaluation model and evaluates results proposed by the investment department.

j) Loan Assets Quality Evaluation Meeting: In charge of making policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.

k) The Risk Management Department: Independent and in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Bank follows the BASEL's regulation. It is also responsible for the preparation of risk management reports presented to appropriate management, and it plans to establish monitoring tools for credit risk measurement.

l) Corporate Credit Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed of credit and guarantee amount control, proper release and other release matters.

m) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors, manages and resells bad debts, prepares for bad debts presentation, loss assessment and post-loan management.

n) Headquarters Business Management Department: Responsible for the preparation of management policies, process and control activities. It also supervises the work performed by the operation units.

o) Operation Department: Complies with the policies to make sure its operation is accurate and complete.

4) The range and points of credit risk reports and measurement system

For the credit risks implicated in all products and business activities, new products and business, the Bank regularly monitors the credit risk management and is authorized by the Board or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-lending management and collection operations. The risk management units regularly provide various types of credit risk and asset quality in addition to the above operational procedures the analysis report is to manage the indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the Board to grasp the risk-taking situations faced by the state, the Bank, the industry, the same related parties and the related enterprise risks.

To understand the risk appetite and the risk appetite for changes in the financial environment and the impact on capital adequacy, the Bank handled its credit according to the "Regulation on Stress Test Operation for Banks" and "Bank Credit Risk Stress Test Guidelines" issued by the HKMA Risk stress test, as an important basis for credit risk management, and to continue to adjust the direction of business development, credit policy and credit evaluation procedures.

5) Mitigation of risks or hedging of credit risk and monitoring the avoided risks

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty's bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Bank has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Bank uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links levy credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum credit risk exposure amount of financial assets is the book value of the specific asset on the balance sheet date. The analysis of the maximum credit exposure amount (excluding the fair value of collateral) of each off-balance sheet financial instrument held by the Bank and its subsidiaries is as follows:

Off-balance Sheet Item	Maximum Exposure Amount	
	December 31, 2018	December 31, 2017
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	$ 121,652,586	$ 111,469,765
Maximum exposure amounts	121,652,586	111,469,765
Agreed financing	51,883,120	42,433,043

7) Concentrations of credit risk exposure

Concentrations of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic property to. The emergence of concentrations of credit risk includes the operating activities property of the debtor. The Group does not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On December 31, 2018 and 2017, the Group's significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Financial intermediary	$ 69,975,701	23	$ 59,655,064	21
Real estate	58,336,211	19	53,500,098	19
The printed circuit board component manufacturing	37,442,251	12	41,991,831	15

b) By counterparty

Credit Risk Profile by Industry Sector	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Private sector	$ 183,749,738	92	$ 173,620,086	95
Natural person	16,540,441	8	9,147,952	5

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Domestic	$ 122,863,558	61	$ 115,392,955	63
Other Asia area	35,143,990	18	30,208,123	18
America	34,140,109	17	31,586,509	17

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, financial asset at fair value through profit or loss, repos and debt securities, refundable deposits, guaranty bond and clearing and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

On each reporting date, the Bank and its subsidiaries assesses the change in the default risk of financial assets and considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situations, credit investigation results, announcements of dishonored checks and negotiations of the debts from other financial institutions, or information that the debtor has reorganized or is likely to reorganize, to determine whether the credit risk has increased significantly.

The Bank and its subsidiaries adopts the 12-month ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has not increased significantly since initial recognition and adopts the lifetime ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or which are credit-impaired.

The Bank and its subsidiaries considers both the 12-month and lifetime probability of default ("PD") of the borrower together with the loss given default ("LGD"), multiplied by the exposure at default ("EAD"), and considers the impact of the time value of money in order to calculate the 12-month ECLs and lifetime ECLs, respectively.

The PD refers to the borrower's probability to default, and the LGD refers to losses caused by such default. The Bank applies the PD and LGD for the impairment assessment of the credit business according to each group's historical information (such as credit loss experience) from internal statistical data and adjusts such historical data based on the current observable and forward-looking macroeconomic information. It then calculates the respective impairment by applying the progressive one factor model.

The Group estimates the balance of each account based on the method of amortization and considers the possible survival rate in order to calculate the EAD. In addition, the Bank estimates the 12-month ECLs and lifetime ECLs of loan commitments based on the guidelines issued by the Bank's Association and Basel Accords. The Bank calculates the EAD of expected credit losses by considering the portion of the loan commitments expected to be used within 12 months after the reporting date as compared with the expected lifetime of the loan commitments.

The Group uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days or the credit investigation appears to be abnormal, then the Bank determines that the financial assets have defaulted and are credit-impaired.

Credit assets are classified into five categories. In addition to the first category of credit assets, which are normal credit assets that are classified as sound assets, the remaining credit assets are classified as unsound assets and assessed according to the respective collateral and the length of time in which the respective payments become overdue. Such unsound credit assets are then categorized within the second category if they should only be noted; within the third category if they have substandard expected recovery; within the fourth category if their collectability is highly doubtful; and within the fifth category if they are considered uncollectable. The Group also sets up policies for the management of provisions for doubtful credit assets and the collection and settlement of overdue debts in order to deal with collection problems.

b) Credit risk management for investments in debt instruments - 2018

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group review changes in bond yields and other public information and make an assessment as to whether there has been a significant increase in credit risk since the last period to the current reporting date.

In order to minimize credit risk, the Bank has tasked its credit management committee with developing and maintaining a credit risk grading framework for categorizing exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses. The investments in debt instruments of the Group are at normal credit levels as of December 31, 2018, so the Group opted to recognize the expected credit losses on a 12-month basis. The Group's expected credit loss rate is in the range of 0.0014% to 0.4050%.

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost as of January 1, 2018 and December 31, 2018, grouped by credit rating, is reconciled as follows:

Allowance for Impairment Loss	Credit Rating Performing (12-month ECLs)
Balance at January 1, 2018 per IAS 39	$ -
Adjustment on initial application of IFRS 9	44,061
Balance at January 1, 2018 per IFRS 9	44,061
New financial assets purchased	3,394
Derecognition of financial assets	(11,625)
Change in model or risk parameters	(378)
Exchange rate or other changes	219
Balance at December 31, 2018	$ 35,671

In addition to the above, the credit quality analysis of the remaining financial assets of the Bank is as follows:

a) Credit analysis for receivables and discounts and loans

	December 31, 2018				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Receivables	$ 20,765,683	$ 304,253	$ 371,269	$ -	$ 21,441,205
Allowance for credit losses	(218,853)	(111,931)	(227,909)	-	(558,693)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual loans	-	-	-	(52,561)	(52,561)
Net total	$ 20,546,830	$ 192,322	$ 143,360	$ (52,561)	$ 20,829,951

	December 31, 2018				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans	$ 183,751,973	$ 15,147,609	$ 1,390,597	$ -	$ 200,290,179
Allowance for credit losses	(203,195)	(49,620)	(334,761)	-	(587,576)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual loans	-	-	-	(2,364,553)	(2,364,553)
Net total	$ 183,548,778	$ 15,097,989	$ 1,055,836	$ (2,364,553)	$ 197,338,050

December 31, 2017	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Balance sheet items							
Receivables	$ 22,276,814	$ -	$ 421,691	$ 22,698,505	$ 280,181	$ 365,177	$ 22,053,147
Discounts and loans	181,324,546	-	1,443,492	182,768,038	375,969	2,305,883	180,086,186

Note: Receivables means the amount of gross receivables.

b) Credit analysis for marketable securities

	December 31, 2018	
	At FVTOCI - Debt Instruments	At Amortized Cost
Gross carrying amount	$ 146,682,749	$ 499,939
Allowance for impairment loss	(35,671)	-
Amortized cost	146,647,078	$ 499,939
Fair value adjustment	(350,775)	
	$ 146,997,853	

December 31, 2017	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Available-for-sale financial assets							
Bonds	$145,490,411	$ -	$ -	$145,490,411	$ -	$ -	$145,490,411
Equity investments	3,640,868	-	19,561	3,660,429	5,118	-	3,655,311
Held-to-maturity financial assets							
Bonds	499,821	-	-	499,821	-	-	499,821
Other financial assets							
Equity investments	971,422	-	953,063	1,924,485	751,144	-	1,173,341

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets which are overdue but not yet impaired.

As of December 31, 2018, the Group had no financial assets which were overdue but not impaired.

10) Analysis of impairment for financial assets

The Bank has assessed whether loans and receivables have objective evident of impairment. Assessed with banks, the Central Bank and other banks had no impairment loss. The assessment on loans and receivables are as follows:

Discounts and loans

Type of Impairment Assessment		December 31, 2017	
		Discounts and Loans	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 1,443,492	$ 375,969
	Collectively assessed for impairment	-	-
With no objective evidence of impairment	Collectively assessed for impairment	181,324,546	2,305,883

Note: The amount of discounts and loans is the original value, which does not minus allowance for credit losses.

Receivables

Type of Impairment Assessment		December 31, 2017	
		Accounts Receivables	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 421,691	$ 280,181
	Collectively assessed for impairment	-	-
With no objective evidence of impairment	Collectively assessed for impairment	22,276,814	365,177

Note: The receivables are those originated by the Group, and not net of the allowance for credit losses and adjustments for discount (premium).

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Group' capacity to realize assets, obtain financing or funds to meet obligations at maturity, including deposits and off-balance sheet guarantees.

Liquidity risk is the risk that the Group is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles of liquidity risk

a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Group's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.

b) Manage current assets to ensure that the Group have enough instantly-realized assets to deal with currency risks.

c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure the Group's liquidity.

d) To establish an appropriate information system to measure, monitor and report liquidity risk.

e) The setting of the measurement systems or models should include important factors which affect the currency risks of the bank fund (including the introduction of new products or services) for managing current risks to help the bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.

f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.

g) In addition to the monitoring of the capital requirements, under normal business conditions, the Group should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.

h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the banking operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2018 and 2017, the liquidity reserve ratio was 45.61% and 37.37%, respectively.

3) The analysis of cash inflow and outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	$ 48,781,709	$ 6,747,667	$ -	$ -	$ -	$ 55,529,376
Financial liabilities at fair value through profit or loss	4,924	-	-	-	-	4,924
Notes and bonds issued under repurchase agreement	125,561,932	24,799,314	980,470	202,797	-	151,544,513
Payables	2,183,750	431,407	2,048,855	933,391	39,034	5,636,437
Deposits and remittances	75,701,417	71,367,790	46,562,669	42,107,083	26,064,362	261,803,321
Bank notes payable	-	-	-	1,650,000	16,200,000	17,850,000
Other financial liabilities	2,154,084	1,762,372	1,079,679	3,110,559	6,927,720	15,034,414
	$254,387,816	$105,108,550	$ 50,671,673	$ 48,003,830	$ 49,231,116	$507,402,985

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	$ 41,967,101	$ 11,065,538	$ -	$ -	$ -	$ 53,032,639
Financial liabilities at fair value through profit or loss	7,245	-	-	-	-	7,245
Notes and bonds issued under repurchase agreement	146,992,716	41,450,703	1,478,851	16,105	-	189,938,375
Payables	1,797,214	251,486	2,144,300	695,469	134,212	5,022,681
Deposits and remittances	39,248,871	78,073,545	33,489,960	23,325,344	24,148,980	198,286,700
Bank notes payable	-	-	-	4,300,000	16,100,000	20,400,000
Other financial liabilities	6,431,043	2,986,062	2,817,986	3,419,422	6,683,364	22,337,877
	$236,444,190	$133,827,334	$ 39,931,097	$ 31,756,340	$ 47,066,556	$489,025,517

4) The Group assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Foreign forward contracts	$ 11,258	$ 1,022	$ 1,669	$ 25,214	$ -	$ 39,163
Foreign currency swap contracts	335,349	55,470	215,891	13,171	-	619,881
Others	961	-	-	-	-	961
	347,568	56,492	217,560	38,385	-	660,005
Non-deliverable						
Interest rate swap contracts	-	1,647	4,000	1,334	121,362	128,343
	$ 347,568	$ 58,139	$ 221,560	$ 39,719	$ 121,362	$ 788,348

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Foreign forward contracts	$ 101,040	$ 701	$ 4,203	$ 2,703	$ -	$ 108,647
Foreign currency swap contracts	251,900	109,499	116,648	61,402	-	539,449
Others	1,378	-	-	-	-	1,378
	354,318	110,200	120,851	64,105	-	649,474
Non-deliverable						
Interest rate swap contracts	-	-	-	11,007	123,292	134,299
	$ 354,318	$ 110,200	$ 120,851	$ 75,112	$ 123,292	$ 783,773

5) The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the balance sheet.

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 604,084	$ 840,096	$ 328,568	$ -	$ 7,389	$ 1,780,137
Other guarantees	41,321,550	65,333,900	7,089,769	5,998,775	128,455	119,872,449
Agreed financing amount	1,613,326	2,311,305	3,467,107	6,934,213	37,557,069	51,883,120
	$ 43,538,960	$ 68,485,401	$ 10,885,444	$ 12,932,988	$ 37,692,913	$173,535,706

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 1,191,027	$ 1,013,393	$ 367,946	$ 15,541	$ -	$ 2,587,907
Other guarantees	35,533,002	63,019,079	5,466,081	4,803,363	60,333	108,881,858
Agreed financing amount	1,358,437	1,731,533	2,597,300	5,194,599	31,551,174	42,433,043
	$ 38,082,466	$ 65,764,005	$ 8,431,327	$ 10,013,503	$ 31,611,507	$153,902,808

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and process

The Bank manage the market risk with active, careful attitude.

The Bank makes the profit majorly by doing trading business through knowing well correctly how market risk of factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity of the implicit profit is. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussed to the full and stipulated by the president, the trading department and the market risk management department, it is submitted to the Assets and Liabilities Committee and the Board with the plan of stop-loss quotas and product parts quotas to avoid setting up the goal in an impracticable way that leads the dealer to take more risk on operating.

The Bank sets up definite management rules and risk management indicators for different trading business and its risk attribute, and stipulates exposure amount, submission of expiration, authorizing management and ways of disposure. Implement certainly and ensure the trading department to abide by the discipline to control the market risk exposure extent in a safe range.

3) Market risk management organization and framework

a) The Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the Board, are the top stipulation in market risk management.

b) Assets and Liabilities Committee: In charge of stipulating market risk management policy and monitoring the operating of market risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the market risk management policy and the next year proposal of product parts quotas and annual stop-loss of the trading business expected to be submitted to the Board.

c) Risk Management Department: In charge of market risk management. According to the Bank's regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products' type (e.g. equity, interest rate, currency exchange rate).

The Bank setup the limit amount of trading and loss, and other index including VaR, MAT, 20-Day average liquidity and FS to enhance the risk control system.

The Bank calculates the risk exposure amount of the trade department and traders based on authorized amount, and submits risk report, monitors the limits and executes the following measures.

The Bank sets up the index of stop loss to control the risk of transaction including bonds, Forex, securities and derivative by building the risk evaluation module, and monitor the loss caused by the fluctuation of stock market, exchange rate and interest rates.

5) Value at risk

The Bank adopts Value at Risk (VaR) to evaluate the market risk of financial instruments related to currency exchange rate, NTD interest rate, and price of listed stock. VaR is the potential loss in market values of financial instruments held by the Bank, which is measured within a set confidence interval for a specified period. The Bank estimated VaR on the basis of Monte Carlo method, with 99% confidence interval. The sample period of currency exchange rate products and stock is past 1 year. The sample period of interest rate products is past 3 years. The Bank simulates 5,000 times with GBM model. The table below presents VaR of financial instruments, which is according to confidence interval, using estimation of potential loss amount in a day to assume possible fluctuation in market during a day under unfavorable changes in interest rates, exchange rates or market price per share. Based on the assumption, the VaRs of the financial instruments may exceed the following values due to the fluctuations of interest rate or currency exchange rate in 1 day out of 100 days. The average VaR, the high and low VaRs were calculated based on daily VaRs in the year. The whole market risk of the Bank was less than the aggregated value of VaRs of fair value, currency exchange rate and price.

The Bank adopts Value at Risk to evaluate trading book products such as rate financial instruments, TWD interest products and market risks of trading assets IPO stocks. When market factors happen negative changes, Value at Risk reveals the potential losses of holding financial instruments during a certain period and in a confidence interval. The bank adopts Monte Carlo method to estimate Value at Risk, the confidence interval is 99%, the sample interval of rate and stock products is the past year, the sample interval of interest products is the past three years, simulation times is 5,000 times, simulation path is GBM.

The following table illustrates the Value at Risk of the bank, this risk value is based on confidence interval, estimated in one day potential losses and assumed unfavorable interest and rate changes can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

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	December 31					
	2018			2017		
	Average	High	Low	Average	High	Low
Currency exchange rate risk	$ 960	$ 7,992	$ 105	$ 2,150	$ 8,317	$ 86
Fair value risk resulting from interest rate	2,551	8,991	-	1,896	13,446	-
Fair value resulting from stock price	7,114	14,004	321	10,439	18,766	4,039

6) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

(Unit: Foreign Currencies and New Taiwan Dollars in Thousands)

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary item			
USD	$ 3,655,151	30.7459	$ 112,381,036
JPY	1,384,579	0.2781	385,062
HKD	8,911,525	3.9254	34,981,039
EUR	18,765	35.2119	660,751
AUD	2,318	21.6701	50,231
RMB	2,781,862	4.4700	12,434,883
Financial liabilities			
Monetary item			
USD	3,663,930	30.7459	112,650,950
JPY	1,344,156	0.2781	373,820
HKD	6,513,703	3.9254	25,568,699
EUR	10,228	35.2119	360,147
AUD	8,661	21.6701	187,685
RMB	2,618,361	4.4700	11,704,039

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary item			
USD	$ 2,855,725	29.8545	$ 85,248,871
JPY	1,791,669	0.2649	474,613
HKD	5,730,897	3.8202	21,893,399
EUR	20,744	35.7084	740,735
AUD	2,271	23.2999	52,914
RMB	3,146,864	4.5775	14,405,825
Financial liabilities			
Monetary item			
USD	3,246,195	29.8545	96,907,011
JPY	771,871	0.2649	204,465
HKD	5,235,688	3.8202	20,001,582
EUR	7,651	35.7084	273,205
AUD	7,659	23.2999	178,454
RMB	2,759,353	4.5775	12,631,737

f. Bank book interest risk

1) Source and definition of bank book interest risk

Banking book's interest risk means the probably loss of non-banking book's position within balance sheet and off-balance sheet arise from interest change.

2) Bank book interest risk management strategy and process

The Bank controls this interest risk with a positive and strict attitude. The Bank hopes to pursue the stability and growth of surplus without liquidity flaws.

The Bank set the clear management methods and risk management indicators with different trading, investment and risk, and set the report of risk amount and over limit, approved level and reaction plan. The Bank executes the procedures clearly, establishes a trading discipline that upholds the discipline of investment, and controls the bank book interest risk within the limit.

3) Bank book interest risk management organization and framework

a) The Board of Directors: It is the top bank book interest risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the Board are the top stipulation in bank book interest risk.

b) Assets and Liabilities Committee: In charge of stipulating bank book interest risk management policy and monitoring the operating of bank book interest risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the bank book interest risk management conditions and the result of interest pressure test once a month.

c) Risk Management Department: In charge of bank book interest risk management. According to the Bank's regulation, the department is in charge of every operation related to bank book interest risk management, including planning of bank book interest risk limits, statistics, reporting and monitoring.

4)The extent and characteristics of the bank book interest risk report and evaluation system

The Risk Management Department set the regulation with bank book interest risk as follow, limit of position, Annual stop buying maximum loss limit, FS Sensitivity limit, duration/maturity limit, Individual Investment Target Warning Limits, Individual Investment Target stop buying limit, Earnings View Interest Rate Sensitivity Warning Limit-Rising/falling interest rates by 1bp, Net income interest rate sensitivity warning limit: Interest rate rise/fall 25bps, 50bps, 75bps, 100bps.

In summary, it is intended to enhance the risk control framework of bank book interest risk.

Besides, the Risk Management Department executes the following tests to assess the impact to the Bank's net income in each quarter, including the interest rate pressure test and special situation pressure test, and reports the result to the Assets and Liabilities Committee.

The Risk Management Department calculates the exposure amount of each trading departments and traders and reports the risk reports, monitors over-limits, and performs follow-up actions under the regulations.

g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

O-Bank

	For the Year Ended December 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents - due from banks	$ 1,094,656	2.33	$ 931,686	2.04
Call loans to banks	9,580,197	1.34	6,296,975	1.07
Due from the Central Bank	4,327,135	0.67	3,333,761	0.71
Financial assets at fair value through profit or loss	45,155,273	0.62	39,544,611	0.56
Securities purchased under resell agreements	358,849	0.21	97,225	0.19
Discounts and loans	176,133,124	2.58	151,631,581	2.25
Available-for-sale financial assets	-	-	38,871,246	1.43
Held-to-maturity financial assets	-	-	820,566	0.99
Financial assets at fair value through other comprehensive income	45,677,257	1.57	-	-
Financial assets at amortized costs	499,876	1.15	-	-
Receivables	4,009,381	1.29	3,098,236	1.26

	For the Year Ended December 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-bearing liabilities				
Deposits from the Central Bank and banks	34,530,412	1.74	38,358,810	1.13
Demand deposits	37,420,897	0.48	23,680,971	0.35
Time deposits	177,495,807	1.17	144,792,924	0.86
Notes and bonds issued under repurchase agreements	5,262,897	0.73	6,965,099	0.55
Bank notes payable	20,373,836	2.08	17,541,918	2.02
Other financial liabilities	4,946,764	-	5,415,837	-

China Bills Finance Corporation (CBF)

	For the Year Ended December 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents (including certificate of deposit)	$ 812,169	0.16	$ 770,267	0.14
Call loans to banks	9,945	0.21	21,112	3.29
Financial assets measured at fair value through profit or loss - bonds and bills	89,719,489	0.58	99,441,408	0.57
Financial asset at fair value through profit or loss - bonds and bills	97,039,689	1.33	-	-
Available-for-sale financial assets-bond investment	-	-	96,414,292	1.32
Financial assets measured at fair value through profit or loss - mix financial assets	6,467,912	1.51	-	-
Financial assets at fair value through profit or loss-bond investment	-	-	8,488,165	1.55
Securities purchased under resell agreements	3,984,373	0.35	2,399,664	0.34
Interest-bearing liabilities				
Due to other banks	17,717,031	0.62	19,435,597	0.46
Bank overdrafts	1,910	1.75	7,345	1.75
Securities sold under repurchase agreements	157,117,047	0.53	163,056,170	0.44
	1,568,219	0.56	2,678,082	0.57

49.CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Group's common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis subject to the competent authorities. The calculation of the ratio mentioned above is determined by the competent authority regulations.

b. Capital assessment program

Measures are taken when capital ratio and leverage ratio deteriorates such as regular calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly tracking the target achievement rate in the capital.

c. Capital adequacy ratio

O-Bank

(Unit: In Thousands of New Taiwan Dollars or in %)

<table>
<tr><th colspan="3" rowspan="2">Year / Items</th><th colspan="2">December 31, 2018</th></tr>
<tr><th>Own Capital Adequacy Ratio</th><th>Consolidated Capital Adequacy Ratio</th></tr>
<tr><td rowspan="4">Eligible capital</td><td colspan="2">Common stocks equity Tier 1</td><td>$ 23,857,101</td><td>$ 42,039,566</td></tr>
<tr><td colspan="2">Other Tier 1 capital</td><td>750,999</td><td>2,248,225</td></tr>
<tr><td colspan="2">Tier 2 capital</td><td>4,518,127</td><td>7,639,991</td></tr>
<tr><td colspan="2">Eligible capital</td><td>29,126,227</td><td>51,927,782</td></tr>
<tr><td rowspan="9">Risk-weighted assets</td><td rowspan="3">Credit risk</td><td>Standard</td><td>196,614,687</td><td>308,063,174</td></tr>
<tr><td>Internal rating based approach</td><td>-</td><td>-</td></tr>
<tr><td>Asset securitization</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Operational risk</td><td>Basic indicator approach</td><td>8,071,238</td><td>9,260,225</td></tr>
<tr><td>Standard/alternative standardized approach</td><td>-</td><td>-</td></tr>
<tr><td>Advanced measurement approach</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Market risk</td><td>Standard</td><td>8,099,200</td><td>76,233,338</td></tr>
<tr><td>Internal model approach</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Total risk-weighted assets</td><td>212,785,125</td><td>393,556,737</td></tr>
<tr><td colspan="3">Capital adequacy ratio</td><td>13.69%</td><td>13.19%</td></tr>
<tr><td colspan="3">Ratio of common stockholders' equity to risk-weighted assets</td><td>11.21%</td><td>10.68%</td></tr>
<tr><td colspan="3">Ratio of Tier 1 capital to risk-weighted assets</td><td>11.56%</td><td>11.25%</td></tr>
<tr><td colspan="3">Leverage ratio</td><td>7.16%</td><td>6.86%</td></tr>
</table>

(Unit: In Thousands of New Taiwan Dollars or in %)

Items			December 31, 2017 Own Capital Adequacy Ratio	December 31, 2017 Consolidated Capital Adequacy Ratio
Eligible capital	Common stocks equity Tier 1		$ 20,691,448	$ 39,951,052
	Other Tier 1 capital		-	-
	Tier 2 capital		5,160,148	8,193,754
	Eligible capital		25,851,596	48,144,806
Risk-weighted assets	Credit risk	Standard	177,038,851	281,472,735
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	7,422,913	8,580,350
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	4,165,338	69,552,775
		Internal model approach	-	-
	Total risk-weighted assets		188,627,102	359,575,860
Capital adequacy ratio			13.71%	13.39%
Ratio of common stockholders' equity to risk-weighted assets			10.97%	11.11%
Ratio of Tier 1 capital to risk-weighted assets			10.97%	11.11%
Leverage ratio			7.24%	6.70%

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

Note 2: Formulas used were as follows:

1) Eligible capital = Common stock equity Tier 1 + Other Tier 1 capital + Tier 2 capital.
2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
4) Ratio of common stockholders' equity to risk-weighted assets = Common stock equity Tier 1 ÷ Risk-weighted assets.
5) Ratio of Tier 1 capital to risk-weighted assets = (Common stocks equity Tier 1 + Other Tier 1 capital) ÷ Risk-weighted assets.
6) Leverage ratio = Tier 1 capital ÷ Exposure amount.

According to the Banking Law and other related regulations, in order to improve the financial foundation of banks, in 2018 and 2017, the Bank and the Bank's capital adequacy ratio shall not be lower than 9.875% and 9.25%, respectively. The ratio of Tier 1 capital shall not be lower than 7.875% and 7.25%, respectively. The ratio of common stockholders' equity shall not be lower than 6.375% and 5.75%, respectively. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

China Bills Finance Corporation

(Unit: In Thousands of New Taiwan Dollars, %)

Items	Year	December 31, 2018	December 31, 2017
Eligible capital	Tier 1 capital	$ 22,793,703	$ 21,908,716
	Tier 2 capital	-	-
	Tier 3 capital	144,775	276,469
	Eligible capital	22,938,478	22,185,185
Risk-weighted assets	Credit risk	114,285,372	105,688,495
	Operational risk	4,145,623	4,008,287
	Market risk	59,619,238	58,540,805
	Total risk-weighted assets	178,050,233	168,237,587
Capital adequacy ratio (Note 1)		12.88%	13.19%
Ratio of Tier 1 capital to risk-weighted assets (Note 1)		12.80%	13.02%
Ratio of Tier 2 capital to risk-weighted assets (Note 1)		-	-
Ratio of Tier 3 capital to risk-weighted assets (Note 1)		0.08%	0.17%
Ratio of common stockholders' equity to total assets (Note 1)		6.73%	6.09%

Note: 1) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
2) The amount of total assets mentioned above is calculated by summarizing all assets on the balance sheet.
3) The capital adequacy ratio (CAR) should be computed at the end of June and December. In quarterly report, the capital adequacy ratio disclosed is the data of related period (the end of June or December).
4) The calculation method of eligible capital and risk-weighted assets should follow the "bills finance company's capital adequacy management approach" and "calculation and description of bills finance capital and risk assets".

50. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND DISCLOSURE OF RELATED INFORMATION OF INDUSTRY REGULATIONS OF MATURITY ANALYSIS OF ASSETS AND LIABILITIES

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 4.

2) Concentration of credit extensions

December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Group (unclassified other financial service)	$ 6,363,353	19.89
2	B Group (unclassified other financial service)	4,536,476	14.18
3	C Group (real estate development)	3,376,930	10.56
4	D Group (short-term accommodation activities)	3,344,736	10.46
5	E Group (ocean transportation)	3,194,081	9.98
6	F Group (LCD and component manufacturing)	2,563,619	8.01
7	G Group (real estate development)	2,538,157	7.93
8	H Group (manufacture of chemical material)	2,417,984	7.56
9	I Group (unclassified other financial service)	2,109,623	6.59
10	J Group (real estate development)	2,045,098	6.39

December 31, 2017

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Group (unclassified other financial service)	$ 6,525,400	22.28
2	E Group (ocean transportation)	3,619,243	12.36
3	F Group (LCD and component manufacturing)	3,525,096	12.04
4	G Group (real estate development)	3,464,541	11.83
5	H Group (manufacture of basic chemical material)	2,592,128	8.85
6	K Group (paper manufacturing)	2,543,725	8.69
7	D Group (short term accommodation activities)	2,405,555	8.21
8	L Group (real estate development)	2,197,560	7.50
9	M Group (financial lease)	2,018,580	6.89
10	N Group (semiconductor packaging and testing)	2,001,342	6.83

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)

December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 153,895,676	$ 3,701,113	$ 5,156,795	$ 59,203,989	$ 221,957,573
Interest rate-sensitive liabilities	80,313,253	45,671,299	41,035,656	45,437,973	212,458,181
Interest rate-sensitive gap	73,582,423	(41,970,186)	(35,878,861)	13,766,016	9,499,392
Net worth					29,476,185
Ratio of interest rate-sensitive assets to liabilities					104.47%
Ratio of interest rate sensitivity gap to net worth					32.23%

December 31, 2017

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 132,363,671	$ 16,508,687	$ 12,822,636	$ 32,594,222	$ 194,289,216
Interest rate-sensitive liabilities	86,513,208	38,462,306	25,665,659	37,448,522	188,089,695
Interest rate-sensitive gap	45,850,463	(21,953,619)	(12,843,023)	(4,854,300)	6,199,521
Net worth					27,562,030
Ratio of interest rate-sensitive assets to liabilities					103.30%
Ratio of interest rate sensitivity gap to net worth					22.49%

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank and excluded contingent assets and contingent liabilities items.
Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities 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).

Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
December 31, 2018

(In Thousands of U.S. Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,496,271	$ 15,499	$ 36,800	$ 968,185	$ 2,516,755
Interest rate-sensitive liabilities	1,892,767	520,320	87,390	-	2,500,477
Interest rate-sensitive gap	(396,496)	(504,821)	(50,590)	968,185	16,278
Net worth					64,062
Ratio of interest rate-sensitive assets to liabilities					100.65%
Ratio of interest rate sensitivity gap to net worth					25.41%

December 31, 2017

(In Thousands of U.S. Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,462,640	$ 63,033	$ 13,009	$ 605,581	$ 2,144,263
Interest rate-sensitive liabilities	1,634,854	473,450	60,597	-	2,168,901
Interest rate-sensitive gap	(172,214)	(410,417)	(47,588)	605,581	(24,638)
Net worth					41,244
Ratio of interest rate-sensitive assets to liabilities					98.86%
Ratio of interest rate sensitivity gap to net worth					(59.74%)

Note 1: The above amounts included only U.S. dollar amounts held by the Bank and excluded 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 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 U.S. dollars).

c. Liquidity risk

1) Profitability

(In %)

Items		For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Return on total assets	Before income tax	0.36	0.44
	After income tax	0.30	0.38
Return on equity	Before income tax	3.68	4.18
	After income tax	3.12	3.65
Net income ratio		20.18	23.79

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets.
Note 2: Return on equity = Income before (after) income tax ÷ Average equity.
Note 3: Net income ratio = Income after income tax ÷ Total net revenue.
Note 4: Income before (after) income tax represents income for the year ended December 31, 2018 and 2017.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$261,684,702	$ 66,366,860	$ 21,782,255	$ 22,834,590	$ 18,588,439	$ 19,785,994	$112,326,564
Main capital outflow on maturity	299,504,646	31,670,930	36,010,964	52,474,249	41,206,123	49,853,927	88,288,453
Gap	(37,819,944)	34,695,930	(14,228,709)	(29,639,659)	(22,617,684)	(30,067,933)	24,038,111

December 31, 2017

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$252,606,042	$ 49,236,605	$ 24,824,432	$ 23,689,243	$ 24,869,925	$ 24,659,688	$105,326,149
Main capital outflow on maturity	280,759,592	31,102,800	26,089,592	70,432,107	39,733,662	37,165,578	76,235,853
Gap	(28,153,550)	18,133,805	(1,265,160)	(46,742,864)	(14,863,737)	(12,505,890)	29,090,296

Note: The Bank amounts refer to the total NTD amounts of the overall Group.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,865,995	$ 1,551,474	$ 698,979	$ 509,652	$ 324,982	$ 780,908
Main capital outflow on maturity	4,008,431	1,858,382	1,012,637	522,411	207,076	407,925
Gap	(142,436)	(306,908)	(313,658)	(12,759)	117,906	372,983

December 31, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 4,243,908	$ 1,338,861	$ 832,448	$ 730,436	$ 364,296	$ 977,867
Main capital outflow on maturity	4,607,286	1,832,992	1,255,648	685,934	251,943	580,769
Gap	(363,378)	(494,131)	(423,200)	44,502	112,353	397,098

Note 1: The Bank amounts refer to the total USD amounts of the overall Group.

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,071,742	$ 487,386	$ 155,816	$ 43,623	$ 20,899	$ 364,018
Main capital outflow on maturity	1,071,400	510,060	289,780	90,435	45,654	135,471
Gap	342	(22,674)	(133,964)	(46,812)	(24,755)	228,547

December 31, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 977,316	$ 368,760	$ 140,038	$ 26,708	$ 54,264	$ 387,546
Main capital outflow on maturity	1,038,812	425,441	351,170	31,952	47,815	182,434
Gap	(61,496)	(56,681)	(211,132)	(5,244)	6,449	205,112

China Bills Finance Corporation

a. Asset quality

(Unit: In Thousands of New Taiwan Dollars, %)

Item \ Period	December 31, 2018	December 31, 2017
Balance of guarantees and endorsement credits overdue within 3 months	$ -	$ -
Nonperforming debts (include overdue receivables)	-	-
Credits under observation	-	-
Overdue receivables	-	-
Ratio of nonperforming debts	0.00%	0.00%
Ratio of nonperforming debts and credits under observation	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	1,045,899	1,001,604
Actual provision for credit losses and reserve for losses on guarantees	1,310,077	1,429,477

b. The principal operation

(Unit: In Thousands of New Taiwan Dollars, %)

Item \ Period	December 31, 2018	December 31, 2017
Balance of guarantees and endorsement securities	$ 104,434,900	$ 99,741,800
Ratio of guarantees and endorsement securities to net worth (Note)	4.77	4.72
Short-term bills and bonds sold under agreement to repurchase	147,142,872	174,073,575
Ratio of short-term bills and bonds sold under agreement to repurchase to net worth (Note)	6.72	8.24

Note: The net worth mentioned above is the net worth after appropriation in prior year minus the original cost of financial assets carried at cost.

c. The provision policy losses and allowance for doubtful accounts please refer to Note 13.

d. Concentrations of credit extensions

(In Thousands of New Taiwan Dollars, %)

Item \ Period	December 31, 2018		December 31, 2017	
Credit of the common interested party	$ -		$ -	
Credit ratio of the interested party (Credit of the common interested party ÷ Total credit)	-		-	
Credit ratio of pledged stocks (Credit of pledged stocks ÷ Total credit)	19.80		19.05	
Loan concentration by industry	**Type of Industry**	**%**	**Type of Industry**	**%**
(The concentration of listed industries were the Top 3 of all industries)	1) Finance and insurance industry	36.16	1) Finance and insurance industry	31.07
	2) Manufacturing industry	22.25	2) Manufacturing industry	24.61
	3) Real estate industry	22.94	3) Real estate industry	25.58

Note 1: Ratio of credit extensions to common interest parties: Credit to common interest party ÷ Total credit.
Note 2: Ratio of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.
Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable.)

e. Interest rate sensitivity information of the balance sheet

December 31, 2018

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 85,776	$ 13,639	$ 5,451	$ 90,728	$ 195,594
Interest rate-sensitive liabilities	172,907	980	203	-	174,090
Interest rate-sensitive gap	(87,131)	12,659	5,248	90,728	21,504
Net worth					23,299
Ratio of interest rate-sensitive assets to liabilities (%)					112.35
Ratio of interest rate sensitivity gap to net worth (%)					92.30

December 31, 2017

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 106,487	$ 12,879	$ 8,817	$ 88,435	$ 216,618
Interest rate-sensitive liabilities	193,618	1,479	16	-	195,113
Interest rate-sensitive gap	(87,131)	11,400	8,801	88,435	21,505
Net worth					23,025
Ratio of interest rate-sensitive assets to liabilities (%)					111.02
Ratio of interest rate sensitivity gap to net worth (%)					93.40

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.
Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).
Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

f. The use of funding sources table

December 31, 2018

(In Millions of New Taiwan Dollars)

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 44,934	$ 36,756	$ 8,820	$ 110	$ -
	Bonds	1,479	1,354	4,819	5,341	90,728
	Due from banks	262	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	991	-	-	-	-
	Total	47,666	38,110	13,639	5,451	90,728
Cash provided by	Borrowing	27,044	-	-	-	-
	Securities sold under agreement to repurchase	121,064	24,799	980	203	-
	Eligible capital	-	-	-	-	23,299
	Total	148,108	24,799	980	203	23,299
Net cash flows		(100,442)	13,311	12,659	5,248	67,429
Accumulated cash flows		(100,442)	(87,131)	(74,472)	(69,224)	(1,795)

December 31, 2017

(In Millions of New Taiwan Dollars)

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 49,385	$ 47,488	$ 8,489	$ 1,259	$ -
	Bonds	1,034	2,589	4,390	7,558	88,435
	Due from banks	308	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	4,382	1,301	-	-	-
	Total	55,109	51,378	12,879	8,817	88,435
Cash provided by	Borrowing	21,137	-	-	-	-
	Securities sold under agreement to repurchase	133,441	39,040	1,479	16	-
	Eligible capital	-	-	-	-	23,025
	Total	154,578	39,040	1,479	16	23,025
Net cash flows		(99,469)	12,338	11,400	8,801	65,410
Accumulated cash flows		(99,469)	(87,131)	(75,731)	(66,930)	(1,520)

g. Matters requiring special notation

(In Thousands of New Taiwan Dollars)

Causes	December 31, 2018	December 31, 2017
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT$50 million dollars	None	None
Other	None	None

Note: The term "within the past year" means one year before the balance sheet date.

51. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees and b. Names, locations, and other information of investees over which the Bank exercises significant influence.

