O-Bank and Subsidiaries
(Formerly Industrial Bank of Taiwan)

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 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, 2017 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 28, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

We have audited the accompanying consolidated financial statements of O-Bank (the "Bank") and its subsidiaries (collectively referred to as the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Public Bills Finance Firms, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants, 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 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 Company 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, 2017. 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, 2017 are as follows:

Allowance for Credit Losses

Concerning the accounting policy on allowance for credit losses, refer to Note 4 to the consolidated financial statements; the critical accounting judgments, estimates and appropriateness of assumptions of loan impairment, refer to Note 5 to the consolidated financial statements, and the allowance for credit losses, refer to Note 12 to the consolidated financial statements.

Management performs loan impairment tests to establish and recognize allowances for credit losses. Loans that are assessed as not individually impaired are further assessed for impairment on a collective basis, and the assessment utilizes default probabilities and expected recoverable ratios based on historical experience to estimate the impairment value for loans. For loans which are assessed for impairment on an individual basis, the assessment includes evaluating the expected individual recoverable amounts in order to evaluate the impairment loss. 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 default probabilities, expected recoverable ratios and expected recoverable amounts involve estimations and judgments, which affect the adequacy of 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 the internal control design and tested and implementation by management in assessing the expected recoverable amount when determining the allowance for credit losses.

- Assessed whether the default probability and the expected recoverable ratio used in assessing loan impairment on a collective basis were accurate.

- Reviewed the assessment reports on assessments of individually impaired loans, including the estimations of expected recoverable amounts, the collateral values and the appropriations of the use of discount rates used by management.

- 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 assessed whether the allowances for credit losses were adequate by performing recalculations.

Goodwill

Concerning the accounting policy on goodwill impairment, refer to Note 4 to the consolidated financial statements, and details of goodwill impairment, refer to Note 22 to the consolidated financial statements.

Goodwill was recognized when IBT Holdings Corp. for purchased shares of EverTrust Bank at above the fair value of the shares. Management is required to carry out an annual impairment test for goodwill when there is any indication of impairment by using the net present value of the cash-generating units' forecasted cash flows as the estimated recoverable amount. Forecasted cash flows involve estimations and judgments, which affect the assessment of goodwill impairment; therefore, we consider goodwill to be a key audit matter.

In response to this key audit matter, we:

- Obtained the goodwill impairment valuation report prepared by an external specialist appointed by the Bank, assessed the competence, capabilities and objectivity of the external specialists and reviewed the goodwill impairment valuation report by understanding and evaluating the appropriateness of the assumptions and methods applied by the external specialists.

- We assessed the estimation basis of the forecasted cash flows and discount rates used in the goodwill impairment valuation report to verify whether they were in accordance with the current condition of the Company and its industry-specific environment.

Assessment of Reserve for Guarantee Liabilities

Concerning the accounting policy on the reserve for losses on guarantees, refer to Note 4 to the consolidated financial statements; significant accounting judgments, estimations and uncertainty of assumptions of the reserve for losses on guarantees, refer to Note 5 to the consolidated financial statements, and the reserve for losses on guarantees is detailed in Note 12 to the consolidated financial statements.

Management focuses on the evaluation of whether the reserve for guarantee liabilities is likely to be used and whether any possible cash inflow will arise as result of settling guarantee obligation. Management also performs an evaluation and classification of credit assets, and a reserve for guarantee liabilities is set aside by a bills finance company in accordance with 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". The evaluation process is inherently subjective, and the evaluation and classification of credit assets will affect the amount of the reserve for guarantee liabilities; therefore, we consider the reserve for guarantee liabilities to be a key audit matter.

In response to this key audit matter, we:

- Documented and assessed the design and implementation of controls in place for the Company's assessment of the adequacy of the reserve for guarantee liabilities;

- Evaluated the completeness of the balance of commercial papers exposed to guarantee liabilities shown in the loss reserves evaluation report;

- Reviewed management's calculation of the value of collateral for the specific impairment of credit assets, and we also checked that the collateral was categorized properly in the loss reserves evaluation report;

- Recalculated the amount of reserve for guarantee liabilities shown in the provision for loss reserves evaluation report to confirm the mathematical accuracy of the provision for loss reserves.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2017 and 2016 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 Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Public Bills Finance Firms, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants, 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 Company'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 Company 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 Company'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 Company'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 Company'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 Company 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.

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, 2017 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 28, 2018

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
(Formerly Industrial Bank of Taiwan)

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 46)	$ 6,625,973	1	$ 5,979,980	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	11,506,456	2	17,126,977	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 46)	154,136,983	29	147,722,285	30
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Note 9)	5,682,864	1	200,092	-
RECEIVABLES, NET (Notes 10 and 12)	21,202,093	4	19,046,408	4
CURRENT TAX ASSETS	301,362	-	200,582	-
DISCOUNTS AND LOANS, NET (Notes 11, 12, 45 and 46)	180,086,186	33	162,544,641	33
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 13 and 46)	149,145,722	28	126,981,565	26
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 14 and 46)	499,821	-	5,544,703	1
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Note 17)	-	-	107,981	-
RESTRICTED ASSETS (Notes 18 and 46)	99,943	-	148,214	-
OTHER FINANCIAL ASSETS (Note 19)	1,183,491	-	1,520,931	-
PROPERTY AND EQUIPMENT, NET (Note 20)	3,084,952	1	3,771,171	1
INTANGIBLE ASSETS, NET (Note 22)	2,403,367	-	1,499,011	-
DEFERRED TAX ASSETS (Note 42)	582,334	-	565,263	-
OTHER ASSETS (Notes 23 and 46)	4,030,474	1	3,924,946	1
TOTAL	$ 540,572,021	100	$ 496,884,750	100
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the central bank and banks (Note 24)	$ 53,032,639	10	$ 56,697,931	11
Financial liabilities at fair value through profit or loss (Note 8)	791,018	-	2,377,872	1
Securities sold under agreement to repurchase (Note 25)	189,821,968	35	163,304,781	33
Accounts payable (Note 26)	5,022,681	1	3,753,143	1
Current tax liabilities	136,269	-	75,726	-
Deposits and remittances (Notes 27 and 45)	198,286,700	37	184,587,611	37
Bank debentures (Note 28)	20,400,000	4	17,450,000	4
Other financial liabilities (Note 29)	22,337,877	4	18,831,642	4
Provisions (Notes 12, 30 and 31)	1,874,368	-	1,801,044	-
Deferred tax liabilities (Note 42)	216,007	-	248,870	-
Other liabilities (Notes 32 and 46)	2,477,851	-	1,885,021	-
Total liabilities	494,397,378	91	451,013,641	91
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital stock	24,130,063	5	23,905,063	5
Capital surplus	7,730	-	3,193	-
Retained earnings				
Legal reserve	2,880,297	1	2,390,828	1
Special reserve	1,229,536	-	1,173,293	-
Unappropriated earnings	1,014,567	-	1,631,566	-
Total retained earnings	5,124,400	1	5,195,687	1
Other equity	20,400	-	284,715	-
Total equity attributable to owners of the Bank	29,282,593	6	29,388,658	6
NON-CONTROLLING INTERESTS	16,892,050	3	16,482,451	3
Total equity (Note 33)	46,174,643	9	45,871,109	9
TOTAL	$ 540,572,021	100	$ 496,884,750	100

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

O-BANK AND SUBSIDIARIES
(Formerly Industrial Bank of Taiwan)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST					
Interest revenue (Note 34)	$ 8,176,263	103	$ 6,874,444	89	19
Interest expenses (Notes 34 and 45)	(3,584,088)	(45)	(2,723,007)	(35)	32
Net interest	4,592,175	58	4,151,437	54	11
NET REVENUE OTHER THAN INTEREST					
Commissions and fee revenue, net (Notes 35 and 45)	1,860,135	24	2,019,270	26	(8)
Gain on financial assets and liabilities at fair value through profit or loss (Note 36)	(366,209)	(5)	1,415,729	18	(126)
Realized income from available-for-sale financial assets (Note 37)	406,909	5	309,321	4	32
Foreign exchange gain (loss), net (Note 36)	1,227,205	16	(345,901)	(4)	455
Loss from asset impairment (Note 38)	(4,448)	-	(34,333)	-	(87)
Investment income (loss) recognized under equity method (Note 17)	15,621	-	7,234	-	116
Realized income from financial assets carried at cost (Note 19)	25,685	-	94,176	1	(73)
Consulting revenue	24,585	-	23,481	-	5
Other non-interest net gains (Note 45)	132,396	2	81,557	1	62
Net revenue other than interest	3,321,879	42	3,570,534	46	(7)
TOTAL NET REVENUE	7,914,054	100	7,721,971	100	2
PROVISIONS (Note 12)	(894,250)	(11)	(609,637)	(8)	47
OPERATING EXPENSES					
Personnel expenses (Notes 31, 39 and 45)	2,577,443	33	2,289,410	30	13
Depreciation and amortization (Note 40)	313,764	4	201,859	3	55
Others (Notes 41 and 45)	1,284,407	16	1,045,280	13	23
Total operating expenses	4,175,614	53	3,536,549	46	18

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O-BANK AND SUBSIDIARIES
(Formerly Industrial Bank of Taiwan)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INCOME BEFORE INCOME TAX	$ 2,844,190	36	$ 3,575,785	46	(20)
INCOME TAX EXPENSE (Note 42)	732,303	9	833,742	11	(12)
PROFIT FROM CONTINUING OPERATIONS	2,111,887	27	2,742,043	35	(23)
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (Note 15)	(52,986)	(1)	92,956	1	(157)
NET PROFIT FOR THE YEAR	2,058,901	26	2,834,999	36	(27)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	(3,467)	-	(19,763)	-	(82)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(507,607)	(7)	(273,625)	(4)	86
Unrealized gain (loss) on available-for-sale financial assets	393,310	5	(862,672)	(11)	146
Share of the other comprehensive income of associates and joint ventures (Note 17)	6,892	-	(16,369)	-	142
Income tax relating to the components of other comprehensive income (Note 42)	68,948	1	73,111	1	(6)
Other comprehensive income (loss) for the year, net of income tax	(41,924)	(1)	(1,099,318)	(14)	(96)
TOTAL COMPREHENSIVE INCOME	$ 2,016,977	25	$ 1,735,681	22	16

(Continued)

O-BANK AND SUBSIDIARIES
(Formerly Industrial Bank of Taiwan)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	$ 1,072,080	14	$ 1,643,898	21	(35)
Non-controlling interests	986,821	12	1,191,101	16	(17)
	$ 2,058,901	26	$ 2,834,999	37	(27)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 799,316	10	$ 892,217	11	(10)
Non-controlling interests	1,217,661	15	843,464	11	44
	$ 2,016,977	25	$ 1,735,681	22	16
EARNINGS PER SHARE (Note 43)					
From continuing and discontinued operations					
Basic	$0.45		$0.69		
Diluted	$0.45		$0.69		
From continuing operations					
Basic	$0.47		$0.65		
Diluted	$0.47		$0.65		

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

O-BANK AND SUBSIDIARIES
(Formerly Industrial Bank of Taiwan)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank												
								Other Equity (Note 33)					
	Capital Stock (Note 33)			Retained Earnings (Note 33)				Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
	Shares (Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total			Treasury Shares (Note 33)	Owner of the Bank	Non-controlling Interests (Note 33)	Total Equity
BALANCE AT JANUARY 1, 2016	2,390,506	$ 23,905,063	$ 1,773	$ 1,880,726	$ 1,178,307	$ 1,700,341	$ 4,759,374	$ 406,040	$ 624,576	$ (18,693)	$ 29,678,133	$ 16,603,157	$ 46,281,290
Appropriation of 2015 earnings													
Legal reserve	-	-	-	510,102	-	(510,102)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(5,014)	5,014	-	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	(1,195,253)	(1,195,253)	-	-	-	(1,195,253)	-	(1,195,253)
Net income for the year ended December 31, 2016	-	-	-	-	-	1,643,898	1,643,898	-	-	-	1,643,898	1,191,101	2,834,999
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	(5,780)	(5,780)	(215,050)	(530,851)	-	(751,681)	(347,637)	(1,099,318)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	1,638,118	1,638,118	(215,050)	(530,851)	-	892,217	843,464	1,735,681
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(798,442)	(798,442)
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	(6,552)	(6,552)	-	-	-	(6,552)	(160,075)	(166,627)
Transmission of treasury stock for employees	-	-	1,420	-	-	-	-	-	-	18,693	20,113	-	20,113
Capital reduction of subsidiaries for cash received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(5,653)	(5,653)
BALANCE AT DECEMBER 31, 2016	2,390,506	23,905,063	3,193	2,390,828	1,173,293	1,631,566	5,195,687	190,990	93,725	-	29,388,658	16,482,451	45,871,109
Appropriation of 2016 earnings													
Legal reserve	-	-	-	489,469	-	(489,469)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	56,243	(56,243)	-	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	(1,085,854)	(1,085,854)	-	-	-	(1,085,854)	-	(1,085,854)
Net income for the for the year ended December 31, 2017	-	-	-	-	-	1,072,080	1,072,080	-	-	-	1,072,080	986,821	2,058,901
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	(8,449)	(8,449)	(407,256)	142,941	-	(272,764)	230,840	(41,924)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	1,063,631	1,063,631	(407,256)	142,941	-	799,316	1,217,661	2,016,977
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(808,062)	(808,062)
Issuance of ordinary shares for cash	22,500	225,000	4,537	-	-	(49,064)	(49,064)	-	-	-	180,473	-	180,473
BALANCE AT DECEMBER 31, 2017	2,413,006	$ 24,130,063	$ 7,730	$ 2,880,297	$ 1,229,536	$ 1,014,567	$ 5,124,400	$ (216,266)	$ 236,666	$ -	$ 29,282,593	$ 16,892,050	$ 46,174,643

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

O-BANK AND SUBSIDIARIES
(Formerly Industrial Bank of Taiwan)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
NET CASH GENERATED FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,844,190	$ 3,575,785
Income (loss) before income tax from discontinued operations	(48,091)	117,974
Adjustments for:		
Depreciation expenses	179,342	159,950
Amortization expenses	135,700	57,043
Recognition of provisions	894,250	609,637
Net gain on disposal of financial assets at fair value through profit or loss	380,579	(1,411,667)
Interest expense	3,584,095	2,725,733
Interest revenue	(8,179,557)	(6,925,241)
Dividends income	(86,143)	(69,093)
Share base payments costs	4,537	-
Realized gain on the transactions with associates and joint ventures	(16,630)	(9,072)
Gain on disposal of properties	(409)	(129)
Gain on disposal of investments	(346,451)	(339,550)
Impairment loss	28,199	34,333
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(2,187,491)	(1,004,431)
Financial assets at fair value through profit or loss	(7,153,224)	11,977,391
Receivables	(2,460,732)	351,876
Discounts and loans	(18,020,166)	(16,355,994)
Deposits from the central bank and banks	(3,665,292)	8,857,139
Financial liabilities at fair value through profit or loss	(1,586,854)	(3,911,204)
Securities sold under agreements to repurchase	26,517,187	(7,933,315)
Accounts payable	1,095,951	(768,888)
Deposits	13,699,089	11,811,329
Provisions	12,695	258,630
Cash generated from (used in) operations	5,624,774	1,808,236
Interest received	8,678,749	6,275,748
Interest paid	(3,410,461)	(2,680,001)
Dividends received	248,094	94,211
Income tax paid	(767,226)	(802,646)
Net cash generated from operating activities	10,373,930	4,695,548
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	(2,411,318)	(873,045)
Proceeds on sale of financial assets designated as at fair value through profit or loss	2,718,595	2,249,473
Purchase of available-for-sale financial assets	(217,514,203)	(66,015,344)
Proceeds on sale available-for-sale financial assets	194,554,138	54,560,305
Received principal of held-to-maturity financial assets	5,045,000	4,305,000

(Continued)