1) Financing provided: The Group - not applicable; investees - Table 1 (attached)

2) Endorsement/guarantee provided: The Group - not applicable; investees - Table 2 (attached)

3) Marketable securities held: The Group - not applicable; investees - Table 3 (attached)

4) The amount of buying or selling stocks for joint venture is at least $300 million or 10% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

6) Disposal of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

7) Allowance of service fees to related parties amounting to at least $5 million: None

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: None

9) Sale of nonperforming loans: None

10) Information of applying for authorization of securitized product type according to the "Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization": None

11) Other significant transactions which may affect the decisions of users of financial reports: None

12) Related information and total stockholding circumstances of "Name, locations and other information of investees on which the Group exercises significant influence." Table 5 (attached)

13) Derivative instrument transactions: Note 8

b. Investment in mainland China: Table 6 (attached)

52. OPERATING SEGMENT FINANCIAL INFORMATION

The Group provides CODM to assess segment performance, focusing on the nature of business operations, assets and profit and loss. The accounting policies of each operating segment are described in Note 4 the same significant accounting policies. The Group shall be reported to the operating divisions are as follows:

a. Bank: Business ruled in Law of Bank Article 71.

b. Overseas: Overseas banking business.

c. Leasing: Leasing business.

d. Bills: Bills related Business approved by the competent authority.

e. Others: Other non-core businesses.

The following was an analysis of the Group's revenue and results by reportable segment.

	Bank	Overseas	Leasing	Bills	Others	Adjustments and Eliminations	Consolidated
For the year ended December 31, 2018							
Net interest							
From unaffiliated segment	$ 2,191,721	$ 980,290	$ 719,689	$ 341,365	$ 24	$ (8,980)	$ 4,224,109
From other segment	(10,200)	-	336	1,243	445	8,176	-
	$ 2,181,521	$ 980,290	$ 720,025	$ 342,608	$ 469	$ (804)	$ 4,224,109
Net revenue other than interest							
From unaffiliated segment	$ 2,516,644	$ 42,667	$ 266,344	$ 1,664,667	$ 15,591	$ -	$ 4,505,913
From other segment	31,718	-	-	(30,068)	(925)	(908,834)	(908,109)
	$ 2,548,362	$ 42,667	$ 266,344	$ 1,634,599	$ 14,666	$ (908,834)	$ 3,597,804
Income from continuing operation	$ 954,659	$ 377,280	$ 140,702	$ 1,335,419	$ (510)	$ (868,020)	$ 1,939,530
Identifiable assets	$320,219,718	$ 27,310,825	$ 14,408,102	$199,531,032	$ 216,392	$ 155,505	$561,841,574
Depreciation and amortization	$ 382,934	$ 18,427	$ 15,005	$ 8,426	$ 222	$ -	$ 425,014
Capital expenditure	$ 231,412	$ 54,096	$ 10,784	$ 1,998	$ 3	$ 1,798	$ 300,091

(Continued)

	Bank	Overseas	Leasing	Bills	Others	Adjustments and Eliminations	Consolidated
For the year ended December 31, 2017							
Net interest							
From unaffiliated segment	$ 1,995,285	$ 883,994	$ 691,730	$ 446,151	$ (498)	$ 13,458	$ 4,030,120
From other segment	(19,068)	-	-	13,463	1,320	4,285	-
	$ 1,976,217	$ 883,994	$ 691,730	$ 459,614	$ 822	$ 17,743	$ 4,030,120
Net revenue other than interest							
From unaffiliated segment	$ 2,494,892	$ 64,618	$ 373,089	$ 1,635,332	$ 16,236	$ -	$ 4,587,167
From other segment	35,031	-	-	-	-	(735,264)	(700,233)
	$ 2,529,923	$ 64,618	$ 373,089	$ 1,635,332	$ 16,236	$ (735,264)	$ 3,883,934
Income from continuing operation	$ 1,072,080	$ 232,059	$ 132,434	$ 1,351,064	$ 911	$ (676,661)	$ 2,111,887
Identifiable assets	$280.800,446	$ 25,220,623	$ 15,866,347	$220,412,404	$ 239,622	$ (1,967,421)	$540,572,021
Depreciation and amortization	$ 265,925	$ 17,827	$ 21,127	$ 8,697	$ 188	$ -	$ 313,764
Capital expenditure	$ 446,141	$ 24,914	$ 1,008	$ 4,550	$ 21,001	$ 26	$ 497,640

(Concluded)

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2018

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount
1	IBT Leasing	Lei Xin Construction	Account receivable - short-term accommodations	No	$ 112,960	$ 91,560	$ 91,560
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	23,591	8,601	8,601
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	23,591	8,601	8,601
		General Energy Solutions	Account receivable - short-term accommodations	No	15,730	2,324	2,324
		San Rong Fisheries Corp.	Account receivable - short-term accommodations	No	20,952	13,080	13,080
		Shanyue development Co., Ltd.	Account receivable - short-term accommodations	No	165,000	165,000	165,000
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	167,100	167,100	57,100
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	47,506	18,253	18,253
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	30,000	30,000	-
		Power Home Construction	Account receivable - short-term accommodations	No	188,100	82,500	82,500
		General Energy Solutions	Account receivable - short-term accommodations	No	58,000	43,994	43,994
		Shinex Machinery Engineering Inc.	Account receivable - short-term accommodations	No	30,000	15,668	15,668
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	40,000	29,691	29,691
		Advanced Wireless and Antenna INC.	Account receivable - short-term accommodations	No	30,000	28,231	28,231
		Sun Shen Construction	Account receivable - short-term accommodations	No	90,000	-	-
		Jiin Ming Industry Co., Ltd.	Account receivable - short-term accommodations	No	40,000	-	-
		Teroko Textile Corp.	Account receivable - short-term accommodations	No	46,667	-	-
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	33,968	-	-
		Greatland electronics Taiwan Ltd.	Account receivable - short-term accommodations	No	30,000	-	-

TABLE 1

(In Thousands of New Taiwan Dollars)

Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Notes 4 and 5)	Note
					Item	Value			
2-8	2	$ -	Working capital turnover	$ 5,648	Real estate	$ 124,389	$ 204,521	$ 818,084	
2-8	1	30,000	Working capital turnover	125	Real estate	24,288	204,521	2,045,209	
2-8	2	-	Working capital turnover	125	Real estate	24,288	204,521	818,084	
2-8	2	-	Working capital turnover	4	Margin	2,000	204,521	818,084	
2-8	2	-	Working capital turnover	13,080	Margin	5,000	204,521	818,084	
2-8	2	-	Working capital turnover	3,465	Real estate	88,310	204,521	818,084	
2-8	2	-	Working capital turnover	1,199	Performance bond	11,000	204,521	818,084	
2-8	2	-	Working capital turnover	305	Margin	10,000	204,521	818,084	
2-8	2	-	Working capital turnover	-	-	-	204,521	818,084	
2-8	2	-	Working capital turnover	1,196	Real estate	231,671	204,521	818,084	
2-8	1	77,159	Working capital turnover	554	Margin	5,800	204,521	2,045,209	
2-8	2	-	Working capital turnover	329	-	-	204,521	818,084	
2-8	2	-	Working capital turnover	344	Margin	6,000	204,521	818,084	
2-8	2	-	Working capital turnover	823	Margin	10,916	204,521	818,084	
2-8	2	-	Working capital turnover	-	-	-	204,521	818,084	
2-8	2	-	Working capital turnover	-	-	-	204,521	818,084	
2-8	2	-	Working capital turnover	-	Stock	-	204,521	818,084	
2-8	1	50,000	Working capital turnover	-	Margin	7,500	204,521	2,045,209	
2-8	2	-	Working capital turnover	-	Margin	12,000	204,521	818,084	

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount
2	IBT International Leasing Corp.	Qingdao Liansheng Industry Co., Ltd.	Entrusted loans	Yes	179,140	83,897	83,897
		San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	Yes	218,717	-	-
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	66,117	19,774	19,774
		Shanghai Kuang Di Entertainment Co., Ltd.	Entrusted loans	No	54,484	19,484	19,484
		Shanghai Qiaoyou Garment Co., Ltd.	Entrusted loans	No	37,655	12,328	12,328
		Qiangsheng (Shanghai) Multimedia Co., Ltd.	Entrusted loans	No	62,699	47,299	47,299
		Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loans	N0	89,570	62,699	62,699
		Dong Sheng Machine Co., Ltd.	Entrusted loans	No	44,785	41,448	41,448
3	IBT Tianjin International Leasing Corp.	San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	Yes	65,615	-	-

Note 1: Explanation:
a. Issuing entity: 0.
b. Invested companies were sequentially numbered from No. 1.
Note 2: Loan type: Business "1"; short-term financial intermediation "2".
Note 3: IBT Leasing, IBT International Leasing Corp. and IBT Tianjin International Leasing Corp. loaned to individual company were limited by 10% net assets.
Note 4: Each issuing entity's total amount of loans was limited to 40% of IBT Leasing Corp.'s, IBT International Leasing Corp.'s and IBT Tianjin International Leasing Corp.'s net assets. The loan mentioned formerly which belongs to business transactions is limited to 100%.of the Corporation net assets.

(Concluded)

Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Notes 4 and 5)	Note
					Item	Value			
6-16	2	-	Working capital turnover	1,804	Real estate	123,472	194,481	777,925	
6-16	2	-	Working capital turnover	-	-	-	194,481	777,925	
6-16	2	-	Working capital turnover	69	Real estate	90,354	194,481	777,925	
6-16	2	-	Working capital turnover	97	Real estate	41,802	194,481	777,925	
6-16	2	-	Working capital turnover	62	Real estate	26,016	194,481	777,925	
6-16	2	-	Working capital turnover	192	Real estate and margin	60,805	194,481	777,925	
6-16	2	-	Working capital turnover	313	Real estate	69,135	194,481	777,925	
6-16	2	-	Working capital turnover	207	Real estate	35,407	194,481	777,925	
9-11	2	-	Working capital turnover	-	-	-	13,758	55,032	

(Continued)

O-BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period
		Name	Relationship (Note 1)			
1	IBT Leasing	IBT International Leasing Corp.	b	$ 16,361,672	$ 12,831,457	$ 12,096,460
2	IBT Leasing	IBT Tianjin International Leasing Corp.	c	16,361,672	4,528,366	-

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:

a. Trading partner.
b. Directly owns over 50% of the common stocks of the subsidiary.
c. The Bank and subsidiary own over 50% ownership of the investee company.
d. A parent company that own over 50% ownership of the company directly or through a subsidiary.
e. Guaranteed by the Bank according to the construction contract.
f. An investee company, for which the guarantees were provided based on the Bank's proportionate share in the investee company.

Note 2: Based on the Bank's guidelines, the maximum amount of guarantee to IBT International Leasing Corp. is up to eight times of the Bank's net value under direct and indirect holding voting right of stockholders; the maximum amount of guarantee to the Bank is up to twelve times of the Bank's net value.

Note 3: The endorsement belongs to the grandson company from IBT International Leasing Corp.

TABLE 2

(In Thousands of New Taiwan Dollars)

Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
$ 6,622,742	$ -	591.45	$ 24,542,508	Yes	No	Yes
-	-	0.00	24,542,508	Yes	No	Yes

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company
IBT Holdings	Stocks	
	EverTrust Bank	Subsidiaries
IBT Management Corp.	Open type beneficiary certificate	
	Taishin Ta-Chong Money Market Fund	-
	Uni Money Market Fund	-
	Closed type beneficiary certificate	
	O-Bank Real Estate Investment Trust "Successful One"	-
	Stocks	
	Gatetech Technology Co., Ltd.	-
IBT Leasing Co., Ltd.	Stocks	
	IBT International Leasing Corp.	Subsidiaries
	IBT Tianjin International Leasing Corp.	Subsidiaries
	IBT VII Venture Capital Co., Ltd.	Subsidiaries
IBT VII Venture Capital Co., Ltd.	Closed type beneficiary certificate	
	O-Bank Real Estate Investment Trust "Successful One"	-
	Stocks	
	IBT Tianjin International Leasing Corp.	Subsidiaries
	EirGenix Co., Ltd.	-
	TAIRX Corp.	-
	Meridigen Corp.	-
	Femcosteel Tech Co., Ltd.	-
	Shihlian China Holdings Corp.	-
	New Applied Materials Co., Ltd.	-
	Polaris Co., Ltd.	-

Note: The holding company is registered in Hong Kong. The registered capital stock and number of stocks are in Hong Kong dollars and Hong Kong stocks.

TABLE 3

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Statement Account	December 31, 2018				Note
	Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Investments accounted for using the equity method	10,714	US$ 160,549	91.78	$ 160,549	
Financial asset at FVTPL	750	10,643	-	10,643	
Financial asset at FVTPL	803	10,560	-	10,560	
Financial asset at FVTOCI	15,319	131,131	-	131,131	
Financial asset at FVTOCI	92	1,067	0.33	1,067	
Investments accounted for using the equity method	-	1,944,811	100.00	1,944,811	
Investments accounted for using the equity method	-	53,656	39.00	53,656	
Investments accounted for using the equity method	65,000	397,015	100.00	397,015	
Financial asset at FVTOCI	14,000	119,840	-	119,840	
Investments accounted for using the equity method	-	92,969	61.00	83,924	
Financial asset at FVTPL	722	22,266	0.58	22,266	
Financial asset at FVTPL	1,842	37,356	2.74	37,356	
Financial asset at FVTPL	500	11,699	0.56	11,699	
Financial asset at FVTPL	1,498	29,234	3.63	29,234	
Financial asset at FVTPL	9,135 (Note)	30,218	0.24	30,218	
Financial asset at FVTPL	330	10,357	0.59	10,357	
Financial asset at FVTPL	140	4,207	0.05	4,207	

O-BANK AND SUBSIDIARIES

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE

DECEMBER 31, 2018 AND 2017

<table>
<tr><th colspan="3">Period</th><th colspan="3">December 31, 2018</th></tr>
<tr><th colspan="3">Items</th><th>Nonperforming Loans (Note 1)</th><th>Outstanding Loan Balance</th><th>Ratio of Nonperforming Loans (Note 2)</th></tr>
<tr><td rowspan="2">Corporate banking</td><td colspan="2">Secured</td><td>$ 21,623</td><td>$ 85,631,246</td><td>0.03</td></tr>
<tr><td colspan="2">Unsecured</td><td>-</td><td>85,108,167</td><td>-</td></tr>
<tr><td rowspan="5">Consumer banking</td><td colspan="2">Housing mortgage (Note 4)</td><td>-</td><td>8,074,049</td><td>-</td></tr>
<tr><td colspan="2">Cash card</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Small-scale credit loans</td><td>5,714</td><td>3,245,770</td><td>0.18</td></tr>
<tr><td rowspan="2">Other</td><td>Secured</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Unsecured</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="3">Total lending business</td><td>27,337</td><td>182,059,232</td><td>0.02</td></tr>
<tr><td colspan="3"></td><td>Nonperforming Receivables</td><td>Outstanding Receivable Balance</td><td>Ratio of Nonperforming Receivables</td></tr>
<tr><td colspan="3">Credit cards</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="3">Factored accounts receivable without recourse (Note 5)</td><td>-</td><td>4,714,725</td><td>-</td></tr>
</table>

	Exempt from Reporting the Total Balance of Overdue Loans
Exempt amount - due to debt negotiation and performance (Note 6)	$ -
Debt settlement plan and rehabilitative program (Note 7)	-
Total	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans."

Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.

Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factored accounts receivable without recourse are reported as nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 6: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the "Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association" should include supplemental disclosures of related matters.

Note 7: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 date September 20, 2016 regarding the "Consumer Debt Clearance Regulations" for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters.

TABLE 4

(In Thousands of New Taiwan Dollars or in %)

December 31, 2018		December 31, 2017				
Allowance for Possible Losses	**Coverage Ratio (Note 3)**	**Nonperforming Loans (Note 1)**	**Outstanding Loan Balance**	**Ratio of Nonperforming Loans (Note 2)**	**Allowance for Possible Losses**	**Coverage Ratio (Note 3)**
$ 1,036,438	4,793.22	$ 415,307	$ 68,463,348	0.61	$ 814,680	196.16
1,480,041	-	-	91,147,921	-	1,520,555	-
121,111	-	-	5,001,783	-	75,027	-
-	-	-	-	-	-	-
33,214	581.27	135	559,979	0.02	5,627	4,168.15
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,670,804	9,769.92	415,442	165,173,031	0.25	2,415,889	581.52
Allowance for Possible Losses	**Coverage Ratio**	**Nonperforming Receivables**	**Outstanding Receivable Balance**	**Ratio of Nonperforming Receivables**	**Allowance for Possible Losses**	**Coverage Ratio**
-	-	-	-	-	-	-
50,500	-	-	4,592,967	-	51,390	-

Exempt from Reporting the Total Balance of Overdue Account Receivable	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Account Receivable
$ -	$ -	$ -
-	-	-
-	-	-

O-BANK AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2018

Investee Company	Location	Main Business
Financial institution		
Investments accounted for using the equity method		
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities
IBT Holdings Corp.	California, America	Holding company
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company
IBT Management Corp.	Taipei City, Taiwan	Investment consulting
Non-financial institution		
Investments accounted for using the equity method		
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting
Financial assets at FVTOCI		
Kung Long Batteries Industrial.	Nantou City, Taiwan	Chemical petroleum material manufacturing
Chailease Holding Company Limited.	Taipei City, Taiwan	Other financial and auxiliary industries
Delta electronics Inc.	Taipei City, Taiwan	Other electronic components related industries
Advantech Co., Ltd.	Taipei City, Taiwan	Computer system integration service industry
Taiwan Semiconductor Manufacturing Company, Limited	Hsinchu City, Taiwan	Integrated circuit manufacturing
Chunghwa Telecom Co., Ltd.	Taipei City, Taiwan	Telecommunication
Novatek microelectronics Corp.	Hsinchu City, Taiwan	Semiconductor
Taiwan Mobile Co., Ltd.	Taipei City, Taiwan	Telecommunication
Reber Genetics Co., Ltd.	Taipei City, Taiwan	Biotech research and development
TTBio Corporation Inc.	Taichung City, Taiwan	Medical equipment manufacturing
Thevax Genetics Vaccine Co., Ltd.	Taipei City, Taiwan	Cancer vaccine development
Mosa Industrial Corporation	Yunlin County, Taiwan	Equipment manufacturing

TABLE 5

(In Thousands of New Taiwan Dollars)

Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
			Stocks (Thousands)	Pro-forma Share of Ownership	Total		
					Stocks (Thousands)	Percentage of Ownership (%)	
28.37	$ 6,542,494	$ 378,842	382,532	-	382,532	28.48	
100.00	4,976,750	346,189	10,869	-	10,869	100.00	
100.00	2,036,163	140,702	264,300	-	264,300	100.00	
100.00	211,733	(510)	13,400	-	13,400	100.00	
99.75	353,262	10,247	318,281	-	318,281	99.75	
0.20	23,200	-	160	-	160	0.20	
0.02	19,380	-	200	-	200	0.02	
0.01	32,375	-	251	-	251	0.01	
0.03	43,363	-	206	-	206	0.03	
-	90,200	-	403	-	403	-	
0.01	56,500	-	508	-	508	0.01	
0.02	21,300	-	150	-	150	0.02	
0.02	57,084	-	536	-	536	0.02	
4.76	9,812	-	3,481	-	3,481	4.76	
7.48	48,092	-	1,799	-	1,799	7.48	
1.09	3,528	-	1,008	-	1,008	1.09	
0.47	26,946	-	726	-	726	0.47	

Investee Company	Location	Main Business
TaiRx	Taipei City, Taiwan	Biotech research and development
Simplo technology Co., Ltd.	Hsinchu City, Taiwan	Battery manufacturing
Progate Group Corporation	Taipei City, Taiwan	Wholesale of electronic materials
Intumit Inc.	New Taipei City, Taiwan	Information system wholesaler and retailer
Chipwell Tech Corporation	Hsinchu City, Taiwan	Electronic component manufacturing
Knowledge Freeway Co., Ltd.	Taipei City, Taiwan	Information system wholesaler and retailer
ADL Engineering Co., Ltd.	Hsinchu County, Taiwan	Electronic component manufacturing
Echem Solutions Corp.	Taoyuan City, Taiwan	Wholesale of electronic materials
Nisho Image Tech, Inc.	New Taipei City, Taiwan	L.E.D. printer output
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry
Shihlien China Holding Co., Ltd.	Hong Kong	Chemical Industries
Dio Investment Ltd.	Cayman Island	Coffee retail
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing
BioResource International Inc.	America	Agricultural biotechnology industry
Topping Cuisine International Holdings Limited	Cayman Island	Retail restaurant management
Beauty Essentials International Ltd. (Samoa)	Samoa	Cosmetic products wholesale

Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
			Stocks (Thousands)	Pro-forma Share of Ownership	Total		
					Stocks (Thousands)	Percentage of Ownership (%)	
4.83	65,930	-	3,251	-	3,251	4.83	
0.12	45,760	-	220	-	220	0.12	
4.35	18,761	-	1,444	-	1,444	4.35	
6.93	10,748	-	1,385	-	1,385	8.42	
2.61	2,936	-	391	-	391	2.61	
25.02	12,633	-	1,251	-	1,251	25.02	
0.09	62	-	11	-	11	0.09	
0.28	4,831	-	154	-	154	0.28	
0.91	613	-	410	-	410	0.91	
0.50	1,814	-	300	-	300	0.50	
1.21	172,605	-	52,182	-	52,182	1.21	
8.82	63,484	-	6,997	-	6,997	8.82	
2.18	63,366	-	244	-	244	2.18	
5.72	70,860	-	1,105	-	1,105	5.72	
2.17	24,283	-	500	-	500	2.17	
2.41	74,296	-	25,974	-	25,974	2.41	

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2018

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 24,596,745 (US$ 800,000)	Note 1 c.	$ 212,085 (US$ 6,898)
Shinlien Brine Huaian Co.	Production of glass materials	983,870 (US$ 32,000)	Note 1 c.	10,238 (US$ 333)
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	590,322 (US$ 19,200)	Note 1 c.	61,492 (US$ 2,000)
Ou Suomiluo Food Co., Ltd.	Coffee retailing	44,785 (RMB 10,000)	Note 1 c.	15,373 (US$ 500)
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	243,185 (RMB 54,300)	Note 1 c.	61,492 (US$ 2,000)
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	133,130 (US$ 4,330)	Note 1 c.	17,986 (US$ 585)
Topping Cuisine International Holding, Ltd.	Food retailing	159,879 (US$ 5,200)	Note 1 c.	17,986 (US$ 585)
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,149 (US$ 200)	Note 1 c.	123 (US$ 4)
Beauty Essential International, Ltd.	Cosmetic retailing	92,238 (US$ 3,000)	Note 1 c.	24,166 (US$ 786)

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$420,941 (US$13,691)	$420,941 (US$13,691)	Note 3

TABLE 6

(New Taiwan Dollars and U.S. Dollars in Thousands, Unless Stated Otherwise)

Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
Outflow	Inflow					
$ -	$ -	$ 212,085 (US$ 6,898)	1.39	$ -	$ 212,085 (US$ 6,898)	$ -
-	-	10,238 (US$ 333)	1.39	-	10,238 (US$ 333)	-
-	-	61,492 (US$ 2,000)	2.09	-	61,492 (US$ 2,000)	-
-	-	15,373 (US$ 500)	2.09	-	15,373 (US$ 500)	-
-	-	61,492 (US$ 2,000)	2.175	-	61,492 (US$ 2,000)	-
-	-	17,986 (US$ 585)	2.17	-	17,986 (US$ 585)	-
-	-	17,986 (US$ 585)	2.17	-	17,986 (US$ 585)	-
-	-	123 (US$ 4)	2.17	-	123 (US$ 4)	-
-	-	24,166 (US$ 786)	2.64	-	24,166 (US$ 786)	-

(Continued)

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018
IBT International Leasing Corp.	Leasing	$ 1,383,567 (US$ 45,000)	Note 1 d.	$ 922,378 (US$ 30,000)
IBT Tianjin International Leasing Corp.	Leasing	614,918 (US$ 20,000)	Note 1 d.	239,818 (US$ 7,800)

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,623,385 (US$52,800)	$1,623,385 (US$52,800)	Note 4

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018
IBT Tianjin International Leasing Corp.	Leasing	$ 614,918 (US$ 20,000)	Note 1 d.	$ 375,100 (US$ 12,200)

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$375,100 (US$12,200)	$375,100 (US$12,200)	$238,209

Note 1: There were five investment approaches stated as follows.
a. Investment in mainland China by remittance via a third country.
b. Indirect investment in mainland China via setting a company in a third country.
c. Indirect investment in mainland China via investing in a current company in a third country. (Via investing Shilien China Holding Co., Limited, Dio Investment, Ltd., Shengzhuang Holding, Ltd., Topping Cusine International Holding, Ltd., and Beauty Essential International, Ltd.)
d. Direct investment in mainland China.
e. Others.

Note 2: Investment gain or loss.
a. No investment gain or loss for the reason of being under preparation.
b. Recognition of investment gain or loss is classified as follows.
1) From financial statements reviewed by international accounting firms in cooperation with accounting firms in the Republic of China.
2) From financial statements reviewed by certified public accountants of parent company in the Republic of China.
3) Others.

Note 3: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2017, so it is not under "the regulation of investing or technology-cooperation in China".

Note 4: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial Bureau of the Ministry of Economic Affairs in line with the operational headquarters in September 2018, so it is not under "the regulation of investing or technology-cooperation in China".

Note 5: IBT Leasing Co., Ltd. holds 39% stock of IBT Tianjin International Leasing Corp. directly and 61% indirectly through IBT VII Venture Capital Co., Ltd.

Note 6: The accumulated investment amount, profit or loss recognized during the period and the investment book value at the end of the period of IBT Tianjin International Leasing Corp. are recognized by IBT Leasing Co., Ltd. for 39% equity.

(Concluded)

Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
Outflow	Inflow					
$ 461,189 (US$ 15,000)	$ -	$ 1,383,567 (US$ 45,000)	100.00	$ 281,949 (Note 2)	$ 1,944,811	$ -
-	-	239,818 (US$ 7,800)	100.00 (Note 5)	(37,054) (Note 2)	53,656	-

Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
Outflow	Inflow					
$ -	$ -	$ 375,100 (US$ 12,200)	61.00	$ (57,957) (Note 2)	$ 92,969	$ -

TABLE 7

O-BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
1	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Deposits	$ 226,639	Note 2	0.04
2	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing, IBTVC7 and CBF	a	Interest expense	10,200	Note 2	0.13
3	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited and IBTVC7	a	Payables	411	Note 2	-
4	The Bank	IBTM and CBF	a	Other net revenue other than interest	30,993	-	0.40
5	Chun Teng New Century	The Bank	b	Cash and cash equivalents	32,384	Note 2	0.01
6	Chun Teng New Century	The Bank	b	Accounts receivable	8	Note 2	-
7	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	3,810	-	0.05
8	Chun Teng New Century	IBT Leasing	c	Discontinued operations - operation expenses	726	-	0.01
9	IBTM	The Bank	b	Accounts receivable	8	Note 2	-
10	IBTM	The Bank	b	Cash and cash equivalents	56,212	Note 2	0.01
11	IBTM	The Bank	b	Interest revenue	445	Note 2	0.01
12	IBTM	The Bank	b	Other operating and administrative expenses	925	-	0.01

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
13	IBTM	IBTVC7	c	Other net revenue other than interest	10,626	Note 2	0.14
14	CBF	The Bank	b	At fair value through profit or loss - Interest revenue	1,243	Note 2	0.02
15	CBF	The Bank	b	Other operation, administrative expenses and employee benefits expenses	30,068	-	0.38
16	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	$ 14,495	Note 2	-
17	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	76	Note 2	-
18	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	109	Note 2	-
19	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	111,876	Note 2	0.02
20	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	4,256	Note 2	0.05
21	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	318	Note 2	-
22	IBTL	The Bank	b	Cash and cash equivalents	1,136	Note 2	-
23	IBTL	The Bank	b	Interest revenue	108	Note 2	-
24	IBTL	Chun Teng New Century	c	Other net revenue other than interest	726	-	0.01
25	IBTVC7	The Bank	b	Cash and cash equivalents	10,536	Note 2	-
26	IBTVC7	The Bank	b	Interest revenue	229	Note 2	-
27	IBTVC7	The Bank	b	Accounts receivable	1	Note 2	-

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
28	IBTVC7	IBTM	c	Other operating and administrative expenses	10,626	-	0.14

Note 1: Three types of transactions with related parties were classified as follows:

a. Parent company to subsidiaries.

b. Subsidiaries to parent company.

c. Subsidiaries to subsidiaries.

Note 2: The terms for the transactions between the Bank and related parties are similar to those with unrelated parties.

(Concluded)

6. Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report

O-Bank Co., Ltd.

Financial Statements for the

Years Ended December 31, 2018 and 2017 and

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank Co., Ltd.

Opinion

We have audited the accompanying financial statements of O-Bank Co., Ltd (the "Bank"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions 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, 2018. 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 descriptions of the key audit matters of the financial statements for the year ended December 31, 2018 are as follows:

Allowance for Credit Losses of Loans

Concerning the accounting policy on the allowance for credit losses, refer to Note 4.5. to the accompanying financial statements; for the critical accounting judgments, estimates and appropriateness of assumptions of loan impairment, refer to Note 5.a. to the accompanying financial statements; and for the allowance for credit losses, refer to Note 12 to the accompanying financial statements.

Management performs assessments for the expected credit losses of loans to establish and recognize allowances for credit losses. Management uses judgment in making assumptions about risk of default and expected loss rates based on past history, existing market conditions as well as forward-looking estimates, and it estimates the amount of 12-month or lifetime expected credit losses based on whether loans have increased significantly since initial recognition. Management also refers to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" to calculate the minimum allowance for credit losses. The aforementioned risk of default and expected loss rates involve estimations and judgments, which affect the adequacy of the allowance for credit losses; therefore, we consider the allowance for credit losses to be a key audit matter.

In response to this key audit matter, we:

- Understood and tested management's internal control design and execution for the allowance for credit losses.
- Assessed the rationality of the main assumption for the evaluation model of expected credit losses of loans.
- Assessed the rationality of the amount of expected credit losses from selected samples of loans.
- Verified whether the classifications of loans are in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and performed our own calculations for the allowances for credit losses to verify whether the allowances met the legal standards.

Investments Accounted for Using the Equity Method - Assessment of Reserve for Guarantee Liabilities
Concerning the accounting policy and instruction on the investments accounted for using the equity method, refer to Notes 4.4. and 14 to the accompanying financial statements.

China Bills Finance Corporation uses equity method to account for its investments, and its reserves are set aside for the guarantee liabilities, which are in accordance with both the International Financial Reporting Standard 9 "Financial Instruments", whereby the expected losses of guarantee obligations generated by financial guarantee agreements are evaluated, and the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt" (referred to as the "Regulations for Evaluating Bad Debts"), whereby the reserves for guarantee liabilities are classified and made.

The probability of guarantee obligations and the evaluation of expected losses generated by the aforementioned financial guarantee agreements are related to management's objective judgment, material estimation assumptions (e.g., the risk of default and expected loss rates), and the classification of and provision for credit assets which are in accordance with the Regulations for Evaluating Bad Debts and which will influence the amount of the reserve for guarantee liabilities; therefore, we consider the impairment assessment of guarantee agreements to be a key audit matter.

In response to this key audit matter, we:

- Understood the internal controls, which were determined by the management and relate to the evaluated impairment of the reserve for guarantee liabilities generated by financial guarantee agreements, and tested the operating effectiveness of the internal controls.
- Tested the accuracy of the credit asset expected losses tables.
- Tested whether the classification of and provision for credit assets are accordance with the regulations of the competent authority.

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 the Regulations Governing the Preparation of Financial Reports by Public Banks, 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.

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, 2018 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 Chen-Hsiu Yang and Li-Chi Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2019

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 accepted and 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.

O-BANK CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018 Amount	2018 %	2017 Amount	2017 %
CASH AND CASH EQUIVALENTS (Notes 6 and 41)	$ 3,670,225	1	$ 2,404,565	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	21,684,624	7	10,610,821	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 41)	53,820,259	16	44,703,932	15
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9 and 45)	48,889,287	15	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 41 and 45)	499,940	-	-	-
RECEIVABLES, NET (Notes 10 and 12)	6,842,372	2	5,891,803	2
CURRENT TAX ASSETS	82,212	-	54,922	-
DISCOUNTS AND LOANS, NET (Notes 11 and 12)	179,388,428	54	162,757,142	55
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 13)	-	-	48,598,498	17
HELD-TO-MATURITY FINANCIAL ASSETS (Note 41)	-	-	499,821	-
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Note 14)	14,120,402	4	14,219,590	5
OTHER FINANCIAL ASSETS (Note 15)	614,919	-	777,105	-
PROPERTY AND EQUIPMENT, NET (Note 16)	2,757,103	1	2,864,155	1
INTANGIBLE ASSETS, NET (Note 17)	1,274,262	-	1,248,176	-
DEFERRED TAX ASSETS (Note 37)	164,392	-	138,133	-
OTHER ASSETS (Notes 18 and 42)	531,695	-	251,373	-
TOTAL	$ 334,340,120	100	$ 295,020,036	100

ASSETS	2018 Amount	%	2017 Amount	%
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the Central Bank and banks (Note 19)	$ 28,984,872	9	$ 34,894,919	12
Financial liabilities at fair value through profit or loss (Note 8)	780,811	-	700,106	-
Notes and bonds issued under repurchase agreement (Note 20)	4,400,442	1	15,845,930	5
Payables (Note 21)	4,834,006	2	4,100,342	2
Current tax liabilities	-	-	91,977	-
Deposits and remittances (Notes 22 and 40)	240,461,299	72	183,021,391	62
Bank notes payable (Note 23)	17,850,000	5	20,400,000	7
Other financial liabilities (Note 24)	4,321,291	1	5,997,782	2
Provisions (Notes 12, 25 and 26)	328,048	-	241,454	-
Deferred income tax liabilities (Note 37)	333,990	-	215,911	-
Other liabilities (Note 27)	56,233	-	227,631	-
Total liabilities	302,350,992	90	265,737,443	90
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 28)				
Capital				
Common stock	24,130,063	7	24,130,063	8
Preferred stock	3,000,000	1	-	-
Total Capital	27,130,063	8	24,130,063	8
Capital surplus	8,503	-	7,730	-
Retained earnings				
Legal reserve	3,184,667	1	2,880,297	1
Special reserve	1,215,831	1	1,229,536	1
Unappropriated earnings	610,045	-	1,014,567	-
Total retained earnings	5,010,543	2	5,124,400	2
Other equity interest	(159,981)	-	20,400	-
Total equity	31,989,128	10	29,282,593	10
TOTAL	$ 334,340,120	100	$ 295,020,036	100

The accompanying notes are an integral part of the financial statements.

O-BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST					
INTEREST INCOME (Note 29)	$ 5,505,554	116	$ 4,138,029	92	33
INTEREST EXPENSE (Notes 29 and 40)	(3,324,033)	(70)	(2,161,812)	(48)	54
Net interest revenue (expense)	2,181,521	46	1,976,217	44	10
NET REVENUE OTHER THAN INTEREST INCOME					
Net service fee revenue (Notes 30 and 40)	610,128	13	656,229	14	(7)
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (Note 31)	1,385,777	29	(540,380)	(12)	356
Realized gains on available-for-sale financial assets (Note 33)	-	-	394,922	9	(100)
Realized gains on financial assets at fair value through other comprehensive income (Note 32)	78,990	2	-	-	-
Foreign exchange gain (loss), net	(536,618)	(11)	1,244,443	28	(143)
Share of profit of associates and joint ventures accounted for using equity method (Note 14)	880,415	19	695,405	15	27
Other net revenue other than interest income (Note 40)	129,670	2	79,304	2	64
Net revenue other than interest	2,548,362	54	2,529,923	56	1
TOTAL NET REVENUE	4,729,883	100	4,506,140	100	5
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 12)	(453,038)	(9)	(534,168)	(12)	(15)
OPERATING EXPENSES					
Employee benefits expenses (Note 34)	1,633,518	35	1,571,449	35	4
Depreciation and amortization expense (Note 35)	382,934	8	265,925	6	44
Other general and administrative expense (Notes 36 and 40)	1,133,707	24	908,815	20	25
Total operating expenses	3,150,159	67	2,746,189	61	15

(Continued)

O-BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	$ 1,126,686	24	$ 1,225,783	27	(8)
INCOME TAX EXPENSE (Note 37)	172,027	4	153,703	3	12
PROFIT	954,659	20	1,072,080	24	(11)
OTHER COMPREHENSIVE INCOME					
Components of other comprehensive income that will not be reclassified to profit or loss:					
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	(127,365)	(3)	-	-	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(30,934)	-	1,534	-	(2,117)
Gains (losses) on remeasurements of defined benefit plans	1,077	-	(9,983)	-	111
Components of other comprehensive income that will be reclassified to profit or loss:					
Exchange differences on translation	149,013	3	(467,600)	(10)	132
Unrealized gains on valuation of available-for-sale financial assets	-	-	45,889	1	(100)
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	-	-	97,052	2	(100)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(90,021)	(2)	-	-	-
Revaluation losses on investments in debt instruments measured at fair value through other comprehensive income	$ (98,510)	(2)	$ -	-	-
Impairment losses on investments in debt instruments measured at fair value through other comprehensive income	(1,691)	-	-	-	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(25,553)	(1)	60,344	1	(142)
Other comprehensive income (loss) for the year, net of income tax	(223,984)	(5)	(272,764)	(6)	(18)
TOTAL COMPREHENSIVE INCOME	$ 730,675	15	$ 799,316	18	(9)
EARNINGS PER SHARE (Note 38)					
Basic	$ 0.40		$ 0.45		
Diluted	$ 0.40		$ 0.45		

The accompanying notes are an integral part of the financial statements (Concluded)

O-BANK CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Capital Stock (Notes 28 and 39)				Retained	
	Common Stocks (Thousands)	Preferred Stocks (Thousands)	Total	Capital Surplus (Notes 28 and 39)	Legal Reserve	Special Reserve
BALANCE AT JANUARY 1, 2017	$ 23,905,063	$ -	$ 23,905,063	$ 3,193	$ 2,390,828	$ 1,173,293
Appropriation of 2016 earnings						
Legal reserve	-	-	-	-	489,469	-
Special reserve	-	-	-	-	-	56,243
Cash dividends distributed by the Bank	-	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-
Issuance of shares	225,000	-	225,000	4,537	-	-
BALANCE AT DECEMBER 31, 2017	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536
Effect of retrospective application	-	-	-	-	-	-
BALANCE AT JANUARY 1, 2018	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536

(In Thousands of New Taiwan Dollars)

Earnings (Note 28)		Other Equity (Note 28)			
Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Valuation of Available-for- sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measures at Fair Value Through Other Comprehensive	Total Equity
$ 1,631,566	$ 5,195,687	$ 190,990	$ 93,725	$ -	$ 29,388,658
(489,469)	-	-	-	-	-
(56,243)	-	-	-	-	-
(1,085,854)	(1,085,854)	-	-	-	(1,085,854)
1,072,080	1,072,080	-	-	-	1,072,080
(8,449)	(8,449)	(407,256)	142,941	-	(272,764)
1,063,631	1,063,631	(407,256)	142,941	-	799,316
(49,064)	(49,064)	-	-	-	180,473
1,014,567	5,124,400	(216,266)	236,666	-	29,282,593
(208,457)	(208,457)	-	(236,666)	144,112	(301,011)
806,110	4,915,943	(216,266)	-	144,112	28,981,582

	Capital Stock (Notes 28 and 39)				Retained	
	Common Stocks (Thousands)	Preferred Stocks (Thousands)	Total	Capital Surplus (Notes 28 and 39)	Legal Reserve	Special Reserve
Appropriation of 2017 earnings						
Legal reserve	-	-	-	-	304,370	-
Special reserve	-	-	-	-	-	(13,705)
Cash dividends distributed by the Bank	-	-	-	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	-	465	-	-
Unclaimed dividends	-	-	-	308	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-
Issuance of shares	-	3,000,000	3,000,000	-	-	-
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2018	$ 24,130,063	$ 3,000,000	$ 27,130,063	$ 8,503	$ 3,184,667	$ 1,215,831

The accompanying notes are an integral part of the financial statements.

Earnings (Note 28)		Other Equity (Note 28)			
Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Valuation of Available-for- sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measures at Fair Value Through Other Comprehensive	Total Equity
(304,370)	-	-	-	-	-
13,705	-	-	-	-	-
(723,902)	(723,902)	-	-	-	(723,902)
-	-	-	-	-	465
-	-	-	-	-	308
954,659	954,659	-	-	-	954,659
2,405	2,405	123,460	-	(349,849)	(223,984)
957,064	957,064	123,460	-	(349,849)	730,675
-	-	-	-	-	3,000,000
(138,562)	(138,562)	-	-	138,562	-
$ 610,045	$ 5,010,543	$ (92,806)	$ -	$ (67,175)	$ 31,989,128

O-BANK CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	$ 1,126,686	$ 1,225,783
Adjustments to reconcile profit (loss):		
Depreciation expense	160,032	140,217
Amortization expense	222,902	125,708
Expect credit losses/recognition of provisions	451,128	534,168
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(1,379,069)	540,380
Interest expense	3,324,033	2,161,812
Interest income	(5,505,554)	(4,138,029)
Dividends income	(57,555)	(62,979)
Net change in other provisions	983	-
Share-based payments	-	4,537
Share of profit of associates and joint ventures accounted for using equity method	(880,415)	(695,405)
Loss (gain) on disposal of property and equipment	20	(1,981)
Gain on disposal of investments	-	(333,015)
Changes in operating assets and liabilities:		
Increase in due from the Central Bank and call loans to banks	(1,663,780)	(2,187,491)
Increase in financial assets at fair value through profit or loss	(7,589,283)	(6,063,627)
Decrease in financial assets at fair value through other comprehensive income	135,478	-
Increase in receivables	(546,365)	(1,027,469)
Increase in discounts and loans	(17,210,345)	(19,294,207)
Decrease in deposits from the Central Bank and banks	(5,910,047)	(6,980,222)
Decrease in financial liabilities at fair value through profit or loss	-	(1,649,883)
(Decrease) increase in notes and bonds issued under repurchase agreement	(11,445,488)	13,754,181
Increase in payables	483,800	1,231,349
Increase in deposits and remittances	57,439,908	18,964,555
Decrease in provisions	(26,432)	(497)
Cash inflow (outflow) generated from operations	11,130,637	(3,752,115)
Interest received	5,272,750	4,123,792
Dividends received	57,555	75,678
Interest paid	(3,073,861)	(1,998,305)
Income taxes paid	(201,328)	(82,988)
Net cash flows from (used in) operating activities	13,185,753	(1,633,938)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated at fair value through profit or loss	-	(2,411,318)
Proceeds from disposal of financial assets designated at fair value through profit or loss	-	2,718,595
Acquisition of available-for-sale financial assets	-	(46,904,340)

(Continued)

O-BANK CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

	2018	2017
Proceeds from disposal of available-for-sale financial assets	$ -	$ 30,489,987
Proceeds from repayments of held-to-maturity financial assets	-	5,045,000
Proceeds from disposal of financial assets at cost	-	78,123
Proceeds from capital reduction of financial assets at cost	-	7,289
Proceeds from disposal of investments accounted for using equity method	4,945	11,839
Proceeds from capital reduction of investments accounted for using equity method	572,905	-
Acquisition of property and equipment	(231,412)	(446,141)
Proceeds from disposal of property and equipment	9,303	4,368
Decrease (increase) in refundable deposits	(263,871)	1,513,459
Acquisition of intangible assets	(164,254)	(178,436)
Increase in other financial assets	(614,919)	-
Increase in other assets	(16,451)	(7,165)
Dividends received	270,497	320,025
Net cash flows used in investing activities	(433,257)	(9,758,715)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuing bank notes payable	1,750,000	3,750,000
Repayments of bank notes payable	(4,300,000)	(800,000)
Increase in long-term debt	1,063,417	3,614,406
Repayments of long-term debt	(2,739,908)	(2,255,022)
Decrease in other financial liabilities	-	(10,423)
Decrease in other liabilities	(171,398)	55,265
Cash dividends paid	(723,902)	(1,085,854)
Proceeds from issuing shares	3,000,000	175,936
Net cash flows (used in) from financing activities	(2,121,791)	3,444,308
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	44,978	911,074
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,675,683	(7,037,271)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,806,518	13,843,789
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$ 17,482,201	$ 6,806,518

(Continued)

O-BANK CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets at December 31, 2018 and 2017:

	December 31	
	2018	2017
Cash and cash equivalents reported in the statement of financial position	$ 3,670,225	$ 2,404,565
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	13,811,976	4,401,953
Cash and cash equivalents at end of the year	$ 17,482,201	$ 6,806,518

The accompanying notes are an integral part of the financial statements.

(Concluded)

O-BANK CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Industrial Bank of Taiwan started its preparation for incorporation on March 2, 1998, was authorized for incorporation by the Ministry of Finance on July 27, 1999, and began its business operations on September 2, 1999.

To be in coordination with the government's financial liberation policy and to increase the operating efficiency, on August 14, 2015, the Industrial Bank of Taiwan's board of directors (the "Board") approved of the application for a change of registration to a commercial bank and for a change of name to "O-Bank Commercial Bank Corp. Ltd." ("O-Bank" or the "Bank"). The Financial Supervisory Commission (the "FSC") accepted the application on December 15, 2016 and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. On January 1, 2017, the Banking Bureau approved and issued the operating license for the Bank to operate a commercial banking business. The Bank's name was changed from "Industrial Bank of Taiwan" to "O-Bank Commercial Bank Corp. Ltd." on January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank notes; (c) providing loans, discounts, and acceptance business; (d) providing domestic and foreign exchange and guarantee business; (e) issuing letters of credit at home and abroad; (f) making receipts and payments by agents; (g) investing in and underwriting offering of securities; (h) dealing in government bonds; (i) factoring; (j) providing financial advisory services to financing and non-financing business; (k) wealth management business; (l) providing personal insurance and property insurance agent business; (m) dealing with credit card business; (n) providing foreign exchange services for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (o) overseeing trust business under the Trust Business Law and regulations; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

As of December 31, 2018, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and Digital Wealth Management Department. It also has six domestic branches - Taipei VieShow Branch, Zhongxiao Dunhua Branch, Hsinchu Branch, Taichung Branch and Kaohsiung Branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin Representative Office.

The Bank's stocks were listed on the Emerging Stock Market of the Taipei Exchange ("TPEx") starting in August 2004. And the Taiwan Stock Exchange approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEx to the TWSE on May 5, 2017.

The financial statements are presented in the Bank's functional currency, the New Taiwan dollar.

As of December 31, 2018 and 2017, the Bank had 918 and 914 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board and authorized for issue on February 27, 2019.

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

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

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

- IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for the classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Bank has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

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

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Derivatives	Held-for-trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	$ 539,473	$ 539,473	1)
Equity securities	Held-for-trading	Mandatorily at FVTPL	300,548	300,548	1)
	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	2,520,421	2,510,866	2)
	Measured at cost	Mandatorily at FVTPL	39,703	38,788	1)
	Measured at cost	FVTOCI - equity instruments	737,402	775,837	2)
Mutual funds	Held-for-trading	Mandatorily at FVTPL	19,440	19,440	1)
	Available-for-sale	Mandatorily at FVTPL	21,774	21,774	1)
Debt securities	Held-for-trading	Mandatorily at FVTPL	449,603	449,603	1)
	Available-for-sale	FVTOCI - debt instruments	46,056,303	46,056,303	2)
	Held-to-maturity	At amortized cost	499,821	499,821	3)
Negotiable certificates of deposit	Held-for-trading	Mandatorily at FVTPL	42,102,749	42,102,749	1)

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Structured debt	Designated as at FVTPL	Mandatorily at FVTPL	590,880	590,880	1)
Convertible bonds	Designated as at FVTPL	Mandatorily at FVTPL	701,239	701,239	1)
Discounts and loans	Loans and receivables	At amortized cost	162,757,142	162,599,245	4)
Notes receivable, accounts receivable and other receivables	Loans and receivables	At amortized cost	5,891,803	5,891,709	5)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Financial assets at FVTPL	$ 44,703,932	$ -	$ -	$ 44,703,932	$ -	$ -	
Add: From available-for-sale (IAS 39)	-	21,774	-	21,774	(11,025)	11,025	1)
Remeasurement of financial assets measured at cost (IAS 39)	-	39,703	(915)	38,788	(915)	-	1)
	44,703,932	61,477	(915)	44,764,494	(11,940)	11,025	
FVTOCI							
Debt instruments							
Add: From available-for-sale (IAS 39)	-	46,056,303	-	46,056,303	(12,717)	12,717	2)
Equity instruments							
Add: From available-for-sale (IAS 39)	-	2,520,421	(9,555)	2,510,866	5,118	(14,673)	2)
Add: Financial assets measured at cost (IAS 39)	-	737,402	38,435	775,837	167,598	(129,163)	2)
	-	49,314,126	28,880	49,343,006	159,999	(131,119)	
Amortized cost							
Add: From held-to-maturity (IAS 39)	-	499,821	-	499,821	-	-	3)
	44,703,932	49,875,424	27,965	94,607,321	148,059	(120,094)	
Discounts and loans, net	162,757,142	-	(157,897)	162,599,245	(157,897)	-	4)
Receivables, net	5,891,803	-	(94)	5,891,709	(94)	-	5)
Deferred tax assets	138,133	-	23,699	161,832	23,699	-	4), 5)
Provisions	241,454	-	80,966	322,420	(80,966)	-	6)
Investments accounted for using the equity method	14,219,590	-	(113,718)	14,105,872	(141,258)	27,540	
	$ 227,952,054	$ 49,875,424	$ (139,079)	$ 277,688,399	$ (208,457)	$ (92,554)	

1) Mutual funds, previously classified as available-for-sale under IAS 39, were classified mandatorily as at FVTPL under IFRS 9 because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. On January 1, 2018, the retrospective adjustment resulted in a decrease of $11,025 thousand in retained earnings and an increase of $11,025 thousand in other equity - unrealized gains (losses) on valuation of available-for-sale financial assets.

   Stock investments in unlisted stocks, previously measured at cost under IAS 39, were classified as at FVTPL under IFRS 9 and were remeasured at fair value. Consequently, on January 1, 2018, a decrease of $915 thousand was recognized in both financial assets at FVTPL and retained earnings.

2) The Bank elected to designated all of its investment in debt instruments, previously classified as available-for-sale under IAS 39, as at FVTOCI with an assessment of expected credit losses under IFRS 9 because the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

   According to the occurrence of events and circumstances on January 1, 2018, the Bank evaluated that the objective of the business model is achieved by both collecting contractual cash flows and the selling of financial assets. As a result, on January 1, 2018, the retrospective adjustment resulted in a decrease of $12,717 thousand in retained earnings and an increase of $12,717 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI.

   The Bank elected to designated all of its investments in equity securities, previously classified as available-for-sale under IAS 39, as at FVTOCI under IFRS 9 with a remeasurement to fair value; as a result, on January 1, 2018, a decrease of $9,555 thousand was respectively recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI.

   The Bank recognized impairment loss on certain investments in equity securities, previously classified as available-for-sale under IAS 39, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, on January 1, 2018, an adjustment was made that resulted in an increase of $5,118 thousand in retained earnings and a decrease of $5,118 thousand in the carrying amount of the other equity - unrealized gain (loss) on financial assets at FVTOCI.

   Investments in unlisted stocks, previously measured at cost under IAS 39, have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, on January 1, 2018, an increase of $38,435 thousand was respectively recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI.

   The Bank recognized impairment loss on certain investments in equity securities measured at cost under IAS 39, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, on January 1, 2018, an adjustment was made that resulted in an increase of $167,598 thousand in retained earnings and a decrease of $167,598 thousand in the carrying amount of the other equity - unrealized gain (loss) on financial assets at FVTOCI.

3) Debt instruments, previously classified as held-to-maturity financial assets and as at amortized cost under IAS 39, were classified as at amortized cost with an assessment of expected credit losses under IFRS 9. On January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

4) Discounts and loans that were previously classified as loans and receivables under IAS 39 were classified as financial assets measured at cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, on January 1, 2018, the adjustments comprised an increase of $157,897 thousand in loss allowance, an increase of $23,699 thousand in deferred tax assets, and a decrease of $134,198 thousand in retained earnings.

5) Notes receivable, trade receivables, and other receivables that were previously classified as loans and receivables under IAS 39 were classified as financial assets at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, on January 1, 2018, the adjustments comprised an increase of $94 thousand in the loss allowance, and a decrease of $94 thousand in retained earnings.

6) Provisions were assessed for expected credit losses under IFRS 9. As a result of retrospective application, on January 1, 2018, the adjustments comprised an increase of $80,966 thousand in the loss allowance and a decrease of $80,966 thousand in retained earnings.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.
Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.
Note 3: The Bank shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) 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.

Definition of a lease

Upon initial application of IFRS 16, the Bank will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be 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, or investment properties if the right-of-use assets meet the definition of investment properties, 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 the interest expense accrued on lease liabilities; interest is computed 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. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Bank anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Bank expects to apply the following practical expedients:

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. All right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Bank applies IAS 36 to all right-of-use assets.

a) The Bank will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Bank will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 296,144	$ 296,144
Total effect on assets	$ -	$ 296,144	$ 296,144
Lease liabilities	$ -	$ 296,144	$ 296,144
Total effect on liabilities	$ -	$ 296,144	$ 296,144

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Bank should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Bank concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Bank should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Bank should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Bank expects to better predict the resolution of the uncertainty. The Bank has to reassess its judgments and estimates if facts and circumstances change.

3) Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

When the amendments become effective, the Bank shall apply the amendments retrospectively. However, the Bank may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

4) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Bank will apply the above amendments prospectively.

Except for the above impact, as of the date the financial statements were authorized for issue, the Bank continues to assess other possible impacts 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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.
Note 2: 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 3: The Bank shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when the Bank sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Bank loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Bank sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Bank's interest as an unrelated investor in the associate or joint venture, i.e. the Bank's share of the gain or loss is eliminated. Also, when the Bank loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Bank's interest as an unrelated investor in the associate or joint venture, i.e. the Bank's share of the gain or loss is eliminated.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

2) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

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 AND REPORTING POLICIES

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

When preparing these parent company only financial statements, the Bank used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Bank in its financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

Since the operating cycle in the banking industry cannot be clearly identified, accounts included in the financial statements of the Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 44 for the maturity analysis of assets and liabilities.

Foreign Currencies

In preparing the Bank's financial statements, transactions in currencies other than the Bank's functional currency (i.e. 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 arising 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 from 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 cases, 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 translated using the exchange rate at the date of the transaction.

For the purpose of presenting financial statements, the functional currencies of the Bank (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Bank) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investments Accounted for Using the Equity Method

The Bank uses the equity method to account for its investments in subsidiaries and associates.

Investments in subsidiaries

A subsidiary is an entity (including the special purpose entity) that is controlled by the Bank.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the subsidiary. The Bank also recognizes the changes in the Bank's share of equity of subsidiaries.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

Investments in associates

An associate is an entity over which the Bank has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but does not control or joint control such policies.

The Bank uses the equity method to account for its investments in its associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the associates. The Bank also recognizes the changes in the Bank's share of the equity of associates.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of 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.

Financial Instruments

Financial assets and financial liabilities are recognized when the Bank 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 issuance 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. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Measurement categories

2018

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 assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or 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 investment in debt instruments at FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a 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, and trade receivables are measured at amortized cost, which equals the 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 such 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 such financial assets; and

b) Financial assets that are not initially credit-impaired or not credit-impaired when purchased but subsequently become credit-impaired, for which the interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

3)Investments in debt instruments at FVTOCI

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

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

b) The contractual terms of the debt instrument 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 as at FVTOCI is not permitted if the equity investment is held for trading or if it is a 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, it 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.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, held-to-maturity investments, available-for-sale financial assets, and loans and receivables.

1)Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

a) It has been acquired principally for the purpose of selling it in the near future; or

b) On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or

c) It is a derivative that is not designated and effective as a hedging instrument.

A financial asset may be designated as at FVTPL upon initial recognition if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset.

Investments in equity instruments under financial assets at FVTPL that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets cannot be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity other than those that the entity, upon initial recognition, designates as at FVTPL or designates as available-for-sale or meet the definition of loans and receivables. Foreign corporate bonds and debenture bonds, which are above specific credit ratings and which the Bank has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Foreign corporate and bank notes payable that the Bank has positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets measured at fair value, changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method, and dividends on available-for-sale equity investments are all recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss that was previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Bank's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets cannot be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loans, trade receivables, cash and cash equivalent and overdue receivables) are measured at amortized cost using the effective interest method less any impairment. However, in accordance with Article 10, paragraphs 7 and 10 of the Regulations Governing the Preparation of Financial Reports by Public Banks, the effect of discounting can't be the amount of the original measure.

b. Impairment of financial assets

2018

The Bank recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including discounts and loans and receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Bank's policy is to always recognize lifetime expected credit losses (i.e. ECLs) on trade receivables and lease receivables. For all other financial instruments, the Bank will recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank will measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses calculated by using the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs 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 FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the authorities, the Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as noteworthy, substandard, having highly doubtful collectability and uncollectable, on the basis of the customers' financial position, a valuation of the respective collateral and the length of time in which the principal repayments or interest payments have become overdue.

The Bank made minimum provisions of 100%, 50%, 10%, 2% and 1% for credit assets deemed to be uncollectable, to have highly doubtful collectability, to be substandard, to be noteworthy and to have sound credit (excluding assets that represent claims against an ROC government agency), respectively.

Furthermore, under Rule No. 10300329440 issued by the FSC that banks should make at least 1.5% provisions for loans for house purchases, renovations and constructions, respectively.

The Bank shall determine the unrecoverable claims and write them off after reporting them to the Board for approval.

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as loans and receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

Loans and receivables are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

1) Significant financial difficulty of the debtor;

2) Account receivables becoming overdue; or

3) It becoming probable that the debtor will enter bankruptcy or financial re-organization.

Loans and receivables that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank's past experience in the collection of payments, an increase in the number of delayed payments as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of its estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the loans and receivables' original effective interest rate.

The carrying amount of loans and receivables is reduced through the use of an allowance account. When loans and receivables are considered uncollectable, they are written off against the allowance account. Recoveries of amounts previously written off are credited to a bad debts account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

According to the policies mentioned above, the classification of loan assets is divided into the following categories: normal credits, credits under observation, credits that are likely to be received in full, credits that will be difficult to receive in full, and credits that will not be received in full. The minimum allowance for credit losses and the reserve for losses on guarantees for the aforementioned classes should be 1% (0.5% for 2013), 2%, 10%, 50% and 100% of outstanding credits, respectively. Rule No. 10300329440, issued by the FSC, stipulates that the minimum allowance for mortgage and improvement loans should be 1.5% as of December 31, 2016.

Credits deemed uncollectable are eligible to be written off upon approval by the Board of Directors.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

When there is objective evidence that financial assets carried at cost when an impairment loss has occurred, the amount of the loss is recognized under the heading of impairment losses on assets. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by its impairment loss directly for all financial assets with the exception of loan and receivables, where the carrying amount is reduced through the use of an allowance account. When loans and receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of a bad debt are recognized in profit or loss.

c. Derecognition of financial assets

Before 2018, on derecognition of a financial asset 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, 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 an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

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.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Bank's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Bank's own equity instruments.

Financial liabilities

a. Subsequent measurement

Except for the following situation, all financial liabilities are measured at amortized cost using the effective interest method less any impairment (refer above to the subsection within this note entitled "Held-to-maturity investments" for the definition of effective interest method):

- Financial liabilities at FVTPL

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

  A financial liability is classified as held for trading if:

1) It has been acquired principally for the purpose of repurchasing it in the near future; or

2) On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or

3) It is a derivative that is not designated and effective as a hedging instrument.

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

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

2) 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 Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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

Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. The fair value is determined in the manner described in Note 44.

b. Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, are cancelled or expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date on which 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 hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

Non-performing Loans

Under the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans issued by the competent authority, loans and other credits (including accrued interests) that remain unpaid as they fall due are transferred to non-performing loans, if the transfer is approved by the board of directors.

Non-performing loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. 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 the estimates accounted for on a prospective basis.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the assets' estimated useful lives. 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 the estimates accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Bank expects to dispose of the intangible asset before the end of its economic life.

b. Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from derecognition of an intangible asset, which is measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible asset to determine whether there is any indication that those assets have suffered any 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.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding 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 for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

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 services.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which 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 it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Bank's defined benefit plans.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, 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 in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, 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 to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is 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 taxes 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 taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Interest and Service Revenue Recognition

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as non-performing loans. The interest revenue on those loans and credits is recognized upon collection. Dues from storm and billing agreements that extend interest income, in accordance with the provisions of the Ministry of Finance, are recognized as interest income upon collection.

Revenue from brokering is recognized when the earnings process has been completed.

Provisions

Provisions are measured at the best estimate of the discounted cash flows 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.

Onerous contracts

Onerous contracts are those in which the Bank's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, management is required to make judgments, estimations, 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 estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets - 2018

The impairment of loans and receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about the risk of default and expected loss rates. The Bank uses judgment in making these assumptions and in selecting the inputs of the impairment calculation, based on the Bank's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of loans and receivables - 2017

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand and petty cash	$ 106,349	$ 23,122
Checking for clearing	1,159,621	297,345
Due from banks	2,404,255	2,084,098
	$ 3,670,225	$ 2,404,565

Refer to Note 41 for information relating to due from banks pledged.

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2018	2017
Deposits - Type A	$ 1,560,003	$ 2,431,670
Reserves for deposits - Type B	4,808,616	3,567,242
Deposits - Financial	1,500,954	200,104
Call loans	13,811,976	4,401,953
Others	3,075	9,852
	$ 21,684,624	$ 10,610,821

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2018	2017
Financial assets mandatorily classified as at FVTPL		
Convertible bonds - domestic	$ 102,440	$ -
Convertible bonds - overseas	308,774	-
Structured debt	610,614	-
	1,021,828	-
Derivative financial assets		
Foreign exchange forward contracts	737,996	-
Forward contracts	20,262	-
Interest rate swap contracts	39,083	-
	797,341	-

(Continued)

	December 31	
	2018	2017
Non-derivative financial assets		
Negotiable certificates of deposit	$ 51,739,597	$ -
Stocks and beneficiary certificates	161,524	-
Government bonds	99,969	-
	52,001,090	-
	$ 53,820,259	$ -
Financial assets designated as at FVTPL		
Convertible bonds - domestic	$ -	$ 277,793
Convertible bonds - overseas	-	423,446
Structured debt	-	590,880
	-	1,292,119
Financial assets held for trading		
Derivative financial instruments		
Foreign exchange swap contracts	-	480,923
Forward contracts	-	23,272
Interest rate swap contracts	-	35,278
	-	539,473
Non-derivative financial assets		
Negotiable certificates of deposit	-	42,102,749
Stocks and beneficiary certificates	-	319,988
When-issued bonds	-	449,603
	-	42,872,340
	$ -	$ 44,703,932
Financial liabilities held for trading		
Derivative financial instruments		
Foreign exchange swap contracts	$ 613,305	$ 539,449
Forward contracts	39,163	26,358
Interest rate swap contracts	128,343	134,299
	$ 780,811	$ 700,106

(Concluded)

The Bank engages in derivative transactions, including forward contracts, cross-currency swap contracts and foreign currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As the engagement in interest rate swap contracts and cross-currency swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Bank strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2018 and 2017 were follows:

	December 31	
	2018	2017
Interest rate swap contracts	$ 16,774,933	$ 20,368,572
Foreign exchange swap contracts	83,002,915	101,130,224
Forward contracts	6,062,944	2,375,902

Refer to Note 41 for information relating to financial instruments at FVTPL pledged as security.

9. FINANCIAL ASSETS AT FVTOCI - 2018

	December 31, 2018
Current	
Investments in equity instruments at FVTOCI	$ 1,064,763
Investments in debt instruments at FVTOCI	
Domestic government bonds	23,570,269
Bank notes payable	14,302,331
Corporate bonds	8,782,008
Overseas government bonds	1,169,916
	$ 48,889,287

a. Investments in equity instruments at FVTOCI

These investments in listed, unlisted, and emerging stocks are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Bank's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 13, and 15 for information relating to their reclassification and comparative information for 2017.

The Bank disposed stock classified as at FVTOCI for invested management purpose. The fair value of stocks classified as at FVTOCI that were disposed of was $3,979,977 thousand and the accumulated loss related to the sold assets of $138,562 thousand, which including subsidiaries' gain on disposal of $93,133 thousand, was transferred from equity to retained earnings.

b. Investments in debt instruments at FVTOCI

1) The bonds were classified as available-for-sale financial assets under IAS 39. Refer to Notes 3 and 13 for information relating to their reclassification and comparative information for 2017.

2) Refer to Note 45 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.

3) On December 31, 2018, the Bank sold its investments in debt instruments at FVTOCI on the condition of buying them back in the amount of $4,400,000 thousand.

10. RECEIVABLES, NET

	December 31	
	2018	2017
Accounts receivable	$ 165,340	$ 203,058
Investment settlements receivable	208,682	212,204
Income receivable	4,987	6,896
Interest receivable	757,432	667,941
Acceptances	216,343	248,592
Factored receivables	4,714,725	4,592,967
Others	856,976	41,282
	6,924,485	5,972,940
Less: Allowance for possible losses	82,113	81,137
Receivables, net	$ 6,842,372	$ 5,891,803

The Bank provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 12 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 45 for the impairment loss analysis of receivables.

11. DISCOUNTS AND LOANS, NET

	December 31	
	2018	2017
Accounts receivable financing	$ 508,098	$ 358,704
Short-term	49,334,714	45,797,458
Medium-term	118,972,231	110,257,040
Long-term	13,151,025	8,169,281
Secured overdrafts	15,660	-
Export bill negotiated	50,167	175,106
Overdue loans	27,337	415,442
	182,059,232	165,173,031
Less: Allowance for credit losses	2,670,804	2,415,889
	$ 179,388,428	$ 162,757,142

The balance of the overdue loans of the Bank as of December 31, 2018 and 2017 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to $511 thousand and $5,716 thousand for the years ended December 31, 2018 and 2017, respectively. For the years ended December 31, 2018 and 2017, the Bank wrote off credits only upon completing the required legal procedures.

The Bank provide an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 12 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 45 for the impairment loss analysis of discounts and loan.

12. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The allowance for impairment loss and provisions as of January 1, 2018 and December 31, 2018, grouped by credit ratings, are reconciled as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 12,606	$ 20	$ 24,650	$ 37,276	$ 43,861	$ 81,137
Adjustment on initial application of IFRS 9	94	-	-	94	-	94
Balance at January 1, 2018 per IFRS 9	12,700	20	24,650	37,370	43,861	81,231
Transfers						
To 12-month ECLs	2	(2)	-	-	-	-
To lifetime ECLs	(4)	4	-	-	-	-
To credit-impaired financial assets	(1)	-	1	-	-	-
New financial assets purchased	5,047	77	618	5,742	-	5,742
Derecognition of financial assets	(12,449)	(9)	(2,124)	(14,582)	-	(14,582)
Change in model or risk parameters	(3)	(3)	9	3	-	3
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	8,558	8,558
Withdrawal after write-offs	-	-	392	392	-	392
Exchange rate or other changes	-	-	627	627	142	769
Balance at December 31, 2018	$ 5,292	$ 87	$ 24,173	$ 29,552	$ 52,561	$ 82,113

Allowance for Discounts and Loans, Net	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 510,007	$ 77,583	$ 539,987	$ 1,127,577	$ 1,288,312	$2,415,889
Adjustment on initial application of IFRS 9	71,417	10,864	75,616	157,897	-	157,897
Balance at January 1, 2018 per IFRS 9	581,424	88,447	615,603	1,285,474	1,288,312	2,573,786
Transfers						
To 12-month ECLs	4,980	(4,980)	-	-	-	-
To lifetime ECLs	(3,071)	3,071	-	-	-	-
To credit-impaired financial assets	(541)	-	541	-	-	-
New financial assets purchased	108,555	21,996	154,255	284,806	-	284,806
Derecognition of financial assets	(294,128)	(35,732)	(93,617)	(423,477)	-	(423,477)
Change in model or risk parameters	(197,732)	(44,991)	(12,875)	(255,598)	-	(255,598)
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	815,432	815,432
Write-offs	(1,308)	(220)	(353,701)	(355,229)	-	(355,229)
Withdrawal after write-offs	-	-	10,336	10,336	-	10,336
Exchange rate or other changes	3,242	495	6,799	10,536	10,212	20,748
Balance at December 31, 2018	$ 201,421	$ 28,086	$ 327,341	$ 556,848	$ 2,113,956	$2,670,804

Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 14,206	$ 2,263	$ -	$ 16,469	$ 109,566	$ 126,035
Adjustment on initial application of IFRS 9	61,822	19,144	-	80,966	-	80,966
Balance at January 1, 2018 per IFRS 9	76,028	21,407	-	97,435	109,566	207,001
Transfers						
To 12-month ECLs	277	(277)	-	-	-	-
New financial assets purchased	29,438	6,950	-	36,388	-	36,388
Derecognition of financial assets	(50,252)	(16,056)	-	(66,308)	-	(66,308)
Change in model or risk parameters	(12,136)	(1,046)	-	(13,182)	-	(13,182)
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	75,256	75,256
Exchange rate or other changes	121	-	-	121	1,207	1,328
Balance at December 31, 2018	$ 43,476	$ 10,978	$ -	$ 54,454	$ 186,029	$ 240,483

The movements of allowance for credit losses and reserve for losses on guarantees liabilities for the year ended December 31, 2017 are summarized as follows:

	For the Year Ended December 31, 2017			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2017	$ 116,317	$ 2,165,714	$ 72,700	$ 2,354,731
Allowance for bad debts (Note)	1,476	484,274	55,488	541,238
Write-offs	(30,223)	(169,402)	-	(199,625)
Effects of exchange rate changes	(6,433)	(64,697)	(2,154)	(73,284)
Balance at December 31, 2017	$ 81,137	$ 2,415,889	$ 126,034	$ 2,623,060

Note: Allowance for bad debts does not include the recovery from written-off credits. As of December 31, 2017, the recovery from written-off credits amounted to $68,692 thousand.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Stock and beneficiary securities	$ 2,542,195
Corporate bonds	9,961,268
Bank notes payable	13,813,644
Domestic government bonds	21,519,211
Overseas government bonds	762,180
	$ 48,598,498

As of December 31, 2017, available-for-sale financial assets were sold under agreement to repurchase in the amount of $15,728,950 thousand.

14. INVESTMENTS MEASURED BY EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 14,120,402	$ 14,219,590

a. Investments in subsidiaries

	December 31	
	2018	2017
Domestic listed company		
China Bills Finance Corp.	$ 6,542,494	$ 6,464,888
Domestic unlisted company		
Chun Teng New Century Co., Ltd. (former IBT Securities Co., Ltd.)	353,262	893,751
IBT Holdings Corp.	4,976,750	4,496,478
IBT Leasing Co., Ltd.	2,036,163	2,130,458
IBT Management Corp.	211,733	234,015
	$ 14,120,402	$ 14,219,590

	Proportion of Ownership and Voting Rights	
	December 31	
	2018	2017
China Bills Finance Corp.	28.37%	28.37%
Chun Teng New Century Co., Ltd.	99.75%	99.75%
IBT Holdings Corp.	100.00%	100.00%
IBT Leasing Co., Ltd.	100.00%	100.00%
IBT Management Corp.	100.00%	100.00%

Chun Teng New Century Co., Ltd. allocated the assets of its company to the shareholders in November 2018.

b. Investments in associates

The percentage of ownership and voting rights of the Bank to the associates on December 31, 2017 was 31.25%.

IBT II Venture Capital Co., Ltd. began its dissolution and liquidation on March 31, 2017.

c. The Bank's equity investment in equity method, the details of its investment income (loss) are as follows:

	For the Year Ended December 31	
	2018	2017
Domestic listed company		
China Bills Finance Corp.	$ 378,842	$ 383,281
Domestic unlisted company		
Chun Teng New Century Co., Ltd.	10,247	(49,738)
IBT Holdings Corp.	346,189	212,896
IBT Leasing Co., Ltd.	140,702	132,434
IBT Management Corp.	(510)	911
IBT II Venture Capital Co., Ltd.	-	3,782
	875,470	683,566
Gain on disposal of investment using the equity method	4,945	11,839
	$ 880,415	$ 695,405

The investments in subsidiaries and associates accounted for using the equity method, the share of profit or loss of associates and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 was based on each of financial statements which have been audited for the same years.

15. OTHER FINANCIAL ASSETS

	December 31	
	2018	2017
Dismantling securities companies	$ 614,919	$ -
Financial assets measured at cost		
Domestic stocks	-	234,287
Foreign stocks	-	542,818
	$ 614,919	$ 777,105

Because the fair value of financial assets measured at cost could not be reliably measured, the Bank did not evaluate the fair value on the balance sheet date. The Bank disposed of certain financial assets measured at cost with carrying amounts of $79,994 thousand during the year ended December 31, 2017, recognizing a disposal loss of $1,871 thousand.

16. PROPERTY AND EQUIPMENT, NET

	December 31	
	2018	**2017**
Carrying amounts of each class		
Land	$ 698,633	$ 698,633
Buildings	1,390,808	1,435,736
Machinery and computer equipment	312,438	348,706
Transportation equipment	24,387	22,871
Lease improvement	159,169	155,323
Office and other equipment	86,789	62,008
Construction in progress and prepayments for equipment	84,879	140,878
	$ 2,757,103	$ 2,864,155

The movements of property and equipment are summarized as follows:

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvement	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2018	$ 698,633	$ 1,872,203	$ 604,374	$ 52,317	$ 211,638	$ 173,607	$ 140,878	$ 3,753,650
Additions	-	-	14,383	9,291	11,363	7,858	188,517	231,412
Disposal	-	(613)	-	(13,300)	(2,582)	(106)	(6,873)	(23,474)
Reclassification	-	-	6,045	-	29,176	32,507	(237,717)	(169,989)
Effect of foreign currency exchange differences	-	-	197	120	877	193	74	1,461
Balance at December 31, 2018	698,633	1,871,590	624,999	48,428	250,472	214,059	84,879	3,793,060
Accumulated depreciation								
Balance at January 1, 2018	-	436,467	255,668	29,446	56,315	111,599	-	889,495
Depreciation expense	-	44,446	56,768	7,813	35,307	15,698	-	160,032
Disposals and Reclassification	-	(131)	-	(13,300)	(619)	(101)	-	(14,151)
Effect of foreign currency exchange differences	-	-	125	82	300	74	-	581
Balance at December 31, 2018	-	480,782	312,561	24,041	91,303	127,270	-	1,035,957
Carrying amounts								
Balance at December 31, 2018	$ 698,633	$ 1,390,808	$ 312,438	$ 24,387	$ 159,169	$ 86,789	$ 84,879	$ 2,757,103

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvement	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2017	$ 698,633	$ 1,839,593	$ 446,429	$ 58,154	$ 138,493	$ 151,007	$ 1,024,535	$ 4,356,844
Additions	-	7,920	21,573	10,776	11,952	3,638	390,282	446,141
Disposals	-	-	(63,603)	(16,222)	-	(3,851)	-	(83,676)
Reclassification	-	24,690	201,149	-	64,034	23,535	(1,273,929)	(960,521)
Effect of foreign currency exchange differences	-	-	(1,174)	(391)	(2,841)	(722)	(10)	(5,138)
Balance at December 31, 2017	698,633	1,872,203	604,374	52,317	211,638	173,607	140,878	3,753,650
Accumulated depreciation								
Balance at January 1, 2017	-	392,462	269,555	36,590	30,238	103,699	-	832,544
Depreciation expense	-	44,005	50,603	6,945	26,579	12,085	-	140,217
Disposals	-	-	(63,550)	(13,888)	-	(3,851)	-	(81,289)
Effect of foreign currency exchange differences	-	-	(940)	(201)	(502)	(334)	-	(1,977)
Balance at December 31, 2017	-	436,467	255,668	29,446	56,315	111,599	-	889,495
Carrying amounts								
Balance at December 31, 2017	$ 698,633	$ 1,435,736	$ 348,706	$ 22,871	$ 155,323	$ 62,008	$ 140,878	$ 2,864,155

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	25-50 years
Machinery and computer equipment	3-25 years
Transportation equipment	5 years
Lease improvement	5-8 years
Office and other equipment	5-15 years

17. INTANGIBLE ASSETS

	December 31 2018	December 31 2017
Carrying amounts of each class		
Computer software	$ 1,274,262	$ 1,248,176

The movements of intangible assets are summarized as follows:

	Computer Software
Cost	
Balance at January 1, 2018	$ 1,716,574
Additions	164,254
Reclassification	73,101
Effect of foreign currency exchange differences	841
Balance at December 31, 2018	$ 1,954,770
Accumulated amortization and impairment loss	
Balance at January 1, 2018	$ 468,398
Amortization	222,902
Reclassification	(11,430)
Effect of foreign currency exchange differences	638
Balance at December 31, 2018	$ 680,508
Carrying amounts	
Balance at December 31, 2018	$ 1,274,262
Cost	
Balance at January 1, 2017	$ 592,982
Additions	178,436
Reclassification	947,863
Effect of foreign currency exchange differences	(2,707)
Balance at December 31, 2017	$ 1,716,574

(Continued)

	Computer Software
Accumulated amortization and impairment loss	
Balance at January 1, 2017	$ 344,475
Amortization	125,708
Disposals	(6)
Effect of foreign currency exchange differences	(1,779)
Balance at December 31, 2017	$ 468,398
Carrying amounts	
Balance at December 31, 2017	$ 1,248,176

(Concluded)

18. OTHER ASSETS

	December 31	
	2018	2017
Refundable deposits	$ 348,372	$ 84,502
Prepayments	55,320	41,335
Others	128,003	125,536
	$ 531,695	$ 251,373

19. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2018	2017
Due to other banks	$ 26,832,657	$ 32,506,559
Call loans from Central Bank	2,152,215	2,388,360
	$ 28,984,872	$ 34,894,919

20. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENT

	December 31	
	2018	2017
Government bonds	$ 4,400,442	$ 11,884,990
Bank notes payable	-	3,960,940
	$ 4,400,442	$ 15,845,930
Date of agreements to repurchase	**From January 2 to January 29, 2019**	**From January 2 to March 13, 2018**
Amount of agreements to repurchase	$ 4,401,641	$ 15,864,810

21. PAYABLES

	December 31	
	2018	2017
Checks clearing payable	$ 1,159,621	$ 297,345
Investment settlements payable	52,009	521,360
Accrued interest	739,778	489,606
Accrued expenses	673,906	657,717
Collections for others	36,711	30,307
Factored receivables	1,821,591	1,726,584
Acceptances	216,343	248,591
Others	134,047	128,832
	$ 4,834,006	$ 4,100,342

22. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Deposits		
Checking	$ 2,162,352	$ 1,009,563
Demand	31,290,353	24,634,827
Time	197,175,709	153,004,934
Savings deposits	9,832,879	4,360,806
Export remittance	6	11,261
	$ 240,461,299	$ 183,021,391

23. BANK NOTES PAYABLE

	December 31	
	2018	2017
Subordinate debenture bonds first issued in 2011; fixed 2.30% interest rate; maturity: August 26, 2018; interest paid annually and repay the principal at maturity	$ -	$ 950,000
Subordinate debenture bonds second issued in 2011; fixed 2.30% interest rate; maturity: October 28, 2018; interest paid annually and repay the principal at maturity	-	3,350,000
Subordinate debenture bonds first issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repay the principal at maturity	1,650,000	1,650,000
Subordinate debenture bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	2,300,000	2,300,000
Subordinate debenture bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	1,300,000	1,300,000

(Continued)

	December 31	
	2018	2017
Subordinate debenture bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	$ 1,000,000	$ 1,000,000
Subordinate debenture bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
Subordinate debenture bonds forth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	2,000,000
Subordinate debenture bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000
Subordinate debenture bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	-
Subordinate debenture bonds B second issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	1,050,000	-
	$ 17,850,000	$ 20,400,000

(Concluded)

24.OTHER FINANCIAL LIABILITIES

	December 31	
	2018	2017
Funds obtained from the government - intended for specific types of loans	$ 4,321,291	$ 5,997,782

The Lending Fund is a development fund established by the Executive Yuan to promote the development of the financial market economy. The Bank applied for the quota and appointed Mega Bank, Export-Import Bank of the Republic of China, China Trust Commercial Bank, and Taiwan Enterprise Bank to act as the managing bank wherein the loan quota is available for use.