O-BANK AND SUBSIDIARIES
(Formerly Industrial Bank of Taiwan)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
Purchase of financial assets measured at cost	$ (17,712)	$ (47,964)
Proceeds on sale of financial assets carried at cost	87,197	284,634
Proceeds on sale of investment using equity method	11,839	343
Received principal of financial assets carried at cost	27,289	3,889
Received principal of investments under equity method	-	55,021
Payments for properties	(497,640)	(1,084,582)
Proceeds from disposal of properties	4,689	28,162
Decrease (increase) in refundable deposits	(322,450)	1,974,366
Payments for intangible assets	(184,682)	(195,196)
Loss on disposal of intangible assets	-	21,809
Decrease in other assets	265,136	181,190
Net cash used in investing activities	(18,234,122)	(4,551,939)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	(694,995)	(3,019,859)
Increase (decrease) in commercial papers	499,733	2,484,843
Proceeds from issue bank debentures	3,750,000	3,000,000
Repayments of bank debentures	(800,000)	(500,000)
Proceeds from (repayments of) long-term borrowings	3,711,920	1,038,657
Partial disposal of interests in subsidiaries	-	(166,627)
Payments for buy-back of ordinary shares	-	20,113
Issuance of ordinary shares for cash	175,936	-
Capital reduction for cash received by non-controlling interest of subsidiaries	-	(5,653)
Decrease in other financial liabilities	(10,423)	10,423
Dividends paid to ownership of the Bank	(1,085,854)	(1,195,253)
Dividends paid to non-controlling interest	(808,062)	(798,442)
Increase in other liabilities	589,364	80,742
Net cash generated from financing activities	5,327,619	948,944
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	853,326	230,982
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,679,247)	1,323,535
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	19,285,672	17,962,137
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 17,606,425	$ 19,285,672

(Continued)

O-BANK AND SUBSIDIARIES
(Formerly Industrial Bank of Taiwan)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(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, 2017 and 2016:

	December 31	
	2017	**2016**
Cash and cash equivalents in consolidated balance sheets	$ 6,625,973	$ 5,979,980
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7	5,297,588	13,105,600
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	5,682,864	200,092
Cash and cash equivalents in consolidated statements of cash flow	$ 17,606,425	$ 19,285,672

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

1. GENERAL INFORMATION

O-Bank (the "Bank") was incorporated on March 2, 1998. Within these notes to the consolidated financial statements, the Bank and its subsidiaries are hereto forth collectively referred to as the "Company".

To coordinate with the government's financial liberation policy and to increase its efficiency of operation, the Bank's Board of Directors approved and applied for a change of registration for Reviewing of Transferring to Commercial Bank on August 14, 2015, and the name of the bank will be changed to "O-Bank". The Financial Supervisory Commission 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. The Bank was approved to operate related a commercial banking business by the Banking Bureau starting from January 1, 2017 and simultaneously given an operating license. The Bank's name changed from "Industrial Bank of Taiwan" to "O-Bank Commercial Bank Corp. Ltd." as of January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank debentures; (c) providing loans, discounts, and acceptance business; (d) providing domestic and foreign exchange and guarantee business; (e) issue letters of credit at home and abroad; (f) receipts and payments by agents; (g) investing in and underwriting the offering of securities; (h) dealing in government bonds; (i) factoring; (j) providing financial advisor business for financing and non-financing business; (k) wealth management business; (l) providing personal insurance and property insurance agent business; (m) deal with the credit card business; (n) providing foreign exchange 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 regulation; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

As of December 31, 2017, the Bank had eight main departments - corporate banking, equity investment, securities trading, treasury, merchant banking, business finance, consumer finance and digital finance. It also had five domestic branches, a Hong Kong branch, and a representative office in Tianjin.

The Bank's shares have been listed on the Emerging Stock Market of the Taipei Exchange ("TPEx") since August 2004. The board passed a resolution to apply the stock listing on Taiwan Stock Exchange ("TWSE") on April 19, 2016. It was approved by the Taiwan Stock Exchange ("TWSE") on November 28, 2016 and change from TPEx into 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, 2017 and 2016, the numbers of employees of the Company were 1,464 and 1,322, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors and authorized for issue on March 28, 2018.

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 Securities Issuers 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 Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies:

<u>Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers</u>

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the Board of Directors or president serves as the chairman of the Board of Directors or the president of the Group, or is the spouse or second immediate family of the chairman of the Board of Directors or president of the Group, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party. When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions and impairment of goodwill are enhanced. Refer to Note 45 for the related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018 (Note 3)
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Concluded)

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 amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

- IFRS 9 “Financial Instruments” and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

1) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

2) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Bank may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

1) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be classified as at fair value through profit or loss or designated as at fair value through other comprehensive income. If it's designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;

2) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.

3) Debt investments classified as available-for-sale will be classified as at fair value through other comprehensive income under IFRS 9, because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

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4) Debt investments classified as held-to-maturity financial assets and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Bank has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instrument investments and financial guarantee contracts, the Group will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group selects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Impact on assets, liabilities and equity			
Financial assets at fair value through profit or loss	$ 154,136,983	$ 223,656	$ 154,360,639
Financial assets at fair value through other comprehensive income	-	150,269,966	150,269,966
Receivables, net	21,202,093	(226,085)	20,976,008
Discount and loans, net	180,086,186	(157,897)	179,928,289
Available-for-sale financial assets - current	149,145,722	(149,145,722)	-
Held-to-maturity financial assets	499,821	(499,821)	-
Other financial assets, net	1,183,491	(1,173,341)	10,150
Financial assets measured at amortised cost - current	-	499,821	499,821
Deferred tax assets	582,334	80,305	662,639
Total effect on assets	$ 506,836,630	$ (129,118)	$ 506,707,512
Provisions	$ 1,874,368	$ 80,966	$ 1,955,334
Total effect on liabilities	$ 1,874,368	$ 80,966	$ 1,955,334
Unappropriated earnings	$ 1,014,567	$ (208,457)	$ 806,110
Equity instruments assessed at fair value through other comprehensive profit or loss	-	(229,440)	(229,440)
Gain and loss of debt instruments measured at fair value through other comprehensive profit or loss	-	373,552	373,552
Unrealized gains and loss on available-for-sale	236,666	(236,666)	-
Non-controlling interests	16,892,050	90,927	16,982,977
Total effect on equity	$ 18,143,283	$ (210,084)	$ 17,933,199

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (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 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
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 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Bank may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

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 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 Bank should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Bank shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Public Bills Finance Firms, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants, 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 consolidation financial statements of the Company 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 49 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 (i.e. its subsidiaries, including special purpose entities). 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 date of acquisition and up to the effective date of disposal, 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. Non-controlling interests shall be presented in the consolidated balance sheets within equity, separately from the equity of the owners of the Company.

Refer to Note 16 and Table 5 following the Notes to Consolidated Financial Statements for the list, main business activities and ownership percentages of subsidiaries.

Foreign Currencies

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 on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognized in other comprehensive income and accumulated in equity (attributed to the owners of the Bank and non-controlling interests as appropriate).

Investment in Associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of an entity; but it is not control over policy decisions.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized 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 Company'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.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

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

a. Measurement category

   Financial assets are classified into the following categories: Financial assets at 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 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 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 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 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 Company 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 bonds and debenture bonds, which are above specific credit ratings and which the Company has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Foreign corporate and bank debentures that the Company 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 Company’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 Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, Regulations Governing the Preparation of Financial Reports by Securities Firms and Regulations Governing the Preparation of Financial Reports by Securities Issuers, the effect of discounting can't be the amount of the original measure.

b. Impairment of financial assets

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. Assessment for impairment of discounts, loans and receivables, other receivables and overdue loans of the Company is described in this note under the section heading "Allowance for Credit Losses and Reserve for Losses on Guarantees".

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

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

On the 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 that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Equity instruments

Debt and equity instruments issued by the Company entity are classified as either financial liabilities or as equity in accordance with the substance of 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 Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company'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 fair value through profit or loss

  Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss.

  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 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 liability other than a financial liability held for trading may be designated as at fair value through profit or loss 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 the Company 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) In addition, if a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

Financial liabilities 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 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 49.

b. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company'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 that a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of 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.

Derivatives embedded in non-derivative host contracts 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 contracts are not measured at fair value through profit or loss.

Non-performing Loans

Under 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 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.

Allowance for Credit Losses and Reserve for Losses on Guarantees

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:

- Significant financial difficulty of the debtor;
- Account receivables becoming overdue; or
- 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 Company'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%, 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 the end of 2016.

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

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.

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.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment 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 Company expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

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 the 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 carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of 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 any indication that the unit may be impaired. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized 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 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 Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Company assets are allocated to the individual cash-generating units on a reasonable and consistent basis if the Company assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

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 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 Liabilities and Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. If a loss is possible but cannot be reasonably estimated, the circumstances that might give rise to the loss should be disclosed in the notes to the financial statements.

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 provided by the employee.

b. Retirement benefits

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

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

   A net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan.

Income Tax

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

a. Current tax

Income tax payable (or tax refund receivable) is calculated based on the relevant tax laws in applicable jurisdictions.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders 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 Company 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the period

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

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

Leases

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

a. The Company as lessor

   Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

b. The Company as lessee

   Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rent arising under operating leases is recognized as an expense in the period in which it is incurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following are the key assumptions concerning the future reporting period and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. Income tax

   The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such reversal takes place.

b. Estimated impairment of loans and receivables

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.

c. Assessment of reserve for guarantee liabilities

Unless otherwise prescribed by 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, when deciding whether to assess the adequacy of the reserve of guarantee liabilities, the Company focuses on if the reserve for guarantee liabilities is likely to be necessary and if there will be any possible cash inflow that may arise from the resulting guarantee obligation. Evidence for making such judgments include observable data indicating adverse movement in payment statuses of debtors or industry news relevant to back payments. The Company periodically reviews judgment factors and assumptions in order to reduce the difference between the estimated loss and the actual loss.

d. Fair value of derivatives and other financial instruments

As described in Note 49, the Company's management uses its judgment when selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions were based on quoted market rates adjusted for specific features of the instruments. Other financial instruments were valued using a discounted cash flow analysis that includes assumptions based on quoted market prices or rates (if available). The Company's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

The management of the Company considered the valuation techniques used in measuring the fair value of financial instruments to be proper.

e. Recognition and measurement of defined benefit plan

Net defined benefit liabilities and the resulting defined benefit costs under the defined benefit pension plan are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

f. Control over subsidiaries

Note 16 describes that Company CBF is a subsidiary of the Company although the Company only owns less than 50% of an ownership interest in CBF. After considering the Company's absolute size of holding in Company CBF and the relative size of and dispersion of the shareholdings owned by the other stockholders, the management concluded that the Company has a sufficiently dominant voting interest to direct the relevant activities of Company CBF; and therefore the Company has control over Company CBF.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand and petty cash	$ 58,709	$ 64,457
Checking for clearing	297,376	64,076
Due from banks	6,269,888	5,851,447
	$ 6,625,973	$ 5,979,980

Cash and cash equivalents as of December 31, 2017 and 2016 as shown in the consolidated statement of cash flows can be reconciled to the related items in the balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information as of December 31, 2017 and 2016.

Refer to Note 46 for information relating to due from banks pledged.

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

	December 31	
	2017	2016
Call loans	$ 5,297,588	$ 13,105,600
Reserves for deposits - Type A	2,431,670	644,825
Reserves for deposits - Type B	3,567,242	3,144,342
Others	209,956	232,210
	$ 11,506,456	$ 17,126,977

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 FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
Financial assets designated as at fair value through profit or loss		
Convertible bond - domestic	$ 7,015,753	$ 11,430,381
Convertible bond - overseas	423,447	587,790
Structural debt	590,880	-
	8,030,080	12,018,171
Financial assets held for trading		
Derivative financial instruments		
Foreign exchange swap contracts	483,678	835,539
Forward contracts	23,273	452,318
Interest rate swap contracts	35,278	44,370
Foreign option contract	-	1,107,731
Cross-currency swap contract	-	4,211
Assets swap contracts	153,396	211,644
	695,625	2,655,813

(Continued)

	December 31	
	2017	2016
Non-derivative financial assets		
Short-term instruments	$ 102,246,486	$ 96,648,408
Negotiable certificate of deposit	42,102,749	35,342,797
Stocks and beneficiary certificates	597,071	539,779
Government bonds	-	403,514
Corporate bonds	15,369	113,803
When-issued bonds	449,603	-
	145,411,278	133,048,301
	$ 154,136,983	$ 147,722,285
Financial liabilities designated as at fair value through profit or loss		
Financial liabilities held for trading		
Derivative financial instruments		
Foreign exchange swap contracts	$ 539,449	$ 828,650
Forward contracts	108,647	303,580
Interest rate swap contracts	134,299	107,498
Cross-currency swap contract	-	4,206
Foreign option contract	-	1,133,328
Others	1,378	538
	783,773	2,377,800
Non-derivative financial liabilities		
Commercial paper contracts	7,245	72
	$ 791,018	$ 2,377,872

(Concluded)

The Company engages in derivative transactions, including forward contracts, 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 Company's 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, 2017 and 2016 were follows:

	December 31	
	2017	2016
Interest rate swap contracts	$ 20,368,572	$ 27,010,479
Foreign exchange swap contracts	100,298,853	81,045,393
Forward contracts	3,242,398	18,964,853
Assets swap contracts	6,905	10,635,900
Cross-currency swap contracts	-	512,179
Foreign currency options		
Call	-	12,847,023
Put	-	12,750,168
Purchase commitments	500,000	1,500,000

As of December 31, 2017 and 2016, financial instruments at fair value through profit and loss in the amount of $74,676,800 thousand and $71,967,603 thousand were under agreement to repurchase.

Refer to Note 46 for information relating to financial instruments at fair value through profit or loss pledged as security.

9. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

The Company purchased under resale agreements and bond investments are all government bonds. As of December 31, 2017 and 2016, bonds purchased were under agreements to resell in the amount of $5,684,543 thousand and $200,186 thousand, respectively. As of December 31, 2017 and 2016, bonds purchased under agreements to resell were sold under agreement to repurchase in the amount of $5,680,000 thousand and $200,000 thousand, respectively.

10. RECEIVABLES, NET

	December 31	
	2017	2016
Lease payment receivable	$ 12,765,418	$ 11,439,007
Interest receivable	1,869,330	1,784,083
Factoring	4,592,967	3,514,421
Acceptances	248,592	371,860
Investment receivable - execution of customer orders	-	170,000
Account receivable	2,300,258	2,448,221
Others	921,940	581,983
	22,698,505	20,309,575
Less: Allowance for possible losses	645,358	517,921
Unrealized interest revenue	851,054	745,246
Receivables, net	$ 21,202,093	$ 19,046,408

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

Please refer to Note 50 for impairment loss analysis of receivables.

11. DISCOUNTS AND LOANS, NET

	December 31	
	2017	2016
Short-term	$ 63,392,465	$ 54,962,273
Medium-term	110,257,040	106,555,849
Long-term	8,169,281	2,944,894
Export bill negotiated	175,106	293,826
Accounts receivables financing	358,704	211,556
Overdue loans	415,442	28,323
	182,768,038	164,996,721
Less: Allowance for credit losses	2,681,852	2,452,080
	$ 180,086,186	$ 162,544,641

As of December 31, 2017 and 2016, the unrecognized interest revenue on the above loans amounted to $5,716 thousand and $635 thousand for the years ended December 31, 2017 and 2016. For the years ended December 31, 2017 and 2016, the Bank wrote off credits only upon completing the required legal procedures.

Refer to Note 46 for information relating to discounts and loan assets pledged as security, and refer to Note 50 for the impairment loss analysis of discounts and loans.

12. ALLOWANCE FOR CREDIT LOSSES

The movements of allowance for credit losses and reserve for losses on guarantees liabilities for the years ended December 31, 2017 and 2016 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

	For the Year Ended December 31, 2016			
	Receivables	**Discounts and Loans**	**Reserve for Losses on Guarantees**	**Total**
Balance at January 1, 2016	$ 403,591	$ 2,480,290	$ 1,484,195	$ 4,368,076
Allowance for bad debts (Note)	557,148	389,832	28,700	975,680
Write-offs	(418,950)	(394,125)	-	(813,075)
Effects of exchange rate changes	(23,868)	(23,917)	(1,019)	(48,804)
Balance at December 31, 2016	$ 517,921	$ 2,452,080	$ 1,511,876	$ 4,481,877

Note: Allowance for bad debts does not include the recovery from written-off credits. As of December 31, 2017 and 2016, recovery from written-off credits amounted to $68,692 thousand and $366,043 thousand, respectively.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	**2016**
Domestic government bonds	$ 49,286,274	$ 41,607,637
Bank debentures	34,465,318	29,972,672
Corporate bonds	58,516,809	49,713,879
Stock and beneficiary securities	3,655,311	1,201,277
Overseas government bonds	988,259	1,138,676
American mortgage backed securities	2,233,751	3,347,424
	$ 149,145,722	$ 126,981,565

As of December 31, 2017 and 2016, available-for-sale financial assets are sold under agreement to repurchase in the amount of $104,407,677 thousand and $84,608,033 thousand, respectively.

Refer to Note 46 for information relating to available-for-sale financial assets pledged as security.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic investments		
Government bonds	$ 499,821	$ 499,703
Negotiable certificate of deposit	-	5,045,000
	$ 499,821	$ 5,544,703

The information on overseas bank debentures, government bond and negotiable certificate of deposit was as follows:

December 31, 2017

Investment Principal (In Thousands of New Taiwan Dollars)		Interest Rate	Effective Interest Rate	Average Maturity Date
Government bond	$ 500,000	1.125%	1.114%	1.5 years

December 31, 2016

Investment Principal (In Thousands of New Taiwan Dollars)		Interest Rate	Effective Interest Rate	Average Maturity Date
Government bond	$ 500,000	1.125%	1.354%	2.5 years
Negotiable certificate of deposit	$ 5,045,000	0.700%-0.800%	0.700%-0.800%	0.1 years

Refer to Note 46 for information relating to held-to-maturity 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 in the board of director's meeting on October 17, 2016.

In December 31, 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:

	2017	2016
Interest revenues	$ 7,580	$ 54,014
Interest expenses	(7)	(2,726)
Net interest	7,573	51,288
Net revenues other than interest		
Commissions and fee revenues, net	145	94,073
Gain on financial assets and liabilities at fair value through profit or loss	(14,370)	(4,062)
Foreign exchange gain (loss), net	(11,126)	(7,867)
Impairment loss	(23,751)	-
Investment income recognized under equity method	1,009	1,838
Realized income from financial assets carried at cost	-	5,146
Other non-interest net gains	22,816	416,070
Net revenues other than interest	(25,277)	505,198
Total net revenues	(17,704)	556,486
Operating expenses		
Personnel expenses	12,655	291,185
Depreciation and amortization	1,278	15,134
Others	13,332	142,250
Total operating expenses	27,265	448,569
Income tax expense	4,895	25,018
Net profit/(loss) from discontinued operations before written off	(49,864)	82,899
Written-offs of the transactions with related parties	(3,122)	10,057
Net profit/(loss) from discontinued operations	$ (52,986)	$ 92,956
Net profit/(loss) of discontinued operations attributable to:		
Owners of the Bank	$ (52,853)	$ 103,206
Non-controlling interests	(133)	(10,250)
	$ (52,986)	$ 92,956
Net cash generated from operating activities	$ 123,994	$ 2,277,742
Net cash generated from investing activities	877	521,273
Net cash generated from financing activities	-	(3,517,412)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(10,645)	(6,838)
Net increase (decrease) in cash and cash equivalents	$ 114,226	$ (725,235)

16. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership December 31 2017	2016	Remark
The Bank	Chun Teng New Century Co., Ltd(former IBTS)	Investment (former Security Firm)	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016. Still recognized by equity method)
	IBTM	Investment consulting	100.00	100.00	Founded in 2000
	IBTH	Holding company	100.00	100.00	Founded in 2006 in California
	CBF	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	Founded in 1978
	IBT Leasing	Leasing	100.00	100.00	Founded in 2011
Chun Teng New Century Co., Ltd (former IBTS)	IBTS Consulting	Securities investment consulting and customer-fully-authorized investment	-	100.00	Founded in 1998(liquidated on August 16, 2017)
	IBTSH	Holding company	100.00	100.00	Founded in 2003 in British Virgin Islands
IBTSH	IBTS HK	Investment	100.00	100.00	Founded in 2003 in Hong Kong
	IBTS Asia	Securities and investment	100.00	100.00	Founded in 2004 in Hong Kong
IBTH	EverTrust Bank	Banking	91.78	91.78	Founded in 1995 in California
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	Founded in 2011 in Mainland China
	IBT Tianjin International Leasing Corp.	Leasing	100.00	100.00	Founded in 2013 in Mainland China (commonly held with IBT VII)
	IBT VII Venture Capital Co., Ltd	Venture capital	100.00	100.00	Founded in 2014

Temporary shareholders' meeting of the Bank decide to change the subsidiary of the Bank's name from IBTS to Chun Teng New Century Co., Ltd. The subsidiary ended the securities business on September 23, 2016 and was liquidated on November 11, 2016 as decided by the subsidiaries' Board of Directors on October 17, 2016. Accordingly, it allocated its property at first at $7 per share on December 26, 2016. The Bank recalled $2,227,964 thousand in the proportion of shares-holding.

The Board of Directors decided to sell a subsidiary VC7 to a subsidiary IBTL, a total of 65 million shares, the selling price of $9.89 per share, totaling $643 million. It belongs to the organization reform; therefore, it cannot recognize gains and losses.

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 2017	2016
CBF	Taipei	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	December 31 2017	2016
CBF		
Equity attributable to:		
Owners	$ 6,531,896	$ 6,365,124
Non-controlling interests	16,493,036	16,071,934
	$ 23,024,932	$ 22,437,058

	For the Year Ended December 31	
	2017	2016
Revenue	$ 1,021,669	$ 531,102
Net profit from continuing operations	$ 1,351,064	$ 1,633,518
Other comprehensive income for the period	364,896	(467,140)
Total comprehensive income for the period	$ 1,715,960	$ 1,166,378
Profit attributable to:		
Owners	$ 383,281	$ 463,409
Non-controlling interests of CBF	967,783	1,170,109
	$ 1,351,064	$ 1,633,518
Total comprehensive income attributable to:		
Owners	$ 486,797	$ 330,887
Non-controlling interests of CBF	1,229,163	835,491
	$ 1,715,960	$ 1,166,378
Net cash inflow (outflow) from:		
Operating activities	$ (1,955,034)	$ (3,977,760)
Investing activities	(1,781,899)	(156,981)
Financing activities	2,686,844	5,198,133
Net cash inflow	$ (1,050,089)	$ 1,063,392
Dividends paid to non-controlling interest CBF	$ 808,062	$ 798,442

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	December 31			
	2017		2016	
	Amount	%	Amount	%
IBT II Venture Capital Co., Ltd.	$ -	39.58	$ 107,981	39.58

IBT II Venture Capital Co., Ltd. reduced 13,900 thousand shares of common stock, with a par value of $10, on April 18, 2016, in the way of reducing cash capital to return share dividends approved by the stockholders' meeting. The Bank recalled $55,021 thousand in the proportion of shares-holding, and started to dissolve and liquidation on March 31, 2017.

	For the Year Ended December 31	
	2017	2016
Investment income recognized under equity method	$ 3,782	$ 6,891
Gain on disposal of investments using equity method	11,839	343
	$ 15,621	$ 7,234
The Company's share of:		
Profit from continuing operations	$ 4,791	$ 8,729
Other comprehensive income	6,892	(16,369)
Total comprehensive income for the year	$ 11,683	$ (7,640)

Investments accounted for using equity method and share of the other comprehensive income of associates and joint ventures are calculated according to the report reviewed by the accountants.

18. RESTRICTED ASSETS

	December 31	
	2017	2016
Pledged time deposits	$ 97,955	$ 38,134
Compensation accounts	1,988	110,080
	$ 99,943	$ 148,214

The assets are collaterals of loans and commercial paper issued and collateral of claims for provisional seizure.

19. OTHER FINANCIAL ASSETS, NET

	December 31	
	2017	2016
Financial assets measured at cost		
Domestic stocks	$ 513,720	$ 817,953
Foreign stocks	659,621	695,202
	1,173,341	1,513,155
Time deposits with original maturity more than 3 months	10,150	7,748
Others	-	28
	$ 1,183,491	$ 1,520,931

Because the fair value of financial assets measured at cost could not be reliably measured, the Company did not evaluate the fair value on the balance sheet date. The Company disposed of certain financial assets measured at cost with carrying amounts of $84,794 thousand and $217,600 thousand during the years ended December 31, 2017 and 2016, respectively, recognizing disposal loss of $2,403 thousand and disposal loss of $67,034 thousand, respectively.

20. PROPERTY AND EQUIPMENT, NET

	December 31 2017	December 31 2016
Carrying amounts of each class of		
Land	$ 800,184	$ 822,716
Buildings	1,438,531	1,454,011
Machinery and computer equipment	375,739	211,091
Transportation equipment	35,326	37,250
Office and other equipment	77,793	62,511
Lease improvement	216,467	157,203
Construction in progress and prepayments for equipment	140,912	1,026,389
	$ 3,084,952	$ 3,771,171

The movements of property and equipment for the years ended December 31, 2017 and 2016 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, 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)
Effect of foreign currency 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
Depreciation expense	-	46,871	61,648	12,080	18,799	39,944	-	179,342
Disposals	-	-	(66,281)	(20,139)	(5,819)	(2,167)	-	(94,406)
Effect of foreign currency 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
Cost								
Balance at January 1, 2016	$ 833,107	$ 1,911,120	$ 583,962	$ 100,325	$ 222,981	$ 299,921	$ 255,635	$ 4,207,051
Additions	-	620	59,690	5,886	19,668	30,235	968,483	1,084,582
Disposals and scrapped	-	(9,847)	(94,118)	(12,466)	(32,230)	(80,622)	(2,152)	(231,435)
Reclassification	15,115	10,408	30,848	-	4,895	13,509	(195,503)	(120,728)
Effect of foreign currency exchange differences	-	-	(4,373)	(904)	(1,198)	(4,855)	(74)	(11,404)
Balance at December 31, 2016	$ 848,222	$ 1,912,301	$ 576,009	$ 92,841	$ 214,116	$ 258,188	$ 1,026,389	$ 4,928,066
Accumulated depreciation								
Balance at January 1, 2016	$ 13,868	$ 409,753	$ 403,289	$ 50,668	$ 170,111	$ 142,112	$ -	$ 1,189,801
Depreciation expense	-	45,987	49,863	14,677	13,031	36,297	-	159,855
Disposals	-	(3,273)	(85,041)	(9,437)	(30,716)	(74,935)	-	(203,402)
Reclassification	11,638	5,823	-	-	-	-	-	17,461
Effect of foreign currency exchange differences	-	-	(3,193)	(317)	(821)	(2,489)	-	(6,820)
Balance at December 31, 2016	$ 25,506	$ 458,290	$ 364,918	$ 55,591	$ 151,605	$ 100,985	$ -	$ 1,156,895
Carrying amounts								
Balance at December 31, 2016	$ 822,716	$ 1,454,011	$ 211,091	$ 37,250	$ 62,511	$ 157,203	$ 1,026,389	$ 3,771,171

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

Buildings	5-60 years
Machinery and computer equipment	3-25 years
Transportation equipment	3-5 years
Office and other equipment	3-8 years
Lease improvement	3-8 years

21. INVESTMENT REAL - ESTATE

	December 31, 2016
Lease assets	$ -

	For the Year Ended December 31, 2016
Cost	
Balance at January 1	$ 25,523
Reclassification	(25,523)
Balance at December 31	$ -
Accumulated depreciation	
Balance at January 1	$ 17,366
Reclassification	95
Depreciation expense	(17,461)
Balance at December 31	$ -

The Company transferred the leasing land and building from investment properties to real estate for private use in July 2016 due to the expiration of the lease, referring to property and equipment (Note 20).

The investment real estates are depreciated on a straight-line basis over 60 years.

22. INTANGIBLE ASSETS

	December 31	
	2017	2016
Book value		
Computer software	$ 1,262,856	$ 266,446
Goodwill	1,133,222	1,224,683
Others	7,289	7,882
	$ 2,403,367	$ 1,499,011

The movements of intangible assets for the years ended December 31, 2017 and 2016 are summarized as follows:

	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	$ 489,821	$ -	$ -	$ 489,821
Amortization	135,700	-	-	135,700
Effect of foreign currency exchange differences	(3,276)	-	-	(3,276)
Balance at December 31, 2017	$ 622,245	$ -	$ -	$ 622,245
Carrying amounts				
Balance at December 31, 2017	$ 1,262,856	$ 1,133,222	$ 7,289	$ 2,403,367
Cost				
Balance at January 1, 2016	$ 581,647	$ 1,254,078	$ 95,555	$ 1,931,280
Additions	195,196	-	-	195,196
Disposals	(19,888)	-	(87,482)	(107,370)
Reclassification	1,724	-	-	1,724
Effect of foreign currency exchange differences	(2,412)	(29,395)	(191)	(31,998)
Balance at December 31, 2016	$ 756,267	$ 1,224,683	$ 7,882	$ 1,988,832
Accumulated amortization and impairment loss				
Balance at January 1, 2016	$ 438,149	$ -	$ 84,358	$ 522,507
Amortization	52,936	-	3,053	55,989
Disposals	(145)	-	(85,416)	(85,561)
Effect of foreign currency exchange differences	(1,119)	-	(1,995)	(3,114)
Balance at December 31, 2016	$ 489,821	$ -	$ -	$ 489,821
Carrying amounts				
Balance at December 31, 2016	$ 266,446	$ 1,224,683	$ 7,882	$ 1,499,011

The goodwill was recognized from IBT Holding Corp.'s purchase of 100% share of Ever Trust Bank on March 30, 2007.

The group based on EverTrust Bank of one cash-generating unit when implementing goodwill impairment tests, and evaluate recoverable amount by the value in use. The key assumptions base the expected future cash flows on actual profit condition of cash-generating units. On the assumption of sustainable operating, we discount net cash flows from the operation of cash-generating units in the next five years to calculate the value in use. Under the estimation of the group, there is no occurrence of impairment.

The intangible assets - others are amortized on a straight-line basis over 15 years.