25.PROVISIONS

	December 31	
	2018	2017
Provisions for employee benefits	$ 87,565	$ 106,328
Reserve for losses on guarantees	173,517	126,034
Reserve for claims outstanding	-	9,092
Reserve for financing limits	66,966	-
	$ 328,048	$ 241,454

26.RETIREMENT BENEFIT PLANS

Draw Plan

The pension system under the "Labor Pensions Ordinance" applicable to the Bank is the required retirement plan stipulated by the government. A pension of 6% of an employee's monthly salary is paid to the Labor Insurance Bureau under each individual's account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the years ended December 31, 2018 and 2017 was recognized in the statements of comprehensive income in the total amounts of $51,095 thousand, and $43,975 thousand, respectively.

Welfare Plan

The defined benefit plans adopted by the Bank in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contribution amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee'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 is managed by the Bureau of Labor Funds, Ministry of Labor; 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:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 195,051	$ 211,468
Fair value of plan assets	(107,486)	(105,140)
Net defined benefit liabilities	$ 87,565	$ 106,328

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2017	$ 196,150	$ (101,463)	$ 94,687
Service cost			
Current service cost	5,552	-	5,552
Net interest expense (income)	2,452	(1,285)	1,167
Recognized in profit or loss	8,004	(1,285)	6,719
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	288	288
Changes in demographic assumptions	2,595	-	2,595
Changes in financial assumptions	2,584	-	2,584
Experience adjustments	4,516	-	4,516
Recognized in other comprehensive income	9,695	288	9,983
Employer contributions	-	(2,680)	(2,680)
Liabilities extinguished on settlement	(2,381)	-	(2,381)
Balance at December 31, 2017	$ 211,468	$ (105,140)	$ 106,328
Balance at January 1, 2018	$ 211,468	$ (105,140)	$ 106,328
Service cost			
Current service cost	2,990	-	2,990
Net interest expense (income)	2,379	(1,198)	1,181
Recognized in profit or loss	5,369	(1,198)	4,171
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,013)	(3,013)
Changes in demographic assumptions	2,802	-	2,802
Changes in financial assumptions	2,384	-	2,384
Experience adjustments	(3,250)	-	(3,250)
Recognized in other comprehensive income	1,936	(3,013)	(1,077)
Employer contributions	-	(2,674)	(2,674)
Benefits paid	(4,539)	4,539	-
Actual payment	(19,183)	-	(19,183)
Balance at December 31, 2018	$ 195,051	$ (107,486)	$ 87,565

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

a. 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.

b. Interest risk: A decrease in the government 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 plans' debt investments.

c. 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:

	December 31	
	2018	**2017**
Discount rate(s)	1.00%	1.125%
Expected rate(s) of salary increase	2.50%	2.50%

If possible reasonable changes 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:

	December 31, 2018
Discount rate(s)	
0.25% increase	$ (4,783)
0.25% decrease	$ 4,958
Expected rate(s) of salary increase	
0.25% increase	$ 4,808
0.25% decrease	$ (4,663)

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

	December 31	
	2018	**2017**
Expected contributions to the plans for the next year	$ 2,379	$ 2,755
Average duration of the defined benefit obligation	10 years	10 years

27. OTHER LIABILITIES

	December 31	
	2018	**2017**
Guarantee deposits received	$ 21,658	$ 196,905
Advance revenue	33,894	30,593
Others	681	133
	$ 56,233	$ 227,631

28.EQUITY

a. Capital stock

	December 31	
	2018	2017
Number of stock authorized (in thousands)	3,500,000	3,000,000
Amount of capital stock authorized	$ 35,000,000	$ 30,000,000
Number of stocks issued and fully paid (in thousands)		
Common stock	2,413,006	2,413,006
Preferred stock	300,000	-
Amount of stocks issued	$ 27,130,063	$ 24,130,063

Fully paid common stocks, which have a par value of $10, carry one vote per stock and carry a right to dividends.

The Bank is required to comply with the future operating plan and the Rules of Initial Public Offerings. The Board decided in its meeting on April 19, 2016 and the stockholders' decided in their meeting on June 3, 2016 to issue 22,500 thousand new stocks for cash increase, and those stocks have a par value of $10 and sold at $7 to $9.3 per share. The total selling price was $175,938 thousand. The difference debited to retained earnings was $49,062 thousand. The total capital stock after the issuance was $24,130,063 thousand. The base date was May 3, 2017. The Bank finished the registration on July 4, 2017.

According to the Company Law, the Bank retains 10% of the above-mentioned publicly issued stock for cash capital increase to be subscribed for by employees. In March 2017, the Bank decided on the number of stocks for subscription and their price. These were recognized as a compensation cost on the grant date in accordance with the International Accounting Standard 2 "Share-based payments".

The Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of $10 on June 27, 2018. The subscription date was November 11, 2018. And finished the registration on December 21, 2018. The rights and obligations of Series A preferred stockholders are as follows:

1) Series A preferred stock at 0.94375% plus 3.30625% (total 4.25%) per annum are a 5-year - calculation pursuant to the Interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5years hereafter. Series A preferred stock are declared once per year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the Board may set a record date for the distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.

2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.

3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but capping at the value of issuance.

4) Series A preferred stockholders have no voting rights at the annual stockholders' meeting and cannot elect directors. However the preferred stockholders should have voting rights at the preferred stockholders' meeting, and also at the stockholders' meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders' meeting.

5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1: 1). After the convertible preferred stock are converted into common stock, their rights and obligations are the same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the special year of distribution but may participate in the distribution of common stock surplus and additional paid in capital.

6) When the Bank conducts rights for cash issuance, Series A preferred stockholders have the same subscription rights as the common stockholders.

b. Capital surplus

	December 31	
	2018	**2017**
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)		
Treasury stock transactions	$ 3,193	$ 3,193
Stock-based payments	4,537	4,537
Must be used to offset a deficit		
Unclaimed dividends	308	-
May not be used for any purpose		
Share of changes in capital surplus of associates or joint ventures	465	-
	$ 8,503	$ 7,730

Note: Such capital surplus may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital stock (limited to a certain percentage of the Bank's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, except the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Board as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. Legal reserve shall be appropriated until it has reached the Bank's capital surplus. When the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be distributed in cash. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 34.

The Bank's Articles of Incorporation also stipulate a dividend policy that the issuance of a stock dividend takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 20% of total dividends distributed. The distribution method is stipulated by standard, so the Bank may make adjustment approved by the stockholders' meeting when the Board asks for it.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's capital surplus. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash.

Under the Company Law, legal reserve shall be appropriated until it has reached the Bank's capital surplus. This reserve may be used to offset deficit. When the Bank has no loss and the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490, and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserved by the Bank.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016 a public issuing bank shall make a special surplus in the range of 0.5% to 1% of net profit after tax in 2016 to 2018. Since 2017, the staff of financial technology development arising from the transfer or placement of the same amount of spending opened a special reserve balance within the scope of the rotary when the deduction of other equity was reversed, and the reversed part could be distributed in cash.

The appropriations of earnings for 2017 and 2016 were approved in stockholders' meetings on June 14, 2018 and June 14, 2017, respectively. The appropriations and dividends per share were as follows:

	2017		2016	
	Appropriation of Earnings	**Dividend Per Share (NT$)**	**Appropriation of Earnings**	**Dividend Per Share (NT$)**
Legal reserve	$ 304,370		$ 489,469	
Special reserve appropriated (reversed)	(13,705)		56,243	
Cash dividends - common stock	723,902	$ 0.3	1,085,854	$ 0.45

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on February 27, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings
Legal reserve	$ 183,014
Special reserve	415,504
Cash dividends - preferred stock	11,527

The appropriation of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 14, 2019.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (216,266)	$ 190,990
Exchange differences arising on translating the financial statements of foreign operations	149,013	(467,600)
Income tax related to gains arising on translating the financial statements of foreign operations	(25,553)	60,344
Balance at December 31	$ (92,806)	$ (216,266)

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 236,666	$ 93,725
Unrealized gain arising on revaluation of available-for-sale financial assets	-	380,775
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	-	(334,886)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	-	97,502
Effect of IFRS 9 retrospective application	(236,666)	-
Balance at December 31	$ -	$ 236,666

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Effect of IFRS 9 retrospective application	144,112
Balance at January 1 per IFRS 9	144,112
Recognized during the period	
Unrealized gain (loss) - debt instruments	(190,443)
Unrealized gain (loss) - equity instruments	(159,627)
Loss allowance of debt instruments	221
Other comprehensive income recognized in the period	(349,849)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	138,562
Balance at December 31	$ (67,175)

29. NET INTEREST

	For the Year Ended December 31	
	2018	2017
Interest revenue		
Discounts and loans	$ 4,532,874	$ 3,407,899
Investments in marketable securities	722,263	563,638
Due from the Central Bank and call loans to banks	154,865	87,811
Factoring	51,715	39,132
Others	43,837	39,549
	5,505,554	4,138,029
Interest expense		
Deposits	2,255,451	1,333,093
Securities sold under agreements to repurchase	38,466	39,486
Bank notes payable	423,673	353,864
Due to the Central Bank and banks	599,180	434,953
Others	7,263	416
	3,324,033	2,161,812
	$ 2,181,521	$ 1,976,217

30.NET SERVICE FEE REVENUE (CHARGE)

	For the Year Ended December 31	
	2018	2017
Service fee		
Import and export business	$ 38,740	$ 32,889
Loan business	131,407	223,744
Guarantee business	114,503	50,268
Credit examining business	357,738	339,722
Acceptance business	1,381	1,440
Factoring business	83,733	56,650
Trust business	13,004	7,557
Non-investment insurance commission	8,864	-
Others	41,048	16,856
	790,418	729,126
Service charge		
Remittance	1,550	970
Custody	1,769	1,397
Interbank	14,140	3,679
Reward program	80,975	-
Others	81,856	66,851
	180,290	72,897
	$ 610,128	$ 656,229

31.GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Year Ended December 31	
	2018	2017
Realized gain profit or loss		
Stocks	$ 28,362	$ 161,083
Bonds	(6,061)	(3,518)
Derivatives	918,679	(683,783)
	940,980	(526,218)
Gains (losses) on valuation		
Stocks	2,894	11,406
Bonds	1,620	(5,937)
Derivatives	175,225	(250,668)
Others	1,848	34,952
	181,587	(210,247)
Interest revenue	263,210	196,085
	$ 1,385,777	$ (540,380)

32. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FVTOCI - 2018

	For the Year Ended December 31, 2018
Realized income - debt instruments	$ 28,143
Dividend revenue	50,847
	$ 78,990

33. REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	For the Year Ended December 31, 2017
Net profit on disposal - stocks	$ 297,466
Net profit on disposal - bonds	37,420
Dividend revenue	60,036
	$ 394,922

34. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits		
Salaries and wages	$ 1,421,487	$ 1,373,593
Directors' remuneration and fees	46,443	48,950
Labor insurance and national health insurance	83,707	70,378
Others	26,615	23,297
Post-employment benefits		
Pension	55,266	50,694
Stock-based payments		
Equity delivery	-	4,537
	$ 1,633,518	$ 1,571,449

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

The amounts and accrual rates of employees' compensation and remuneration of directors for the year ended December 31, 2018 and 2017 were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	2018		2017	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 14,632	$ -	$ 15,919	$ -
Remuneration of directors	$ 29,265	$ -	$ 31,838	$ -

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

The employees' compensation and remuneration of directors for 2017 and 2016, which were approved by the Board on February 27, 2018 and February 22, 2017, respectively, were as follows:

	2017		2016	
	Cash	Stock	Cash	Stock
Bonuses for employees	$ 15,919	$ -	$ 24,111	$ -
Bonuses for directors	31,838	-	48,223	-

There are no differences between the 2017 and 2016 actual amounts of employees' compensation and remuneration of directors and supervisors paid and the 2017 and 2016 amount recognized in the annual financial statements.

Information for 2018 and 2017 on the bonuses for employees, directors and supervisors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

35.DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2018	2017
Property and equipment	$ 160,032	$ 140,217
Intangible assets	222,902	125,708
	$ 382,934	$ 265,925

36.OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2018	2017
Rental	$ 136,191	$ 119,860
Taxation	181,132	146,153
Computer operating and consulting fees	214,086	106,282
Management fees	38,519	39,456
Entertainment	54,839	48,525
Advertisement	169,801	150,680
Secive fees	72,411	73,202
Others	266,728	224,657
	$ 1,133,707	$ 908,815

37. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 90,657	$ 174,726
Income tax on unappropriated earning	-	5,624
In respect of prior years	(8,596)	(5,012)
	82,061	175,338
Deferred tax		
In respect of the current year	77,809	(21,635)
Effect of tax rate change	12,157	-
Income tax expense recognized in profit or loss	$ 172,027	$ 153,703

A reconciliation of accounting profit and income tax expense for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 1,126,686	$ 1,225,783
Income tax expense calculated at the statutory rate	$ 225,337	$ 208,383
Realized loss on investment in equity instruments measured at fair value through other comprehensive	(32,817)	-
Nondeductible expenses and tax-exempt income in determining taxable income	(98,840)	(219,920)
Deductible tax amount of overseas income tax	(12,296)	(10,348)
Additional income tax under the Alternative Minimum Tax Act	682	73,968
Income tax on unappropriated earnings	-	5,624
Unrecognized deductible temporary differences	$ (3,575)	$ 250
Oversea income taxes	89,975	100,758
Effect of tax rate changes	12,157	-
Adjustments for prior years' tax	(8,596)	(5,012)
Income tax expense recognized in profit or loss	$ 172,027	$ 153,703

(Concluded)

The Bank's corporate income tax rate was 17% in 2017. The Income Tax Act in the ROC was amended in February 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

Due to the uncertainties in the earnings of the shareholder's meeting in 2019, the potential income tax consequences of the undistributed surplus with 5% income tax in 2018 cannot be reliably determined.

b. Income tax income (expense) recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of tax rate change	$ 2,614	$ -
Exchange differences on translating the financial statements of foreign operations	(28,167)	60,344
Income tax recognized in other comprehensive income (expense)	$ (25,553)	$ 60,344

c. Deferred tax assets and liabilities

For the year ended December 31, 2018

	Opening Balance	Retroactive Adjustment	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets					
Temporary differences					
FVTPL financial assets	$ 37,312	$ -	$ 12,861	$ -	$ 50,173
Allowance for bad debts	84,462	23,699	4,043	-	112,204
Loss reserve	1,546	-	469	-	2,015
Exchange differences on translating the financial statements of foreign operations	14,813	-	-	(14,813)	-
	$ 138,133	$ 23,699	$ 17,373	$ (14,813)	$ 164,392

(Continued)

	Opening Balance	Retroactive Adjustment	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax liabilities					
Temporary differences					
Associates ventures	$ 215,911	$ -	$ 107,339	$ -	$ 323,250
Exchange differences on translating the financial statements of foreign operations	-	-	-	10,740	10,740
	$ 215,911	$ -	$ 107,339	$ 10,740	$ 333,990

(Concluded)

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
FVTPL financial assets	$ -	$ 37,312	$ -	$ 37,312
Allowance for bad debts	78,004	6,458	-	84,462
Loss reserve	1,546	-	-	1,546
Exchange differences on translating the financial statements of foreign operations	-	-	14,813	14,813
	$ 79,550	$ 43,770	$ 14,813	$ 138,133
Deferred tax liabilities				
Temporary differences				
FVTPL financial liabilities	$ 14,058	$ (14,058)	$ -	$ -
Associates ventures	179,718	36,193	-	215,911
Exchange differences on translating the financial statements of foreign operations	45,531	-	(45,531)	-
	$ 239,307	$ 22,135	$ (45,531)	$ 215,911

d. Assessment of the income tax returns

The income tax returns of the Bank through 2016 have been assessed by the tax authorities. The Bank disagreed with the tax authorities' assessment of its 2016 tax return and plan to re-examine.

38. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share	$ 0.40	$ 0.45
Diluted earnings per share	$ 0.40	$ 0.45

Weighted average number of common stocks outstanding (in thousand shares) are as follows:

	For the Year Ended December 31	
	2018	2017
Net profit for the year		
Earnings used in the computation of basic and diluted earnings per share	$ 954,659	$ 1,072,080
Stock (in thousand shares)		
Weighted average number of common stocks in computation of basic earnings per share	2,413,006	2,405,362
Effect of potentially dilutive common stocks:		
Employees' compensation issued to employees	2,107	2,190
Cash replenishment from employee stock subscription	-	110
	2,107	2,300
Weighted average number of common stocks used in the computation of diluted earnings per share	2,415,113	2,407,662

If the Bank offered to settle compensation or bonuses paid to employees in cash or stocks, then the Bank will assume the entire amount of the compensation or bonuses will be settled in stocks and the dilutive effect of the resulting potential stocks will be included in the weighted average number of stocks outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential stocks will be included in the computation of diluted earnings per share until the number of stocks to be distributed to employees is resolved in the following year.

39. STOCK-BASED PAYMENT AGREEMENTS

The Board in April 2016 and the stockholders in June 2016 resolved in their respective meetings to publicly issue 22,500 thousand common stock for which the payment would be in cash for the purpose of initial public offering, and 10% of such new stocks were reserved for subscription by employees. Consequently, an increase of $4,537 thousand was recognized in both employee benefits expense and capital surplus in 2017.

40.RELATED PARTY TRANSACTIONS

a. The related parties and their relationships with the Bank

Related Party	Relationship with the Bank
Chun Teng New Century Co., Ltd. (Original IBT Securities Co., Ltd.) (Chun Teng New Century) (liquidation)	Subsidiary of Bank
IBT Management Corp. (IBTM)	Subsidiary of Bank
IBT Holdings Corp. (IBTH)	Subsidiary of Bank
China Bills finance Corp. (CBF)	Subsidiary of Bank
IBT Leasing Co., Ltd. (IBTL)	Subsidiary of Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture) (liquidation)	Associates
IBTS Holdings (B.V.I.) Limited (IBTSH)	Subsidiary of Chun Teng New Century
IBT international Leasing Corp.	Subsidiary of IBTL
IBT Tianjin international Leasing Corp.	Subsidiary of IBTL
IBT VII Venture Capital Co., Ltd. (IBTVC7)	Subsidiary of IBTL
IBTS Financial (HK) Limited (IBTS HK)	Subsidiary of IBTSH
IBTS Asia (HK) Limited (IBTS Asia)	Subsidiary of IBTSH
IBT Education Foundation (IBTEF)	The Bank is the major donor of the foundation
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Bank's legal director
Others	The Bank's management and their other relatives Head of the bank's corporate director The director of the Bank's natural person is the company's head (excluding independent directors) The company with the same person in charge of the company and the company's legal person director

b. The significant transactions and balances with the related parties are summarized as follows:

1) Deposits

	Ending Balance	Interest Expense	Rate (%)
For the year ended December 31, 2018			
Subsidiaries	$ 226,639	$ 10,200	0.00-3.05
Associates	265	4	0.4
Others	2,680,948	47,430	0.00-6.56
	$ 2,907,852	$ 57,634	
For the year ended December 31, 2017			
Subsidiaries	$ 2,901,866	$ 19,072	0.00-1.75
Associates	2,763	46	0.25
Others	1,164,690	19,511	0.00-6.56
	$ 4,069,319	$ 38,629	

2) Loan

	Ending Balance	Interest Income	Rate (%)
December 31, 2017	$ 430,000	$ 2,699	1.443

3) Directors acting as the guarantor of a loan balance

	Ending Balance	Rate (%)
December 31, 2017	$ 475,000	1.436

4) Purchases and sales of securities

	For the Year Ended December 31, 2018			
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Subsidiaries	$ 398,981	$ 449,315	$ -	$ -

	For the Year Ended December 31, 2017			
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Subsidiaries	$ 2,054,392	$ 1,149,967	$ -	$ -

5) Service fee

	For the Year Ended December 31	
	2018	2017
Associates	$ -	$ 6
Others	28	8
	$ 28	$ 14

Service fee income is earned by providing authentication, custody and fund purchase services.

6) Other expenses

	For the Year Ended December 31	
	2018	2017
Others	$ 4,800	$ 4,400

Other expenses are donations.

7) Rental income and others

	For the Year Ended December 31	
	2018	2017
Subsidiaries	$ 14,245	$ 15,143
Others	552	782
	$ 14,797	$ 15,925

Rental income received by the department is revenue from leasing contract of providing part of the office and equipment and management service contract.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 291,881	$ 293,172
Post-employment benefits	3,913	3,158
Stock-based payments	-	1,290
	$ 295,794	$ 297,620

The remuneration of directors and other key management personnel is determined by the remuneration committee.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law Article 32 and 33, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

41.PLEDGED ASSETS

	December 31	
	2018	2017
Due from banks	$ 223,500	$ 228,875
Financial assets at FVTPL	11,059,858	11,793,690
Debt instrument investments measured at amortized cost	166,680	-
Held-to-maturity financial assets	-	149,946
	$ 11,450,038	$ 12,172,511

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of due from banks) and negotiable certificates of deposits (part of financial assets at FVTPL, debt instrument investments measured at amortized cost and held-to-maturity financial assets) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. Besides, the Bank contracted for foreign currency call-loan to provide the pledge setting of foreign negotiable certificates of deposits for the department of foreign exchange of Central Bank.

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Except for other disclosures, as of December 31, 2018 and 2017, the Bank had commitments as follows:

	December 31	
	2018	2017
Office decorating and contracts of computer software		
Amount of contracts	$ 143,503	$ 159,256
Payments for construction in progress and prepayments for equipment	84,879	140,878

b. The Bank as lessee

Due to rental of buildings, the bank have been entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of July 31, 2026.

As of December 31, 2018 and 2017, refundable deposits paid under operating lease amounted to $28,275 thousand and $25,223 thousand, respectively.

The future minimum payments under non-cancellable operating lease are summarized:

	December 31, 2018
Up to 1 years	$ 86,719
Over 1 year to 5 years	172,620
Over 5 years	38,949
	$ 298,288

43. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	December 31	
	2018	2017
Trust assets		
Petty cash	$ 100	$ -
Bank deposits	2,799,410	350,848
Financial assets	1,072,854	360,484
Interest receivable	51	-
Prepayments	1,267	-
Real estate	9,165,625	1,957,995
Other assets	32,292	-
Total trust assets	$ 13,071,599	$ 2,669,327

(Continued)

		December 31		
		2018		2017
Trust capital and liability				
Payables	$	1,542	$	-
Unearned receipts		839		-
Taxes payable		4,233		-
Receipts under custody		106		-
Deposits received		76,680		-
Other liabilities		968		-
Trust capital		12,828,013		2,669,327
Provisions and accumulated profit and loss		159,218		-
Trust capital and liability	$	13,071,599	$	2,669,327

(Concluded)

Income Statements of Trust Accounts

		For the Year Ended December 31		
		2018		2017
Trust revenue				
Interest revenue	$	1,807	$	400
Rent revenue		57,210		-
Other revenue		48		-
Trust expenses				
Management fees		598		168
Fees		265		184
Tax		6,740		-
Other expenses		6,626		-
Income tax expense		151		22
	$	44,685	$	26

Note: The above income accounts of the trust business were not included in the Bank's income statement.

Trust Property List

		December 31		
		2018		2017
Petty cash	$	100	$	-
Bank deposits		2,799,410		350,848
Stocks		228,378		228,378
Funds		844,477		132,106
Land		8,320,001		1,865,892
Real estate		845,623		92,103
Interest receivable		51		-
Prepayments		1,267		-
Other		32,292		-
	$	13,071,599	$	2,669,327

44. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed financial statements approximate their fair values or their fair values cannot be reliably measured.

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at amortized costs	$ 499,940	$ 501,732	$ -	$ -
Held-to-maturity financial assets	-	-	499,821	505,129
Financial liabilities				
Bank notes payable	17,850,000	17,906,381	20,400,000	20,464,560

2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

Financial Instrument	December 31, 2018			
Items at Fair Value	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized costs	$ 501,732	$ -	$ 501,732	$ -
Financial liabilities				
Bank notes payable	17,906,381	17,906,381	-	-

Financial Instrument	December 31, 2017			
Items at Fair Value	Total	Level 1	Level 2	Level 3
Financial assets				
Held-for-maturity financial assets	$ 505,129	$ -	$ 505,129	$ -
Financial liabilities				
Bank debentures	20,464,560	20,464,560	-	-

Refer to quoted market prices for fair value if there are public quotation on amortized cost financial assets, held-to-maturity financial assets, and bank debentures with active market. If quoted market prices are not available, the fair value is determined by using a valuation technique or counterparty quotation.

b. Fair value information - financial instruments measured at fair value on a recurring basis

1) The fair value hierarchy of the financial instruments as of December 31, 2018 and 2017 were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2018 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial instruments at FVTPL				
Stocks and beneficial certificates	$ 161,524	$ 121,654	$ -	$ 39,870
Bonds	99,969	-	99,969	-
Convertible bonds and structured bonds	1,021,828	-	1,021,828	-
Others	51,739,597	-	51,739,597	-
Financial assets at FVTOCI				
Equity instruments	1,064,763	539,943	-	524,820
Debt instruments	47,824,524	-	47,824,524	-
Derivative financial instruments				
Assets				
Financial instruments at FVTPL	797,341	-	797,341	-
Liabilities				
Financial instruments at FVTPL	780,811	-	780,811	-

Item	December 31, 2017 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	$ 319,988	$ 319,988	$ -	$ -
Others	42,552,352	-	42,552,352	-
Financial assets designated as FVTPL	1,292,119	-	1,292,119	-
Available-for-sale financial assets				
Stocks	2,542,195	2,542,195	-	-
Bonds	46,056,303	-	46,056,303	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	539,473	-	539,473	-
Liabilities				
Financial liabilities at FVTPL	700,106	-	700,106	-

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to achieve by the two sides, in exchange of assets or settle of liabilities, fair value is the amount settled. Financial instruments at FVTPL, Financial assets at fair value through other comprehensive and available-for-sale financial assets refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

i. Ensure the consistency and completeness of market data.

ii. The source of market data should be transparent, easy to access, and should come from independent resources.

iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.

iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with acquirable information generally used by other market participants to price financial instruments.

Fair values of forward contracts used by the Bank are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation, using the Murex+ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

i. Level 1 - quoted prices in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.

ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).

iii. Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Valuation in fair value of Level 3 items of financial instruments

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments	Total
Beginning balance	$ -	$ -	$ -
Effect of retrospective application (IFRS 9)	38,788	775,837	814,625
Recognition in profit or loss - financial assets at FVTPL	1,082	-	1,082
Recognition in other comprehensive income - financial assets at FVTOCI	-	(56,205)	(56,205)
Purchases	-	616,173	616,173
Disposal	-	(810,985)	(810,985)
Ending balance	$ 39,870	$ 524,820	$ 564,690

4) Transfers between Level 1 and Level 2

The Bank has no significant transfers between Level 1 and Level 2 for years ended December 31, 2018 and 2017.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For bonds and convertible corporate bonds for asset swaps which have no quoted market prices, they are evaluated using valuation models. Were there to be a 10% change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income in the respective 2018 and 2017 periods would be as follows:

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at FVTPL				
Non-derivative financial instruments	$ 3,987	$ (3,987)	$ -	$ -
Financial assets at FVTOCI				
Non-derivative financial instruments	-	-	52,482	(52,482)

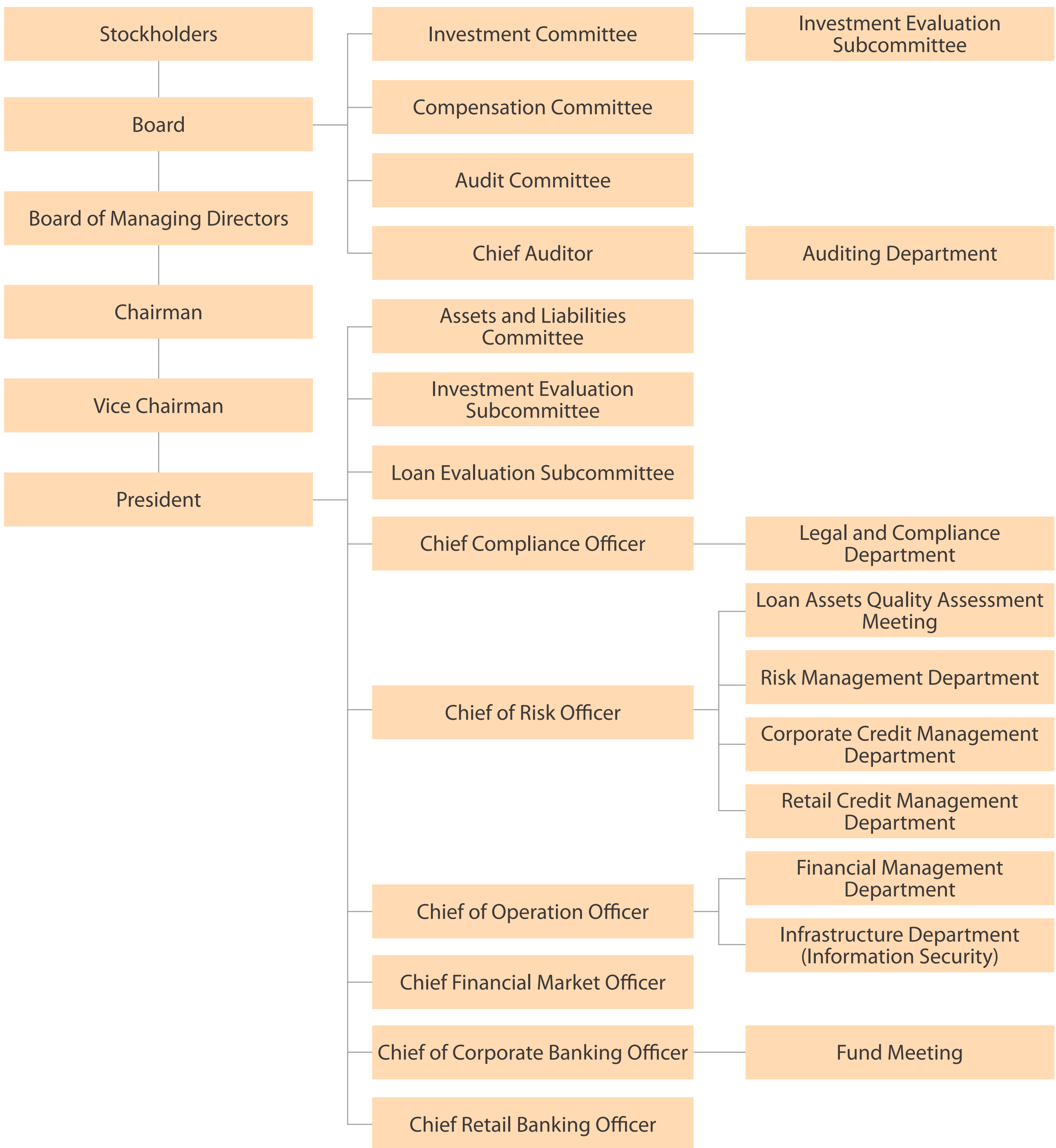
45.FINANCIAL RISK MANAGEMENT

a. Overview

For the potential expected and unexpected risk, the Bank establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness to ensure that all operating risks are controlled in the acceptable extent. The Bank continues to engage actively in the capital adequacy ratio with the regulators and monitors to meet the III international requirements of the Basel Commission.

b. Risk management framework

Ultimate responsibility for setting the Bank's risk appetite rests with the Board. The Auditing Department, Audit Committee, Investment Committee and Compensation Committee report to the Board. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the President, hold Capital Meetings and Quality Evaluation of Assets Meetings for discussing and considering risk management proposals regularly. The Risk Management Department is responsible for establishing a total scheme of risk management and monitoring the execution of such management.



1) Assets and Liabilities Committee: It has responsibility for oversight and review of significant issues, policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, review the asset and liability allocation and capital adequacy. It held assets and liabilities management meeting once a month.

2) Loan Evaluation Subcommittee: The subcommittee reviews the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department. After passing, the provisions should still be submitted to the level of competence review.

3) Investment Evaluation Subcommittee: Assessing and reviewing the investment cases transferred by the ministry of investment, they shall still be submitted to the "investment review committee" as required and submitted to the standing committee for consideration and approval.

4) Loan and investment assets assessment meetings held for various businesses:

a) Loan assets quality assessment meeting

i. Assess the status of credit asset quality and decide/review the strategy and course of action to be taken.

ii. Assess the probable loss of loan assets and discuss the adequacy of allowance for credit losses, assurance of responsibility to prepare and its recognition.

iii. Pass cases of credit assets which should be recognize loss, and mark the proposal to the board.

b) Investment assets quality assessment meeting

i. Access the status of investment asset quality from Rank 5-8, and choose the action to be taken.

ii. Authorized the investment assess result provide by evaluation staff. The composition of evaluation result is consisted with period, industries, economic recycle and evaluation method suggested by accounting principal.

iii. Access the probable loss of investment assets, pass cases of investment loss recognition, and make the proposal to the board.

iv. Track the status of customers still in operating which were full recognized as loss.

c. Credit risk

1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligation to pay the Bank in accordance with agreed terms. The source of credit risks includes the subjects in the balance sheet and off-balance sheet items.

2) Strategy/objectives/policies and procedures

a) Credit risk management strategy: The Bank are set as the implement the relevant provisions of the principles of credit risk management requirements and establish the Bank's credit risk management mechanism to ensure that the credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.

b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimized potential financial losses and pursue optimal reward.

Sound risk management systems and control processes, and strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations, the Bank's standards, and serve to maintain high credit standards and asset quality.

c) Credit risk management policy: The Bank establish risk management system to ensure the integrity of the Bank's business risk management and compliance particularly with the Financial Supervisory Commission issued the "financial holding companies and banking internal control and Auditing System Implementation Measures "and "norms for formulating proposals and execution of risk management policies by Banks"; to limit the credit risk of the Bank within the acceptable range, to maintain adequate capital and credit risk strategy to achieve the objectives, and to create maximum risk-adjusted returns.

d) Credit risk management process:

i. Risk identification

Credit risk management process begins with the identification of existing and potential risks, including the banking book and the trading book, including balance sheet and off-balance sheet transactions, along with financial innovation; as new credit businesses become increasingly complex, business executives in order do existing and new credit businesses, should be fully aware of the complexity involved in the business of credit risk, re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

ii. Risk measurement

i) The Bank manages asset portfolios by the risk rating scale.

The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk ratings must actually be scaled when the individual credit and investment accounts are approved. The continual change of the market gives rise to the change in credit or investment household. Therefore, risk ratings must be reevaluated and updated often to adjust the risk rating scale when it is verified.

ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope,
- "Concentrative risks" are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.
- It achieves the optimal profits.

iii. Risk communication

i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include: Asset quality, portfolio rating classification status, and all kinds of exception reports.

ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

i) The Bank shall establish monitoring system to assess changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties' credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.

ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.

iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.

iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.

v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.

b) Auditing Department: Directly examines and supervises the operation of the Bank's various control of risk management.

c) Audit Committee: Responsible for the stipulation and amendment stipulations on issues about internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.

d) Compensation Committee: Assists the board of directors in assessing and supervising the Bank's compensation policy and remunerations for directors and management personnel.

e) Investment Committee: Assists the board of directors in evaluating and supervising the quality of investment activities and conducting review of investment proposals.

f) Assets and Liabilities Committee: Holds asset/liability management meeting to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management and in charge of making decisions on policies.

g) Investment Evaluation Subcommittee: Responsible for evaluating and examining the investment proposal provided by the investment department. After the approval, the investment evaluation team passes the proposal to the board of executive directors and the investment committee.

h) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, they are still be submitted to the competent level for review.

i) Investment Assets Quality Assessment Meeting: Responsible for the examination of the quality status of investments on assets, in charge of making strategies and approves the proposal of the evaluation model and evaluates results proposed by the investment department.

j) Loan Assets Quality Evaluation Meeting: In charge of making policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.

k) The Risk Management Department: Independent and in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Bank follows the BASEL's regulation. It is also responsible for the preparation of risk management reports presented to appropriate management, and it plans to establish monitoring tools for credit risk measurement.

l) Corporate Credit Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed of credit and guarantee amount control, proper release and other release matters.

m) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors, manages and resells bad debts, prepares for bad debts presentation, loss assessment and post-loan management.

n) Headquarters Business Management Department: Responsible for the preparation of management policies, process and control activities. It also supervises the work performed by the operation units.

o) Operation Department: Complies with the policies to make sure its operation is accurate and complete.

4) The range and points of credit risk reports and measurement system

For the credit risks implicated in all products and business activities, new products and business, the Bank regularly monitors the credit risk management and is authorized by the Board or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-lending management and collection operations. The risk management units regularly provide various types of credit risk and asset quality in addition to the above operational procedures the analysis report is to manage the indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the Board to grasp the risk-taking situations faced by the state, the Bank, the industry, the same related parties and the related enterprise risks.

To understand the risk appetite and the risk appetite for changes in the financial environment and the impact on capital adequacy, the Bank handled its credit according to the "Regulation on Stress Test Operation for Banks" and "Bank Credit Risk Stress Test Guidelines" issued by the HKMA Risk stress test, as an important basis for credit risk management, and to continue to adjust the direction of business development, credit policy and credit evaluation procedures.