23. OTHER ASSETS

	December 31	
	2017	2016
Refundable deposits	$ 3,284,633	$ 2,962,241
Life insurance cash surrender value	331,481	384,038
Settlement payments	-	89,689
Prepayment	83,191	82,136
Others	331,169	406,842
	$ 4,030,474	$ 3,924,946

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2017	2016
Due to other banks	$ 50,644,279	$ 55,083,687
Call loans from Central Bank	2,388,360	1,614,244
	$ 53,032,639	$ 56,697,931

25. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2017	2016
Transactions instruments	$ 73,913,268	$ 161,213,032
Government bonds	44,006,703	1,150,147
Corporate bonds	52,474,842	-
Bank debentures	19,427,155	941,602
	$ 189,821,968	$ 163,304,781
Date of agreement to repurchase	August 2018	August 2017
Amount of agreement to repurchase	$ 189,938,375	$ 163,383,830

26. PAYABLES

	December 31	
	2017	2016
Settlement accounts payable - execution of customer orders	$ 84,006	$ 89,677
Acceptances	248,591	371,860
Accrued interest	617,723	445,485
Accrued expenses	906,054	797,114
Collections for others	151,750	151,524
Factoring	1,726,584	1,152,783
Checks for clearing	297,345	64,076
Payable on securities sales and bonds sales	579,579	402,602
Others	411,049	278,022
	$ 5,022,681	$ 3,753,143

27. DEPOSITS AND REMITTANCES

	December 31	
	2017	2016
Deposits		
Checking	$ 2,990,647	$ 2,319,109
Demand	29,434,943	34,345,984
Time	161,489,043	147,922,360
Remittances	11,261	158
Saving deposit	4,360,806	-
	$ 198,286,700	$ 184,587,611

28. BANK DEBENTURES

	December 31	
	2017	2016
Subordinate debenture bonds issued in 2010; fixed 3.00% interest rate; maturity: April 12, 2017; interest paid annually and repay the principal at maturity	$ -	$ 800,000
Subordinate debenture bonds issued in 2011; fixed 2.30% interest rate; maturity: August 26, 2018; interest paid annually and repay the principal at maturity	950,000	950,000
Subordinate debenture bonds issued in 2011; fixed 2.30% interest rate; maturity: October 28, 2018; interest paid annually and repay the principal at maturity	3,350,000	3,350,000
Subordinate debenture bonds 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 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

(Continued)

	December 31	
	2017	2016
Subordinate debenture bonds 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 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 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 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 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 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 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 issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	-
Subordinate debenture bonds issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	-
Subordinate debenture bonds issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	-
	$ 20,400,000	$ 17,450,000

(Concluded)

29. OTHER FINANCIAL LIABILITIES

	December 31	
	2017	2016
Bank loans	$ 13,040,538	$ 11,382,997
Commercial paper	3,299,557	2,799,824
Funds obtained from the government - intended for specific types of loans	5,997,782	4,638,398
Principal received of the structural goods	-	10,423
	$ 22,337,877	$ 18,831,642

a. Bank loans

	December 31	
	2017	2016
Short-term loans	$ 6,399,565	$ 7,094,561
Long-term loans	6,640,973	4,288,436
	$ 13,040,538	$ 11,382,997
Interest rate interval		
New Taiwan dollars	1.21%-1.50%	1.20%-1.78%
U.S. dollars	0.98%-7.71%	0.69%-15.16%
Renminbi	3.60%-6.18%	4.79%-6.37%

b. Commercial paper

	December 31	
	2017	2016
Commercial paper	$ 3,300,000	$ 2,800,000
Less: Unamortized discount	(443)	(176)
	$ 3,299,557	$ 2,799,824
Interest rate interval	0.49%-1.24%	0.37%-1.35%

30. PROVISIONS

	December 31	
	2017	2016
Provisions for employee benefits	$ 295,725	$ 280,076
Reserve for losses on guarantees	1,569,551	1,511,876
Reserve for claims outstanding	9,092	9,092
	$ 1,874,368	$ 1,801,044

Reserve for claims outstanding are provisions recognized in the specific actual reconciliation condition from controversial cases due to sale of refundable forward transactions. By December 31, 2017, the reserve for claims outstanding was unpaid.

31. RETIREMENT BENEFITS PLANS

a. Defined contribution plans

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

The employees of the Company's subsidiary in ROC overseas are members of a state-managed retirement benefit plan operated by the government of overseas. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognized in profit or loss for the years ended December 31, 2017 and 2016 was $54,946 thousand and $43,800 thousand, respectively, represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standard Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes 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 Company 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 Company 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 Bureau"); the Company has no right to influence the investment policy and strategy. Because of secondment from the subsidiaries, the Bank received $189 thousand and $398 thousand, which recognized in deduction of retirement expense, for 2017 and 2016, respectively.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 574,324	$ 549,227
Fair value of plan assets	(278,599)	(269,151)
Net defined benefit liability (asset)	$ 295,725	$ 280,076

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, 2016	$ 597,934	$ (341,124)	$ 256,810
Service cost			
Current service cost	18,438	-	18,438
Net interest expense (income)	6,324	(4,082)	2,242
Recognized in profit or loss	24,762	(4,082)	20,680
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,535	1,535
Actuarial loss - changes in demographic assumptions	6,750	-	6,750

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Actuarial loss - changes in financial assumptions	$ 14,962	$ -	$ 14,962
Actuarial loss - experience adjustments	(3,415)	-	(3,415)
Others	-	(69)	(69)
Recognized in other comprehensive income	18,297	1,466	19,763
Contributions from the employer	-	(6,118)	(6,118)
Contributions from plan participants	(26,889)	26,889	-
Benefits paid	(64,877)	53,818	(11,059)
Balance at December 31, 2016	$ 549,227	$ (269,151)	$ 280,076
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 loss - 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
Contributions from the employer	-	(9,478)	(9,478)
Contributions from plan participants	(2,348)	2,348	-
Benefits paid	(2,381)	-	(2,381)
Balance at December 31, 2017	$ 574,324	$ (278,599)	$ 295,725

(Concluded)

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

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

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

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

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

	December 31	
	2017	**2016**
Discount rate(s)	1.125%	0.875%-1.25%
Expected rate(s) of salary increase	2.50%	2.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2017
Discount rate(s)	
0.25% increase	$ (11,461)
0.25% decrease	$ 11,889
Expected rate(s) of salary increase	
0.25% increase	$ 11,537
0.25% decrease	$ (11,181)

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

	December 31	
	2017	**2016**
The expected contributions to the plan for the next year	$ 10,151	$ 5,372
The average duration of the defined benefit obligation	10 years	10 years

32. OTHER LIABILITIES

	December 31	
	2017	**2016**
Guarantee deposits received	$ 1,923,253	$ 1,550,697
Advance revenue	108,800	110,579
Others	445,798	223,745
	$ 2,477,851	$ 1,885,021

33. EQUITY

a. Capital stock

Common stock

	December 31	
	2017	2016
Number of shares authorized (in thousands)	3,000,000	2,601,706
Capital stock authorized	$ 30,000,000	$ 26,017,060
Number of shares issued and fully paid (in thousands)	2,413,006	2,390,506
Shares issued	$ 24,130,063	$ 23,905,063

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

The Bank is required to comply the future operating plan and the Rule of Initial Public Offerings. The board of directors on April 19, 2016 and the shareholders' meeting on June 3, 2016 decided to issue new share by cash increase 22,500 thousand shares, those shares have a par value of $10, and sold at NT$7 to NT$9.3 per share. The total selling price was $175,936 thousand. The difference debited to retained earnings was $49,064 thousand. The share capital after the issuance was $24,130,063 thousand. The base day was May 3, 2017. The Bank finished the registration on July 4, 2017.

The Bank kept the 10% of new shares for employee to purchase, and decided the share price and shares by March 2017. The Bank recognized the compensation cost by fair value method under the IAS 2 requirements.

b. Capital surplus

	December 31	
	2017	2016
Arising from treasury share transactions	$ 3,193	$ 3,193
Undistributed		
Employee stock option	4,537	-
	$ 7,730	$ 3,193

Treasury 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 share capital (limited to a certain percentage of the Bank's capital surplus and once a year).

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The stockholders held their regular meeting on June 3, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend 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, 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 Bank's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 39.

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 of Directors 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.

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 and technology development arising from the transfer or placement of the same amount of spending, since opened a special reserve balance within the scope of the rotary. When the deduction of other equity was reversed, the reversed part could be distributed in cash.

The appropriations of earnings for 2016 and 2015 had been approved in stockholders' meetings on June 14, 2017 and June 3, 2016, respectively. The appropriations and dividends per share were as follows:

	2016		2015	
	Appropriation of Earnings	**Dividend Per Share (NT$)**	**Appropriation of Earnings**	**Dividend Per Share (NT$)**
Legal reserve	$ 489,469		$ 510,102	
Special reserve (reversed)	56,243		(5,014)	
Cash dividend - common stock	1,085,854	$0.45	1,195,253	$0.50

The appropriations of earnings for 2017 proposed in the stockholders' meetings on February 27, 2018 were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 304,370	
Special reserve (reversed)	(13,705)	
Cash dividend - common stock	723,902	$0.3

The appropriations of earnings will be approved in stockholders' meeting on June 14, 2018.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 190,990	$ 406,040
Exchange differences arising on translating the financial statements of foreign operations	(467,600)	(233,155)
Income tax related to gains arising on translating the financial statements of foreign operations	60,344	18,105
Balance at December 31	$ (216,266)	$ 190,990

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 93,725	$ 624,576
Unrealized gain arising on revaluation of available-for-sale financial assets	480,097	(244,864)
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(344,048)	(272,516)
Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	-	2,898
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	6,892	(16,369)
Balance at December 31	$ 236,666	$ 93,725

e. Non-controlling interests

	2017	2016
Balance at January 1	$ 16,482,451	$ 16,603,157
Attribute to non-controlling interests		
Share of profit for the year	986,821	1,191,101
Exchange differences arising on translation of foreign entities	(31,202)	(10,267)
Unrealized gains and losses on available-for-sale financial assets	258,168	(326,497)
Actuarial gains (loss) on defined benefit plans	3,874	(10,873)
Subsidiaries dividends paid	(808,062)	(798,442)
Subsidiaries refund capital	-	(5,653)
Disposal of subsidiaries	-	(160,075)
Ending balance	$ 16,892,050	$ 16,482,451

f. Treasury stock

On June 26, 2013, the Bank's Board of Directors resolved to buy-back outstanding shares at $5.5-$8 per share from emerging market in order to transfer the shares to employees. The Bank bought back 7,774 thousand shares in the amount of $50,620 thousand. The Bank had transferred 2,869 thousand shares to employees in February 2016. In accordance with IFRS 2 "Share based payment", the Bank recognized employee benefits expense in the amount of $1,492 thousand and capital surplus - stock options in the amount of $1,420 thousand (including related taxes) on grant day, and recognized capital surplus - treasury stock transactions on the settlement day. Under the Securities and Exchange Act, the Bank shall neither pledge treasury stock nor exercise stockholders' rights on these shares, such as rights to dividends and to vote.

Variation of treasury stock is as follows:

Reasons for Buying Back Treasury Stock	**Shares Transferred to Employees (In Thousands of Shares)**
Number of shares at January 1, 2016	2,869
Decrease during the year	2,869
Number of shares at December 31, 2016	-

34. NET INTEREST

	For the Year Ended December 31	
	2017	**2016**
Interest revenue		
Discounts and loans	$ 4,470,228	$ 3,961,651
Due from the Central Bank and call loans to banks	89,676	102,636
Investment in marketable securities	2,394,793	1,727,071
Installment sales and lease	1,086,683	806,308
Others	134,883	276,778
	8,176,263	6,874,444
Interest expense		
Deposits	1,492,364	1,097,825
Due to the central bank and banks	524,579	312,663
Bank debentures	353,864	348,216
Securities sold under agreement to repurchase	757,332	619,880
Debit loans	441,861	337,363
Others	14,088	7,060
	3,584,088	2,723,007
	$ 4,592,175	$ 4,151,437

35. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31	
	2017	**2016**
Commission and fee revenue		
Guarantee business	$ 634,232	$ 610,454
Loan business	244,292	414,924
Agency income	276,127	339,258
Trust business	7,556	6,757
Lease business	257,448	193,454
Credit examine business	339,722	295,388
Import and export business	32,889	38,227
Factoring business	56,650	54,729
Others	107,820	114,514
	1,956,736	2,067,705
Commission and fee expense		
Others	96,601	48,435
	$ 1,860,135	$ 2,019,270

36. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT LOSS

	For the Year Ended December 31	
	2017	**2016**
Realized gain profit or loss		
Bills	$ 129,755	$ 152,110
Stocks	158,000	(11,932)
Bonds	(2,680)	37,367
Derivatives	(688,351)	(20,667)
Others	(13,457)	(23,957)
	(416,733)	132,921
Gains (losses) on valuation		
Bills	(31,674)	(6,746)
Stocks	22,304	(30,256)
Bonds	(5,341)	(892)
Derivatives	(251,648)	427,784
Others	(18,160)	(68,768)
	(284,519)	321,122
Interest revenue	335,043	961,686
	$ (366,209)	$1,415,729

37. REALIZED INCOME FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Year Ended December 31	
	2017	2016
Net profit on disposal - stocks	$ 316,045	$ 222,386
Net profit on disposal - bonds	28,003	48,877
Net profit on disposal - securitized beneficiary certificates	-	1,253
Dividend revenue	62,861	36,805
	$ 406,909	$ 309,321

38. LOSS FROM ASSET IMPAIRMENT

	For the Year Ended December 31	
	2017	2016
Financial assets carried at cost	$ 4,448	$ 31,435
Available-for-sale financial assets	-	2,898
	$ 4,448	$ 34,333

The Bank evaluated the value of assets already impaired, then recognized loss from assets impairment.

39. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits		
Salaries and wages	$ 1,588,804	$ 1,397,557
Award expense	597,177	497,828
Labor insurance and national health insurance	109,298	77,442
Directors' remuneration and fees	78,246	71,574
Others	125,908	180,927
Post-employment benefits		
Pension	73,473	64,082
Stock base payment		
Equity delivery	4,537	-
	$ 2,577,443	$ 2,289,410

In compliance with the Company Act as amended in May 2015, and the amended Articles of Incorporation of the Company approved by the stockholders in their meeting in June 2016, the Bank accrued employees' compensation and remuneration of directors and supervisors 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 employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2017 and 2016 which have been approved by the Bank's Board of Directors on February 27, 2018 and February 22, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	2016
Employees' compensation	1.25%	1.25%
Remuneration of directors and supervisors	2.50%	2.50%

	For the Year Ended December 31			
	2017		2016	
	Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends
Bonus to employees	$ 15,919	$ -	$ 24,111	$ -
Bonus to directors	31,838	-	48,223	-

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.

There are no differences between the 2017 and 2016 actual amounts of employees' compensation and remuneration of directors and supervisors paid and the 2016 and 2015 amount recognized in consolidated financial statements for the year ended December 31, 2016.

Information for 2018 and 2017 on the bonus to employees, directors and supervisors proposed by the Bank's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

40. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2017	2016
Property and equipment	$ 178,064	$ 148,751
Intangible assets	135,700	53,108
	$ 313,764	$ 201,859

41. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2017	2016
Taxation	$ 183,358	$ 178,941
Rental	169,345	144,463
Management fee	39,456	34,431
Computer operating and consulting fees	112,881	77,026
Entertainment	55,297	53,684
Professional services	85,802	53,901

(Continued)

	For the Year Ended December 31	
	2017	2016
Advertisement	$ 150,680	$ 36,052
Others	487,588	466,782
	$ 1,284,407	$ 1,045,280

(Concluded)

42. 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	
	2017	2016
Current tax		
In respect of the current period	$ 724,534	$ 726,396
Income tax on unappropriated earnings	5,934	-
In respect of prior periods	(17,179)	27,313
	713,289	753,709
Deferred tax		
In respect of the current period	19,014	80,033
Income tax expense recognized in profit or loss	$ 732,303	$ 833,742

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	
	2017	2016
Profit before tax from continuing operations	$ 2,844,190	$ 3,575,785
Income tax expense calculated at the statutory rate	$ 829,590	$ 824,983
Nondeductible expenses and tax-exempt income in determining taxable income	(228,623)	(132,658)
Unrecognized loss carryforwards	11,537	8,233
Unrecognized temporary difference	(36,257)	10,809
Deductible loss carryforwards	(386)	(7,726)
Deductible tax amount of overseas income tax	(10,348)	(37,067)
Additional income tax under the Alternative Minimum Tax Act	76,940	50,735
Income tax on unappropriated earnings	6,271	-
Overseas tax	100,758	89,120
Adjustments for prior years' tax	(17,179)	27,313
Income tax expense recognized in profit or loss	$ 732,303	$ 833,742

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions. In February 2018, our country announced the amendment of the income tax law of the Republic of China, adjusting the income tax rate of profit-making business from 17% to 20% and implementing it from the year of 2018. In addition, the tax rate applicable to the 2018-year undistributed earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	**2016**
Deferred tax		
Recognized in other comprehensive income		
Translation of foreign operations	$ 69,149	$ 48,308
Fair value remeasurement of available-for-sale financial assets	907	21,693
Actuarial gains (loss) on defined benefit plans	(1,108)	3,110
Income tax recognized in other comprehensive income	$ 68,948	$ 73,111

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
Property and equipment	$ 8,513	$ 925	$ -	$ (178)	$ 9,260
Exchange difference on foreign operations	-	-	15,496	-	15,496
AFS financial assets	7,706	142	21,693	(6,140)	23,401
Defined benefit plans	14,540	(442)	3,110	-	17,208
Doubtful debts	317,519	(60,810)	-	19,484	276,193
Provisions	91,219	(11,343)	-	(70)	79,806
Asset impairment	9,707	150	-	-	9,857
Other	105,419	33,061	-	(4,438)	134,042
	$ 554,623	$ (38,317)	$ 40,299	$ 8,658	$ 565,263

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	$ 13,970	$ 5,741	$ -	$ -	$ 19,711
Associates	134,944	44,775	-	-	179,719
Exchange difference on foreign operations	80,010	2,242	(32,812)	-	49,440
Other	1,510	(1,510)	-	-	-
	$ 230,434	$ 51,248	$ (32,812)	$ -	$ 248,870

d. Unused investments deductible tax information

As of December 31, 2017, investment deduction related information is as follows:

Status Basis	Deductible Items	Not Yet Deducted Balance	Final Deduction Year
Biotech New Drug Industry Development Regulations	Deductions of shareholders' investment	$ 13,077	2020
Biotech New Drug Industry Development Regulations	Deductions of shareholders' investment	12,096	2021
		$ 25,173	

e. Integrated income tax

	December 31	
	2017	2016
Imputation credit accounts	$ 964	$ 40,491

	December 31	
	2017(Estimate)	2016
Tax deduction ratio applicable to earnings distribution.	Note	7.16%

Note: As the amendment of the income tax law of the Republic of China announced in February 2018 abolished the TWD-tax system, the Bank and its subsidiaries do not apply the aforementioned tax deduction ratio.

f. Assessment of the income tax

The tax returns of the Company and Subsidiaries through 2015, except for the 2014 income tax of CBF, have been assessed by the tax authorities. CBF disagreed with the tax authorities' assessment of its 2010 tax return and applied for a re-examination. Nevertheless, to be conservative, the Company and its subsidiaries provided for the income tax assessed by the tax authorities.

43. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	**2016**
Basic earnings per share		
From continuing operations	$ 0.47	$ 0.65
From discontinued operations	(0.02)	0.04
Total basic earnings per share	$ 0.45	$ 0.69
Diluted earnings per share		
From continuing operations	$ 0.47	$ 0.65
From discontinued operations	(0.02)	0.04
Total diluted earnings per share	$ 0.45	$ 0.69

Earnings used in calculating earnings per share and weighted average number of common stocks as above:

Net Profit for the Year

	For the Year Ended December 31	
	2017	**2016**
Earnings used in the computation of basic and diluted earnings per share from continuing operations	$ 1,124,933	$ 1,540,692
Profit for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	(52,853)	103,206
Earnings used in the computation of basic and diluted earnings per share	$ 1,072,080	$ 1,643,898

Weighted average number of common stocks outstanding (in thousand shares):

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of common stocks in computation of basic earnings per share	2,405,362	2,390,083
Effect of potentially dilutive common stocks:		
Employees' compensation or bonus issue to employees	2,190	2,874
Employees' stock option	110	-
Weighted average number of common stocks used in the computation of diluted earnings per share	2,407,662	2,392,957

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

44. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Bank

Qualified employees of the Company and its subsidiaries were granted 2,500 thousand options in April 2017. Each option entitles the holder to purchase one ordinary share of the Company. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the TWSE on the grant date. For any subsequent changes in the Company's capital stock, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31, 2017	
	Number of Options (In Thousands)	**Weighted-average Exercise Price (NT$)**
Balance at January 1	-	$-
Options granted	2,500	-
Options forfeited	(173)	-
Options exercised	(2,327)	7
Balance at December 31	-	
Options exercisable, end of year	-	
Weighted-average fair value of options granted ($)	$ 1.95	

Options granted in April 2017 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	April 2017
Grant-date share price (NT$)	$8.95
Exercise price (NT$)	$7
Expected volatility	16.660%
Expected life (in years)	0.04384 years
Risk-free interest rate	0.4638%

Expected volatility was based on the historical share price volatility over the past 250 days.

Compensation costs recognized were $4,537 thousand for the year ended December 31, 2017.

45. RELATED PARTY TRANSACTIONS

a. The related parties and their relationship with the Company are summarized as follows:

Related Party	Relationship with The Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture)	Associates
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

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, 2017			
Associates	$ 2,763	$ 46	0.25
Others	1,164,690	19,511	0-6.56
	$ 1,167,453	$ 19,557	
For the year ended December 31, 2016			
Associates	$ 4,553	$ 103	0.08-0.48
Others	881,883	8,334	0.00-6.54
	$ 886,436	$ 8,437	

2) Directors acting as the guarantor of the loan balance

	Ending Balance	Rate (%)
December 31, 2017	$ 665,000	1.437
December 31, 2016	$ 665,000	1.437

3) Service fee income

	For the Year Ended December 31	
	2017	2016
Associates	$ 6	$ 136
Others	8	-
	$ 14	$ 136

Service fee income is earned by providing authentication and custody services.

4) Other expense

	For the Year Ended December 31	
	2017	**2016**
Others	$ 4,400	$ 2,520

Other expenses are donations.

5) Rental income and others

	For the Year Ended December 31	
	2017	**2016**
Others	$ 782	$ 322

Rental income received by the department is revenue from leasing service.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	**2016**
Short-term employee benefits	$ 419,238	$ 430,886
Post-employment benefits	5,844	4,683
Severance payments	-	4,737
Share based payments	1,290	1,196
	$ 426,372	$ 441,502

The remuneration of the directors and other major management classes is determined by the Remuneration Committee in accordance with 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 number 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.

46. PLEDGED ASSETS

	December 31	
	2017	2016
Due from banks	$ 228,875	$ 221,966
Financial assets at fair value through profit or loss	13,393,710	5,852,839
Discounts and loans	8,919,490	9,700,057
Available-for-sale financial assets	2,254,810	2,465,184
Held-to-maturity financial assets	149,946	5,255,176
Pledged time deposits	34,834	38,134
Compensation account for payment	65,109	110,080
	$ 25,046,774	$ 23,643,436

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 fair value through profit or loss and held-to-maturity financial assets) as collateral for the day-term overdraft. The pledged amount is adjustable based on 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 mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the U.S.A. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limits to Federal Home Loan Bank of San Francisco. Restricted assets were provided not merely as collaterals for short-term borrowings, commercial paper issued, contract security deposit and administrative reliefs, but as pledged for the Central Bank bond bidding.

47. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Except for other disclosures, As of December 31, 2017 and 2016, the Company had commitments as follows:

	December 31	
	2017	2016
Office decorating and contracts of computer software		
Amount of contracts	$ 159,256	$ 1,593,409
Payments for construction in progress and prepayments for equipment	140,912	1,026,389

To operate in accordance with the commercial bank requests, The Bank made computer software contracts with International Integrated System Inc., International Commercial Machine Corporation, Future Intelligence Technology Inc., New Southern Engineering Enterprise Corp. Ltd., Mitac Communication, FUCO & Solution Co., Ltd., Provision Information Inc. and SAS Institute Taiwan Inc. in 2016 respectively.

b. The Company as lessee

Due to rental of buildings, the bank and its subsidiaries have been entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 2027.

As of December 31, 2017 and 2016, refundable deposits paid under operating lease amounted to $35,070 thousand and $26,769 thousand.

The future minimum payments under non-cancellable operating lease are summarized as follows:

	December 31, 2017
Up to 1 years	$ 166,514
Over 1 year to 5 years	343,378
Over 5 years	107,051
	$ 616,943

c. The Bank's clients believe that the Bank engaged in improper sales of complicated and risky financial products and caused losses to it. The arbitration was submitted to the ROC Arbitration Association on May 16, 2017, requesting the Bank to compensate the damage for US$2,816 thousand and from May 19, 2017 until the date of settlement, interest rate of 5%per annum. The case is currently in the stage of selecting the chief arbitrator, and the actual result remains to be determined by the arbitration tribunal.

48. 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	
	2017	2016
Trust assets		
Bank deposits	$ 350,848	$ 760,034
Financial asset	360,484	228,378
Real estate	1,957,995	5,222,776
Total trust assets	$ 2,669,327	$ 6,211,188
Trust capital	$ 2,669,327	$ 6,211,188
Trust capital and liability	$ 2,669,327	$ 6,211,188

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2017	2016
Trust revenue		
Interest revenue	$ 399,557	$ 78,012
Trust expenses		
Management fee	167,747	-
Fees	183,894	-
Income tax expense	22,075	7,763
	$ 25,841	$ 70,249

The above income accounts are not included in the Bank's income statements.

Trust Property List

	December 31	
	2017	**2016**
Bank deposit	$ 350,848	$ 760,034
Fund	132,106	-
Stock	228,378	228,378
Land	1,865,892	5,131,963
Real estate, net	92,103	90,813
	$ 2,669,327	$ 6,211,188

49. 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			
	2017		**2016**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets				
Held-to-maturity financial assets	$ 499,821	$ 505,448	$ 5,544,703	$ 5,550,503
Financial liabilities				
Bank debentures	20,400,000	20,464,560	17,450,000	17,544,491

2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

	December 31, 2017			
Item	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Held-for-maturity financial assets	$ 505,448	$ -	$ 505,448	$ -
Financial liabilities				
Bank debentures	20,464,560	20,464,560	-	-

Item	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-for-maturity financial assets	$ 5,550,503	$ -	$ 5,550,503	$ -
Financial liabilities				
Bank debentures	17,544,491	17,544,491	-	-

Refer to quoted market prices for fair value if there are public quotation on 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 of financial instruments carried at fair value

1) The fair value hierarchy of the financial instruments as of December 31, 2017 and 2016 were as follows:

(In Thousands of New Taiwan Dollars)

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	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	-

Item	December 31, 2016 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	$ 539,779	$ 360,084	$ 114,669	$ 65,026
Bonds	517,317	10,928	506,389	
Bills	96,648,408	-	96,648,408	-
Others	35,342,797	-	35,342,797	-
Financial assets designated as fair value through profit or loss	12,018,171	-	1,627,391	10,390,780
Available-for-sale financial assets				
Stocks	1,201,277	1,201,277	-	-
Bonds	125,780,288	101,197	125,679,091	
Non-derivative financial instruments				-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	72	-	72	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	2,655,813	-	2,444,169	211,644
Liabilities				
Financial liabilities at fair value through profit or loss	2,377,800	-	2,377,800	-

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 hedging derivative 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 Company 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 (unadjusted) 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, 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	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

For the year ended December 31, 2016

(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	$ 100,013	$ -	$ -	$ -	$ -	$ (34,987)	$ 65,026
Financial assets designated as fair value through profit or loss	272,806	(61,162)	-	-	-	-	211,644
Derivative financial Instruments							
Financial assets at fair value through profit or loss Assets	12,974,073	241,528	10,569,800	-	(13,394,621)	-	10,390,780

4) Transfer between Level 1 and Level 2

The Company has no significant transfers between Level 1 and Level 2 for years ended December 31, 2017 and 2016.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

Although the Company and its subsidiaries believe that their estimates of fair value are appropriate, their using of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 of the fair value hierarchy, structural bonds are evaluated by counterparty quotes; no quoted market price of the Bonds and convertible corporate bonds for asset swap are evaluated by the future cash flows discounted model. Its discount rate as the zero coupon yield curve is deduced by using the LIBOR rate yield curve and the dollar yield curve consisting swap rate and considering credit risk premium. In the condition of the same variables, a 10% change in either direction of the quotes from respective counterparties would have the effects on the income and other comprehensive income both in 2016 and 2017 and are as follows:

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)	$ -	$ -

For the year ended December 31, 2016

(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	$ -	$ (1,221)	$ -	$ -

50. FINANCIAL RISK MANAGEMENT

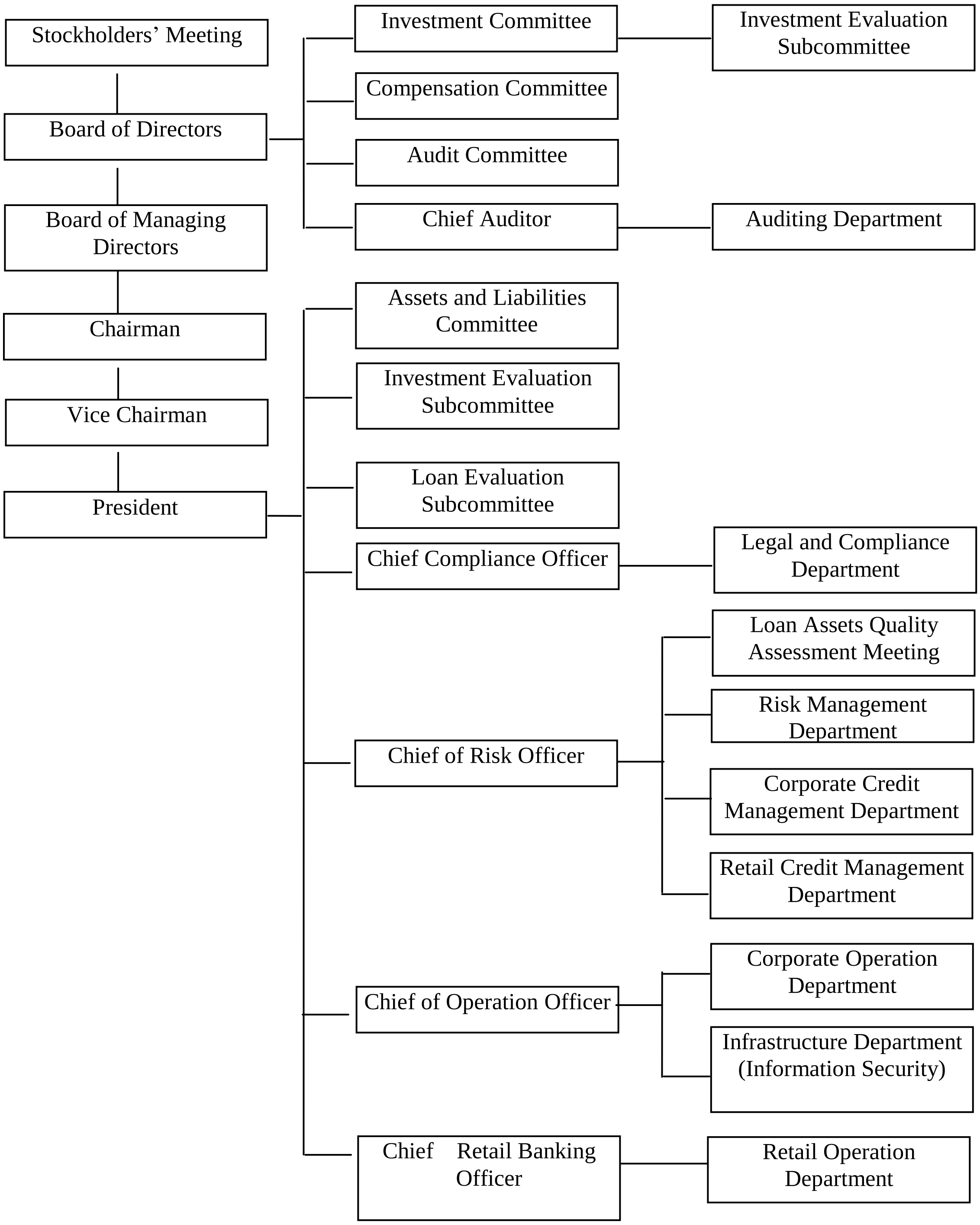
a. Overview

For the potential expected and unexpected risk, the Company and its subsidiaries establish 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 Company continues to engage actively in the capital adequacy ratio with the regulators and monitors to meet the Basel III requirements.

b. Risk management framework

Risk management framework of the Company and its important individual in control are expressed as follows:

Ultimate responsibility for setting the Bank's risk appetite rests with the Board of Directors. Auditing Department, Audit Committee, Investment Committee and Compensation Committee are reporting to the Board of Directors. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the President, hold Capital Meeting and Quality Evaluation of Assets Meeting for discussing and considering risk management proposals regularly. Risk Management Department is responsible for establishing a total scheme of risk management and monitoring of execution.