5) Mitigation of risks or hedging of credit risk and monitoring the avoided risks

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty's bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Bank has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Bank uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links levy credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum credit risk exposure amount of financial assets is the book value of the specific asset on the balance sheet date. The analysis of the maximum credit exposure amount (excluding the fair value of collateral) of each off-balance sheet financial instrument held by the Bank is as follows:

Off-balance Sheet Item	Maximum Exposure Amount	
	December 31, 2018	December 31, 2017
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	$ 17,086,108	$ 11,635,535
Maximum exposure amounts	17,086,108	11,635,535
Agreed financing	51,883,120	42,433,043

7) Concentrations of credit risk exposure

Concentrations of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic property to. The emergence of concentrations of credit risk includes the operating activities property of the debtor. The Bank does not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On December 31, 2018 and 2017, the Bank's significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Financial intermediary	$ 28,812,450	16	$ 26,069,902	16
Real estate	27,856,509	15	27,986,098	17
Wholesale and retail trade	17,522,713	10	9,112,838	7

b) By counterparty

Credit Risk Profile by Industry Sector	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Private sector	$ 165,518,791	91	$ 156,025,079	94
Natural person	16,540,441	9	9,147,952	6

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Domestic	$ 122,863,558	67	$ 115,392,955	70
Other Asia area	35,143,990	19	30,208,123	18
America	15,909,162	9	13,991,502	8

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, financial asset at FVTPL, repos and debt securities, refundable deposits, guaranty bond and clearing and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

On each reporting date, the Bank assesses the change in the default risk of financial assets and considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situations, credit investigation results, announcements of dishonored checks and negotiations of the debts from other financial institutions, or information that the debtor has reorganized or is likely to reorganize, to determine whether the credit risk has increased significantly.

The Bank adopts the 12-month ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has not increased significantly since initial recognition and adopts the lifetime ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or which are credit-impaired.

The Bank considers both the 12-month and lifetime probability of default ("PD") of the borrower together with the loss given default ("LGD"), multiplied by the exposure at default ("EAD"), and considers the impact of the time value of money in order to calculate the 12-month ECLs and lifetime ECLs, respectively.

The PD refers to the borrower's probability to default, and the LGD refers to losses caused by such default. The Bank applies the PD and LGD for the impairment assessment of the credit business according to each group entity's historical information (such as credit loss experience) from internal statistical data and adjusts such historical data based on the current observable and forward-looking macroeconomic information. It then calculates the respective impairment by applying the progressive one factor model.

The Bank estimates the balance of each account based on the method of amortization and considers the possible survival rate in order to calculate the EAD. In addition, the Bank estimates the 12-month ECLs and lifetime ECLs of loan commitments based on the guidelines issued by the Bank's Association and Basel Accords. The Bank calculates the EAD of expected credit losses by considering the portion of the loan commitments expected to be used within 12 months after the reporting date as compared with the expected lifetime of the loan commitments.

The Bank uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days or the credit investigation appears to be abnormal, then the Bank determines that the financial assets have defaulted and are credit-impaired.

Credit assets are classified into five categories. In addition to the first category of credit assets, which are normal credit assets that are classified as sound assets, the remaining credit assets are classified as unsound assets and assessed according to the respective collateral and the length of time in which the respective payments become overdue. Such unsound credit assets are then categorized within the second category if they should only be noted; within the third category if they have substandard expected recovery; within the fourth category if their collectability is highly doubtful; and within the fifth category if they are considered uncollectable. The Bank also sets up policies for the management of provisions for doubtful credit assets and the collection and settlement of overdue debts in order to deal with collection problems.

b) Credit risk management for investments in debt instruments - 2018

Investments in debt instruments were classified as at FVTOCI and as at amortized cost.

The Bank only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Bank exposure and the external credit ratings are continuously monitored. The Bank review changes in bond yields and other public information and make an assessment as to whether there has been a significant increase in credit risk since the last period to the current reporting date.

In order to minimize credit risk, the Bank has tasked its credit management committee with developing and maintaining a credit risk grading framework for categorizing exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Bank considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses. The investments in debt instruments of the Bank are at normal credit levels as of December 31, 2018, so the Bank opted to recognize the expected credit losses on a 12-month basis. The Bank expected credit loss rate is in the range of 0.02%.

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost as of January 1, 2018 and December 31, 2018, grouped by credit rating, is reconciled as follows:

Allowance for Impairment Loss	Credit Rating Performing (12-month ECLs)
Balance at January 1, 2018 per IAS 39	$ -
Adjustment on initial application of IFRS 9	12,717
Balance at January 1, 2018 per IFRS 9	12,717
New financial assets purchased	3,394
Derecognition of financial assets	(4,926)
Change in model or risk parameters	(378)
Exchange rate or other changes	219
Balance at December 31, 2018	$ 11,026

a) Credit analysis for receivables and discounts and loans

	December 31, 2018				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Receivables	$ 6,829,152	$ 67,777	$ 27,556	$ -	$ 6,924,485
Allowance for credit losses	(5,292)	(87)	(24,173)	-	(29,552)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual loans	-	-	-	(52,561)	(52,561)
Net total	$ 6,823,860	$ 67,690	$ 3,383	$ (52,561)	$ 6,842,372

	December 31, 2018				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans	$ 165,996,929	$ 14,677,877	$ 1,384,426	$ -	$ 182,059,232
Allowance for credit losses	(201,421)	(28,086)	(327,341)	-	(556,848)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual loans	-	-	-	$ (2,113,956)	(2,113,956)
Net total	$ 165,795,508	$ 14,649,791	$ 1,057,085	$ (2,113,956)	$ 179,388,428

December 31, 2017	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Balance sheet items							
Receivables (Note)	$ 5,971,512	$ -	$ 1,428	$ 5,972,940	$ 190	$ 80,947	$ 5,891,803
Discounts and loans	163,743,494	-	1,429,537	165,173,031	375,969	2,039,920	162,757,142

Note: Receivables means the amount of gross receivables.

b) Credit analysis for marketable securities

	December 31, 2018	
	At FVTOCI	At Amortized Cost
Gross carrying amount	$ 47,698,318	$ 499,940
Allowance for impairment loss	(11,026)	-
Amortized cost	47,687,292	$ 499,940
Fair value adjustment	137,232	
	$ 47,824,524	

December 31, 2017	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Available-for-sale financial assets							
Bonds	$ 46,056,303	$ -	$ -	$ 46,056,303	$ -	$ -	$ 46,056,303
Equity investments	2,527,752	-	19,561	2,547,313	5,118	-	2,542,195
Held-to-maturity financial assets							
Bonds	499,821	-	-	499,821	-	-	499,821
Other financial assets							
Equity investments	633,629	-	827,063	1,460,692	683,587	-	777,105

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets which are overdue but not yet impaired.

As of December 31, 2018, the Bank and its subsidiaries had no financial assets which were overdue but not impaired.

10) Analysis of impairment for financial assets

The Bank has assessed whether loans and receivables have objective evident of impairment. Assessed with banks, the Central Bank and other banks had no impairment loss. The assessment on loans and receivables are as follows:

Discounts and loans

Type of Impairment Assessment		December 31, 2017	
		Discounts and Loans	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 1,429,537	$ 375,969
	Collectively assessed for impairment	-	-
With no objective evidence of impairment	Collectively assessed for impairment	163,743,494	2,039,920

Note: The amount of discounts and loans is the original value, which does not minus allowance for credit losses.

Receivables

Type of Impairment Assessment		December 31, 2017	
		Accounts Receivables	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 1,428	$ 190
	Collectively assessed for impairment	-	-
With no objective evidence of impairment	Collectively assessed for impairment	5,971,512	80,947

Note: The receivables are those originated by the Bank, and not net of the allowance for credit losses and adjustments for discount (premium).

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Bank's capacity to realize assets, obtain financing or funds to meet obligations at maturity, including deposits and off-balance sheet guarantees.

Liquidity risk is the risk that the Bank is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles of liquidity risk

a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Bank's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.

b) Manage current assets to ensure that the Bank have enough instantly-realized assets to deal with currency risks.

c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Bank's liquidity.

d) To establish an appropriate information system to measure, monitor and report liquidity risk.

e) The setting of the measurement systems or models should include important factors which affect the currency risks of the bank fund (including the introduction of new products or services) for managing current risks to help the bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.

f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.

g) In addition to the monitoring of the capital requirements, under normal business conditions, the Bank should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.

h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the banking operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2018 and 2017, the liquidity reserve ratio was 45.61% and 37.37%, respectively.

3) The analysis of cash inflow and outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	$ 22,237,205	$ 6,747,667	$ -	$ -	$ -	$ 28,984,872
Notes and bonds issued under repurchase agreement	4,401,641	-	-	-	-	4,401,641
Payables	1,735,964	264,712	2,039,123	790,470	3,737	4,834,006
Deposits and remittances	70,825,593	66,852,904	38,112,365	42,107,083	22,563,354	240,461,299
Bank notes payable	-	-	-	1,650,000	16,200,000	17,850,000
Other financial liabilities	8,743	2,667	100,600	881,576	3,327,705	4,321,291
	$ 99,209,146	$ 73,867,950	$ 40,252,088	$ 45,429,129	$ 42,094,796	$300,853,109

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	$ 23,829,381	$ 11,065,538	$ -	$ -	$ -	$ 34,894,919
Notes and bonds issued under repurchase agreement	13,453,943	2,410,867	-	-	-	15,864,810
Payables	1,251,898	131,959	1,978,236	678,649	59,600	4,100,342
Deposits and remittances	37,332,255	74,445,089	28,281,036	23,325,344	19,637,667	183,021,391
Bank notes payable	-	-	-	4,300,000	16,100,000	20,400,000
Other financial liabilities	2,500	339,000	342,916	279,465	5,033,901	5,997,782
	$ 75,869,977	$ 88,392,453	$ 30,602,188	$ 28,583,458	$ 40,831,168	$264,279,244

4) The Bank assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Foreign forward contracts	$ 11,258	$ 1,022	$ 1,669	$ 25,214	$ -	$ 39,163
Foreign currency swap contracts	335,349	55,470	215,891	6,595	-	613,305
	346,607	56,492	217,560	31,809	-	652,468
Non-deliverable						
Interest rate swap contracts	-	1,647	4,000	1,334	121,362	128,343
	$ 346,607	$ 58,139	$ 221,560	$ 33,143	$ 121,362	$ 780,811

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Foreign currency swap contracts	$ 251,899	$ 109,499	$ 116,648	$ 61,403	$ -	$ 539,449
Foreign forward contracts	18,751	701	4,203	2,703	-	26,358
	270,650	110,200	120,851	64,106	-	565,807
Non-deliverable						
Interest rate swap contracts	-	-	-	11,007	123,292	134,299
	$ 270,650	$ 110,200	$ 120,851	$ 75,113	$ 123,292	$ 700,106

5) The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the balance sheet.

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 472,506	$ 840,096	$ 328,568	$ -	$ 7,389	$ 1,648,559
Other guarantees	8,115,650	3,938,500	1,067,569	2,187,375	128,455	15,437,549
Agreed financing amount	1,613,326	2,311,405	3,467,107	6,934,213	37,557,069	51,883,120
	$ 10,201,482	$ 7,090,001	$ 4,863,244	$ 9,121,588	$ 37,692,913	$ 68,969,228

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 1,098,597	$ 1,013,393	$ 367,946	$ 15,541	$ -	$ 2,495,477
Other guarantees	5,845,802	961,679	786,281	1,485,963	60,333	9,140,058
Agreed financing amount	1,358,437	1,731,533	2,597,300	5,194,599	31,551,174	42,433,043
	$ 8,302,836	$ 3,706,605	$ 3,751,527	$ 6,696,103	$ 31,611,507	$ 54,068,578

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and process

The Bank manage the market risk with active, careful attitude.

The Bank makes the profit majorly by doing trading business through knowing well correctly how market risk of factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity of the implicit profit is. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussed to the full and stipulated by the president, the trading department and the market risk management department, it is submitted to the Assets and Liabilities Committee and the Board with the plan of stop-loss quotas and product parts quotas to avoid setting up the goal in an impracticable way that leads the dealer to take more risk on operating.

The Bank sets up definite management rules and risk management indicators for different trading business and its risk attribute, and stipulates exposure amount, submission of expiration, authorizing management and ways of disposure. Implement certainly and ensure the trading department to abide by the discipline to control the market risk exposure extent in a safe range.

3) Market risk management organization and framework

a) The Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the Board, are the top stipulation in market risk management.

b) Assets and Liabilities Committee: In charge of stipulating market risk management policy and monitoring the operating of market risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the market risk management policy and the next year proposal of product parts quotas and annual stop-loss of the trading business expected to be submitted to the Board.

c) Risk Management Department: In charge of market risk management. According to the Bank's regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products' type (e.g. equity, interest rate, currency exchange rate).

The Bank setup the limit amount of trading and loss, and other index including VaR, MAT, 20-Day average liquidity and FS to enhance the risk control system.

The Bank calculates the risk exposure amount of the trade department and traders based on authorized amount, and submits risk report, monitors the limits and executes the following measures.

The Bank sets up the index of stop loss to control the risk of transaction including bonds, Forex, securities and derivative by building the risk evaluation module, and monitor the loss caused by the fluctuation of stock market, exchange rate and interest rates.

5) Value at risk

The Bank adopts Value at Risk (VaR) to evaluate the market risk of financial instruments related to currency exchange rate, NTD interest rate, and price of listed stock. VaR is the potential loss in market values of financial instruments held by the Bank, which is measured within a set confidence interval for a specified period. The Bank estimated VaR on the basis of Monte Carlo method, with 99% confidence interval. The sample period of currency exchange rate products and stock is past 1 year. The sample period of interest rate products is past 3 years. The Bank simulates 5,000 times with GBM model. The table below presents VaR of financial instruments, which is according to confidence interval, using estimation of potential loss amount in a day to assume possible fluctuation in market during a day under unfavorable changes in interest rates, exchange rates or market price per share. Based on the assumption, the VaRs of the financial instruments may exceed the following values due to the fluctuations of interest rate or currency exchange rate in 1 day out of 100 days. The average VaR, the high and low VaRs were calculated based on daily VaRs in the year. The whole market risk of the Bank was less than the aggregated value of VaRs of fair value, currency exchange rate and price.

The Bank adopts Value at Risk to evaluate trading book products such as rate financial instruments, TWD interest products and market risks of trading assets IPO stocks. When market factors happen negative changes, Value at Risk reveals the potential losses of holding financial instruments during a certain period and in a confidence interval. The bank adopts Monte Carlo method to estimate Value at Risk, the confidence interval is 99%, the sample interval of rate and stock products is the past year, the sample interval of interest products is the past three years, simulation times is 5,000 times, simulation path is GBM.

The following table illustrates the Value at Risk of the bank, this risk value is based on confidence interval, estimated in one day potential losses and assumed unfavorable interest and rate changes can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

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	December 31					
	2018			2017		
	Average	High	Low	Average	High	Low
Currency exchange rate risk	$ 960	$ 7,992	$ 105	$ 2,150	$ 8,317	$ 86
Fair value risk resulting from interest rate	2,551	8,991	-	1,896	13,446	-
Fair value resulting from stock price	7,114	14,004	321	10,439	18,766	4,039

6) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

(Unit: Foreign Currencies and New Taiwan Dollars in Thousands)

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary item			
USD	$ 2,479,798	30.7459	$ 76,243,712
JPY	1,384,565	0.2781	385,058
HKD	8,878,133	3.9254	34,849,964
EUR	18,763	35.2119	660,664
AUD	2,318	21.6701	50,231
RMB	352,820	4.4700	1,577,100
Investments accounted for using the equity method			
USD	153,991	30.7459	4,734,592
Financial liabilities			
Monetary item			
USD	2,571,184	30.7459	79,053,455
JPY	1,344,156	0.2781	373,821
HKD	6,513,703	3.9254	25,568,700
EUR	10,228	35.2119	360,130
AUD	8,661	21.6701	187,679
RMB	978,219	4.4700	4,372,624

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary item			
USD	$ 1,722,066	29.8545	$ 51,411,411
JPY	1,791,669	0.2649	474,604
HKD	5,730,897	3.8202	21,893,398
EUR	20,744	35.7084	740,749
AUD	2,271	23.2999	52,910
RMB	504,936	4.5775	2,311,338
Investments accounted for using the equity method			
USD	150,287	29.8545	4,486,743

(Continued)

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
Monetary item			
USD	$ 2,244,355	29.8545	$ 67,004,102
JPY	771,871	0.2649	204,465
HKD	5,235,688	3.8202	20,001,582
EUR	7,651	35.7084	273,202
AUD	7,659	23.2999	178,461
RMB	753,918	4.5775	3,451,053

(Concluded)

f. Bank book interest risk

1) Source and definition of bank book interest risk

Banking book's interest risk means the probably loss of non-banking book's position within balance sheet and off-balance sheet arise from interest change.

2) Bank book interest risk management strategy and process

The Bank controls this interest risk with a positive and strict attitude. The Bank hopes to pursue the stability and growth of surplus without liquidity flaws.

The Bank set the clear management methods and risk management indicators with different trading, investment and risk, and set the report of risk amount and over limit, approved level and reaction plan. The Bank executes the procedures clearly, establishes a trading discipline that upholds the discipline of investment, and controls the bank book interest risk within the limit.

3) Bank book interest risk management organization and framework

a) The Board of Directors: It is the top bank book interest risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the Board are the top stipulation in bank book interest risk.

b) Assets and Liabilities Committee: In charge of stipulating bank book interest risk management policy and monitoring the operating of bank book interest risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the bank book interest risk management conditions and the result of interest pressure test once a month.

c) Risk Management Department: In charge of bank book interest risk management. According to the Bank's regulation, the department is in charge of every operation related to bank book interest risk management, including planning of bank book interest risk limits, statistics, reporting and monitoring.

4) The extent and characteristics of the bank book interest risk report and evaluation system

The Risk Management Department set the regulation with bank book interest risk as follow, limit of position, Annual stop buying maximum loss limit, FS Sensitivity limit, duration/maturity limit, Individual Investment Target Warning Limits, Individual Investment Target stop buying limit, Earnings View Interest Rate Sensitivity Warning Limit-Rising/falling interest rates by 1bp, Net income interest rate sensitivity warning limit: Interest rate rise/fall 25bps, 50bps, 75bps, 100bps.

In summary, it is intended to enhance the risk control framework of bank book interest risk.

Besides, the Risk Management Department executes the following tests to assess the impact to the Bank's net income in each quarter, including the interest rate pressure test and special situation pressure test, and reports the result to the Assets and Liabilities Committee.

The Risk Management Department calculates the exposure amount of each trading departments and traders and reports the risk reports, monitors over-limits, and performs follow-up actions under the regulations.

g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

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	For the Year Ended December 31					
	2018			2017		
		Average Balance	Average Rate (%)		Average Balance	Average Rate (%)
Interest-earning assets						
Cash and cash equivalents - due from banks	$	1,094,656	2.33	$	931,686	2.04
Call loans to banks		9,580,197	1.34		6,296,975	1.07
Due from the Central Bank		4,327,135	0.67		3,333,761	0.71
Financial assets at FVTPL		45,155,273	0.62		39,544,611	0.56
Securities purchased under resell agreements		358,849	0.21		97,225	0.19
Discounts and loans		176,133,124	2.58		151,631,581	2.25
Available-for-sale financial assets		-	-		38,871,246	1.43
Held-to-maturity financial assets		-	-		820,566	0.99
Financial assets at FVTOCI	$	45,677,257	1.57	$	-	-
Financial assets at amortized costs		499,876	1.15		-	-
Receivables		4,009,381	1.29		3,098,236	1.26
Interest-bearing liabilities						
Deposits from the Central Bank and banks		34,530,412	1.74		38,358,810	1.13
Demand deposits		37,420,897	0.48		23,680,971	0.35
Time deposits		177,495,807	1.17		144,792,924	0.86
Notes and bonds issued under repurchase agreements		5,262,897	0.73		6,965,099	0.55
Bank notes payable		20,373,836	2.08		17,541,918	2.02
Other financial liabilities		4,946,764	-		5,415,837	-

(Continued)

(Concluded)

46. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Bank's common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis subject to the competent authorities. The calculation of the ratio mentioned above by the competent authority regulations.

b. Capital assessment program

Measures taken for capital assessment program are regular calculation, analysis, monitoring and reporting on various capital ratio and leverage ratio, allocating annually each business's capital adequacy ratio target and regularly tracking the target achievement rate in the capital ratio or when leverage ratio has deteriorated because of the circumstances.

c. Capital adequacy ratio

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(Unit: In Thousands of New Taiwan Dollars or in %)

Items \ Year			December 31, 2018	
			Own Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common stocks equity Tier 1		$ 23,857,101	$ 42,039,566
	Other Tier 1 capital		750,999	2,248,225
	Tier 2 capital		4,518,127	7,639,991
	Eligible capital		29,126,227	51,927,782
Risk-weighted assets	Credit risk	Standard	196,614,687	308,063,174
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	8,071,238	9,260,225
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	8,099,200	76,233,338
		Internal model approach	-	-
	Total risk-weighted assets		212,785,125	393,556,737
Capital adequacy ratio			13.69%	13.19%
Ratio of common stockholders' equity to risk-weighted assets			11.21%	10.68%
Ratio of Tier 1 capital to risk-weighted assets			11.56%	11.25%
Leverage ratio			7.16%	6.86%

(Unit: In Thousands of New Taiwan Dollars or in %)

<table>
<tr><th colspan="3" rowspan="2">Items / Year</th><th colspan="2">December 31, 2017</th></tr>
<tr><th>Own Capital Adequacy Ratio</th><th>Consolidated Capital Adequacy Ratio</th></tr>
<tr><td rowspan="4">Eligible capital</td><td colspan="2">Common stocks equity Tier 1</td><td>$ 20,691,448</td><td>$ 39,951,052</td></tr>
<tr><td colspan="2">Other Tier 1 capital</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Tier 2 capital</td><td>5,160,148</td><td>8,193,754</td></tr>
<tr><td colspan="2">Eligible capital</td><td>25,851,596</td><td>48,144,806</td></tr>
<tr><td rowspan="9">Risk-weighted assets</td><td rowspan="3">Credit risk</td><td>Standard</td><td>177,038,851</td><td>281,472,735</td></tr>
<tr><td>Internal rating based approach</td><td>-</td><td>-</td></tr>
<tr><td>Asset securitization</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Operational risk</td><td>Basic indicator approach</td><td>7,422,913</td><td>8,580,350</td></tr>
<tr><td>Standard/alternative standardized approach</td><td>-</td><td>-</td></tr>
<tr><td>Advanced measurement approach</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Market risk</td><td>Standard</td><td>4,165,338</td><td>69,522,775</td></tr>
<tr><td>Internal model approach</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Total risk-weighted assets</td><td>188,627,102</td><td>359,575,860</td></tr>
<tr><td colspan="3">Capital adequacy ratio</td><td>13.71%</td><td>13.39%</td></tr>
<tr><td colspan="3">Ratio of common stockholders' equity to risk-weighted assets</td><td>10.97%</td><td>11.11%</td></tr>
<tr><td colspan="3">Ratio of Tier 1 capital to risk-weighted assets</td><td>10.97%</td><td>11.11%</td></tr>
<tr><td colspan="3">Leverage ratio</td><td>7.24%</td><td>6.70%</td></tr>
</table>

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

Note 2: Formulas used were as follows:

1) Eligible capital = Common stock equity Tier 1 + Other Tier 1 capital + Tier 2 capital.
2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
4) Ratio of common stockholders' equity to risk-weighted assets = Common stock equity Tier 1 ÷ Risk-weighted assets.
5) Ratio of Tier 1 capital to risk-weighted assets = (Common stocks equity Tier 1 + Other Tier 1 capital) ÷ Risk-weighted assets.
6) Leverage ratio = Tier 1 capital ÷ Exposure amount.

According to the Banking Law and other related regulations, in order to improve the financial foundation of banks, in 2018 and 2017, the Bank and the Bank's capital adequacy ratio shall not be lower than 9.875% and 9.25%, respectively. The ratio of Tier 1 capital shall not be lower than 7.875% and 7.25%, respectively. The ratio of common stockholders' equity shall not be lower than 6.375% and 5.75%, respectively. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

47. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND DISCLOSURE OF RELATED INFORMATION OF INDUSTRY REGULATIONS OF MATURITY ANALYSIS OF ASSETS AND LIABILITIES

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 4.

2) Concentration of credit extensions

December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Group (unclassified other financial service)	$ 6,363,353	19.89
2	B Group (unclassified other financial service)	4,536,476	14.18
3	C Group (real estate development)	3,376,930	10.56
4	D Group (short-term accommodation activities)	3,344,736	10.46
5	E Group (ocean transportation)	3,194,081	9.98
6	F Group (LCD and component manufacturing)	2,563,619	8.01
7	G Group (real estate development)	2,538,157	7.93
8	H Group (manufacture of chemical material)	2,417,984	7.56
9	I Group (unclassified other financial service)	2,109,623	6.59
10	J Group (real estate development)	2,045,098	6.39

December 31, 2017

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Group (unclassified other financial service)	$ 6,525,400	22.28
2	E Group (ocean transportation)	3,619,243	12.36
3	F Group (LCD and component manufacturing)	3,525,096	12.04
4	G Group (real estate development)	3,464,541	11.83
5	H Group (manufacture of basic chemical material)	2,592,128	8.85
6	K Group (paper manufacturing)	2,543,725	8.69
7	D Group (short term accommodation activities)	2,405,555	8.21
8	L Group (real estate development)	2,197,560	7.50
9	M Group (financial lease)	2,018,580	6.89
10	N Group (semiconductor packaging and testing)	2,001,342	6.83

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)

December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 153,895,676	$ 3,701,113	$ 5,156,795	$ 59,203,989	$ 221,957,573
Interest rate-sensitive liabilities	80,313,253	45,671,299	41,035,656	45,437,973	212,458,181
Interest rate-sensitive gap	73,582,423	(41,970,186)	(35,878,861)	13,766,016	9,499,392
Net worth					29,476,185
Ratio of interest rate-sensitive assets to liabilities					104.47%
Ratio of interest rate sensitivity gap to net worth					32.23%

December 31, 2017

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 132,363,671	$ 16,508,687	$ 12,822,636	$ 32,594,222	$ 194,289,216
Interest rate-sensitive liabilities	86,513,208	38,462,306	25,665,659	37,448,522	188,089,695
Interest rate-sensitive gap	45,850,463	(21,953,619)	(12,843,023)	(4,854,300)	6,199,521
Net worth					27,562,030
Ratio of interest rate-sensitive assets to liabilities					103.30%
Ratio of interest rate sensitivity gap to net worth					22.49%

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank and excluded contingent assets and contingent liabilities items.
Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities 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).

Interest Rate Sensitivity Balance Sheet (U.S. Dollars)

December 31, 2018

(In Thousands of U.S. Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,496,271	$ 15,499	$ 36,800	$ 968,185	$ 2,516,755
Interest rate-sensitive liabilities	1,892,767	520,320	87,390	-	2,500,477
Interest rate-sensitive gap	(396,496)	(504,821)	(50,590)	968,185	16,278
Net worth					64,062
Ratio of interest rate-sensitive assets to liabilities					100.65%
Ratio of interest rate sensitivity gap to net worth					25.41%

December 31, 2017

(In Thousands of U.S. Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,462,640	$ 63,033	$ 13,009	$ 605,581	$ 2,144,263
Interest rate-sensitive liabilities	1,634,854	473,450	60,597	-	2,168,901
Interest rate-sensitive gap	(172,214)	(410,417)	(47,588)	605,581	(24,638)
Net worth					41,244
Ratio of interest rate-sensitive assets to liabilities					98.86%
Ratio of interest rate sensitivity gap to net worth					(59.74%)

Note 1: The above amounts included only U.S. dollar amounts held by the Bank and excluded 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 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 U.S. dollars).

c. Liquidity risk

1) Profitability

(In %)

Items		For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Return on total assets	Before income tax	0.36	0.44
	After income tax	0.30	0.38
Return on equity	Before income tax	3.68	4.18
	After income tax	3.12	3.65
Net income ratio		20.18	23.79

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets.
Note 2: Return on equity = Income before (after) income tax ÷ Average equity.
Note 3: Net income ratio = Income after income tax ÷ Total net revenue.
Note 4: Income before (after) income tax represents income for the year ended December 31, 2018 and 2017.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$261,684,702	$ 66,366,860	$ 21,782,255	$ 22,834,590	$ 18,588,439	$ 19,785,994	$112,326,564
Main capital outflow on maturity	299,504,646	31,670,930	36,010,964	52,474,249	41,206,123	49,853,927	88,288,453
Gap	(37,819,944)	34,695,930	(14,228,709)	(29,639,659)	(22,617,684)	(30,067,933)	24,038,111

December 31, 2017

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$252,606,042	$ 49,236,605	$ 24,824,432	$ 23,689,243	$ 24,869,925	$ 24,659,688	$105,326,149
Main capital outflow on maturity	280,759,592	31,102,800	26,089,592	70,432,107	39,733,662	37,165,578	76,235,853
Gap	(28,153,550)	18,133,805	(1,265,160)	(46,742,864)	(14,863,737)	(12,505,890)	29,090,296

Note: The Bank amounts refer to the total NTD amounts of the overall Group.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,865,995	$ 1,551,474	$ 698,979	$ 509,652	$ 324,982	$ 780,908
Main capital outflow on maturity	4,008,431	1,858,382	1,012,637	522,411	207,076	407,925
Gap	(142,436)	(306,908)	(313,658)	(12,759)	117,906	372,983

December 31, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 4,243,908	$ 1,338,861	$ 832,448	$ 730,436	$ 364,296	$ 977,867
Main capital outflow on maturity	4,607,286	1,832,992	1,255,648	685,934	251,943	580,769
Gap	(363,378)	(494,131)	(423,200)	44,502	112,353	397,098

Note 1: The Bank amounts refer to the total USD amounts of the overall Group.
Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,071,742	$ 487,386	$ 155,816	$ 43,623	$ 20,899	$ 364,018
Main capital outflow on maturity	1,071,400	510,060	289,780	90,435	45,654	135,471
Gap	342	(22,674)	(133,964)	(46,812)	(24,755)	228,547

December 31, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 977,316	$ 368,760	$ 140,038	$ 26,708	$ 54,264	$ 387,546
Main capital outflow on maturity	1,038,812	425,441	351,170	31,952	47,815	182,434
Gap	(61,496)	(56,681)	(211,132)	(5,244)	6,449	205,112

48. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees and b. Names, locations, and other information of investees over which the Bank exercises significant influence.

1) Financing provided: The Bank - not applicable; investees - Table 1 (attached)

2) Endorsement/guarantee provided: The Bank - not applicable; investees - Table 2 (attached)

3) Marketable securities held: The Bank - not applicable; investees - Table 3 (attached)

4) The amount of buying or selling stocks for joint venture is at least $300 million or 10% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

6) Disposal of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

7) Allowance of service fees to related parties amounting to at least $5 million: None

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: None

9) Sale of nonperforming loans: None

10) Information of applying for authorization of securitized product type according to the "Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization": None

11) Other significant transactions which may affect the decisions of users of individual financial reports: None

12) Related information and total stockholding circumstances of "Name, locations and other information of investees on which the Bank exercises significant influence." Table 5 (attached)

13) Derivative instrument transactions: Note 8

b. Investment in mainland China: Table 6 (attached)

O-BANK CO., LTD.

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2018

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount
1	IBT Leasing	Lei Xin Construction	Account receivable - short-term accommodations	No	$ 112,960	$ 91,560	$ 91,560
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	23,591	8,601	8,601
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	23,591	8,601	8,601
		General Energy Solutions	Account receivable - short-term accommodations	No	15,730	2,324	2,324
		San Rong Fisheries Corp.	Account receivable - short-term accommodations	No	20,952	13,080	13,080
		Shanyue development Co., Ltd.	Account receivable - short-term accommodations	No	165,000	165,000	165,000
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	167,100	167,100	57,100
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	47,506	18,253	18,253
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	30,000	30,000	-
		Power Home Construction	Account receivable - short-term accommodations	No	188,100	82,500	82,500
		General Energy Solutions	Account receivable - short-term accommodations	No	58,000	43,994	43,994
		Shinex Machinery Engineering Inc.	Account receivable - short-term accommodations	No	30,000	15,668	15,668
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	40,000	29,691	29,691
		Advanced Wireless and Antenna INC.	Account receivable - short-term accommodations	No	30,000	28,231	28,231
		Sun Shen Construction	Account receivable - short-term accommodations	No	90,000	-	-
		Jiin Ming Industry Co., Ltd.	Account receivable - short-term accommodations	No	40,000	-	-
		Teroko Textile Corp.	Account receivable - short-term accommodations	No	46,667	-	-
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	33,968	-	-
		Greatland electronics Taiwan Ltd.	Account receivable - short-term accommodations	No	30,000	-	-

TABLE 1

(In Thousands of New Taiwan Dollars)

Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Note 4, 5)	Note
					Item	Value			
2-8	2	$ -	Working capital turnover	$ 5,648	Real estate	$ 124,389	$ 204,521	$ 818,084	
2-8	1	30,000	Working capital turnover	125	Real estate	24,288	204,521	2,045,209	
2-8	2	-	Working capital turnover	125	Real estate	24,288	204,521	818,084	
2-8	2	-	Working capital turnover	4	Margin	2,000	204,521	818,084	
2-8	2	-	Working capital turnover	13,080	Margin	5,000	204,521	818,084	
2-8	2	-	Working capital turnover	3,465	Real estate	88,310	204,521	818,084	
2-8	2	-	Working capital turnover	1,199	Performance bond	11,000	204,521	818,084	
2-8	2	-	Working capital turnover	305	Margin	10,000	204,521	818,084	
2-8	2	-	Working capital turnover	-	-	-	204,521	818,084	
2-8	2	-	Working capital turnover	1,196	Real estate	231,671	204,521	818,084	
2-8	1	77,159	Working capital turnover	554	Margin	5,800	204,521	2,045,209	
2-8	2	-	Working capital turnover	329	-	-	204,521	818,084	
2-8	2	-	Working capital turnover	344	Margin	6,000	204,521	818,084	
2-8	2	-	Working capital turnover	823	Margin	10,916	204,521	818,084	
2-8	2	-	Working capital turnover	-	-	-	204,521	818,084	
2-8	2	-	Working capital turnover	-	-	-	204,521	818,084	
2-8	2	-	Working capital turnover	-	Stock	-	204,521	818,084	
2-8	1	50,000	Working capital turnover	-	Margin	7,500	204,521	2,045,209	
2-8	2	-	Working capital turnover	-	Margin	12,000	204,521	818,084	

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount
2	IBT International Leasing Corp.	Qingdao Liansheng Industry Co., Ltd.	Entrusted loans	Yes	179,140	83,897	83,897
		San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	Yes	218,717	-	-
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	66,117	19,774	19,774
		Shanghai Kuang Di Entertainment Co., Ltd.	Entrusted loans	No	54,484	19,484	19,484
		Shanghai Qiaoyou Garment Co., Ltd.	Entrusted loans	No	37,655	12,328	12,328
		Qiangsheng (Shanghai) Multimedia Co., Ltd.	Entrusted loans	No	62,699	47,299	47,299
		Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loans	N0	89,570	62,699	62,699
		Dong Sheng Machine Co., Ltd.	Entrusted loans	No	44,785	41,448	41,448
3	IBT Tianjin International Leasing Corp.	San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	Yes	65,615	-	-

(Continued)

Note 1: Explanation:
a. Issuing entity: 0.
b. Invested companies were sequentially numbered from No. 1.

Note 2: Loan type: Business "1"; short-term financial intermediation "2".

Note 3: IBT Leasing, IBT International Leasing Corp. and IBT Tianjin International Leasing Corp. loaned to individual company were limited by 10% net assets.

Note 4: Each issuing entity's total amount of loans was limited to 40% of IBT Leasing Corp.'s, IBT International Leasing Corp.'s and IBT Tianjin International Leasing Corp.'s net assets. The loan mentioned formerly which belongs to business transactions is limited to 100%.of the Corporation net assets.

(Concluded)

Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Note 4, 5)	Note
					Item	Value			
6-16	2	-	Working capital turnover	1,804	Real estate	123,472	194,481	777,925	
6-16	2	-	Working capital turnover	-	-	-	194,481	777,925	
6-16	2	-	Working capital turnover	69	Real estate	90,354	194,481	777,925	
6-16	2	-	Working capital turnover	97	Real estate	41,802	194,481	777,925	
6-16	2	-	Working capital turnover	62	Real estate	26,016	194,481	777,925	
6-16	2	-	Working capital turnover	192	Real estate and margin	60,805	194,481	777,925	
6-16	2	-	Working capital turnover	313	Real estate	69,135	194,481	777,925	
6-16	2	-	Working capital turnover	207	Real estate	35,407	194,481	777,925	
9-11	2	-	Working capital turnover	-	-	-	13,758	55,032	

O-BANK CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period
		Name	Relationship (Note 1)			
1	IBT Leasing	IBT International Leasing Corp.	b	$ 16,361,672	$ 12,831,457	$ 12,096,460
2	IBT Leasing	IBT Tianjin International Leasing Corp.	c	16,361,672	4,528,366	-

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:
- a. Trading partner.
- b. Directly owns over 50% of the common stocks of the subsidiary.
- c. The Bank and subsidiary own over 50% ownership of the investee company.
- d. A parent company that own over 50% ownership of the company directly or through a subsidiary.
- e. Guaranteed by the Bank according to the construction contract.
- f. An investee company, for which the guarantees were provided based on the Bank's proportionate share in the investee company.

Note 2: Based on the Bank's guidelines, the maximum amount of guarantee to IBT International Leasing Corp. is up to eight times of the Bank's net value under direct and indirect holding voting right of stockholders; the maximum amount of guarantee to the Bank is up to twelve times of the Bank's net value.

Note 3: The endorsement belongs to the grandson company from IBT International Leasing Corp.

TABLE 2

(In Thousands of New Taiwan Dollars)

Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
$ 6,622,742	$ -	591.45	$ 24,542,508	Yes	No	Yes
-	-	0.00	24,542,508	Yes	No	Yes

O-BANK CO., LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company
IBT Holdings	Stocks	
	EverTrust Bank	Subsidiaries
IBT Management Corp.	Open type beneficiary certificate	
	Taishin Ta-Chong Money Market Fund	-
	Uni Money Market Fund	-
	Closed type beneficiary certificate	
	O-Bank Real Estate Investment Trust "Successful One"	-
	Stocks	
	Gatetech Technology Co., Ltd.	-
IBT Leasing Co., Ltd.	Stocks	
	IBT International Leasing Corp.	Subsidiaries
	IBT Tianjin International Leasing Corp.	Subsidiaries
	IBT VII Venture Capital Co., Ltd.	Subsidiaries
IBT VII Venture Capital Co., Ltd.	Closed type beneficiary certificate	
	O-Bank Real Estate Investment Trust "Successful One"	-
	Stocks	
	IBT Tianjin International Leasing Corp.	Subsidiaries
	EirGenix Co., Ltd.	-
	TAIRX Corp.	-
	Meridigen Corp.	-
	Femcosteel Tech Co., Ltd.	-
	Shihlian China Holdings Corp.	-
	New Applied Materials Co., Ltd.	-
	Polaris Co., Ltd.	-

Note: The holding company is registered in Hong Kong. The registered capital stock and number of stocks are in Hong Kong dollars and Hong Kong stocks.