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. Assess the probable loss of loan assets, pass cases of investment loss recognition, and make the proposal to the CEO.

      iv. Track the status of customers still in operating which were fully recognized as loss.

   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 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 Company'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 assets portfolio 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 rating must actually be scaled within credit and investors. The continual change of market gives rise to the change of credit or investor. Therefore, risk rating must be reevaluated and updated often to adjust risk rating scale when being 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 Company 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) The Board of Directors: The Board of Directors, the top risk supervisor of the Bank, is responsible for authorizing and reviewing the credit risk management strategies, and approving the credit risk management framework. The strategy should reflect the level of risk that the Bank can bear and the level of profitability that the Bank expects to achieve under various credit risks.

b) The Audit Committee: Responsible for stipulation and amendment of 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.

c) The 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.

d) The Loan Assets Quality Evaluation Meeting: The Company is in charge for making policies and strategies for identifying the possibilities of loss on credit assets. The Company evaluates the adequacy of the allowance for credit assets.

e) The Risk Management Department: The department is independent, in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Company 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.

f) Corporate Credit Department: It supervised 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.

g) Retail Credit Management Department: Manage personal financial risk identify, measure, monitor, manage and resell bad debts, prepare for bad debts presentation, loss assessment and post-loan management.

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 of Directs 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 of Directors to grasp the risk-taking situations faced by the state, the group, 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 Company has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Company 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 are 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 Company and its subsidiaries is as follows:

Off-balance Sheet Item	**Maximum Exposure Amount**	
	December 31, 2017	**December 31, 2016**
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	$ 111,469,765	$ 104,736,341
Maximum exposure amounts	111,469,765	104,736,341

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 Company and its subsidiaries do not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business. (including loan commitment and guarantee and commercial bonds issuing commitment)

On December 31, 2017 and 2016, the Company and its subsidiaries' significant concentrations of credit risk were summarized as follows (only top three are written below):

a) By industry

Credit Risk Profile by Industry Sector	**December 31, 2017**		**December 31, 2016**	
	Amount	**%**	**Amount**	**%**
Real estate	$ 28,696,054	10.16	$ 21,704,954	8.29
Financial intermediary	28,011,612	9.92	22,375,602	8.55
The printed circuit board component manufacturing	17,468,379	6.18	16,214,475	6.19

b) By counterparty

Credit Risk Profile by Industry Sector	**December 31, 2017**		**December 31, 2016**	
	Amount	**%**	**Amount**	**%**
Private sector	$ 173,620,086	95	$ 16,140,629	98
Natural person	9,147,952	5	2,856,092	2

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Domestic	$ 115,392,955	63	$ 98,175,606	60
Central America	30,208,123	17	36,184,647	22
Other Asia area	31,586,509	17	24,334,197	15

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.

Related financial assets impairment valuation is as follows:

a) Credit analysis for receivables and discounts and loans

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

December 31, 2016	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	$ 20,105,220	$ -	$ 204,355	$ 20,309,575	$ 182,049	$ 335,872	$ 19,791,654
Discounts and loans	163,187,859	-	1,808,862	164,996,721	327,481	2,124,599	162,544,641

b) Credit analysis for marketable securities

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

December 31, 2016	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	$ 125,780,288	$ -	$ -	$ 125,780,289	$ -	$ -	$ 125,780,288
Equity investments	1,192,759	-	14,287	1,207,045	5,769	-	1,201,277
Held-to-maturity financial assets							
Bonds	499,703	-	-	499,703	-	-	499,703
Others	5,045,000	-	-	5,045,000	-	-	5,045,000
Other financial assets							
Equity investments	1,280,976	-	1,065,948	2,346,924	833,769	-	1,513,155

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 overdue but not yet impaired.

The Company as of year ended December 31, 2017 were no overdue but not impaired financial assets.

10) Analysis of impairment for financial assets

The Company 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:

Receivables

Type of Impairment Assessment		December 31, 2017		December 31, 2016	
		Accounts Receivables	**Allowance for Credit Losses**	**Accounts Receivables**	**Allowance for Credit Losses**
With objective evidence of impairment	Individually assessed for impairment	$ 421,691	$ 280,181	$ 204,355	$ 182,049
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed for impairment	22,276,814	365,177	20,105,220	335,872

Note: The receivables are those originated by the Company, and not net of the allowance for credit losses and adjustments for discount (premium).

Discounts and loans

Type of Impairment Assessment		December 31, 2017		December 31, 2016	
		Discounts and Loans	**Allowance for Credit Losses**	**Discounts and Loans**	**Allowance for Credit Losses**
With objective evidence of impairment	Individually assessed for impairment	$ 1,443,492	$ 375,969	$ 1,808,862	$ 327,481
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed	181,324,546	2,305,883	163,187,859	2,124,599

Note: The amount of discounts and loans is the original value, which does not minus allowance for credit losses.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Company and its subsidiaries' 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 Company 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 Company'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 Company and its subsidiaries have enough instant ly-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 Company'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 Company 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, 2017 and 2016, the liquidity reserve ratio was 37.37% and 42.84%.

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, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	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
Securities sold under agreements to repurchase	146,992,716	41,450,703	1,478,851	16,105	-	189,938,375
Accounts payable	1,797,214	251,486	2,144,300	695,469	134,212	5,022,681
Deposits	39,248,871	78,073,545	33,489,960	23,325,344	24,148,980	198,286,700
Financial bonds	-	-	-	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

December 31, 2016	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1^+ Year	Total
Deposits from the central bank and banks	$ 46,625,389	$ 9,265,411	$ 807,131	$ -	$ -	$ 56,697,931
Financial liabilities at fair value through profit or loss	72	-	-	-	-	72
Securities sold under agreements to repurchase	137,721,033	24,882,102	690,304	90,391	-	163,383,830
Accounts payable	1,322,706	83,479	1,773,101	550,507	23,350	3,753,143
Deposits	49,891,993	75,616,714	24,192,987	17,825,044	17,060,873	184,587,611
Financial bonds	-	-	800,000	-	16,650,000	17,450,000
Other financial liabilities	8,372,409	1,728,090	211,167	493,333	8,026,643	18,831,642
	$ 243,933,602	$ 111,575,796	$ 28,474,690	$ 18,959,275	$ 41,760,866	$ 444,704,229

4) The Company 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, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	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

December 31, 2016	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1^+ Year	Total
Deliverable						
Forward contracts	$ 46,464	$ 65,705	$ 34,231	$ 157,180	$ -	$ 303,580
Currency swap contracts	345,552	185,344	184,418	113,336	-	828,650
Selling foreign currency option contracts	8,591	40,375	492,766	591,596	-	1,133,328
Commercial paper contracts	538	-	-	-	-	538
	-	-	243	3,963	-	4,206
	401,145	291,424	711,658	866,075	-	2,270,302
Non-deliverable						
Interest rate swap contracts	-	1,154	7,039	-	99,305	107,498
	$ 401,145	$ 292,578	$ 718,697	$ 866,075	$ 99,305	$ 2,377,800

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 consolidated balance sheet.

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1^+ Year	Total
Unused letters of credit	$ 1,191,027	$ 1,013,393	$ 367,946	$ 15,541	$ -	$ 2,587,907
Other guarantee amounts	35,533,002	63,019,079	5,466,081	4,803,363	60,333	108,881,858
	$ 36,724,029	$ 64,032,472	$ 5,834,027	$ 4,818,904	$ 60,333	$ 111,469,765

December 31, 2016	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1^+ Year	Total
Unused letters of credit	$ 1,322,427	$ 1,321,994	$ 146,019	$ -	$ -	$ 2,790,440
Other guarantee amounts	35,911,543	55,427,077	6,625,600	3,619,516	362,165	101,945,901
	$ 37,233,970	$ 56,749,071	$ 6,771,619	$ 3,619,516	$ 362,165	$ 104,736,341

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 of Directors 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) 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 of Directors, 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 of Directors.

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 (ex: 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 Company 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 and exchange rates. 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.

O-Bank

	December 31					
	2017			2016		
	Average	**High**	**Low**	**Average**	**High**	**Low**
Currency exchange rate risk	$ 2,150	$ 8,317	$ 86	$ 1,390	$ 5,968	$ 101
Fair value risk resulting from interest rate	1,896	13,446	-	2,105	11,246	37
Fair value resulting from stock price	10,439	18,766	4,039	7,103	24,218	1,063

6) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Each Foreign Currencies (Thousand)/NT$ (Thousand)

	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

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 2,824,488	32.2849	$ 91,188,247
JPY	2,391,104	0.2753	658,202
HKD	3,532,320	4.1633	14,706,224
EUR	23,902	33.9640	811,822
AUD	1,308	23.3208	30,495
RMB	2,577,458	4.6393	11,957,623
Financial liabilities			
Monetary item			
USD	2,922,717	32.2849	94,359,538
JPY	311,265	0.2753	85,682
HKD	3,113,917	4.1633	12,964,274
EUR	19,662	33.9640	677,794
AUD	8,585	23.3208	200,213
RMB	2,371,500	4.6393	10,999,197

7) 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			
	2017		2016	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
Interest-earning assets				
Cash and cash equivalents - due from banks	$ 931,686	2.04	$ 599,721	1.92
Call loans to banks	6,296,975	1.07	7,547,503	1.26
Due from the Central Bank	3,333,761	0.71	3,206,108	0.76
Financial assets at fair value through profit or loss	39,544,611	0.56	40,158,025	0.66
Securities purchased under resell agreements	97,225	0.19	112,844	0.06
Discounts and loans	151,631,581	2.25	133,164,219	2.20
Available-for-sale financial assets	38,871,246	1.43	30,926,910	1.44
Held-to-maturity financial assets	820,566	0.99	9,361,348	0.81
Interest-bearing liabilities				
Deposits from the central bank and banks	38,358,810	1.13	40,810,605	0.61
Demand deposits	23,680,971	0.35	27,145,073	0.32
Time deposits	144,792,924	0.86	100,878,966	0.71
Securities sold under repurchase agreements	6,965,099	0.55	1,466,221	0.37
Bank debentures	17,541,918	2.02	16,469,126	2.11
Other financial liabilities	5,415,837	-	5,378,658	-

China Bills Finance Corporation (CBF)

	For the Year Ended December 31			
	2017		2016	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents (including certificate of deposit)	$ 770,267	0.14	$ 536,434	0.16
Call loans to banks	21,112	3.29	24,728	1.25
Financial assets at fair value through profit or loss - bonds and bills	99,441,408	0.57	99,646,881	0.57
Available-for-sale financial assets-bond investment	96,414,292	1.32	87,380,875	1.36
Financial assets at fair value through profit or loss-bond investment	8,488,165	1.55	11,408,684	1.73
Securities purchased under resell agreements	6,225,804	0.13	3,895,444	0.20
Interest-bearing liabilities				
Due to other banks	19,435,597	0.46	18,251,341	0.35
Bank overdrafts	7,345	1.75	4,483	1.87
Securities sold under repurchase agreements	163,056,170	0.44	160,247,982	0.38

51. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Company'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

Regularly on various capital ratio and leverage ratio calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly track the target achievement rate in the capital ratio, or leverage ratio has deteriorated because of the circumstances should be taken when measure.

c. Capital adequacy ratio

O-Bank

(Unit: In Thousands of New Taiwan Dollars, %)

Items / **Year**			**December 31, 2017**	
			Own Capital Adequacy Ratio	**Consolidated Capital Adequacy Ratio**
Eligible capital	Common shares 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%

Unit: In Thousands of New Taiwan Dollars, %

Items / **Year**			**December 31, 2016**	
			Own Capital Adequacy Ratio	**Consolidated Capital Adequacy Ratio**
Eligible capital	Common shares equity Tier 1		$ 20,914,400	$ 39,970,360
	Other Tier 1 capital		-	-
	Tier 2 capital		4,691,143	7,958,989
	Eligible capital		25,605,543	47,929,349
Risk-weighted assets	Credit risk	Standard	162,090,192	269,123,088
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	6,946,513	8,216,913
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	4,003,900	59,733,113
		Internal model approach	-	-
	Total risk-weighted assets		173,040,605	337,073,114
Capital adequacy ratio			14.80%	14.22%
Ratio of common stockholders’ equity to risk-weighted assets			12.09%	11.86%
Ratio of Tier 1 capital to risk-weighted assets			12.09%	11.86%
Leverage ratio			7.81%	7.18%

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 shares 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 shares equity Tier 1 ÷ Risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Common shares equity Tier 1 + Other Tier 1 capital) ÷ Risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Exposure amount

According to Law of Bank and other related regulations, the Bank and the Group's capital adequacy ratio should not be lower than 8%, Ratio of Tier 1 capital should not be lower than 5.5% and Ratio of common stockholders' equity should not be lower than 4% to ground the financial foundation of the Bank Referring to any actual ratios lower than the requirements, the authority has the rights to constrain the earning distribution.

China Bills Finance Corporation

(Unit: In Thousands of New Taiwan Dollars, %)

Items / **Year**		**December 31, 2017**	**December 31, 2016**
Eligible capital	Tier 1 capital	$ 21,908,716	$ 22,186,884
	Tier 2 capital	-	261,977
	Tier 3 capital	276,469	102,749
	Eligible capital	22,185,185	22,551,610
Risk-weighted assets	Credit risk	105,688,495	107,837,165
	Operational risk	4,008,287	3,572,500
	Market risk	58,540,805	55,947,322
	Total risk-weighted assets	168,237,587	167,356,987
Capital adequacy ratio (Note 1)		13.19%	13.48%
Ratio of Tier 1 capital to risk-weighted assets (Note 1)		13.02%	13.26%
Ratio of Tier 2 capital to risk-weighted assets (Note 1)		-	0.16%
Ratio of Tier 3 capital to risk-weighted assets (Note 1)		0.17%	0.06%
Ratio of common stockholders' equity to total assets (Note 1)		6.09%	6.60%

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".