TABLE 3

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Statement Account	December 31, 2018				Note
	Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Investments accounted for using the equity method	10,714	US$ 160,549	91.78	$ 160,549	
Financial asset at FVTPL	750	10,643	-	10,643	
Financial asset at FVTPL	803	10,560	-	10,560	
Financial asset at FVTOCI	15,319	131,131	-	131,131	
Financial asset at FVTOCI	92	1,067	0.33	1,067	
Investments accounted for using the equity method	-	1,944,811	100.00	1,944,811	
Investments accounted for using the equity method	-	53,656	39.00	53,656	
Investments accounted for using the equity method	65,000	397,015	100.00	397,015	
Financial asset at FVTOCI	14,000	119,840	-	119,840	
Investments accounted for using the equity method	-	92,969	61.00	83,924	
Financial asset at FVTPL	722	22,266	0.58	22,266	
Financial asset at FVTPL	1,842	37,356	2.74	37,356	
Financial asset at FVTPL	500	11,699	0.56	11,699	
Financial asset at FVTPL	1,498	29,234	3.63	29,234	
Financial asset at FVTPL	9,135 (Note)	30,218	0.24	30,218	
Financial asset at FVTPL	330	10,357	0.59	10,357	
Financial asset at FVTPL	140	4,207	0.05	4,207	

O-BANK CO., LTD.

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE

DECEMBER 31, 2018 AND 2017

Period			December 31, 2018		
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)
Corporate banking	Secured		$ 21,623	$ 85,631,246	0.03
	Unsecured		-	85,108,167	-
Consumer banking	Housing mortgage (Note 4)		-	8,074,049	-
	Cash card		-	-	-
	Small-scale credit loans		5,714	3,245,770	0.18
	Other	Secured	-	-	-
		Unsecured	-	-	-
Total lending business			27,337	182,059,232	0.02
			Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables
Credit cards			-	-	-
Factored accounts receivable without recourse (Note 5)			-	4,714,725	-

	Exempt from Reporting the Total Balance of Overdue Loans
Exempt amount - due to debt negotiation and performance (Note 6)	$ -
Debt settlement plan and rehabilitative program (Note 7)	-
Total	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans."

Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.

Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factored accounts receivable without recourse are reported as nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 6: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the "Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association" should include supplemental disclosures of related matters.

Note 7: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 date September 20, 2016 regarding the "Consumer Debt Clearance Regulations" for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters.

TABLE 4

(In Thousands of New Taiwan Dollars or in %)

December 31, 2018		December 31, 2017				
Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
$ 1,036,438	4,793.22	$ 415,307	$ 68,463,348	0.61	$ 814,680	196.16
1,480,041	-	-	91,147,921	-	1,520,555	-
121,111	-	-	5,001,783	-	75,027	-
-	-	-	-	-	-	-
33,214	581.27	135	559,979	0.02	5,627	4,168.15
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,670,804	9,769.92	415,442	165,173,031	0.25	2,415,889	581.52
Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
-	-	-	-	-	-	-
50,500	-	-	4,592,967	-	51,390	-

Exempt from Reporting the Total Balance of Overdue Account Receivable	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Account Receivable
$ -	$ -	$ -
-	-	-
-	-	-

O-BANK CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2018

Investee Company	Location	Main Business
Financial institution		
Investments accounted for using the equity method		
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities
IBT Holdings Corp.	California, America	Holding company
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company
IBT Management Corp.	Taipei City, Taiwan	Investment consulting
Non-financial institution		
Investments accounted for using the equity method		
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting
Financial assets at FVTOCI		
Kung Long Batteries Industrial.	Nantou City, Taiwan	Chemical petroleum material manufacturing
Chailease Holding Company Limited.	Taipei City, Taiwan	Other financial and auxiliary industries
Delta electronics Inc.	Taipei City, Taiwan	Other electronic components related industries
Advantech Co., Ltd.	Taipei City, Taiwan	Computer system integration service industry
Taiwan Semiconductor Manufacturing Company, Limited	Hsinchu City, Taiwan	Integrated circuit manufacturing
Chunghwa Telecom Co., Ltd.	Taipei City, Taiwan	Telecommunication
Novatek microelectronics Corp.	Hsinchu City, Taiwan	Semiconductor
Taiwan Mobile Co., Ltd.	Taipei City, Taiwan	Telecommunication
Reber Genetics Co., Ltd.	Taipei City, Taiwan	Biotech research and development
TTBio Corporation Inc.	Taichung City, Taiwan	Medical equipment manufacturing
Thevax Genetics Vaccine Co., Ltd.	Taipei City, Taiwan	Cancer vaccine development
Mosa Industrial Corporation	Yunlin County, Taiwan	Equipment manufacturing

TABLE 5

(In Thousands of New Taiwan Dollars)

Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
			Stocks (Thousands)	Pro-forma Share of Ownership	Total		
					Stocks (Thousands)	Percentage of Ownership (%)	
28.37	$ 6,542,494	$ 378,842	382,532	-	382,532	28.48	
100.00	4,976,750	346,189	10,869	-	10,869	100.00	
100.00	2,036,163	140,702	264,300	-	264,300	100.00	
100.00	211,733	(510)	13,400	-	13,400	100.00	
99.75	353,262	10,247	318,281	-	318,281	99.75	
0.20	23,200	-	160	-	160	0.20	
0.02	19,380	-	200	-	200	0.02	
0.01	32,375	-	251	-	251	0.01	
0.03	43,363	-	206	-	206	0.03	
-	90,200	-	403	-	403	-	
0.01	56,500	-	508	-	508	0.01	
0.02	21,300	-	150	-	150	0.02	
0.02	57,084	-	536	-	536	0.02	
4.76	9,812	-	3,481	-	3,481	4.76	
7.48	48,092	-	1,799	-	1,799	7.48	
1.09	3,528	-	1,008	-	1,008	1.09	
0.47	26,946	-	726	-	726	0.47	

Investee Company	Location	Main Business
TaiRx	Taipei City, Taiwan	Biotech research and development
Simplo technology Co., Ltd.	Hsinchu City, Taiwan	Battery manufacturing
Progate Group Corporation	Taipei City, Taiwan	Wholesale of electronic materials
Intumit Inc.	New Taipei City, Taiwan	Information system wholesaler and retailer
Chipwell Tech Corporation	Hsinchu City, Taiwan	Electronic component manufacturing
Knowledge Freeway Co., Ltd.	Taipei City, Taiwan	Information system wholesaler and retailer
ADL Engineering Co., Ltd.	Hsinchu County, Taiwan	Electronic component manufacturing
Echem Solutions Corp.	Taoyuan City, Taiwan	Wholesale of electronic materials
Nisho Image Tech, Inc.	New Taipei City, Taiwan	L.E.D. printer output
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry
Shihlien China Holding Co., Ltd.	Hong Kong	Chemical Industries
Dio Investment Ltd.	Cayman Island	Coffee retail
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing
BioResource International Inc.	America	Agricultural biotechnology industry
Topping Cuisine International Holdings Limited	Cayman Island	Retail restaurant management
Beauty Essentials International Ltd. (Samoa)	Samoa	Cosmetic products wholesale

Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
			Stocks (Thousands)	Pro-forma Share of Ownership	Total		
					Stocks (Thousands)	Percentage of Ownership (%)	
4.83	65,930	-	3,251	-	3,251	4.83	
0.12	45,760	-	220	-	220	0.12	
4.35	18,761	-	1,444	-	1,444	4.35	
6.93	10,748	-	1,385	-	1,385	8.42	
2.61	2,936	-	391	-	391	2.61	
25.02	12,633	-	1,251	-	1,251	25.02	
0.09	62	-	11	-	11	0.09	
0.28	4,831	-	154	-	154	0.28	
0.91	613	-	410	-	410	0.91	
0.50	1,814	-	300	-	300	0.50	
1.21	172,605	-	52,182	-	52,182	1.21	
8.82	63,484	-	6,997	-	6,997	8.82	
2.18	63,366	-	244	-	244	2.18	
5.72	70,860	-	1,105	-	1,105	5.72	
2.17	24,283	-	500	-	500	2.17	
2.41	74,296	-	25,974	-	25,974	2.41	

O-BANK CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2018

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 24,596,745 (US$ 800,000)	Note 1 c.	$ 212,085 (US$ 6,898)
Shinlien Brine Huaian Co.	Production of glass materials	983,870 (US$ 32,000)	Note 1 c.	10,238 (US$ 333)
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	590,322 (US$ 19,200)	Note 1 c.	61,492 (US$ 2,000)
Ou Suomiluo Food Co., Ltd.	Coffee retailing	44,785 (RMB 10,000)	Note 1 c.	15,373 (US$ 500)
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	243,185 (RMB 54,300)	Note 1 c.	61,492 (US$ 2,000)
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	133,130 (US$ 4,330)	Note 1 c.	17,986 (US$ 585)
Topping Cuisine International Holding, Ltd.	Food retailing	159,879 (US$ 5,200)	Note 1 c.	17,986 (US$ 585)
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,149 (US$ 200)	Note 1 c.	123 (US$ 4)
Beauty Essential International, Ltd.	Cosmetic retailing	92,238 (US$ 3,000)	Note 1 c.	24,166 (US$ 786)

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$420,941 (US$13,691)	$420,941 (US$13,691)	Note 3

TABLE 6

(New Taiwan Dollars and U.S. Dollars in Thousands, Unless Stated Otherwise)

Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
Outflow	Inflow					
$ -	$ -	$ 212,085 (US$ 6,898)	1.39	$ -	$ 212,085 (US$ 6,898)	$ -
-	-	10,238 (US$ 333)	1.39	-	10,238 (US$ 333)	-
-	-	61,492 (US$ 2,000)	2.09	-	61,492 (US$ 2,000)	-
-	-	15,373 (US$ 500)	2.09	-	15,373 (US$ 500)	-
-	-	61,492 (US$ 2,000)	2.175	-	61,492 (US$ 2,000)	-
-	-	17,986 (US$ 585)	2.17	-	17,986 (US$ 585)	-
-	-	17,986 (US$ 585)	2.17	-	17,986 (US$ 585)	-
-	-	123 (US$ 4)	2.17	-	123 (US$ 4)	-
-	-	24,166 (US$ 786)	2.64	-	24,166 (US$ 786)	-

(Continued)

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018
IBT International Leasing Corp.	Leasing	$ 1,383,567 (US$ 45,000)	Note 1 d.	$ 922,378 (US$ 30,000)
IBT Tianjin International Leasing Corp.	Leasing	614,918 (US$ 20,000)	Note 1 d.	239,818 (US$ 7,800)

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,623,385 (US$52,800)	$1,623,385 (US$52,800)	Note 4

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018
IBT Tianjin International Leasing Corp.	Leasing	$ 614,918 (US$ 20,000)	Note 1 d.	$ 375,100 (US$ 12,200)

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$375,100 (US$12,200)	$375,100 (US$12,200)	$238,209

Note 1: There were five investment approaches stated as follows.

a. Investment in mainland China by remittance via a third country.

b. Indirect investment in mainland China via setting a company in a third country.

c. Indirect investment in mainland China via investing in a current company in a third country. (Via investing Shilien China Holding Co., Limited, Dio Investment, Ltd., Shengzhuang Holding, Ltd., Topping Cusine International Holding, Ltd., and Beauty Essential International, Ltd.)

d. Direct investment in mainland China.

e. Others.

(Continued)

Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
Outflow	Inflow					
$ 461,189 (US$ 15,000)	$ -	$ 1,383,567 (US$ 45,000)	100.00	$ 281,949 (Note 2)	$ 1,944,811	$ -
-	-	239,818 (US$ 7,800)	100.00 (Note 5)	(37,054) (Note 2)	53,656	-

Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
Outflow	Inflow					
$ -	$ -	$ 375,100 (US$ 12,200)	61.00	$ (57,957) (Note 2)	$ 92,969	$ -

Note 2: Investment gain or loss.
a. No investment gain or loss for the reason of being under preparation.
b. Recognition of investment gain or loss is classified as follows.
1) From financial statements reviewed by international accounting firms in cooperation with accounting firms in the Republic of China.
2) From financial statements reviewed by certified public accountants of parent company in the Republic of China.
3) Others.

Note 3: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2017, so it is not under "the regulation of investing or technology-cooperation in China".

Note 4: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial Bureau of the Ministry of Economic Affairs in line with the operational headquarters in September 2018, so it is not under "the regulation of investing or technology-cooperation in China".

Note 5: IBT Leasing Co., Ltd. holds 39% stock of IBT Tianjin International Leasing Corp. directly and 61% indirectly through IBT VII Venture Capital Co., Ltd.

Note 6: The accumulated investment amount, profit or loss recognized during the period and the investment book value at the end of the period of IBT Tianjin International Leasing Corp. are recognized by IBT Leasing Co., Ltd. for 39% equity.

(Concluded)

O-BANK CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

STATEMENT 1

O-BANK CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FVTPL

DECEMBER 31, 2018

(Amounts in Thousands of USD and NTD/Unit in Thousand)

Item	Remark	Share (In Thousands)	Total Face Value (In Thousands)	Rate (%)	Acquisition Cost	Valuation Adjustment	Fair Value	
							Unit Price	Total Amount
Financial assets mandatorily classified as at FVTPL								
Convertible bonds - domestic								
China Airlines 6	Expired on January 30, 2021	-	50,000		$ 50,000	$ 1,220		$ 51,220
China Airlines 6	Expired on January 30, 2021	-	30,000		30,000	732		30,732
China Airlines 6	Expired on January 30, 2021	-	20,000		20,000	488		20,488
					100,000	2,440		102,440
Convertible bonds - overseas								
ZDT 103	Expired on June 26, 2019	-	307,459		307,459	1,315		308,774
Structured debt								
HSBC Float 09/01/22	Expired on September 1, 2022	-	614,919		614,919	(4,305)		610,614
Financial assets at FVTPL								
Derivative financial assets								
Foreign exchange forward contracts		-	-		-	737,996		737,996
Forward contracts		-	-		-	20,262		20,262
Interest rate swap contracts		-	-		-	39,083		39,083
					-	797,341		797,341
Non-derivative financial assets								
Negotiable certificates of deposit		-	-	0.45-0.63	51,755,000	(15,403)		51,739,597
Government bonds								
A07101	Expired on January 12, 2023	-	-		49,898	11		49,909
A07109	Expired on October 17, 2028	-	-		50,029	31		50,060
					99,927	42		99,969
Stocks and beneficiary certificates of listed company								
REXON		120,000			7,425	1,155	71.50	8,580
SINBON		10,000			828	-	82.80	828
NOVATEK		73,000			10,333	33	142.00	10,366
UNIMICRON		108,000			2,436	(27)	22.30	2,409
UTECHZONE		28,000			1,960	(9)	69.70	1,951
TAIDOC		88,000			15,306	226	176.50	15,532
DAXIN		35,000			3,307	(52)	93.00	3,255
EUROCHARM		316,000			35,636	(244)	112.00	35,392
CHAILEASE		197,000			18,640	449	96.90	19,089
SMP		73,000			13,972	1,212	208.00	15,184
WNC		10,000			799	-	79.90	799

Item	Remark	Share (In Thousands)	Total Face Value (In Thousands)	Rate (%)	Acquisition Cost	Valuation Adjustment	Fair Value	
							Unit Price	Total Amount
AMAZING		6,000			420	-	70.00	420
JMC		72,000			7,458	391	109.00	7,849
KRTC		3,845			38,787	1,083	10.37	39,870
					157,307	4,217		161,524
					$53,034,612	$ 785,647		$53,820,259

Note: The company pledges the negotiable certificates of deposit amount of $11,060,000 thousand as the collateral for the trust compensation reserve, bond settlement reserve and interest rate swap for the year ended December 31, 2018.

STATEMENT 2

O-BANK CO., LTD.

STATEMENT OF DISCOUNTS AND LOANS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount
Short-term	
Loan	$ 21,691,887
Guarantee loan	27,642,827
	49,334,714
Medium-term	
Loan	64,413,644
Guarantee loan	54,558,587
	118,972,231
Long-term	
Loan	1,684,426
Guarantee loan	11,466,599
	13,151,025
Export bill negotiated	50,167
Accounts receivable financing	508,098
Secured overdrafts	15,660
Overdue loans	27,337
	182,059,232
Less: Allowance for credit losses	2,670,804
Discounts and loans, net	$ 179,388,428

O-BANK CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FVTOCI

DECEMBER 31, 2018

Item	Remark	Share (In Thousands)	Total Face Value (Foreign Currencies in Thousands)
Stock of listed company - domestic			
Novatek Microelectronics Corp.		150	$ -
Chailease Holding Company Limited		200	-
Kung Long Batteries Industrial Co., Ltd.		160	-
Delta Electronics, Inc.		250	-
Taiwan Semiconductor Manufacturing Co., Ltd.		400	-
Advantech Co., Ltd.		206	-
Chunghwa Telecom Co., Ltd		500	-
Taiwan Mobile Co., Ltd.		536	-
Stock of listed company in OTC - domestic			
Simplo Technology Co., Ltd.		220	-
Emerging stock-Domestic			
Reber Genetics Co., Ltd.		2,322	-
TTBIO Corp.		1,799	-
Mosa Industrial Corporation		726	-
TaiRx, Inc.		3,251	-
Stock of unlisted company - domestic			
Chipwell Tech Corp.		391	-
ADL Engineering Inc.		11	-
Richang Electronics Co., Ltd.		410	-
TheVax Genetics Vaccine Co., Ltd		1,008	-
INTUMIT Inc.		881	-
Knowledge Freeway Co., Ltd		960	-
eChem solutions Corp.		154	-
Progate Group Corporation.		1,444	-
Taiwan Mobile Payment Co., Ltd		300	-
Stock of unlisted company - foreign			
Dio Investment Ltd.		6,997	-
Shihlien China Holding Co., Ltd.		52,182	-
Shengzhuang Holdings Limited		244	-
Topping Cuisine International Holdings Limited		500	-
BioResource International Inc.		1,105	-
Beauty Essentials International Ltd. (Samoa)		25,974	-

STATEMENT 3

(Amounts in Thousands of USD, HKD and NTD/Unit in Thousand)

Percentage of Ownership (%)	Acquisition Cost	Accumulated Impairment Loss	Valuation Adjustment	Net Investment	Fair Value	
					Unit Price	Total Amount
0.02	$ 19,198	$ -	$ 2,102	$ 21,300	$ 142.00	$ 21,300
0.02	18,913	-	467	19,380	96.90	19,380
0.20	24,466	-	(1,266)	23,200	145.00	23,200
0.01	29,927	-	2,448	32,375	129.50	32,375
-	90,111	-	89	90,200	225.50	90,200
0.03	45,280	-	(1,917)	43,363	210.50	43,363
0.01	51,664	-	4,836	56,500	113.00	56,500
0.02	57,628	-	(544)	57,084	106.50	57,084
	337,187	-	6,215	343,402		343,402
0.12	40,791	-	4,969	45,760	208.00	45,760
3.17	86,280	-	(76,468)	9,812	4.23	9,812
7.48	52,069	-	(3,977)	48,092	26.73	48,092
0.47	14,156	-	12,791	26,947	37.10	26,947
4.83	48,765	-	17,165	65,930	20.28	65,930
	201,270	-	(50,489)	150,781		150,781
2.61	10,804	-	(7,867)	2,937	7.50	2,937
0.09	4,562	-	(4,500)	62	5.74	62
0.91	4,961	-	(4,348)	613	1.50	613
1.09	60,480	-	(56,952)	3,528	3.50	3,528
4.41	14,244	-	(3,496)	10,748	12.20	10,748
19.20	22,770	-	(10,137)	12,633	13.16	12,633
0.28	5,487	-	(657)	4,830	31.39	4,830
4.35	51,936	-	(33,175)	18,761	12.99	18,761
0.50	3,000	-	(1,186)	1,814	6.05	1,814
	178,244	-	(122,318)	55,926		55,926
8.82	74,687	-	(11,203)	63,484	9.07	63,484
1.21	227,528	-	(54,924)	172,604	3.31	172,604
2.18	60,030	-	3,336	63,366	259.44	63,366
2.17	35,018	-	(10,735)	24,283	48.57	24,283
5.72	59,996	-	10,864	70,860	64.13	70,860
2.41	63,500	-	10,797	74,297	2.86	74,297
	520,759	-	(51,865)	468,894		468,894

Item	Remark	Share (In Thousands)	Total Face Value (Foreign Currencies in Thousands)
Domestic government bonds			
A01105	Expired on March 7, 2022	-	NT$ 2,250,000
A03102	Expired on January 20, 2019	-	NT$ 300,000
A00109	Expired on September 30, 2021	-	NT$ 1,500,000
A01105	Expired on March 7, 2022	-	NT$ 1,750,000
A01109	Expired on September 24, 2022	-	NT$ 1,500,000
A02106	Expired on March 6, 2023	-	NT$ 1,500,000
A03106	Expired on March 3, 2024	-	NT$ 2,500,000
A03113	Expired on September 26, 2024	-	NT$ 1,450,000
A04112	Expired on September 11, 2025	-	NT$ 1,300,000
A01105	Expired on March 7, 2022	-	NT$ 200,000
A01109	Expired on September 24, 2022	-	NT$ 800,000
A01202	Expired on May 24, 2022	-	NT$ 300,000
A02110	Expired on September 18, 2023	-	NT$ 600,000
A03104	Expired on February 14, 2019	-	NT$ 1,200,000
A03106	Expired on March 3, 2024	-	NT$ 300,000
A03110	Expired on July 18, 2019	-	NT$ 300,000
A03113	Expired on September 26, 2024	-	NT$ 400,000
A04105	Expired on March 13, 2025	-	NT$ 800,000
A04109	Expired on June 12, 2020	-	NT$ 200,000
A04112	Expired on September 11, 2025	-	NT$ 300,000
A06102	Expired on January 23, 2022	-	NT$ 450,000
A06105	Expired on April 21, 2022	-	NT$ 2,400,000
A89113	Expired on November 14, 2020	-	NT$ 300,000
A92103	Expired on February 18, 2023	-	NT$ 50,000
A99108	Expired on September 21, 2020	-	NT$ 400,000
Foreign government bonds			
HKTB 0 04/17/19	Expired on April 17, 2019	-	HK$ 100,000
HKTB 0 05/15/19	Expired on May 15, 2019	-	HK$ 100,000
HKTB 0 06/12/19	Expired on June 19, 2019	-	HK$ 100,000
Bank notes payable			
P07 HSBC 1	Expired on March 28, 2021	-	NT$ 200,000
WSTP Float 01/11/23	Expired on January 11, 2023	-	US$ 5,000
BNP 23-AUG-2021 FRN MTN	Expired on August 23, 2021	-	US$ 15,000
CITNAT Float 06/09/22	Expired on June 9, 2022	-	US$ 20,000
EIBKOR Float 07/05/22	Expired on July 5, 2022	-	US$ 10,000
KDB Float 10/30/22	Expired on October 30, 2022	-	US$ 25,000
FIB_BOCTB	Expired on June 30, 2020	-	CNY 100,000
BCHINA Float 08/08/22	Expired on August 8, 2022	-	US$ 2,000
ANZNZ Float 01/25/22	Expired on January 25, 2022	-	US$ 10,000
ASBBNK Float 06/14/23	Expired on June 14, 2023	-	US$ 10,000
ANZ Float 06/01/21	Expired on June 1, 2021	-	US$ 25,000

Percentage of Ownership (%)	Acquisition Cost	Accumulated Impairment Loss	Valuation Adjustment	Net Investment	Fair Value	
					Unit Price	Total Amount
	2,255,622	-	35,978	2,291,600		2,291,600
	300,006	-	86	300,092		300,092
	1,524,899	-	(439)	1,524,460		1,524,460
	1,781,348	-	1,008	1,782,356		1,782,356
	1,525,067	-	20	1,525,087		1,525,087
	1,527,006	-	(92)	1,526,914		1,526,914
	2,561,258	-	34,934	2,596,192		2,596,192
	1,518,854	-	1,029	1,519,883		1,519,883
	1,326,809	-	1,140	1,327,949		1,327,949
	203,453	-	245	203,698		203,698
	812,066	-	1,314	813,380		813,380
	$ 305,421	$ -	$ 475	$ 305,896		$ 305,896
	627,884	-	788	628,672		628,672
	1,200,016	-	716	1,200,732		1,200,732
	311,693	-	(150)	311,543		311,543
	300,154	-	886	301,040		301,040
	417,457	-	1,821	419,278		419,278
	839,733	-	1,078	840,811		840,811
	200,537	-	892	201,429		201,429
	305,869	-	580	306,449		306,449
	450,569	-	675	451,244		451,244
	2,405,568	-	1,392	2,406,960		2,406,960
	323,469	-	3,348	326,817		326,817
	53,617	-	66	53,683		53,683
	402,099	-	2,005	404,104		404,104
	23,480,474	-	89,795	23,570,269		23,570,269
	390,776	-	(288)	390,488		390,488
	390,283	-	(313)	389,970		389,970
	389,696	-	(238)	389,458		389,458
	1,170,755	-	(839)	1,169,916		1,169,916
	200,000	-	(514)	199,486		199,486
	152,391	-	1,348	153,739		153,739
	461,189	-	1,940	463,129		463,129
	615,478	-	1,403	616,881		616,881
	307,459	-	2,595	310,054		310,054
	768,648	-	6,771	775,419		775,419
	446,999	-	562	447,561		447,561
	61,495	-	45	61,540		61,540
	309,717	-	770	310,487		310,487
	310,311	-	154	310,465		310,465
	770,507	-	6,860	777,367		777,367

Item	Remark	Share (In Thousands)	Total Face Value (Foreign Currencies in Thousands)	
BZLNZ Float 09/14/21	Expired on September 14, 2021	-	US$	10,000
04-BAC FRN 0419	Expired on April 1, 2019	-	US$	10,000
BFCM 2 3/4 01/22/19	Expired on January 22, 2019	-	US$	2,000
BFCM 2 04/12/19	Expired on April 12, 2019	-	US$	5,000
BFCM Float 07/20/23	Expired on July 20, 2023	-	US$	23,000
CM Float 06/16/22	Expired on June 16, 2022	-	US$	10,000
CBAAU Float 03/16/23	Expired on March 16, 2023	-	US$	4,000
EIBKOR Float 06/01/23	Expired on June 1, 2023	-	US$	2,000
LLOYDS Float 01/22/19	Expired on January 22, 2019	-	US$	10,000
MQGAU 2.4 01/21/20	Expired on January 21, 2020	-	US$	7,000
MACQUARIE BANK	Expired on July 29, 2020	-	US$	10,000
NAB Float 01/10/22	Expired on January 10, 2022	-	US$	15,000
SOCGEN Float 04/08/21	Expired on April 8, 2021	-	US$	1,000
TD Float 12/14/20	Expired on December 14, 2020	-	US$	10,000
WSTP Float 05/13/21	Expired on May 13, 2021	-	US$	10,000
WSTP Float 01/11/22	Expired on January 11, 2022	-	US$	6,000
ACAFP Float 06/10/20	Expired on June 10, 2020	-	US$	5,000
INTNED Float 10/01/19	Expired on October 1, 2019	-	US$	4,000
INTNED Float 08/15/21	Expired on August 15, 2021	-	US$	21,000
05-ACAFP 0219	Expired on February 7, 2019	-	US$	10,000
WOORIB Float 12/02/21	Expired on December 2, 2021	-	US$	10,000
CITNAT Float 06/09/22	Expired on June 9, 2022	-	US$	5,000
SDBC Float 06/15/22	Expired on June 15, 2022	-	US$	10,000
EIBKOR Float 07/05/22	Expired on July 5, 2022	-	US$	4,000
ABNANV Float 07/19/22	Expired on July 19, 2022	-	US$	25,000
KEBHB Float 09/14/22	Expired on September 14, 2022	-	US$	25,000
BCHINA Float 04/17/23	Expired on April 17, 2023	-	US$	10,000
ICBCAS Float 04/16/23	Expired on April 16, 2023	-	US$	20,000
SHNHAN Float 06/15/23	Expired on June 15, 2023	-	US$	10,000
KEBHNB Float 07/26/23	Expired on July 26, 2023	-	US$	5,000
09-DB 4.3	Expired on May 19, 2020	-	CNY	50,000
09-DB 4.05	Expired on July 10, 2020	-	CNY	100,000
Corporate bonds				
02 TSMC 2B	Expired on February 6, 2020	-	NT$	400,000
P04 HON HAI 5D	Expired on November 30, 2020	-	NT$	100,000
P05 HON HAI 1B	Expired on June 7, 2019	-	NT$	50,000
P05 HON HAI 1D	Expired on June 7, 2021	-	NT$	100,000
P06 Pegatron 1A	Expired on July 13, 2020	-	NT$	250,000
P03 CPC 1A	Expired on September 12, 2019	-	NT$	100,000
01 TPC 1B	Expired on April 23, 2019	-	NT$	400,000
P03 TPC 5B	Expired on December 15, 2019	-	NT$	420,000
P07 TPC1A	Expired on May 14, 2021	-	NT$	100,000
P07 TWM 1	Expired on April 20, 2023	-	NT$	150,000

Percentage of Ownership (%)	Acquisition Cost	Accumulated Impairment Loss	Valuation Adjustment	Net Investment	Fair Value	
					Unit Price	Total Amount
	308,505	-	1,710	310,215		310,215
	307,645	-	(45)	307,600		307,600
	61,516	-	(33)	61,483		61,483
	153,657	-	(511)	153,146		153,146
	708,990	-	(1,660)	707,330		707,330
	306,561	-	1,239	307,800		307,800
	122,555	-	1,079	123,634		123,634
	61,571	-	429	62,000		62,000
	307,493	-	50	307,543		307,543
	215,564	-	(2,376)	213,188		213,188
	307,966	-	1,730	309,696		309,696
	461,933	-	4,135	466,068		466,068
	31,100	-	48	31,148		31,148
	307,537	-	2,577	310,114		310,114
	308,208	-	2,777	310,985		310,985
	184,883	-	1,330	186,213		186,213
	153,442	-	1,252	154,694		154,694
	122,637	-	527	123,164		123,164
	646,945	-	2,651	649,596		649,596
	307,477	-	100	307,577		307,577
	307,477	-	1,235	308,712		308,712
	153,738	-	469	154,207		154,207
	307,477	-	1,142	308,619		308,619
	122,991	-	1,040	124,031		124,031
	768,691	-	(1,726)	766,965		766,965
	$ 768,691	$ -	$ (4,844)	$ 763,847		$ 763,847
	307,477	-	(1,069)	306,408		306,408
	614,953	-	(2,135)	612,818		612,818
	307,764	-	(2,145)	305,619		305,619
	153,738	-	(2,183)	151,555		151,555
	223,544	-	327	223,871		223,871
	447,088	-	(731)	446,357		446,357
	14,274,008	-	28,323	14,302,331		14,302,331
	403,017	-	420	403,437		403,437
	100,717	-	227	100,944		100,944
	50,000	-	29	50,029		50,029
	99,951	-	185	100,136		100,136
	250,000	-	588	250,588		250,588
	100,539	-	56	100,595		100,595
	400,975	-	113	401,088		401,088
	423,077	-	430	423,507		423,507
	100,000	-	6	100,006		100,006
	150,000	-	(269)	149,731		149,731

Item	Remark	Share (In Thousands)	Total Face Value (Foreign Currencies in Thousands)	
P04 HON HAI 1B	Expired on January 14, 2020	-	NT$	200,000
P04 HON HAI 4C	Expired on September 29, 2019	-	NT$	200,000
P05 HON HAI 1B	Expired on June 7, 2019	-	NT$	100,000
P06 HON HAI 3B	Expired on November 16, 2022	-	NT$	200,000
P06 HON HAI 3C	Expired on November 16, 2024	-	NT$	200,000
P07 HON HAI 1B	Expired on May 9, 2023	-	NT$	100,000
P06 Pegatron 1A	Expired on July 13, 2020	-	NT$	250,000
P03 CPC 2A	Expired on December 22, 2019	-	NT$	200,000
P04 CPC 1A	Expired on August 19, 2020	-	NT$	300,000
P06 CPC 1B	Expired on September 20, 2024	-	NT$	50,000
P06 HOTAI FINANCE 1	Expired on January 11, 2020	-	NT$	200,000
99 TPC 6B	Expired on December 15, 2020	-	NT$	300,000
01 TPC 3A	Expired on August 16, 2019	-	NT$	300,000
02 TPC 3A	Expired on July 22, 2020	-	NT$	300,000
03 TPC 2B	Expired on May 30, 2019	-	NT$	500,000
P06 TPC 1B	Expired on April 25, 2024	-	NT$	100,000
P07 TPC 1B	Expired on May 16, 2023	-	NT$	50,000
P07 TPC 4B	Expired on November 15, 2025	-	NT$	200,000
P07 TWM 1	Expired on April 20, 2023	-	NT$	150,000
P07 TFCC1	Expired on January 9, 2023	-	NT$	300,000
P05 FENC3	Expired on September 20, 2021	-	NT$	100,000
P05 CAL 1	Expired on May 26, 2021	-	NT$	100,000
P06 FFTC1	Expired on September 26, 2020	-	NT$	50,000
P05 FENC 3	Expired on September 20, 2021	-	NT$	200,000
P07 FENC 2	Expired on May 18, 2023	-	NT$	300,000
P05 CAL 1	Expired on May 26, 2021	-	NT$	100,000
P06 FFTC 1	Expired on September 26, 2020	-	NT$	200,000
P04 RICH 1	Expired on November 20, 2020	-	NT$	250,000
P04 RICH 1	Expired on November 20, 2020	-	NT$	250,000
07-WHARF 0219	Expired on February 11, 2019	-	US$	10,000
WHARF 3.61 05/20/21	Expired on May 20, 2021	-	US$	10,000
MS Float 01/20/22	Expired on January 20, 2022	-	US$	10,000

Note: The Company pledges the amount of $166,700 thousand of government bonds as the collateral for the trust compensation reserve, bond settlement reserve and interest rate swap for the year ended December 31, 2018.

(Concluded)

Percentage of Ownership (%)	Acquisition Cost	Accumulated Impairment Loss	Valuation Adjustment	Net Investment	Fair Value	
					Unit Price	Total Amount
	201,273	-	419	201,692		201,692
	200,586	-	229	200,815		200,815
	100,000	-	58	100,058		100,058
	200,000	-	1,268	201,268		201,268
	201,128	-	1,373	202,501		202,501
	100,000	-	130	100,130		100,130
	250,000	-	588	250,588		250,588
	200,299	-	1,302	201,601		201,601
	300,000	-	3,217	303,217		303,217
	50,075	-	323	50,398		50,398
	199,994	-	446	200,440		200,440
	304,747	-	716	305,463		305,463
	301,053	-	521	301,574		301,574
	302,634	-	337	302,971		302,971
	500,301	-	1,516	501,817		501,817
	102,398	-	165	102,563		102,563
	50,000	-	27	50,027		50,027
	200,000	-	(207)	199,793		199,793
	150,000	-	(269)	149,731		149,731
	300,000	-	(283)	299,717		299,717
	98,854	-	685	99,539		99,539
	100,250	-	(10)	100,240		100,240
	50,000	-	176	50,176		50,176
	197,708	-	1,370	199,078		199,078
	300,000	-	(1,854)	298,146		298,146
	100,250	-	(10)	100,240		100,240
	200,000	-	705	200,705		200,705
	252,227	-	1,142	253,369		253,369
	252,227	-	1,142	253,369		253,369
	307,477	-	83	307,560		307,560
	311,765	-	(6,224)	305,541		305,541
	309,559	-	(1,939)	307,620		307,620
	8,773,081	-	8,927	8,782,008		8,782,008
	$ 48,976,569	$ -	$ (87,282)	$ 48,889,287		$ 48,889,287

O-BANK CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2018

Investees	Balance, January 1, 2018		Additions in Investment	
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount
China Bills finance Corp	380,982	$ 6,464,888	-	$ 416,525
Chun Teng New Century Co., Ltd.	318,281	893,751	-	33,930
IBT Holdings Corp.	10,869	4,496,478	-	490,184
IBT Leasing Co., Ltd.	264,300	2,130,458	-	140,702
IBT Management Corp.	13,400	234,015	-	502
		$ 14,219,590		$ 1,081,843

Note 1: In the current period, increase in retroactive adjustment, actuarial gains and losses of welfare plan, and capital surplus was $35,890 thousand, $378,842 thousand, $1,328 thousand and $465 thousand, respectively; decrease in unrealized losses on financial assets, and declared cash dividend was $68,422 thousand and $270,497 thousand, respectively.

Note 2: In the current period, increase in retroactive adjustment, investment income, and exchange differences on translating the financial statements of foreign operations was $8,582 thousand, $10,247 thousand and $15,101 thousand, respectively; decrease in unrealized losses on financial assets, and capital reduction and return of shares was $1,514 thousand and $572,905 thousand, respectively.

Note 3: In the current period, increase in retroactive adjustment, investment income, and exchange differences on translating the financial statements of foreign operations was $3,160 thousand, $346,189 thousand and $140,835 thousand, respectively; decrease in unrealized losses on financial assets was $9,912 thousand.

Note 4: In the current period, increase in investment income was $140,702 thousand; decrease in retroactive adjustment, unrealized losses on financial assets, and exchange differences on translating the financial statements of foreign operations was $161,853 thousand, $20,160 thousand and $52,984 thousand, respectively.

Note 5: In the current period, increase in retroactive adjustment was $502 thousand; decrease in investment loss, and unrealized losses on financial assets was $510 thousand and $22,274 thousand, respectively.

STATEMENT 4

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Decrease in Investment		Balance, December 31, 2018			Net Assets Value			
Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	Unit Price (NT$)	Total Amount	Collateral	Note
-	$ 338,919	380,982	28.37	$ 6,542,494	13.70	$ 5,219,453	$ -	Note 1
-	574,419	318,281	99.75	353,262	1.11	353,262	-	Note 2
-	9,912	10,869	100.00	4,976,750	457.88	4,976,750	-	Note 3
-	234,997	264,300	100.00	2,036,163	7.70	2,036,163	-	Note 4
-	22,784	13,400	100.00	211,733	15.80	211,733	-	Note 5
	$ 1,181,031			$ 14,120,402		$ 12,797,361	$ -	

STATEMENT 5

O-BANK CO., LTD.

STATEMENT OF INTEREST INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount
Discounts and loans	
Short-term	$ 1,348,512
Medium-term	3,016,842
Long-term	167,520
	4,532,874
Investments in marketable securities	
Financial assets at fair value through comprehensive income	716,520
Investments in debt instruments at amortised cost	5,743
	722,263
Due from the Central Bank and call loans to banks	
Call loans to banks	128,322
Due from the Central Bank	26,543
	154,865
Others (Note)	95,552
	$ 5,505,554

Note: The amount of each item in others does not exceed 5% of the account balance.

STATEMENT 6

O-BANK CO., LTD.

STATEMENT OF INTEREST EXPENSE

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount
Deposits	
Time deposits	$ 2,068,266
Demand deposits	117,433
Time savings deposits	8,762
Demand savings deposits	38,260
Demand savings deposits of employee	22,730
	2,255,451
Securities sold under agreements to repurchase	38,466
Bank notes payable	423,673
Due to the Central Bank and banks	599,180
Others (Note)	7,263
	$ 3,324,033

Note: The amount of each item in others does not exceed 5% of the account balance.

STATEMENT 7

O-BANK CO., LTD.

STATEMENT OF GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount
Realized gain profit or loss	
Stocks	
Stocks and beneficiary certificates	$ 28,362
Bonds	
Government bonds	(6,637)
Bonds issued under repurchase agreements and outright sells	576
Convertible bonds	-
	(6,061)
Derivatives	
Forward contracts	36,254
Foreign exchange forward contracts	915,221
Cross-currency swap contracts	-
Option contracts	1,543
Interest rate swap contracts	(49,337)
Asset swap contracts	14,998
	918,679
	940,980
Gains (losses) on valuation	
Stocks	
Stocks and beneficiary certificates	2,894
Bonds	
Convertible bonds	1,620
Derivatives	
Forward contracts	(23,547)
Foreign exchange forward contracts	188,736
Cross-currency swap contracts	-
Option contracts	-
Interest rate swap contracts	9,721
Asset swap contracts	315
	175,225
Others	
Negotiable certificates of deposit	1,848
	181,587
Interest revenue	263,210
	$ 1,385,777

STATEMENT 8

O-BANK CO., LTD.

STATEMENT OF OTHER NET REVENUE OTHER THAN INTEREST INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount
Rental	$ 18,106
Bonuses for directors	16,767
Agency business	71,448
Service fees	21,927
Others (Note)	1,422
	$ 129,670

Note: The amount of each item in others does not exceed 5% of the account balance.

STATEMENT 9

O-BANK CO., LTD.

STATEMENT OF EMPLOYEE BENEFITS EXPENSE

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount
Salaries and wages	$ 1,421,487
Labor insurance and national health insurance	83,707
Directors' remuneration and fees (Note 1)	46,443
Pension (Note 1)	55,266
Others (Note 1)	26,615
	$ 1,633,518

Note 1: The amount of each item in others does not exceed 5% of the account balance.

Note 2: As of December 31, 2018 and 2017, the Company had 918 and 914 employees, respectively; of which there were 12 and 12 non-employee directors, respectively.

Note 3: The average employee benefit expense for the year was $1,752. ("Total employee benefit expenses - directors' remuneration" ÷ "Number of employees - number of directors who are not concurrently employed")

Note 4: The average salaries and wages of employee for the year was $1,569. (Total salary costs ÷ "Number of employees - Number of directors who are not concurrent employees")

VII. Review of Financial Conditions, Operation Results, and Risk Management

1. Analysis of Financial Status

Unit: NT thousands

Item \ Year	2018	2017	Difference Amount	Difference %
CASH AND CASH EQUIVALENTS	**$ 3,670,225**	$ 2,404,565	1,265,660	53
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	**21,684,624**	10,610,821	11,073,803	104
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**53,820,259**	44,703,932	9,116,327	20
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**48,889,287**	-	48,889,287	100
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST	**499,940**	-	499,940	100
RECEIVABLES, NET	**6,842,372**	5,891,803	950,569	16
CURRENT TAX ASSETS	**82,212**	54,922	27,290	50
DISCOUNTS AND LOANS, NET	**179,388,428**	162,757,142	16,631,286	10
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET	**-**	48,598,498	(48,598,498)	(100)
HELD-TO-MATURITY FINANCIAL ASSETS	**-**	499,821	(499,821)	(100)
INVESTMENTS MEASURED BY EQUITY METHOD	**14,120,402**	14,219,590	(99,188)	(1)
OTHER FINANCIAL ASSETS, NET	**614,919**	777,105	(162,186)	(21)
PROPERTY AND EQUIPMENT, NET	**2,757,103**	2,864,155	(107,052)	(4)
INTANGIBLE ASSETS, NET	**1,274,262**	1,248,176	26,086	2
DEFERRED TAX ASSETS, NET	**164,392**	138,133	26,259	19
OTHER ASSETS, NET	**531,695**	251,373	280,322	112
TOTAL ASSETS	**334,340,120**	295,020,036	39,320,084	13
DEPOSITS FROM THE CENTRAL BANK AND BANKS	**28,984,872**	34,894,919	(5,910,047)	(17)
DUE TO THE CENTRAL BANK AND BANKS	**780,811**	700,106	80,705	12
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENT	**4,400,442**	15,845,930	(11,445,488)	(72)
ACCOUNTS PAYABLES	**4,834,006**	4,100,342	733,664	18
CURRENT TAX LIABILITIES	**-**	91,977	(91,977)	(100)
DEPOSITS AND REMITTANCES	**240,461,299**	183,021,391	57,439,908	31
BANK NOTES PAYABLE	**17,850,000**	20,400,000	(2,550,000)	(13)
OTHER FINANCIAL LIABILITIES	**4,321,291**	5,997,782	(1,676,491)	(28)
PROVISIONS	**328,048**	241,454	86,594	36
DEFERRED TAX LIABILITIES	**333,990**	215,911	118,079	55
OTHER LIABILITIES	**56,233**	227,631	(171,398)	(75)
TOTAL LIABILITIES	**302,350,992**	265,737,443	36,613,549	14
CAPITAL STOCK	**27,130,063**	24,130,063	3,000,000	12
CAPITAL SURPLUS	**8,503**	7,730	773	10
RETAINED EARNINGS	**5,010,543**	5,124,400	(113,857)	(2)
OTHER EQUITY	**(159,981)**	20,400	(180,381)	(884)
TOTAL EQUITY	**31,989,128**	29,282,593	2,706,535	9

Analysis of the changes:

1. Cash and cash equivalents are higher than those of the previous year mainly due to an increase in checking for clearing.
2. Due from the central bank and call loans to banks are higher than those of the previous year mainly due to an increase in call loans to banks with a view to accommodating the Bank's capital needs.
3. Financial assets measured at fair value through other comprehensive income are higher than those of the previous year mainly due to the Bank's adoption of IFRS 9.
4. Debt instrument investments measured at amortized cost are higher than those of the previous year mainly due to the Bank's adoption of IFRS 9.
5. Current tax assets are higher than those of the previous year mainly due to an increase in tax refund receivables.
6. Available-for-sale financial assets are lower than those of the previous year mainly due to the Bank's adoption of IFRS 9.
7. Hold-to-maturity financial assets are lower than those of the previous year mainly due to the Bank's adoption of IFRS 9.
8. Other financial assets are lower than those of the previous year mainly due to the Bank's adoption of IFRS 9 and an increase in securities lending to the OSU.
9. Other assets are higher than those of the previous year mainly due to an increase in refundable deposits paid out as security.
10. The decline in notes and bonds issued under repurchase agreement mainly reflects a decrease in the transactions of bonds issued under repurchase agreement.
11. Current tax liabilities are lower than those of the previous year mainly due to a decrease in income tax payable.
12. Deposits and remittances are higher than those of the previous year mainly due to an increase in time deposits and savings deposits.
13. Other financial liabilities are lower than those of the previous year mainly due to a decrease in borrowing for replenishing funds for extensions of loans.
14. Provisions are higher than those of the previous year mainly due to an expansion of guarantee business and the Bank's adoption of IFRS 9.
15. Deferred tax liabilities are higher than those of the previous year mainly due to a decrease in income tax payable.
16. Other liabilities are lower than those of the previous year mainly due to a decrease in guarantee deposits received.
17. The decline in other equity mainly reflects an increase in unrealized losses from financial assets.

2. Analysis of Operation Results

Unit: NT thousands

Item \ Year	2018		2017		Change Amount	Change Ratio (%)
	Subtotal	Total	Subtotal	Total		
Interest revenue		**$ 5,505,554**		$ 4,138,029	$ 1,367,525	33
Less: Interest expenses		**3,324,033**		2,161,812	1,162,221	54
Net interest revenue		**2,181,521**		1,976,217	205,304	10
Non-interest revenue						
Net service fee revenue	**$ 610,128**		$ 656,229			
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	**1,385,777**		(540,380)			
Realized gains on available-for-sale financial assets	**-**		394,922			
Realized gains on financial assets at fair value through other comprehensive income	**78,990**		-			
Foreign exchange gain (loss), net	**(536,618)**		1,244,443			
Share of profit of associates and joint ventures accounted for using equity method	**880,415**		695,405			
Other net revenue other than interest income	**129,670**		79,304			
Net Non-interest revenue		**2,548,362**		2,529,923	18,439	1
Net income		**4,729,883**		4,506,140	223,743	5
Bad debt expenses and guarantee liability provisions (miscellaneous provision)		**453,038**		534,168	(81,130)	(15)
Operating expenses						
Employee welfare costs	**1,633,518**		1,571,449			
Depreciation and Amortization expenses	**382,934**		265,925			
Other general and administrative expenses	**1,133,707**		908,815			
Total operating expenses		**3,150,159**		2,746,189	403,970	15
Profit from continuing operations before income tax		**1,126,686**		1,225,783	(99,097)	(8)
Tax expense		**172,027**		153,703	18,324	12
Profit		**$ 954,659**		$ 1,072,080	$ (117,421)	(11)

Analysis of the changes:

1. Interest revenue is higher than that of the previous year mainly due to an increase in the amount of loans.
2. Interest expenses are higher than those of the previous year mainly due to an increase in the amount of deposits.

3. Analysis of Cash Flow

(1) Analysis of Changes of Cash Flow in the Most Recent Year:

A. Operating Activities: There was a NT$14,819,691,000 increase in the net cash flow from operating activities from the previous year mainly due to increases in deposits and remittances as well as decreases in notes and bonds issued under repurchase agreement.

B. Investment Activities: There was a NT$9,325,458,000 decrease in the net cash outflow from investment activities from the previous year mainly due to an increase in the acquisition of available-for-sale financial assets.

C. Financing Activities: There was a NT$5,566,099,000 increase in the net cash outflow from financing activities from the previous year mainly due to a capital increase, a decrease in the issuance of financial debentures, an increase in financial debentures becoming mature, and a decrease in borrowing for replenishing funds for extension of loans.

(2) Improvement Plan of Insufficient Liquidity: Not Applicable.

(3) Analysis of Cash Flow for the Coming Year:

Unit: NT thousands

Amounts of cash and cash equivalents-beginning of period	Estimated annual net cash flows from (used in) operating activities	Projected net cash flow from investment and financing activities	Estimated fiscal deficit(surplus) of cash and cash equivalents	Remedy if cash and cash equivalents in deficit	
				Investment plan	Financing plan
17,482,201	154,483	35,718	17,672,402	-	-

4. Major Capital Expenditure Items and Effect on The Company's Future Business: Not Applicable.

5. Investment Policy for the Previous Year, Main Causes of Profits or Losses, and Improvement and Investment Plans for the Coming Year

In keeping with the trends and changes across domestic and regional financial environments, the Bank adopts an investment strategy that centers on increasing earnings diversity and stability and striking a balance between risks and rewards for its investment portfolio. In line with the mainstream thinking of the financial services industry with regard to risk management, the Bank seeks to diversify its investments in domestic and foreign financial businesses to reduce the volatility of its investment portfolio. After its transformation into a commercial bank, the Bank conducts investment affairs in accordance with Article 74 of the Banking Act. To ensure compliance with the restrictions therein, the Bank has readjusted its investment positions over the past couple of years. Apart from disposing of holdings in directly invested productive enterprises, the Bank has also done the same with such venture capital subsidiaries as Boston Life Science Venture Corp., IBT II Venture Capital Co., Ltd., and IBT VII Venture Capital Co., Ltd. In September 2016, the Bank completed transferring the brokerage business of IBT Securities Co., Ltd., followed by the start of the latter's liquidation in November of the same year. In the days ahead, the Bank is set to gradually dispose of its other investment positions in accordance with applicable laws and regulations within the statutory time period.

For 2018, the Bank booked, under the equity method, from the businesses in which it holds stakes a combined profit of NT$880 million, which represents a 26.60% increase from a year earlier. In particular, U.S.-based EverTrust Bank continued to fare admirably, with net income reaching NT$377 million in 2018. China Bills Finance Corp., another affiliate of the O-Bank Group, recorded net income of NT$1.335 billion for the year. In addition, thanks to IBT International Leasing Co., Ltd.'s significantly increased sales momentum, the O-Bank Group's leasing business saw further growth in earnings and came up with net income of NT$150 million in 2018. To help the O-Bank Group maximize utilization of its resources, IBT International Leasing Co., Ltd. injected US$15 million into IBT Tianjin International Leasing Corp. in May 2018 before moving on to absorb the latter in January 2019. The move promises to enhance management efficiency and competitiveness across the board.

In January 2019, O-Bank secured Financial Supervisory Commission approval to team up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to form Beijing Sunshine Consumer Finance Co., Ltd. Due to become operational in the second half of this year, the prospective joint venture and IBT International Leasing Co., Ltd. will make possible a double-pronged approach for the Bank to make forays into mainland China's SME and consumer banking markets at the same time.

6. Risk Management

(1) Qualitative and Quantitative Information of Various Risks

A. Credit risk management system and required capital

2018 credit risk management system

Item	Content
1. Credit risk strategy, goals, policy, and procedures	■ Credit risk strategy 1. Create an independent credit risk management organization. 2. Adopt a clearly defined credit risk management policy and regulations. 3. Establish credit risk assessment, identification, and management systems. 4. Fully report and disclose the results of credit risk monitoring. 5. Adopt computerized SOPs for control of credit-checking and lending as well as assigning of rating scores. ■ Credit risk goals 1. Minimize potential financial losses and attain an optimal ratio of risk to reward by drawing on an appropriate risk management strategy and policy as well as fitting procedures, comply with the principle of risk diversification to implement rigorous credit risk management. 2. Ensure compliance with applicable laws and regulations and group-wide risk management, in turn upholding credit standards and asset quality, by enforcing sound risk management mechanisms and control procedures, strengthening information integration and analysis, bolstering the effectiveness of early warnings, and carrying out lending management and monitoring without fail. ■ Credit risk management policy 1. In order to establish an effective risk management system, ensure the Bank's sound operation and development, and provide a basis for business risk management and implementation, the Bank has drafted a risk management policy in tandem with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries promulgated by the Financial Supervisory Commission. The Bank has also drafted a set of credit risk management guidelines to govern the management of credit risk and establish credit risk management mechanisms to ensure that credit risk is controlled within an acceptable range. With capital adequacy rigorously upheld, the Bank will continue to control the bank's credit risk and achieve operational and management goals. 2. The Bank has also drafted a lending policy to serve both as guidelines for credit checking and lending work and as implementation indicators. The content of this policy includes lending principles and credit asset portfolio management. At the same time, the Bank has also compiled credit extension handbooks that specify credit checking and lending procedures and related operating details, ensure that policies will be continuously and effectively implemented, maintain strict loan approval standards, and facilitate the control of credit risk, assessment of possible business opportunities, and identification and management of NPLs.

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<tr><th>Item</th><th>Content</th></tr>
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■ Credit risk management procedures
1. Risk identification
Credit risk management starts with the identification of existing and potential risk, including all bankbook, blotter, and on- and off-balance sheet transactions. With the arrival of financial innovation and emergence of increasingly complex loan services, the Bank's responsible units must gain a full understanding of the credit risk of sophisticated services before engaging in any existing or new types of business. The Bank must also determine the probability that any breach of contract may occur when entering into a loan arrangement or transaction.
2. Risk assessment
(1) Establish a credit risk rating mechanism as a key tool for management of the Bank's asset portfolio.
(2) Portfolio management is intended to achieve the following three goals:
a. Establish and monitor the Bank's loan asset portfolio to ensure that risk is kept within an acceptable range.
b. Impose concentration limits to prevent risk concentration, in turn attaining the goal of risk diversification.
c. Achieve the objective of optimal earnings.
3. Risk communication
(1) Internal reporting: The risk management unit shall establish an appropriate credit risk reporting mechanism based on which to regularly provide upper management with correct, consistent, and real-time credit risk information, thereby ensuring that any instances in which limits are exceeded or exceptions occur are promptly reported and serving as reference for subsequent decision-making. Such reports may cover such items as asset quality, asset portfolio status, rating status, and all types of exceptions.
(2) External disclosure: In accordance with capital adequacy requirements and the principle of market discipline, units responsible for credit risk shall provide self-assessment of the Bank's performance against quantitative and qualitative credit risk indicators as well as information regarding the Bank's credit risk management system and status in terms of required capital. They shall do so using the format and covering the items stipulated by the competent authority in the way and frequency it requires.
4. Risk monitoring
(1) The Bank shall establish a monitoring system to assess changes in credit risk of borrowers or transaction counterparties, which will facilitate the prompt discovery of problematic assets or transactions, while enabling the Bank to take action quickly, and respond to any possible breach of contract.
(2) Apart from monitoring individual credit risks, the Bank shall also perform monitoring and management of its loan portfolio.
(3) The Bank shall establish rigorous credit checking processes and lending regulations based on which to take into account lending factors worthy of consideration, perform post-lending management of new, renewed, and existing loans, and preserve credit checking and lending records. At the same time, the Bank shall monitor the proportions of various types of loans in its loan portfolio.
(4) The Bank shall establish a limit management system to prevent excessive concentrations of credit risk, including country risk, industry risk, same-group risk, and same concerned party risk.
(5) The Bank shall establish a security management system to ensure that security is managed effectively.
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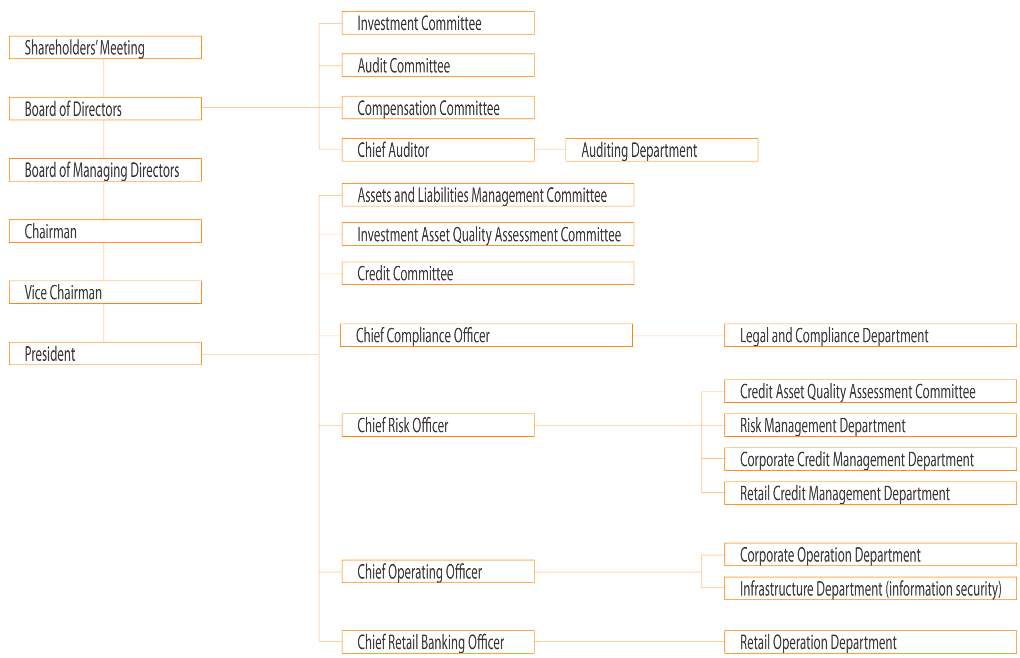
<tr><td>2. Credit risk management organization and structure</td><td>
■ The functioning of the Bank's credit risk management organization



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Item	Content
	■ Board of Directors: The Board of Directors is the Bank's highest supervisory body that is responsible for establishing an effective risk management mechanism, approving and reviewing the Bank's credit risk strategy and major credit risk policies, and setting down a bank-wide credit risk management organizational framework and major credit risk management regulations. The Bank's credit risk strategy should correspond to the degree of risk that the Bank can withstand and the profitability standards that the Bank expects to reach against all types of credit risk. ■ Audit Committee: 1. Members: The committee is composed of all of the Bank's independent directors, who shall total not fewer than three. One of them shall serve as convener, and at least one of them shall possess accounting or financial expertise. 2. Chief duties: The committee is responsible for reviewing the Bank's adopted or revised internal control system; evaluating the effectiveness of the internal control system; determining or revising procedures for the handling of major financial business actions involving the acquisition or disposal of assets and the trading of derivatives; reviewing matters that involve directors as stakeholders; reviewing major asset and derivative transactions, major lending cases, endorsements, and provision of guarantees; reviewing issuance or private offerings of equity-type securities; reviewing CPA appointment/discharge or remuneration; reviewing the appointment and discharge of financial and accounting or internal audit managers; reviewing annual and semi-annual financial statements; and reviewing other major matters stipulated by the Bank or the competent authority. ■ Credit Committee: 1. Members: The President shall serve as convener, and the managers of the lending and risk management departments shall serve as committee members. The committee shall meet once each week as a rule, and may hold an interim meeting when necessary. 2. Chief duties: The committee is responsible for reviewing loan applications forwarded by the Corporate Credit Management Department and Retail Credit Management Department. After giving its approval, the committee shall still present such applications to the relevant supervisory body for deliberation. ■ Credit Asset Quality Assessment Committee: 1. Members: The Chief Risk Officer shall serve as convener and chairman of the conference. Personnel from various relevant units shall attend meetings, and the President may attend when the situation warrants. 2. Chief duties: The conference is responsible for assessing the current state of credit asset quality; determining and reviewing strategies and action plans; assessing losses that credit assets are likely to suffer; and reviewing the adequacy of NPL and guarantee liability provisions. If the conference decides to propose an increase in NPL and guarantee liability provisions, it shall first submit the proposal to the President for approval. ■ Risk management units: The Bank's risk management units include the Risk Management Department, Corporate Credit Management Department, and Retail Credit Management Department. 1. Risk Management Department: Charged with managing the Bank's credit, market, operating, and liquidity risk, the Risk Management Department is also responsible for supervising and keeping track of countermeasures taken by relevant units with regard to risk management decisions and assignments. Upon detection of any risk exposure that threatens to undermine the Bank's finances or business operations, it shall immediately take proper action and present a report in a timely manner. 2. Corporate Credit Management Department: The Corporate Credit Management Department is responsible for identifying, assessing, monitoring, and managing corporate banking risk; drafting loan review standards; drafting and revising contracts and forms; and controlling and releasing loan contracts and collateral. 3. Retail Credit Management Department: The Retail Credit Management Department is charged with the identification, evaluation, monitoring, and management of retail banking risk, appropriation of provisions, loss assessment, and post-lending management.
3. Scope and characteristics of credit risk reporting and assessment system	With regard to the credit risk inherent in all products and business activities and before introducing new products and launching into any new line of business, the Bank has in place appropriate risk measures and controls, which have secured approval of the Board of Directors or relevant committees. Credit risk assessment and control procedures include credit checking, rating assignment, credit line control, post-lending management, and debt collection. Apart from implementing the foregoing operating procedures, risk management units also regularly present various types of credit risk and asset quality analysis reports as management indicators. In addition, the Bank actively controls risk from country, group, industry, sameconcerned party, and same affiliated enterprise, and regularly submits monitoring results to the Board of Directors so that it can keep track of the Bank's exposure to various types of risk. In order to understand the Bank's risk-bearing capacity and the impact on its capital adequacy in the event of changes in economic conditions and the financial environment, the Bank performs credit risk stress testing in accordance with the Financial Supervisory Commission's *Plan for Banks' Conducting Stress Testing* and *Operating Guidelines for Banks' Credit Risk Stress Testing*. The results not only serve as an important basis for credit risk management but also are used for reference in continuously adjusting the Bank's business development, lending policy, and credit assessment procedures.
4. Credit risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance and mitigation tools	The Bank mainly uses the following risk mitigation tools to reduce exposure to credit risk: (1) provision of security by transaction counterparties or third parties; (2) on-balance sheet netting, such as using the deposits of a transaction counterparty at its financing bank for the purpose; and (3) third-party guarantees. Although credit risk mitigation tools can reduce or transfer credit risk, the simultaneous use of such tools may increase other residual risks, including legal risk, operational risk, liquidity risk, and market risk. The Bank has adopted rigorous procedures to control these types of risk, including formulation of policies, drafting of operating procedures, implementation of credit review and appraisal, establishment of control systems, contract management, etc. The Bank has established security management policies and operating procedures, verified bank-wide security data, and built a security management system. In order to apply a comprehensive approach to risk mitigation, the Bank has completed collection and analysis of data needed for security offsetting, linked the credit checking and lending system with its security management system, and established a capital requirement calculation platform.

Item	Content
5. Method for meeting statutory capital requirement	Standardized approach

Risk exposure and required capital after risk mitigation employing the standardized approach for credit risk

Base Date: March 31, 2019
Unit: NT$ thousands

Type of risk exposure	Risk exposure after risk mitigation	Required capital
Sovereigns	28,591,138	0
Non-central government public sector entities	0	0
Banks (including multilateral development banks)	37,476,042	939,921
Corporates (including securities firms and insurance companies)	168,617,676	13,287,441
Retail portfolios	9,136,174	632,838
Residential property	7,048,296	310,836
Equity securities investment	669,984	53,599
Other assets	3,417,260	257,000
Total	254,956,570	15,481,635

B. Securitization risk management system, risk exposure, and required capital

2018 securitization risk management system

Item	Content
1. Securitization management strategy and procedures	The Bank's asset securitization management strategy focuses on increasing the efficiency of funds use and asset liquidity, and relies on adjustment of the asset/liability structure and shifting of asset risk. As a consequence, apart from carefully assessing its loan assets and analyzing risk exposure, the Bank also makes active use of asset securitization as a channel and tool to ensure that it does not assume excessive risk in the course of pursuing profitability. Each securitization case must be approved by management and submitted to the Board of Directors for consent, and must also be approved by the competent authority before implementation.
2. Securitization management organization and structure	In securitization cases for which the Bank serves as the originating entity, all loan assets in the asset pool must be reviewed and approved in advance by the Bank's operating and review units, and the credit status of target assets in the asset pool must be assessed and analyzed. The risk management unit bears responsibility for controlling and assessing relevant market risk.
3. Scope and characteristics of securitization risk reporting and assessment system	Before issuance of securitized products, the Bank's relevant units will handle target assets in the asset pool in accordance with the Bank's general credit checking and lending procedures, screen asset quality, assess risk, and gradually establish a securitization system. After issuance, depending on the status of target assets in the asset pool, the Bank will regularly perform re-assessment and reveal asset quality in a timely fashion. With regard to holdings taken on in response to credit rating upgrade or subscriptions to newly issued securitized products, the Bank will continue to perform follow-up risk management, model assessment, asset portfolio limit monitoring, asset quality control, bookkeeping, and compilation of information. These steps are intended to prevent deterioration of asset quality and facilitate response measures, when needed, to safeguard the Bank's rights as creditor.

Item	Content
4. Securitization hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance and mitigation tools	Currently the Bank trades securitized products only of the conventional type, and all hedging is geared toward shifting the primary credit risk of the asset pool to third parties and creating insulation on the legal front. With regard to required capital after issuance, the Bank makes it a point to attain a level not higher than that when no risk mitigation instruments are employed, thereby reducing risk and maintaining profitability. When it comes to monitoring the continued effectiveness of subsequent hedging and risk mitigation tools, the Bank considers it a fundamental requirement that relevant documents must possess binding power over all related parties as well as legal force. At the same time, the Bank will perform necessary review to ensure the continued existence of mandatory force in law. The Bank shall perform the foregoing procedures, including drafting of strategies and operating procedures, implementation of credit review and assessment, establishment of control systems, and contract termination risk management, in accordance with its internal rules, regulations, and business handbook requirements.
5. Method for meeting statutory capital requirement	Standardized approach

Status of the Asset Securitization:

The O-Bank Number One Real Estate Investment Trust (REITs) Fund, for which the Bank acts as lead arranger and trustee, was listed on the Taiwan Stock Exchange on June 21, 2018. The ninth REIT fund to go public in Taiwan, it marks the first instance of the local financial services industry launching into real estate securitization in nearly 11 years. The underlying assets of this NT$3 billion fund include two types: office building and commercial complex, for which Sinyi Global is engaged to help enhance management efficiency. In the days ahead, emphasis will be placed on acquisitions on the back of financing in order to further grow the Bank's asset pool, thereby expanding REITs funds and rental income.

Securitization risk exposure and required capital (by transaction type): None.

Information concerning securitized products

(A) Summarized information on investing in securitized products: None.

(B) a. Information to be disclosed on investment in securitized products at an initial cost of NT$300 million or more (not including holdings taken on by the Bank as originator for the purpose of credit None.

b. Information to be disclosed on holdings taken on by the Bank as originator for the purpose of credit enhancement: None.

c. Information to be disclosed on the Bank acting as a purchasing organization or a settlement purchasing organization for credit-impaired assets: None.

(C) Information to be disclosed on the Bank acting as a guarantee institution or providing liquidity financing credit lines: None.

C. Operational risk management system and required capital

2018 operational risk management system

Item	Content
1. Operational risk management strategy and procedures	■ Strategy 1. The Bank has established a comprehensive risk management environment and has instilled operational risk management consciousness throughout personnel at all levels, including the Board of Directors, thereby enabling internalization of the Bank's risk management culture. 2. The Bank has established a risk management organization with clearly defined duties and powers in order to promote the implementation of bank-wide operational risk management. 3. In order to enhance the effectiveness of operational risk management, the Bank has drafted a clear operational risk management framework, implementation regulations, and guidelines complying with the competent authority's requirements. 4. The Bank implements independent and professional internal audits in order to check the effectiveness of operational risk management mechanisms. ■ Procedures The Bank's operational risk management procedures include process cataloging, risk analysis, risk identification, risk assessment, risk monitoring, and risk reporting. Meanwhile, the Bank employs such management tools as risk control self-assessment (RCSA), loss data collection (LDC), key risk indicators (KRIs), and Clean Desk (CD).
2. Operational risk management organization and structure	The Bank's operational risk management organization comprises the Board of Directors, Risk Management Department, Auditing Department, and other units. Roles of the operational risk management and responsibilities of personnel at various levels are as follows: 1. Board of Directors: (1) Serving as the Bank's highest level of operational risk management decision-maker. (2) Ensuring the establishment of an appropriate risk management system and culture. (3) Approval of a bank-wide operational risk management framework and strategy, including operational risk policy, organization, and duties, and regular review of the aforesaid items. (4) Supervision of the functioning of operational risk management mechanisms to ensure their effectiveness. (5) Provision of clearly defined guidelines over the identification, assessment, communication, and supervision of operational risk. (6) Review of operational risk management reports and other risk-related information in order to gain an understanding of risk assumed by the Bank and ensure that internal resources are properly utilized and allocated. (7) Ensuring that the Bank's operational risk management framework has been subject to internal audits by independent, properly trained employees with the necessary skills. 2. Risk Management Department: This department is the Bank's second line of defense for controlling operational risk, and the vice president charged with supervising the Risk Management Department acts as the Bank's top manager responsible for supervision, management, and control of operational risk: (1) Drafting of bank-wide operational risk management and control strategy, policy, and procedures. (2) Drafting of consistent operational risk identification, assessment, monitoring, and mitigation standards applicable throughout the Bank. (3) Implementation of the independent operational risk management framework and decisions approved by the Board of Directors, and establishment of a bank-wide operational risk management system. (4) Formulation of the powers and responsibilities of the Risk Management Department and of management at various levels, as well as their relationships in the Bank's chain of command. (5) Coordination and communication with various units about operational risk management matters, and continued supervision of their implementation performance. (6) Compilation of bank-wide operational risk information and, depending on the nature of such information, reporting it to the Board of Directors, the president, or the vice president charged with supervising the department. (7) Implementation of operational risk training. 3. Other units: (1) Act as the Bank's first line of defense for operational risk management, these relevant units are responsible for determining and managing regulations and handbooks concerning the operational risk of the business and matters under their management. Each unit must designate one person to serve as its operational risk manager, who is to collaborate with the Risk Management Department in performing first-line defense tasks in the control of operational risk associated with the business and matters under the unit's management. (2) Comply with and implement the Bank's operational risk management regulations, actively monitor and control operational risk associated with their respective duties and operations, and report to the appropriate superior or unit in accordance with regulations. (3) Identify operational risk within each unit, including its sources and contributing factors. (4) Assess the frequency and severity of risk generated by each unit's operational processes on a regular basis; supervise and track efforts to address the inadequacy in terms of risk control. (5) File regular reports on operational risk issues, including major operational risk exposure and losses as well as measures taken to improve risk control or operational processes. 4. Auditing Department: (1) Act as the Bank's third line of defense against operational risk, this department is responsible for assessing and verifying the effectiveness of various units and independent operational risk management mechanisms. (2) Disclose in audit reports and continue tracking shortcomings or abnormalities detected in audits. (3) Audit personnel shall submit recommendations concerning control shortcomings to personnel responsible for operational risk management but shall not bear direct responsibility for operational risk management matters. (4) The depth and breadth of audits shall be proportionate to the extent of the Bank's operational risk exposure. (5) Audit personnel must possess operational risk management knowledge and experience in order to understand, inspect, and verify the Bank's operational risk management implementation procedures and risk assessment mechanisms.

Item	Content
3. Scope and characteristics of operational risk reporting and assessment system	The Bank employs risk control self-assessment (RCSA), loss data collection (LDC), key risk indicators (KRIs), and Clean Desk (CD) as operational risk assessment and monitoring tools. The results thus obtained are compiled as qualitative or quantitative risk information of the relevant organization and operations. In turn, the Risk Management Department presents independent analytical reports to the Board of Directors and upper management, while implementation results are relayed to relevant departments and senior managers for their reference in drafting policies and allocating resources, thereby ensuring that the Bank puts its capital to optimal use.
4. Operational risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance, and mitigation tools	The Bank makes use of appropriate outsourcing and control of tasks as an operational risk mitigation policy. One of the outsourced tasks is cash transport. The Bank relies on appropriate insurance as a hedging strategy for addressing certain types of operational risk. For both outsourcing and insurance, the Bank always sets down clearly defined cooperative relationships and legal agreements, thereby ensuring the quality of such cooperation, service reliability, and effectiveness of risk shifting.
5. Method for meeting statutory capital requirement	Basic indicator method (BIA) The Bank adopts the basic indicator method, spelled out in the An Explanation on Banks' Calculating Equity Capital and Risk-Weighted Assets—Calculating Operational Risk promulgated by the Financial Supervisory Commission, to calculate its operational risk charge. That is, the Bank shall hold capital for operational risk equal to the average over the previous three years of 15% of positive annual gross profit.

Required capital for operational risk

Base Date: Dec. 31, 2018
Unit: NT$thousands

Year	Gross Profit	Required Capital
2016	4,061,379	
2017	4,156,379	
2018	4,696,229	
Total	12,913,987	645,700

D. Market risk management system and required capital

2018 market risk management system

Item	Content
1. Market risk management strategy and procedures	■ market risk management strategy 1. The Bank takes a proactive stance toward rigorously managing market risk. 2. Transactions are one of the Bank's major earnings sources: money is made on accurately capturing swings in market risk factors (stock prices, exchange rates, and interest rates). The greater the fluctuations in market risk factors, the greater the potential for profits. When compiling annual targets for various transactions, the Bank takes account of its own macroeconomic and industry analyses as well as those undertaken by peer institutions. Targets are determined after in-depth discussions among the President, trading departments, and the department charged with market risk management. Such targets, along with stop-loss thresholds and quotas for individual products for the year approved by the Assets and Liabilities Management Committee, are submitted to the Board of Directors for approval. Priority is given to refraining from setting excessive, unrealistic targets lest traders should take risks greater than they should. 3. In light of the risk attributes of various transactions, the Bank has in place clearly defined management regulations and risk management indicators that govern risk exposure limits, reporting of such limits being exceeded, and managerial personnel authorized for decision-making and countermeasures warranted under such circumstances. Priority is given to rigorous implementation in order to ensure that traders always adhere to trading discipline and that the Bank's market risk exposure is kept within a reasonable range. ■ Market risk management procedures 1. The planning of market risk transaction amounts for any given year is performed in conjunction with the compilation of business and financial budget targets. At the end of each year, trading departments submit their respective amount applications to the Risk Management Department's Market Risk Management Section. When reviewing such applications, the section also takes into account the Bank's overall budget targets and capital adequacy plans before moving on to propose bank-wide transaction quotas and an overall stop-loss threshold. These proposals are then submitted to the Assets and Liabilities Management Committee for review and the Board of Directors for approval. 2. Based on the aforesaid overall stop-loss threshold approved by the Board of Directors, the Risk Management Department's Market Risk Management Section goes on to draft monthly stop-loss limits for each product line, VaR limits, and MAT (management action trigger) limits. These, upon approval by the President, will serve as the basis for the Bank's market risk management.