52. 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, 2017

(In Thousands of New Taiwan Dollars, %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (unclassified other financial service)	$ 6,525,400	22.28
2	B Company (ocean transportation)	3,619,243	12.36
3	C Company (LCD and component manufacturing)	3,525,096	12.04
4	D Company (real estate development)	3,464,541	11.83
5	E Company (chemistry manufacturing)	2,592,128	8.85
6	F Company (paper manufacturing)	2,543,725	8.69
7	G Company (department store)	2,405,555	8.21
8	H Company (real estate development)	2,197,560	7.50
9	I Company (financial lease)	2,018,580	6.89
10	J Company (semiconductor packaging and testing)	2,001,342	6.83

December 31, 2016

(In Thousands of New Taiwan Dollars, %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (unclassified other financial service)	$ 5,889,061	20.04
2	C Company (LCD and component manufacturing)	4,105,383	13.97
3	B Company (ocean transportation)	3,988,689	13.57
4	K Company (fuel and coal production on manufacturing)	3,113,561	10.59
5	G Company (real estate development)	2,979,749	10.14
6	L Company (unclassified other financial service)	2,748,125	9.35
7	F Company (paper manufacturing)	2,592,188	8.82
8	D Company (real estate development)	2,460,465	8.37
9	J Company (semiconductor packaging and testing)	2,377,758	8.09
10	M Company (construction industry)	2,148,768	7.31

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
December 31, 2017

(In Thousands 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	$ 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					27,549,370
Ratio of interest rate-sensitive assets to liabilities					103.30%
Ratio of interest rate sensitivity gap to net worth					22.50%

December 31, 2016

(In Thousands 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	$ 109,271,601	$ 6,689,069	$ 13,921,957	$ 38,098,290	$ 167,980,917
Interest rate-sensitive liabilities	82,311,467	25,533,915	16,068,903	35,693,023	159,607,308
Interest rate-sensitive gap	26,960,134	(18,844,846)	(2,146,946)	2,405,267	8,373,609
Net worth					28,413,325
Ratio of interest rate-sensitive assets to liabilities					105.25%
Ratio of interest rate sensitivity gap to net worth					29.47%

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, 2017

(In Thousands of U.S. 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	$ 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%)

December 31, 2016

(In Thousands of U.S. 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	$ 1,456,084	$ 88,866	$ 44,243	$ 497,033	$ 2,086,226
Interest rate-sensitive liabilities	1,525,147	577,152	73,811	73	2,176,183
Interest rate-sensitive gap	(69,063)	(488,286)	(29,568)	496,960	(89,957)
Net worth					18,419
Ratio of interest rate-sensitive assets to liabilities					95.87%
Ratio of interest rate sensitivity gap to net worth					(488.39%)

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

(%)

Items		For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Return on total assets	Before income tax	0.44	0.72
	After income tax	0.38	0.64
Return on equity	Before income tax	4.18	6.29
	After income tax	3.65	5.57
Net income ratio		23.79	38.06

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 revenues

Note 4: Income before (after) income tax represents income for the years ended December 31, 2017 and 2016.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
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

December 31, 2016

(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	$ 208,581,483	$ 45,214,409	$ 15,011,780	$ 12,238,204	$ 16,626,871	$ 23,424,948	$ 96,065,271
Main capital outflow on maturity	238,970,810	21,313,955	30,272,935	69,783,129	24,401,394	25,059,486	68,139,911
Gap	(30,389,327)	23,900,454	(15,261,155)	(57,544,925)	(7,774,523)	(1,634,538)	27,925,360

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, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 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

December 31, 2016

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,701,265	$ 1,049,555	$ 842,859	$ 651,303	$ 343,742	$ 813,806
Main capital outflow on maturity	4,173,367	1,603,848	1,054,309	510,061	377,003	628,146
Gap	(472,102)	(554,293)	(211,450)	141,242	(33,261)	185,660

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, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 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

December 31, 2016

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 906,939	$ 224,971	$ 163,114	$ 87,904	$ 124,462	$ 306,488
Main capital outflow on maturity	929,504	357,619	241,093	82,505	115,220	133,067
Gap	(22,565)	(132,648)	(77,979)	5,399	9,242	173,421

China Bills Finance Corporation

a. Asset quality

(Unit: In Thousands of New Taiwan Dollars, %)

Item \ Period	December 31, 2017	December 31, 2016
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	1,001,604	972,378
Actual provision for credit losses and reserve for losses on guarantees	1,429,477	1,429,477

b. The principal operation

(Unit: In Thousands of New Taiwan Dollars, %)

Item \ Period	December 31, 2017	December 31, 2016
Balance of guarantees and endorsement securities	$ 99,741,800	$ 96,796,900
Ratio of guarantees and endorsement securities to net worth (Note)	4.72	4.59
Short-term bills and bonds sold under agreement to repurchase	174,073,575	161,290,005
Ratio of short-term bills and bonds sold under agreement to repurchase to net worth (Note)	8.24	7.65

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 12.

d. Concentrations of credit extensions

(In Thousands of New Taiwan Dollars, %)

Item \ Period	December 31, 2017		December 31, 2016	
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)	19.05		19.69	
Loan concentration by industry (The concentration of listed industries were the Top 3 of all industries)	**Type of Industry**	**%**	**Type of Industry**	**%**
	1) Finance and insurance industry	31.07	1) Finance and insurance industry	31.93
	2) Manufacturing industry	24.61	2) Manufacturing industry	27.51
	3) Real estate industry	25.58	3) Real estate industry	21.24

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, 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	23,025	218,138
Interest rate-sensitive gap	(87,131)	11,400	8,801	65,410	(1,520)
Net worth					23,025
Ratio of interest rate-sensitive assets to liabilities (%)					99.30
Ratio of interest rate sensitivity gap to net worth (%)					(6.60)

December 31, 2016

(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	$ 94,538	$ 13,812	$ 11,861	$ 80,481	$ 200,692
Interest rate-sensitive liabilities	177,756	690	90	22,437	200,973
Interest rate-sensitive gap	(83,218)	13,122	11,771	58,044	(281)
Net worth					22,437
Ratio of interest rate-sensitive assets to liabilities (%)					99.86
Ratio of interest rate sensitivity gap to net worth (%)					(1.25)

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, 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)

December 31, 2016

(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	$ 46,287	$ 43,355	$ 7,535	$ 122	$ -
	Bonds	1,933	1,406	6,277	11,739	80,481
	Due from banks	334	-	-	-	-
	Call loans	1,023	-	-	-	-
	Securities purchased under agreement to resell	100	100	-	-	-
	Total	49,677	44,861	13,812	11,861	80,481
Cash provided by	Borrowing	17,323	-	-	-	-
	Securities sold under agreement to repurchase	135,881	24,552	690	90	-
	Eligible capital	-	-	-	-	22,437
	Total	153,204	24,552	690	90	22,437
Net cash flows		(103,527)	20,309	13,122	11,771	58,044
Accumulated cash flows		(103,527)	(83,218)	(70,096)	(58,325)	(281)

g. Matters requiring special notation

(In Thousands of New Taiwan Dollars)

Causes	December 31, 2017	December 31, 2016
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.

53. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees and b. Names, locations, and other information of investees on which the bank exercises significant influence.

1) Financing provided: The Company - not applicable; investee - Table 1 (attached)

2) Endorsement/guarantee provided: The Company - not applicable; investee - Table 2 (attached)

3) Marketable securities held: The Company - not applicable; investee - 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

c. Investment in Mainland China: Table 6 (attached)

54. OPERATING SEGMENT FINANCIAL INFORMATION

The Company 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 Company shall be reported to the operating divisions are as follows:

a. Bank: Business ruled in Law of Bank Article 71 (before December 31, 2016, business ruled in Regulations Governing the Establishment Criteria and Administrating of the Industrial Bank Article 5).

b. Overseas: Overseas banking business.

c. Securities: Securities-related business approved by the competent authority (regarded as discontinued operations in 2016, referring to Note 15).

d. Bills: Bills related Business approved by the competent authority.

e. Others: Other non-core businesses.

The following was an analysis of the Company's revenue and results by reportable segment.

	Bank	Overseas	Securities	Bills	Others	Eliminations	Consolidated
For the year ended December 31, 2017							
Net interest							
From unaffiliated segment	$ 1,995,285	$ 883,994	$ -	$ 1,008,206	$ 691,232	$ 13,458	$ 4,592,175
From other segment	(19,068)	-	-	13,463	1,320	4,285	-
	$ 1,976,217	$ 883,994	$ -	$ 1,021,669	$ 692,552	$ 17,743	$ 4,592,175
Net revenue other than interest							
From unaffiliated segment	$ 1,799,487	$ 64,618	$ -	$ 1,073,277	$ 389,325	-	$ 3,326,707
From other segment	35,031	-	-	-	-	(55,480)	(20,449)
	$ 1,834,518	$ 64,618	$ -	$ 1,073,277	$ 389,325	$ (55,480)	$ 3,306,258
Segment profits	$ 1,072,080	$ 232,059	$ -	$ 1,351,064	$ 133,345	$ (676,661)	$ 2,111,887
Identifiable assets	$ 280,800,446	$ 25,220,623	$ 996,603	$ 220,412,404	$ 16,105,969	$ (2,964,025)	$ 540,572,020
Depreciation and amortization	$ 265,925	$ 17,827	$ -	$ 8,697	$ 21,315	$ -	$ 313,764
Capital expenditure	$ 446,141	$ 24,914	$ 27	$ 4,550	$ 22,008	$ -	$ 497,640

(Continued)

	Bank	Overseas	Securities	Bills	Others	Eliminations	Consolidated
For the year ended December 31, 2016							
Net interest							
From unaffiliated segment	$ 2,094,369	$ 878,502	$ -	$ 525,442	$ 661,263	$ (8,139)	$ 4,151,437
From other segment	(10,471)	-	-	5,660	1,594	3,217	-
	$ 2,083,898	$ 878,502	$ -	$ 531,102	$ 662,857	$ (4,922)	$ 4,151,437
Net revenue other than interest							
From unaffiliated segment	$ 1,451,996	$ 79,550	$ -	$ 1,781,392	$ 248,603	$ (722)	$ 3,560,819
From other segment	47,358	-	-	-	-	(44,877)	2,481
	$ 1,499,354	$ 79,550	$ -	$ 1,781,392	$ 248,603	$ (45,599)	$ 3,563,300
Segment profits	$ 1,643,898	$ 287,148	$ -	$ 1,633,518	$ (92,484)	$ (730,037)	$ 2,742,043
Identifiable assets	$ 250,912,169	$ 27,596,101	$ 1,086,695	$ 203,339,091	$ 14,576,969	$ (734,256)	$ 496,776,769
Equity investments - equity method							107,981
							$ 496,884,750
Depreciation and amortization	$ 145,107	$ 18,926	$ -	$ 9,829	$ 27,997	$ -	$ 201,859
Capital expenditure	$ 1,058,531	$ 2,728	$ 3,465	$ 7,247	$ 12,611	$ -	$ 1,084,582

(Concluded)

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	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)	Note
													Item	Value			
1	IBT Leasing	Shang Sheng Construction Corp.	Account receivable - short-term accommodations	No	$ 114,572	$ 90,000	$ -	2-8	2	$ -	Working capital turnover	$ -	Real estate	$ 119,639	$ 211,171	$ 844,682	
		General Energy Solutions	Account receivable - short-term accommodations	No	30,000	15,730	15,730	2-8	2	-	Working capital turnover	206	Margin	2,000	211,171	844,682	
		San Rong Fisheries Corp.	Account receivable - short-term accommodations	No	30,660	20,952	20,952	2-8	2	-	Working capital turnover	120	Margin	5,000	211,171	844,682	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	30,000	23,591	23,591	2-8	1	30,000	Working capital turnover	177	Real estate	24,288	211,171	2,111,705	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	30,000	23,591	23,591	2-8	2	-	Working capital turnover	177	Real estate	24,288	211,171	844,682	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	50,000	33,968	33,968	2-8	1	50,000	Working capital turnover	132	Margin	7,500	211,171	2,111,705	
		Teroko Textile Corp.	Account receivable - short-term accommodations	No	109,200	46,667	46,667	2-8	2	-	Working capital turnover	700	Stock	-	211,171	844,682	
		Inhon International Corp.	Account receivable - short-term accommodations	No	50,000	47,506	47,506	2-8	2	-	Working capital turnover	1,219	Margin	10,000	211,171	844,682	
		Kuang Ming Shipping Corp.	Account receivable - short-term accommodations	No	100,000	96,700	96,700	2-8	2	-	Working capital turnover	1,451	-	-	211,171	844,682	
		Lei Xin Construction	Account receivable - short-term accommodations	No	130,000	112,960	112,960	2-8	2	-	Working capital turnover	3,671	Real estate	124,389	211,171	844,682	
		Power Home Construction	Account receivable - short-term accommodations	No	150,000	150,000	150,000	2-8	2	-	Working capital turnover	2,250	Real estate	134,722	211,171	844,682	
		Sanyueh Development Co., Ltd.	Account receivable - short-term accommodations	No	165,000	165,000	165,000	2-8	2	-	Working capital turnover	2,475	Real estate	88,310	211,171	844,682	
2	IBT International Leasing Corp.	Shanghai Qiaoyou Garment Co., Ltd.	Entrusted loans	No	6,880	5,785	5,785	6-16	2	-	Working capital turnover	130	Real estate	26,644	419,140	733,494	
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	13,760	10,157	10,157	6-16	2	-	Working capital turnover	229	Real estate	91,734	419,140	733,494	
		Shanghai Qiaoyou Garment Co., Ltd.	Entrusted loans	No	38,987	32,780	32,780	6-16	1	38,987	Working capital turnover	738	Real estate	26,644	419,140	1,047,849	
		Shanghai Kuang Di Entertainment Co., Ltd.	Entrusted loans	No	68,801	55,801	55,801	6-16	2	-	Working capital turnover	1,256	Real estate	42,812	419,140	733,494	
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	77,974	57,557	57,557	6-16	1	77,974	Working capital turnover	1,295	Real estate	91,734	419,140	1,047,849	
		Qing Dao Lian Sheng Industry Corp	Entrusted loans	No	366,936	183,468	183,468	6-16	1	366,936	Working capital turnover	4,128	Real estate	183,468	419,140	1,047,849	
		San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	No	229,335	224,002	224,002	6-16	2	-	Working capital turnover	1,674	Real estate	229,459	419,140	733,494	
3	IBT Tianjin International Leasing Corp.	San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	No	68,801	67,200	67,200	9-11	2	-	Working capital turnover	674	Real estate	137,601	160,099	280,174	

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 loaned to individual company was limited by 10% net assets. IBT International Leasing Corp. and IBT Tianjin International Leasing Corp. loaned to individual company was limited by 40% net assets.

Note 4: Each issuing entity's total amount of loans was limited to 40% of IBT Leasing's net assets, and each issuing entity's total amount of loans was limited to 70% of 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.

TABLE 2

O-BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	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	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
1	IBT Leasing	IBT International Leasing Corp.	Subsidiaries	$ 17,116,029	$ 10,368,575	$ 9,923,942	$ 7,876,100	$ -	463.84	$ 25,674,043	N	N	Y
		IBT Tianjin International Leasing Corp.	Subsidiaries	17,116,029	4,483,762	4,447,359	641,249	-	207.87	25,674,043	N	N	Y

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:

a. Trading partner.
b. Directly owns over 50% of ordinary shares of subsidiary.
c. The Company and subsidiary own over 50% ownership of the investee company.
d. A subsidiary jointly owned by the Company and the Company’s directly-owned subsidiary.
e. Guaranteed by the Company according to the construction contract.
f. An investee company, for which the guarantees were provided based on the Company’s proportionate share in the investee company.

Note 2: Based on the Company’s guidelines, the maximum amount of guarantee to IBT International Leasing Corp. is up to eight times of the Company’s net value under direct and indirect holding voting right of stockholders; the maximum amount of guarantee to the Company is up to twelve times of the Company’s net value.

Note 3: The endorsement belongs to the grandson company for IBT International Leasing Corp.

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
IBT Holdings	Stocks							
	EverTrust Bank	Equity-method investee	Equity investment equity method	10,714	US$ 149,411	91.78	US$ 149,411	Note 2
IBT Management Corp.	Funds							
	Taishin Ta-Chong Money Market Fund	-	Financial asset at fair value through profit or loss	750	10,139	-	10,139	
	Uni Money Market Fund	-	Financial asset at fair value through profit or loss	803	10,126	-	10,126	
	Stocks							
	Gatetech Technology Co., Ltd.	-	Financial asset carried at cost	78	779	0.18	779	Note 1
	ARC Solid-state Lighting Corp.	-	Financial asset carried at cost	50	100	0.20	100	Note 1
IBT Leasing Co., Ltd.	Stocks							
	IBT International Leasing Corp.	Equity-method investee	Equity investment equity method					
	IBT Tianjin International Leasing Corp.	Equity-method investee	Equity investment equity method	-	1,249,251	100.00	1,249,251	Note 2
	IBT VII Venture Capital Co., Ltd.	Equity-method investee	Equity investment equity method	-	158,414	39.00	158,414	Note 2
				65,000	581,943	100.00	581,943	Note 2
IBT VII Venture Capital Co., Ltd.	Stocks							
	IBT Tianjin International Leasing Corp.	Equity-method investee	Equity investment equity method	-	256,820	61.00	247,775	Note 2
	EirGenix Co., Ltd.	-	Available-for-sale financial asset	1,247	24,940	2.56	31,611	
	TAIRX Corp.	-	Financial asset carried at cost	1,842	44,208	3.44	44,190	
	Meridigen Corp.	-	Financial asset carried at cost	1,000	20,000	1.86	20,000	Note 1
	Femcosteel Tech Co., Ltd.	-	Financial asset carried at cost	1,498	29,984	4.49	29,984	Note 1
	Shihlian China Holdings Corp.	-	Financial asset carried at cost	1,171	29,777	0.04	29,777	Note 1

Note 1: The net asset values of cost-method investees are based on the latest unaudited financial statements; for those that financial statements cannot be obtained are listed by cost.