<table>
<tr><th>Item</th><th>Content</th></tr>
<tr><td>2. Market risk management organization and structure</td><td>■ The Board of Directors is the Bank's highest supervisory body for market risk management:
1. When it comes to managing market risk inherent in various transactions, the bank-wide transaction quotas and overall stop-loss threshold approved by the Board of Directors at the end of each year serve as the ultimate guidelines for market risk management. Based on the aforesaid overall stop-loss threshold for the coming year, the board authorizes the President to determine individual thresholds for various transactions by product. Currently, such stop-loss thresholds are imposed on three transaction categories: equities, interest rates, and exchange rates.
2. The board also performs annual assessment to determine whether the Bank's performance in various transactions is consistent with preset business strategies and whether the assumed risk is within the Bank's tolerable range. In the event of a major abnormality in transactions or an instance of management by exception, review or retroactive approval of the board is warranted.
■ The Assets and Liabilities Management Committee is a supervisory body responsible for setting market risk management guidelines and overseeing implementation of market risk management.
1. The President shall chair the Assets and Liabilities Management Committee, whose members shall include the chief strategy officer, CEOs of the financial market, corporate banking, and retail banking businesses, chief operating officer, chief risk officer, and other departmental heads appointed by the President. At the end of each year, the committee shall gather relevant departments for an assets and liabilities management conference to review market risk management guidelines and product quotas for transactions as well as the overall stop-loss threshold for the coming year that are to be proposed to the Board of Directors.
2. Chaired by the President, the assets and liabilities management conference is responsible for implementing year-end resolutions it adopts for the coming year and undertaking management thereof. Held on a monthly basis as a rule, it is also charged with reviewing the performance of various transactions.
■ The Risk Management Department is the operating department responsible for implementing market risk management.
In accordance with the Bank's organizational rules, the Market Risk Management Section of the Risk Management Department bears responsibility for performing market risk management tasks with regard to planning, statistics, reporting, and monitoring.</td></tr>
<tr><td>3. Scope and characteristics of market risk reporting and assessment system</td><td>An explanation is hereby given on the following three fronts—internal management regulations, framework of trading limits, and reporting procedures:
■ Internal management regulations
Based on the respective risk attributes of equities, interest rates, and exchange rates, the Bank has in place management regulations that spell out risk management indicators and risk exposure limits, as well as the reporting, decision-making, and responding mechanisms in the event of over-limit events.
■ Framework of trading limits by product
1. To bolster the framework for managing market risk, the Risk Management Department takes into account the specific risk attributes of various products and sets VaR limits, MAT limits, 20-day average liquidity limits, and FS sensitivity limits that complement trading limits and stop-loss thresholds separately imposed on individual products. Upon approval of the President, the aforesaid complementary limits will serve as the basis for market risk management.
2. After the quotas of product holdings for trading departments become effective upon approval of the Board of Directors, the President shall also break down the aforesaid overall stop-loss threshold for distribution among trading departments, thereby authorizing the latter to set down their respective monthly stop-loss thresholds. In turn, heads of trading departments shall conduct allocations among traders and report these to the Risk Management Department in writing as the basis for risk control.
■ Reporting procedures
Against previously authorized trading limits, the Risk Management Department shall compile statistics on the risk exposure of trading departments and individual traders. In accordance with internal management regulations, it shall also submit risk reports, monitor over-limit events, and implement follow-up measures.</td></tr>
<tr><td>4. Market risk hedging or risk mitigation policy; strategies and procedures for continuous validity of risk supervision, avoidance, and mitigation tools</td><td>■ When trading departments undertake transactions for hedging financial asset holdings, the profit or loss thus generated shall be included in their overall trading profits or losses and thus subject to relevant stop-loss control.
■ If a trading department wishes to apply to adopt hedging accounting, assessment of the effectiveness of hedging shall be conducted in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and relevant explanations and explanatory announcements approved by the Financial Supervisory Commission, as explained below:
1. Prior to the start of hedging, a trading department shall explicitly state in formal writing the hedging instrument being adopted, hedging target, nature of the risk being hedged, hedging strategy (fair value hedging or cash flow hedging), and ways to assess the effectiveness of hedging.
2. A hedging transaction is supposed to prove highly effective in offsetting changes in fair value or cash flow caused by the risk being hedged. This specific hedging relationship must be consistent with the hedging strategy stated in the aforesaid formal writing.
3. Hedging must simultaneously meet the following two conditions in order to prove highly effective:
(1) At the start of hedging and mid-way through hedging, it must be stated clearly that the hedging transaction will be able to prove highly effective in offsetting changes in fair value or cash flow caused by the risk being hedged during the designated hedging period.
(2) The actual hedging offset must run between 80% and 125%.
4. The Risk Management Department's Market Risk Management Section shall assess the effectiveness of hedging on a monthly basis, and shall confirm that hedging is highly effective during the designated hedging period. If a hedging portfolio fails to meet the requirement of being highly effective, the section shall notify the accounting unit and have it cancel the given transaction's applicability to hedging accounting in accordance with the aforesaid reporting standards.</td></tr>
<tr><td>5. Method for meeting statutory capital requirement</td><td>Standardized approach</td></tr>
</table>

Market risk required capital

Base Date: March 31, 2019
Unit: NT$ thousands

Risk Type	Required Capital
Interest rate risk	792,611
Equity securities risk	34,526
Foreign Exchange rate risk	177,180
Product risk	0
Total	1,004,317

E. Evaluation of liquidity risk includes a maturity analysis of assets and liabilities and an explanation of the methods adopted to manage asset liquidity and funds gap liquidity:

In terms of asset liquidity and funds gap liquidity management, the Bank has in place the Regulations on Managing Liquidity Risk and Interest Rate Risk, based on which various units are responsible for conducting cash flow control and compiling liquidity risk reports for submission to upper management on a regular basis. The Bank has also prepared a liquidity emergency plan to fill in any liquidity gap, reduce liquidity risk, and ensure smooth operations across the Bank.

Term Structure Analysis of Taiwan Dollar-denominated Assets & Liabilities

Base Date: March 31, 2019
Unit: NT$ thousands

	Total	Amounts remaining during the period prior to the due date					
		0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	More than 1 year
Major matured capital inflows	262,424,577	54,532,356	24,145,979	32,519,292	17,826,985	20,247,360	113,152,605
Major matured capital outflows	301,172,313	9,088,073	29,280,462	63,758,873	53,265,251	55,635,216	90,144,438
Capital gap	(38,747,736)	45,444,283	(5,134,483)	(31,239,581)	(35,438,266)	(35,387,856)	23,008,167

Note: This table contains only Taiwan dollar (excluding foreign currency) amounts at the Bank's headquarters and domestic branches.

Term Structure Analysis of U.S. Dollar-denominated Assets & Liabilities

Base Date: March 31, 2019
Unit: US$ thousands

	Total	Amounts remaining during the period prior to the due date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	More than 1 year
Major matured capital inflows	3,495,099	1,061,602	818,733	491,811	261,893	861,060
Major matured capital outflows	3,678,573	1,411,689	949,331	583,781	264,973	468,799
Capital gap	(183,474)	(350,087)	(130,598)	(91,970)	(3,080)	392,261

Note: 1.The table contains U.S. dollar amounts at the Bank as a whole.
There is no need for reporting off-book amounts (e.g. planned issuance of NCDs, bonds, or equities).
2.Where offshore assets account for 10% or more of the bank's total assets, disclosure of supplementary information is warranted. (Branch assets accounted for 16.00% of the Bank's total assets as of March 2019.)

Term Structure Analysis of U.S. Dollar-denominated Assets & Liabilities

Hong Kong Branch

Base Date: March 31, 2019
Unit: US$ thousands

	Total	Amounts remaining during the period prior to the due date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	Longer than 1 year
Major matured capital inflows	1,033,951	465,735	146,406	30,398	11,733	379,679
Major matured capital outflows	1,038,201	423,563	216,167	210,912	38,606	148,953
Capital gap	(4,250)	42,172	(69,761)	(180,514)	(26,873)	230,726

(2) Impact of major domestic and foreign policies and legal changes on the Bank's finances and operations as well as countermeasures

■ January 4, 2018: The newly revised "Directions Governing Banking Enterprises for Operating Foreign Exchange Business" was promulgated (Central Bank of R.O.C. Order Tai-Yang-Wai-Qi-Zi No. 1070000001).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

■ January 5, 2018: The China Banking Regulatory Commission promulgated the "Provisional Regulations concerning Equity Management by Commercial Banks" (China Banking Regulatory Commission 2018 order No. 1).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.

■ January 13, 2018: The China Banking Regulatory Commission promulgated the "Notice of the China Banking Regulatory Commission on Further Rectifying Market Disorder in the Banking Industry" (Yin-Jian-Fa No. 4 (2018)).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.

■ January 16, 2018: The China Banking Regulatory Commission promulgated the "Notice of the China Banking Regulatory Commission on Issuing the Rules for the Measurement of Default Risk Assets of Counterparties in the Trading of Derivatives" (Yin-Jian-Fa No. 1 (2018)).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.

■ January 29 and September 5, 2018: The newly revised "Guidelines for Managing Credit Business by Members of the Bankers Association of the R.O.C." was promulgated (Bankers Association of the R.O.C. Letter Quan-Shou-Zi No. 1070000334 and Letter Quan-Shou-Zi No. 1070005224).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

■ January 31, 2018: The newly revised "Banking Act" was promulgated (Presidential Order Hua-Zong-Yi-Yi-Zi No. 10700011021).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

- February 1, 2018: The newly revised "Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Wai-Zi No. 10650005420).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

- February 24, 2018: The China Banking Regulatory Commission promulgated the "Decision of the China Banking Regulatory Commission on Amending the Implementation Measures of the China Banking Regulatory Commission for the Administrative Licensing Items concerning Foreign-Funded Banks" (China Banking Regulatory Commission 2018 order No. 3).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.

- March 9, 2018: The China Banking Regulatory Commission promulgated the "Notice of the General Office of the China Banking Regulatory Commission on Regulating the Matters concerning the Reporting by Shareholders of Commercial Banks" (Yin-Jian-Ban-Fa (2018) No. 49).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.

- March 9, 2018: The China Banking Regulatory Commission promulgated the "Notice of the General Office of the China Banking Regulatory Commission on Effectively Completing the Work concerning the Implementation of the Interim Measures for the Equity Management of Commercial Banks" (Yin-Jian-Ban-Fa (2018) No. 48).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.

- March 12, 2018: The China Banking Regulatory Commission promulgated the "Opinions on Further Supporting Innovation on Capital Instruments of Commercial Banks" (Yin-Jian-Fa No. (2018) No. 5).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.

- March 19, 2018: The China Banking Regulatory Commission promulgated the "Announcement of the China Banking Regulatory Commission on the Results of the Review of Regulatory Documents" (Yin-Jian-Hui-Gong-Gao (2018) No. 1).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.

- March 21, 2018: The China Banking Regulatory Commission promulgated the "Notice of the China Banking Regulatory Commission on Issuing the Guidelines for the Management of Conduct of Practitioners of Banking Financial Institutions" (Yin-Jian-Fa No. (2018) No. 9).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.

- March 26, 2018 and March 6, 2019: The newly revised "Operating Guidelines for Security Management of Electronic Banking Services Handled by Financial Institutions" was promulgated (Bankers Association of R.O.C. Letter Quan-Dian-Zi No. 1070001566 and Quan-Dian-Zi No. 1080001158).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

- March 29, 2018: The newly revised "Regulations for the Information Security Assessment of Computer Systems by Financial Institutions" was promulgated (Bankers Association of R.O.C. Letter Quan-Dian-Zi No. 1070001758).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

- March 31, 2018: The newly revised "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Guo-Zi No. 10702712280).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

- August 1, 2018: The newly revised "Company Act" was promulgated (Presidential Order Hua-Zong-Yi-Jing-Zi No. 10700083291).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In accordance with the request by the competent authority, the units were also required to incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

- August 3, 2018: The newly revised "Regulations concerning Self-Governance of Banks' Derivative Products" was promulgated (Bankers Association of R.O.C. Letter Quan-Feng-Yan-Zi No. 1070004806).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to revise the Bank's internal regulations where needed and incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

- September 14, 2018: The China Banking and Insurance Regulatory Commission promulgated the "Notice by the General Office of the China Banking and Insurance Regulatory Commission of Issues Concerning Effectively Conducting the Work on the Use of Residence Permits for Hong Kong, Macao and Taiwan Residents" (Yin-Bao-Jian-Ban-Fa (2018) No. 83).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.

- October 19, 2018: The China Banking and Insurance Regulatory Commission promulgated the "Measures for the Supervision and Administration of Wealth Management Business of Commercial Banks" (China Banking and Insurance Regulatory Commission 2018 Order No. 6).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.

■ October 25, 2018: The "Regulations concerning Self-Governance of Legal Compliance, Anti-Money Laundering, and Counter-Terrorism Financing Management Systems at the Overseas Branch (Subsidiary) Banks of Domestic Member Banks" was promulgated (Bankers Association of R.O.C. Letter Quan-Fa- Zi No. 1070006648).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

■ November 7, 2018: The newly revised "Money Laundering Control Act" was promulgated (Presidential Order Hua-Zong-Yi-Yi-Zi No. 10700120581).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

■ November 7, 2018: The newly revised "Counter-Terrorism Financing Act" was promulgated (Presidential Order Hua-Zong-Yi-Yi-Zi No. 10700120591).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

■ November 9, 2018: The "Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business and Other Financial Institutions Designated by the Financial Supervisory Commission" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Fa-Zi No. 10702744660).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

■ November 13, 2018: The newly revised "Regulations Governing the Declaration of Foreign Exchange Receipts and Disbursements or Transactions" was promulgated (Central Bank of R.O.C. Order Tai-Yang-Wai-Wu-Zi No. 107004451).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

■ November 13, 2018: The newly revised "Directions Governing Banking Enterprises for Operating Foreign Exchange Business" was promulgated (Central Bank of R.O.C. Order Tai-Yang-Wai-Qi-Zi No. 107004121).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

■ November 14, 2018: The newly revised "Regulations Governing Anti-Money Laundering of Financial Institutions" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Fa-Zi No. 10702745220).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to incorporate the gist of the revision into the Bank's legal compliance mechanism.

2. It has yet to have any material impact on the Bank's finances or operations.

■ November 26, 2018: The newly revised "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" was promulgated (Financial Supervisory Commission Order Jin-Guan-Zheng-Fa-Zi No. 1070341072).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

■ February 15, 2019: The newly revised " Regulations Governing Foreign Exchange Business of Banking Enterprises " was promulgated (Central Bank of R.O.C. Order Tai-Yang-Wai-Qi-Zi No. 1080007044).

1. This revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. The units were also required to incorporate the gist of the revision into the Bank's legal compliance mechanism.
2. It has yet to have any material impact on the Bank's finances or operations.

(3) Impact of technological and industrial changes on the Bank's finances and operations as well as countermeasures

Technological development is stimulating rapid changes in the financial industry, and is accelerating the financial industry's transformation. The industry's future developmental focal point will be financial service innovation, and cooperation between the financial industry and partners in other industries will be a source of future business opportunities. The Bank has always striven to provide customers with the most superior service. When changing to a commercial bank to cross over into personal financial services, which has been a leading trend in the financial industry, the Bank has embraced new thinking about digital finance, adopted advanced technologies, and developed Taiwan's first digital bank with a primarily "virtual channel" to take advantage of opportunities in online banking. The Bank has introduced services including the online opening of domestic and foreign currency deposit accounts, online application for credit loans, robot wealth management, and 24-hour video customer service. The Bank has also cooperated with strategic partners, and relied on services involving the Bank and partners in other industries to jointly create a digital brand ecosystem, which has enabled the Bank to gradually achieve a highly competitive status in the industry. Looking ahead to the future, the Bank will continue to monitor emerging financial technologies, and provide customers safe, simple, convenient, fun, and innovative financial services.

In addition, in order to monitor technological changes and reduce risk factors associated with abrupt changes in industry, the Bank conducts annual surveys and analysis of industry's economic conditions and development trends, and, in order to control industries credit limit, has adopted a policy of dispersing risks connected with credit, deposits, and investment, etc. Furthermore, in conjunction with employee education and training, the Bank has striven to increase the depth and breadth of employees' knowledge concerning economic conditions and industry. At the same time, we are relying on regular double-checking, strengthened post-loan management, strict control of asset quality, and maintenance of risk control discipline to minimize the Bank's risk.

(4) Impact of changes in the Bank's public image on its crisis management as well as countermeasures

The Bank has long maintained the business principles of professionalism, integrity, and stability. Apart from attentiveness to our core financial services and strengthening of risk control mechanisms, we also emphasize the maintenance of our corporate image, and consequently established a "Corporate Culture Promotion Committee" and "Corporate Social Responsibility Committee" in 2014 and 2015. The spirit of our corporate culture embodies the values of "Sincerity and Support" and we participate vigorously in arts & culture, education, and social welfare public-interest activities. We are contributing to society in many ways, and using our corporate capabilities to exert a positive influence on society. We are fulfilling our corporate social responsibilities, actively seeking to enhance our corporate image, and striving to be a trustworthy partner for our customers. The Bank has been involved in various corporate social responsibility undertakings during the past four years, which has not only enabled us to obtain international Grade B corporate certification, but also helped us win recognition from several external benchmark assessment organizations in 2018. These affirmations included "Newcomer Award in the Backbone Enterprise Section" in the CommonWealth Corporate Citizen awards and the Taiwan Institute for Sustainable Energy's "Corporate Sustainability Report Award" of silver award and "Gender Equality Award," as well as various other honors, which serve to show the emphasis the Bank places on its corporate social responsibilities, and the tangible results it has achieved.

After its change to a commercial bank, apart from continuing to maintain its aforementioned corporate business philosophy, the Bank has also striven to boost its image as a new digital banking brand. In this age of social media, in order to enhance the prestige and image of the Bank's brand, the Bank has created comprehensive, rigorous internal control mechanisms, and has established a spokesperson, deputy spokesperson, corporate communications department, and customer service center to handle the questions and recommendations of shareholders, the media, and the general public. If erroneous information is contrary to the facts or may harm the Bank's image, when necessary, in accordance with regulations, we may issue a major explanatory message via the Market Observation Post System.

(5) Expected benefits and potential risks of M&As as well as countermeasures

"Mergers and acquisitions" represent a pathway for corporate growth. Mergers and acquisitions can expand the magnitude and scope of corporate business, disperse operating risk, dispersed markets, enlarge financial product lines, boost operating efficiency, and enhance overall competitiveness. As a consequence, the Bank cannot rule out possible M&A plans when opportunities present themselves, and may employ mergers and acquisitions to quickly boost its market status and competitiveness.

The Bank will consider the rights and interests of all stakeholders when implementing any possible future M&A plans, and will strive to cautiously assess possible cooperating partners that will benefit the Company's long-term development under the premise that no harm is done to employees, customers, and shareholder's equity. As of the date of printing of this annual report, the Bank had no concrete M&A plans.

(6) Expected benefits and potential risks of expansion of business outlets as well as countermeasures

The revised Article 3 of the "Regulations Governing Domestic Branches of Financial Institutions," which was issued by the Financial Supervisory Commission on October 7, 2015, specifies that banks eligible to apply for a change to commercial bank may simultaneously applied to establish branch organizations, and may include up to five branches that they have already established. After the Bank changed to a commercial bank, it has emphasized that development of its digital banking services, and its service development efforts have focused on virtual channels such as online and mobile banking. Because the physical business locations chiefly serve to promote the Bank's brand image and provide a pathway for experiencing digital finance, we established a Xinyi Weixiu branch and Zhongxiao Dunhua branch in May 2017 and January 2018. As part of our effort to establish an integrated virtual/physical service network, these branches enable customers to personally experienced digital banking, and begin using online banking and wealth management consulting services, etc. Expanding our business locations can increase our service coverage, expand our channels and customer base, and achieve the benefits of dispersing risk and training more professional manpower. Because the Bank currently has relatively few business locations, and because we must perform specialized, rigorous cost-effectiveness analysis before establishing any new locations, which is necessary to ensure that all locations provide the greatest possible benefit, we are exposed to limited risk from the expansion of business locations.

The Bank's business locations are positioned as digital personal experience centers, provide instruction concerning virtual channels, and consolidate the Bank's digital financial service image. We are also actively forming alliances with nearby merchants in order to create mutually beneficial ecosystems, and holding wealth management talks, Smile Markets, and distinctive local commercial district activities. These activities enable the public to personally experience digital banking and see how it can conveniently fit into their lives.

Possible risk	Explanation	Countermeasures
Asset losses	Impairment of material assets due to natural disasters or other incidents	Property insurance
System crashes	Losses caused by system crashes	Offsite system backup plan

Responding to the gradual relaxation of controls on cross-Strait finance, the Financial Supervisory Commission has issued regulations governing prior review, risk control, subsequent management and restrictions on total investment for domestic financial organizations establishing representative offices, branches , subsidiary banks, and equity participation in mainland China or the Hong Kong/Macau areas. The Bank will continue to take appropriate response and risk management measures in accordance with laws and regulations. The Bank established its first overseas branch in Hong Kong during April 2009, and subsequently established an representative office in Tianjin in April 2012. Looking ahead to the future, we will prudently assess the possibility of establishing further branches in order to expand our Chinese market.

In addition, we also plan to rely on the establishment of overseas locations by our subsidiaries to extend the Group's financial service scope. The Bank's subsidiary IBT International Leasing Corp. invested in the establishment of leasing companies in China. After several years of development, these companies' sales are growing steadily, they have service locations in Suzhou, Nanjing, Dongguan, Zhongshan, and Tianjin, and they are currently providing comprehensive financial services to SMEs and micro-enterprises in China's Yangtze River Delta and Pearl River Delta areas. We will continue to carefully select and established business locations in the future, and hope to rely on our leasing company platform to take advantage of business opportunities in Taiwan and China. We expect that these leasing companies will play complementary roles with the Chinese branches we hope to establish in the future. And in order to meet our corporate customers' global needs, our US subsidiary bank—the EverTrust Bank—has 8 business locations in the Greater Los Angeles area to meet local financial service needs.

(7) Risks incurred by business concentration and countermeasures

With regard to target customers, due to its characteristics as an industrial bank and cost-effectiveness considerations, the Bank's chief target customers consisted primarily of large enterprises, and its customer base was fairly concentrated. As a consequence, we began the active development of medium-sized enterprise customers in 2013, which has been expanding our customer base and reducing concentration risk, and we have been gradually obtaining positive results. Furthermore, our change to a commercial bank in 2017 has allowed us to expand our customer base from corporations to individuals, and we expect the degree of concentration of our target customers to continue to decrease.

(8) Effect upon and risk to the Bank associated with any change in managerial control, as well as countermeasures: None.

(9) Effect upon or risk to the Bank if a large quantity of shares held by a director, supervisor, or major shareholder with not less than a 1% stake are to be transferred or otherwise change hands, as well as countermeasures: None.

(10) Litigious and non-litigious matters: To date the Bank has not been subject to any litigious or non-litigious proceedings or administrative disputes that may have a material impact on depositor or shareholder interests or the Bank's share price.

(11) Other major risks:

■ Information security risks

The Bank performs the following two assessment tasks with regard to information security risks:

1. Information asset risk assessment

   We perform information asset risk assessment tasks every half-year. These assessments consider such factors as the value of information assets, weaknesses, threats, internal issues, external issues (including laws and regulations, major information security incidents, technological changes, and industry changes, etc.), and take the requirements of stakeholder groups into consideration, and seek to understand the risk entailed by such information assets, and facilitate the adoption of appropriate security control measures able to reduce information security risks.

   This year's assessment found no high risk or major operating risk matters.

2. Computer system information security assessment

   We conduct annual information security assessments in accordance with the "Regulations for the Information Security Assessment of Computer Systems by Financial Institutions." These assessments inspect and confirm various information security threats and weaknesses, and implement control measures addressing technological and management aspects in order to strengthen network and information system security ability. Assessment tasks include the following:

   (1)Inspection of information architecture: We inspect network architecture configuration, the adequacy of information equipment security management rules, the greatest impact and risk acceptance ability in the case of single-point malfunctions, and the ability to maintain operations, etc.

   (2)Inspection of network activity: We inspect network equipment and server access records and user rights, information security equipment monitoring records, and malicious Internet usage or abnormal DNS server queries, etc.

   (3)Testing of network equipment, servers, terminal equipment, and Internet of Things devices: We perform equipment vulnerability scans and patches, testing of whether malicious programs exist, and testing of the complexity of account numbers and passwords.

   (4)Testing of network equipment, servers, and Internet of Things devices, and connection with the Internet: We perform penetration testing, website vulnerability scans, and inspection of server directory and website access rights, and database security settings, etc.

   (5)Customer-end applications programs: We perform testing of applications programs given to customers on the basis of the Industrial Development Bureau's "Basic Information Security Standards for Mobile Applications" and "OWASP Mobile Top 10: 2016."

(6)Inspection of security settings: We inspect server password setting principles and account number determination principles, the adequacy of firewall settings, operating system and antivirus software updating settings and updating status, and key storage protection mechanisms and access, etc.

(7)Compliance inspection: We inspect computer systems to determine whether they meet the competent authority's standards.

(8)Social engineering drills: We implement annual e-mail social engineering drills involving all employees, and conduct social engineering attack awareness and training.

This year's implementation results found no high risk or major operating risk matters.

7. Crisis management and response mechanisms

In order to strengthen the Bank's ability to respond to major crises and disasters, the Bank has drafted the Major Accident Emergency Response and Recovery Plan Implementation Guidelines. These guidelines contain emergency response measures and notification and handling principles for natural disasters, major epidemics, information system crashes, personal data accidents, and liquidity crises. We have also strengthened our disaster prevention simulations, drills, and testing. In the event of an accident or disaster, we hope to eliminate or reduce damage to the bank as quickly as possible, and maintain the normal functioning of our banking services. Furthermore, in 2018, we established an emergency response committee platform and drafted "Emergency Response Committee Organizational Guidelines." The general manager serves as the chairperson of the Emergency Response Committee, which is tasked with ensuring that the Bank can notify relevant personnel in real-time in the event of a major accident, and integrate interdepartmental crisis handling and response measures.

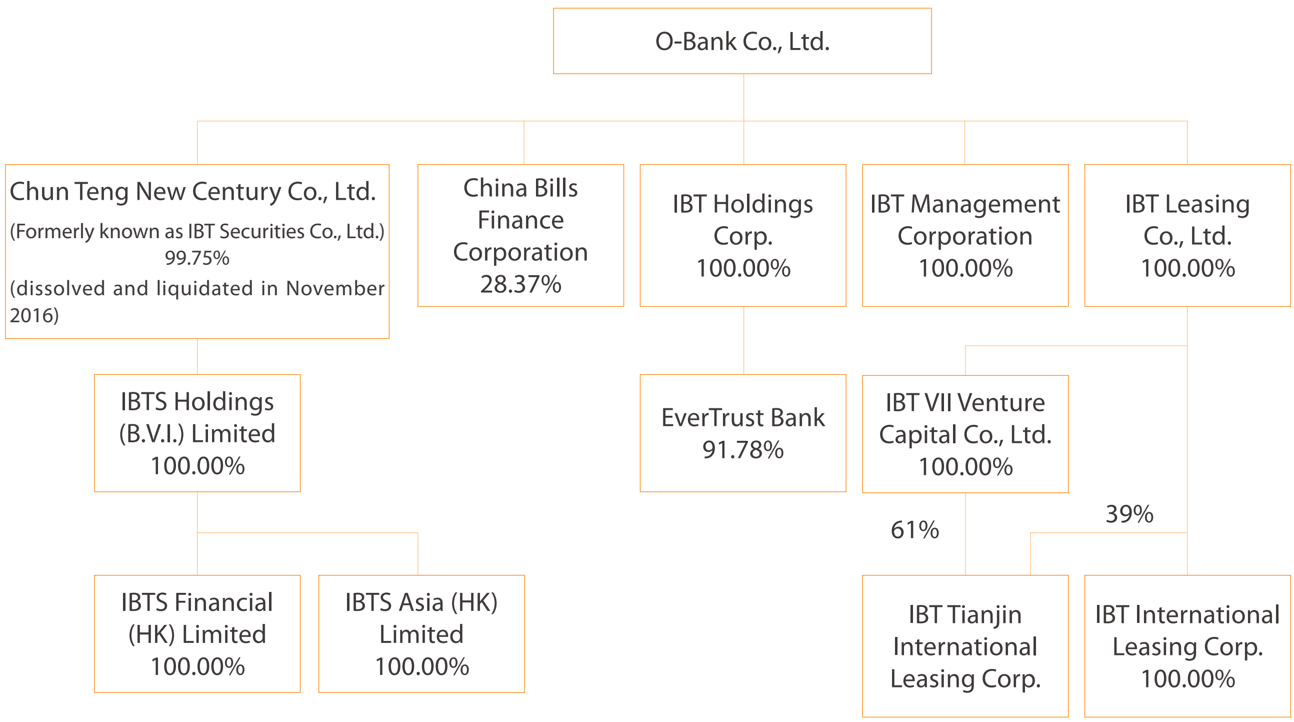
8. Other major items: None.

VIII. Special Disclosure

1. Summary of Affiliated Companies

(1) Organizational Chart

As of December 31,2018



(2) Backgrounds of Affiliated Companies

As of December 31,2018

Unit : NTD$thousands /US$ thousands /HKD$ thousands /RMB$ thousands

Name of Company	Established Date	Address	Paid in Capital	Main Business
Chun Teng New Century Co., Ltd. (note2)	1961.12.9	6F, No.187, Sec.2,Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	NTD 382,906	1. Investment Business 2. Investment Consulting 3. Management Consulting 4. Other businesses not prohibited or restricted by law
IBTS Holdings (B.V.I.) Limited	2003.3.14	Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands	USD 3,831	Holding Company
IBTS Financial (HK) Limited	2003.5.26	Suite 1310, Tower One, Lippo Centre, 89 Queensway, Hong Kong	USD 1,986	Financing Consulting
IBTS Asia (HK) Limited	2004.4.30	Suite 1310, Tower One, Lippo Centre, 89 Queensway, Hong Kong	HKD 70,000	1. Securities Trading (Type1) 2. Provision of Consulting on Securities Trading (Type4)
IBT Management Corporation	2000.8.5	8F, No.99, Sec.2,Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	NTD 134,000	1. Investment Advisory Business 2. Business Management Advisory Business 3. Venture Capital Investment and Management Consulting Business
IBT VII Venture Capital Co., Ltd.	2014.8.5	6F, No.99, Sec.2,Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	NTD 650,000	Venture Capital Business
China Bills Finance Corporation	1978.10.19	4F, No.99, Sec.2,Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	NTD 13,429,600	1. H102011 Bills Finance 2. H301011 Securities Brokerage

Name of Company	Established Date	Address	Paid in Capital	Main Business
IBT Holdings Corp.	2006.5.30	2 N. Lake Avenue, Suite 1030, Pasadena CA 91101 U.S.A.	USD 110,209	Financial Holding Company
EverTrust Bank	83.9.19	2 N. Lake Avenue, Suite 1030, Pasadena CA 91101 U.S.A.	USD 118,402	Commercial Banking
IBT Leasing Co., Ltd.	2011.4.7	6F, No.187, Sec.2,Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	NTD 2,643,000	Financing Leasing
IBT International Leasing Corp.	2011.3.15	Room 805,8F, No.188 Wangdun Rd., Suzhou Industrial Park, Suzhou 215123, Jiangsu, P.R. China	RMB 287,287	Financing Leasing
IBT Tianjin International Leasing Corp.	2013.3.28	18F, No.5, Meiyuan Rd., Huayuan Industry Park, Tianjin 300384, P.R. China	RMB 122,774	Financing Leasing

Note： 1. Exchanging rate on reporting date as Dec. 31, 2018: USD 30.74593 、HKD3.92537 、RMB4.46999。
2. Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) was dissolved and liquidated in November 2016.

(3) Common Shareholders among Controlling and Controlled Entities: None.

(4) Backgrounds of directors, supervisors and presidents of affiliated companies

As of December 31,2018
Unit:Shares，%

Name of Company	Title/Represented Institution	Name of Representatives	Shareholding	
			No.of Shares	Ratio%
Chun Teng New Century Co., Ltd. (note1)	Supervisor: Yeh, Roy J.Y.			
IBTS Holdings (B.V.I.) Limited	Directors: Chun Teng New Century Co., Ltd. Chun Teng New Century Co., Ltd.	 Lin, Wu-Chai Chao, Kai-Yun	 3,831,428 3,831,428	 100.00 100.00
IBTS Financial (HK) Limited	Directors: IBTS Holdings (B.V.I) Limited IBTS Holdings (B.V.I) Limited IBTS Holdings (B.V.I) Limited	 Chao, Kai-Yun Chan, Hsiu-Hua Yang, Han-Wei	 14,849,382 14,849,382 14,849,382	 100.00 100.00 100.00
IBTS Asia (HK) Limited	Directors: IBTS Holdings (B.V.I) Limited IBTS Holdings (B.V.I) Limited IBTS Holdings (B.V.I) Limited President： Hung, Hui-Hsiu	 Chao, Kai-Yun Hung, Hui-Hsiu Yang, Han-Wei	 70,000,000 70,000,000 70,000,000 0	 100.00 100.00 100.00 0.00
IBT Management Corporation	Jurisdic-person director: O-Bank Co., Ltd. O-Bank Co., Ltd. O-Bank Co., Ltd. O-Bank Co., Ltd. Supervisor: O-Bank Co., Ltd. President： Tang, Grace W.S.	 Yeh, Roy J.Y. Siew, Joy Yang, Becky Tang, Grace W.S. Liu, Nancy S.F.	 13,400,000 13,400,000 13,400,000 13,400,000 13,400,000 0	 100.00 100.00 100.00 100.00 100.00 0.00
IBT VII Venture Capital Co., Ltd.	Jurisdic-person director: IBT Leasing Co., Ltd. IBT Leasing Co., Ltd. IBT Leasing Co., Ltd. IBT Leasing Co., Ltd. IBT Leasing Co., Ltd. Supervisor: IBT Leasing Co., Ltd.	 Yeh, Roy J.Y. Yang, Becky Siew, Joy Tang, Grace W.S. Chao, Kai-Yun Liu, Nancy S.F.	 65,000,000 65,000,000 65,000,000 65,000,000 65,000,000 65,000,000	 100.00 100.00 100.00 100.00 100.00 100.00

Name of Company	Title/Represented Institution	Name of Representatives	Shareholding	
			No.of Shares	Ratio%
China Bills Finance Corporation	Jurisdic-person director:			
	O-Bank Co., Ltd.	Wu,Cheng-Ching	380,981,600	28.37
	O-Bank Co., Ltd.	Chien, Chih-Ming	380,981,600	28.37
	O-Bank Co., Ltd.	Chang, David C.C.	380,981,600	28.37
	O-Bank Co., Ltd.	Lin, Roger Y.F.	380,981,600	28.37
	O-Bank Co., Ltd.	Chen, Tessie Y.H.	380,981,600	28.37
	O-Bank Co., Ltd.	Chang, Niel	380,981,600	28.37
	Ming Shan Investment Co., Ltd.	Lo, Mona I-Ru	1,509,600	0.11
	Hezhu Investment Co., Ltd.	Si-Tsung Cheng	76,284,000	5.68
	Hezhu Investment Co., Ltd.	Min-Sheng Cheng	76,284,000	5.68
	Independent Directors:			
	Wayne Wen-Ya Wu		0	0.00
	Chung-Ho Chen		0	0.00
	An-Wei Su		0	0.00
	President:			
	Chien, Chih- Ming		0	0.00
IBT Holdings Corp. (note 2)	Directors:			
	Lo, Tina Y.		0	0.00
	Peng, Henry W.		0	0.00
	Kung, Jesse C.K.		0	0.00
	President:			
	Kung, Jesse C.K.		0	0.00
EverTrust Bank (note 3)	Directors:			
	Peng, Henry W.		0	0.00
	Lo,Tina Y.		0	0.00
	Kung, Jesse C.K.		0	0.00
	Yang, Tony C.Y.		0	0.00
	Bloom, Steven N.		0	0.00
	Lee, Elton Fang Yuan		0	0.00
	Ho, Joanna		0	0.00
	Wang & Wang, LLC	Wkang Hsiang Wang	960,095	8.22
	President :			
	Kung, Jesse C.K.		0	0.00
IBT Leasing Co., Ltd.	Jurisdic-person director:			
	O-Bank Co., Ltd.	Lin, Wu-Chai	264,300,000	100.00
	O-Bank Co., Ltd.	Yeh, Roy J.Y.	264,300,000	100.00
	O-Bank Co., Ltd.	Wang, Steven H.P.	264,300,000	100.00
	O-Bank Co., Ltd.	Wei, Jonathan C.H.	264,300,000	100.00
	O-Bank Co., Ltd.	Chen, Paul	264,300,000	100.00
	O-Bank Co., Ltd.	Wang, Graham	264,300,000	100.00
	Supervisor:			
	O-Bank Co., Ltd.	Chang, David C.C.	264,300,000	100.00
	President:			
	Wang, Steven H.P.		0	0.00
IBT International Leasing Corp. (note 4)	Jurisdic-person director:			
	IBT Leasing Co., Ltd.	Lin, Wu-Chai	-	-
	IBT Leasing Co., Ltd.	Yeh, Roy J.Y.	-	-
	IBT Leasing Co., Ltd.	Chuang,Charles M.C.	-	-
	IBT Leasing Co., Ltd.	Wei, Jonathan C.H.	-	-
	IBT Leasing Co., Ltd.	Shao, Wen W.C.	-	-
	IBT Leasing Co., Ltd.	Chen, Paul	-	-
	IBT Leasing Co., Ltd.	Wang, Graham	-	-
	Supervisor:			
	IBT Leasing Co., Ltd.	Chang, David C.C.	-	-
	President:			
	Chuang,Charles M.C.		-	-

Name of Company	Title/Represented Institution	Name of Representatives	Shareholding	
			No.of Shares	Ratio%
IBT Tianjin International Leasing Corp. (note 4)	Jurisdic-person director:			
	IBT Leasing Co., Ltd.	Lin, Wu-Chai	-	-
	IBT Leasing Co., Ltd.	Yeh, Roy J.Y.	-	-
	IBT Leasing Co., Ltd.	Chang, Walter S.W.	-	-
	IBT Leasing Co., Ltd.	Wei, Jonathan C.H.	-	-
	IBT Leasing Co., Ltd.	Shao, Wen W.C.	-	-
	IBT Leasing Co., Ltd.	Chen, Paul	-	-
	IBT Leasing Co., Ltd.	Wang, Graham	-	-
	Supervisor:			
	IBT Leasing Co., Ltd.	Chang, David C.C.	-	-
	President:			
	Chang, Walter S.W.		-	-

Note: 1.Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) was dissolved and liquidated in November 2016.
2.Shareholding of O-BankCo., Ltd. to IBT Holdings Corp.:10,869,286 shares; at a holding ratio of 100%。
3.Shareholding of IBT Holdings Corp.to EverTrust Bank:10,713,699 shares; at a holding ratio of 91.78%。
4.IBT International Leasing Corp. IBT Tianjin International Leasing Corp. are limited companies, not companies limited by shares.

(5) Performance of Affiliated Companies

As of December 31,2018

Unit : NTD$ thousands /US$ thousands /HKD$ thousands /RMB$ thousands

Name	Capital Stock	Total Assets	Total Liabilities	Net Worth	Operation Revenue	Profit from Operations	Net Income (after tax)	Earnings Per Share (in dollar) (after tax)
O-Bank Co., Ltd.	27,130,063	334,340,120	302,350,992	31,989,128	4,729,883	1,126,686	954,659	0.40
Chun Teng New Century Co., Ltd.(note2)	382,906	354,159	1	354,158	0	(3,355)	10,274	0.27
IBTS Holdings (B.V.I.) Limited	USD 3,831	USD 9,167	USD 0	USD 9,167	USD 0	USD (432)	USD (432)	USD (1.13)
IBTS Financial (HK) Limited	USD 1,986	USD 2,833	USD 0	USD 2,833	USD 193	USD 187	USD (99)	USD (0.50)
IBTS Asia (HK) Limited	HKD 70,000	HKD 40,854	HKD 22,016	HKD 18,838	HKD 60	HKD (4,155)	HKD (3,059)	HKD (0.44)
IBT Management Corporation	134,000	216,392	4,659	211,733	14,574	(439)	(510)	(0.04)
IBT VII Venture Capital Co., Ltd.	650,000	397,084	70	397,014	24,561	(66,839)	(66,839)	(1.03)
China Bills Finance Corporation	13,429,600	199,531,031	176,232,538	23,298,493	1,977,208	1,630,228	1,335,419	0.99
IBT Holdings Corp.	USD 110,209	USD 161,471	USD 0	USD 161,471	USD 1	USD 17,708	USD 11,456	USD 1.05
EverTrust Bank	USD 118,402	USD 887,235	USD 712,393	USD 174,842	USD 33,876	USD 17,744	USD 12,510	USD 1.07
IBT Leasing Co., Ltd.	2,643,000	5,323,111	3,277,902	2,045,209	196,230	(38,014)	140,702	0.53
IBT International Leasing Corp.	RMB 287,287	RMB 2,410,468	RMB 1,976,213	RMB 434,255	RMB 261,370	RMB 78,943	RMB 61,766	Not Applicable
IBT Tianjin International Leasing Corp.	RMB 122,774	RMB 85,090	RMB 54,370	RMB 30,720	RMB 11,366	RMB (18,721)	RMB (20,814)	Not Applicable

Note: 1.Exchanging rate on reporting date as Dec. 31, 2018: USD30.74593、HKD3.92537、RMB4.46999。
2.Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) was dissolved and liquidated in November 2016.

(6) **Consolidated Financial Statements of Affiliated Companies:** Please refer to Consolidated Financial Statements of Financial Status.

(7) **Reports of Affiliated Companies:** Not applicable.

2. Private Placement Securities and Financial Bonds: None.

3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:
Not applicable.

4. Other Important Supplementary Information: None.

5. Events Occurred in the Previous Year and Up to the Publication of this Annual Report, Which Significantly Affect Shareholders'Equity or Price of Shares Pursuant to Item 2, Paragraph 3 of Article 36 of the Securities and Exchange Act: None.

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