Note 2: The net asset values of equity-method investees are based on the audited financial statements offered by certified public accountant.

O-BANK AND SUBSIDIARIES

NON-PERFORMING LOANS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2017					December 31, 2016				
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	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)
Corporate banking	Secured		$ 415,307	$ 68,463,348	0.61%	$ 814,680	196.16%	$ 28,323	$ 52,263,816	0.05%	$ 612,772	2,163.51%
	Unsecured		-	91,147,921	-	1,520,555	-	-	93,842,037	-	1,552,942	-
Consumer banking (Note 5)	Housing mortgage (Note 4)		-	5,001,783	-	75,027	-	-	-	-	-	-
	Cash card							NA	NA	NA	NA	NA
	Small-scale credit loans		135	559,979	0.02%	5,627	4,168.15%	NA	NA	NA	NA	NA
	Other	Secured						NA	NA	NA	NA	NA
		Unsecured						NA	NA	NA	NA	NA
Total			415,442	165,173,031	0.25%	2,415,889	581.52%	28,323	146,105,853	0.02%	2,165,714	7,646.49%
			Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards								NA	NA	NA	NA	NA
Factoring accounts receivable without recourse (Note 6)			-	4,592,967	-	51,390	-	-	3,514,421	-	39,498	-

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: By December 31, 2016, The Bank was still an industrial bank, so there were no other consuming financial banking loans and credit card business except for the employees’ housing mortgage loans.

Note 6: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factoring accounts receivable without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 7: The Bank has no executed contracts on negotiated debts not reported as nonperforming loans or receivables and discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans or receivables.

O-BANK AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of U.S. Dollars and New Taiwan Dollars)

Investee Company	Location	Main Business	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Consolidated Investment				Note
						Shares (Thousands)	Pro-forma Share of Ownership	Total		
								Shares (Thousands)	Percentage of Ownership	
Financial institution										
Equity investment - equity method										
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	$ 6,464,888	$ 383,281	382,531	-	382,531	28.48	
IBT Holdings Corp.	California, America	Holding company	100.00	4,496,478	212,896	10,869	-	10,869	100.00	
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	2,130,458	132,434	264,300	-	264,300	100.00	
Non-financial institution										
Equity investment - equity method										
IBT II Venture Capital Co., Ltd.	Taipei City, Taiwan	Venture capital	31.25	-	3,782	17,069	-	17,069	54.17	
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting	99.75	893,751	(49,738)	318,281	-	318,281	99.75	
IBT Management Corp.	Taipei City, Taiwan	Securities investment trust	100.00	234,015	911	13,400	-	13,400	100.00	
Available-for-sale financial assets										
Neo Solar Power Corporation	Hsinchu City, Taiwan	Solar industry	0.20	27,460	-	1,997	-	1,997	0.20	
Okbiotech Co., Ltd.	Hsinchu City, Taiwan	Biotech medical treatment	0.83	17,034	-	544	-	544	0.83	
Formosa Plastics Corporation	Kaohsiung City, Taiwan	Nonmetal mining	0.02	122,585	-	1,242	-	1,242	0.02	
Formosa Chemicals & Fiber Corporation	Changhua City, Taiwan	Chemical industry	0.03	161,607	-	1,569	-	1,569	0.03	
Kung Lung Batteries Industrial.	Nantou City, Taiwan	Chemical petroleum material manufacturing	0.24	28,700	-	200	-	200	0.24	
ASE Semiconductor Manufacturing Group, Ltd.	Kaohsiung City, Taiwan	Semiconductor	0.05	152,600	-	4,000	-	4,000	0.05	
Taiwan Semiconductor Manufacturing Company, Limited	Hsinchu City, Taiwan	Integrated circuit manufacturing	0.00	275,400	-	1,233	-	1,233	0.00	
Formosa Petrochemical Co., Ltd.	Taipei City, Taiwan	Chemical industry	0.00	23,100	-	208	-	208	0.00	
Hon Hai Precision Ind. Co., Ltd.	New Taipei City, Taiwan	Electronic component manufacturing	0.03	514,080	-	5,436	-	5,436	0.03	
Chunghwa Telecom Co., Ltd.	Taipei City, Taiwan	Telecommunication	0.01	74,200	-	707	-	707	0.01	
Cathay Financial Holdings	Taipei City, Taiwan	Financial Holdings	0.00	19,260	-	377	-	377	0.00	
Mega Financial Holdings	Taipei City, Taiwan	Financial insurance	0.04	120,250	-	5,001	-	5,001	0.04	
CTBC Financial Holdings	Taipei City, Taiwan	Financial Holdings	0.02	67,650	-	12,182	-	12,182	0.06	
Novatech Microelectronics Corp.	Hsinchu City, Taiwan	Semiconductor	0.19	128,028	-	1,128	-	1,128	0.19	
Taiwan Mobile Co., Ltd.	Taipei City, Taiwan	Telecommunication	0.10	382,055	-	3,554	-	3,554	0.10	
Sercomm Corporation	Taipei City, Taiwan	Electronic component manufacturing	0.20	40,995	-	484	-	484	0.20	
Brave C&H Supply Co., Ltd.	Taoyuan City, Taiwan	Steel board printing	1.53	16,624	-	465	-	465	1.53	
Vanguard International Semiconductor Corporation	Hsinchu City, Taiwan	Electronic component manufacturing	0.02	19,800	-	300	-	300	0.02	
Reber Genetics Co., Ltd.	Taipei City, Taiwan	Biotech research and development	3.13	26,006	-	3,481	-	3,481	4.69	
TTBIO Corp.	Taichung City, Taiwan	Medical equipment manufacturing	7.48	59,409	-	1,799	-	1,799	7.48	
Powertip Image Corporation	Taichung City, Taiwan	Electronic component manufacturing	6.27	14,443	-	1,987	-	1,987	6.27	
Nanpao Resins Co., Ltd.	Tainan City, Taiwan	Manufacture and sale of synthetic resin	0.19	28,238	-	201	-	201	0.19	
Thevax Genetics Vaccine Co., Ltd.	Taipei City, Taiwan	Cancer vaccine development	1.13	52,920	-	1,008	-	1,008	1.13	
Mosa Industrial Corporation	Yunlin County, Taiwan	Equipment manufacturing	1.65	63,363	-	2,565	-	2,565	1.65	
TaiRx	Taipei City, Taiwan	Biotech research and development	5.24	84,613	-	3,527	-	3,527	5.24	
Vietnam (VNI)	Cayman Island	Venture capital	-	21,774	-	1,500	-	1,500	-	

(Continued)

Investee Company	Location	Main Business	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Consolidated Investment				Note
						Shares (Thousands)	Pro-forma Share of Ownership	Total		
								Shares (Thousands)	Percentage of Ownership	
Financial asset carried at cost										
Progate Group Corporation	Taipei City, Taiwan	Wholesale of electronic materials	4.35	$ 19,476	$ -	1,444	-	1,444	4.35	
Intumit Inc.	New Taipei City, Taiwan	Information system wholesaler and retailer	5.95	7,122	-	1,385	-	1,385	9.36	
Chipwell Tech Corporation	Hsinchu City, Taiwan	Electronic component manufacturing	2.61	3,397	-	391	-	391	2.61	
Knowledge Freeway Co., Ltd.	Taipei City, Taiwan	Information system wholesaler and retailer	19.20	11,239	-	1,256	-	1,256	25.11	
ADL Engineering Co., Ltd.	Hsinchu County, Taiwan	Electronic component manufacturing	0.09	342	-	19	-	19	0.09	
Ori Vita Bio Application, Inc.	New Taipei City, Taiwan	Biological-technology service industry	2.03	41,518	-	4,152	-	4,152	2.03	
Parawin Venture Capital Corp.	Taipei City, Taiwan	Venture capital	5.00	21,868	-	2,187	-	2,187	5.00	
Krom Electronics Co., Ltd.	Taipei City, Taiwan	Computer and electronic component manufacturing	0.93	5,928	-	311	-	311	0.93	
Luminous Town Electric Co., Ltd.	Kaohsiung County, Taiwan	Electronic component manufacturing	0.90	6,972	-	601	-	601	0.90	
Taiwan Hi-Tech Corp.	Hsinchu City, Taiwan	Electronic component manufacturing	2.19	9,524	-	1,000	-	1,000	2.19	
Gatetech Technology Inc.	Taoyuan City, Taiwan	Precision casting and seller	1.78	7,011	-	779	-	779	1.78	
Echem Solutions Corp.	Taoyuan City, Taiwan	Wholesale of electronic materials	2.41	18,326	-	1,187	-	1,187	2.41	
Arc Solid-State Lighting Corporation	New Taipei City, Taiwan	Electronic component and optical instruments manufacturing	4.07	1,900	-	1,000	-	1,000	4.07	
Joyin Co., Ltd.	Taipei City, Taiwan	Electronic component manufacturing	3.83	32,000	-	2,492	-	2,492	3.83	
Nisho Image Tech, Inc.	New Taipei City, Taiwan	L.E.D. printer output	0.91	4,961	-	410	-	410	0.91	
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry	0.50	3,000	-	300	-	300	0.50	
Kaohsiung Rapid Transit Corporation	Kaohsiung City, Taiwan	Transportation	1.38	39,703	-	3,845	-	3,845	1.38	
Biotechnology Development Fund II	America	Venture capital	-	5,660	-	-	-	-	0.00	
Anchor Semiconductor, Inc.	America	Software development	3.09	16,399	-	1,000	-	1,000	3.09	
Shihlien China Holding Co., Ltd.	Hong Kong	Chemical Industries	1.39	227,528	-	52,182	-	52,182	1.39	
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	74,687	-	6,997	-	6,997	8.82	
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	60,030	-	244	-	244	2.18	
BioResource International Inc.	America	Agricultural biotechnology industry	5.72	59,996	-	1,105	-	1,105	5.72	
Topping Cuisine International Holdings Limited	Cayman Island	Retail restaurant management	2.17	35,018	-	500	-	500	2.17	
Beauty Essentials International Ltd. (Samoa)	Samoa	Cosmetic products wholesale	2.41	63,500	-	25,974	-	25,974	2.41	

(Concluded)

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 23,883,598 (US$ 800,000)	Note 1 c.	$ 205,936 (US$ 6,898)	$ -	$ -	$ 205,936 (US$ 6,898)	1.39	$ -	$ 205,936 (US$ 6,898)	$ -
Shinlien Brine Huaian Co.	Production of glass materials	955,344 (US$ 32,000)	Note 1 c.	9,942 (US$ 333)	-	-	9,942 (US$ 333)	1.39	-	9,942 (US$ 333)	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	573,206 (US$ 19,200)	Note 1 c.	68,456 (US$ 2,293)	-	-	68,456 (US$ 2,293)	2.09	-	68,456 (US$ 2,293)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	249,060 (RMB 54,300)	Note 1 c.	59,709 (US$ 2,000)	-	-	59,709 (US$ 2,000)	2.18	-	59,709 (US$ 2,000)	-
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	129,270 (US$ 4,330)	Note 1 c.	17,465 (US$ 585)	-	-	17,465 (US$ 585)	2.17	-	17,465 (US$ 585)	-
Topping Cusine International Holding, Ltd.	Food retailing	155,243 (US$ 5,200)	Note 1 c.	17,465 (US$ 585)	-	-	17,465 (US$ 585)	2.17	-	17,465 (US$ 585)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,971 (US$ 200)	Note 1 c.	119 (US$ 4)	-	-	119 (US$ 4)	2.17	-	119 (US$ 4)	-
Beauty Essential International, Ltd.	Cosmetic retailing	89,563 (US$ 3,000)	Note 1 c.	23,466 (US$ 786)	-	-	23,466 (US$ 786)	2.64	-	23,466 (US$ 786)	-

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$402,558 (US$13,484)	$402,558 (US$13,484)	Note 3

(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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 895,635 (US$ 30,000)	Note 1 d.	$ 895,635 (US$ 30,000)	$ -	$ -	$ 895,635 (US$ 30,000)	100.00	$ 197,875 (Note 2)	$ 1,249,251	$ -
IBT Tianjin International Leasing Corp. Note 6	Leasing	597,090 (US$ 20,000)	Note 1 d.	232,865 (US$ 7,800)	-	-	232,865 (US$ 7,800)	100.00 (Note 5)	2,276 (Note 2)	158,414	-

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,128,500 (US$37,800)	$1,128,500 (US$37,800)	Note 4

IBT Leasing

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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow					
IBT Tianjin International Leasing Corp.	Leasing	$ 597,090 (US$ 20,000)	Note 1 d.	$ 364,225 (US$ 12,200)	$ -	$ -	$ 364,225 (US$ 12,200)	61.00	$ 3,560 (Note 2)	$ 256,820	$ -

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$364,225 (US$12,200)	$364,225 (US$12,200)	$349,166

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)

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 Taiwan.
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. 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 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)

TABLE 7

O-BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(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, CBF and IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Deposits	$ 2,900,852	Note 2	0.54
2	The Bank	Chun Teng New Century, IBTM, CBF, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Interest expense	19,069	Note 2	0.24
3	The Bank	IBTM, Chun Teng New Century, IBTS Asia (HK) Limited, CBF and IBTVC7	a	Accounts payable	5,904	Note 2	-
4	The Bank	Chun Teng New Century, IBTM and CBF	a	Other non-interest net revenues	35,493	-	0.45
5	Chun Teng New Century	The Bank	b	Cash and cash equivalents	340,896	Note 2	0.06
6	Chun Teng New Century	The Bank	b	Interest revenue - discontinued operations	1,703	Note 2	0.02
7	Chun Teng New Century	The Bank	b	Account receivable	1,126	Note 2	0.01
8	Chun Teng New Century	The Bank	b	Other operating and administrative expense - discontinued operations	921	-	0.01
9	IBTM	The Bank	b	Account receivable	66	Note 2	-
10	IBTM	The Bank	b	Cash and cash equivalents	208,273	Note 2	0.04
11	IBTM	The Bank	b	Interest revenue	851	Note 2	0.01
12	IBTM	The Bank	b	Other operating and administrative expense	923	Note 2	0.01
13	IBTM	IBTVC7	c	Consultancy fee revenue	6,288	Note 2	0.08
14	CBF	The Bank	b	Held for trading financial assets	2,000,000	Note 2	0.37
15	CBF	The Bank	b	Variation of fair value from financial assets	13,458	Note 2	0.17
16	CBF	The Bank	b	Account receivable	4,261	Note 2	-

(Continued)

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
17	CBF	The Bank	b	Other operating and administrative expense	$ 33,649	-	0.43
18	CBF	The Bank	b	Interest revenue	5	Note 2	-
19	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	51	Note 2	-
20	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	244,465	Note 2	0.05
21	IBTS Asia (HK) Limited	The Bank	b	Interest revenue - discontinued operations	2,583	Note 2	0.03
22	IBTS Asia (HK) Limited	The Bank	b	Account receivable	402	Note 2	-
23	IBTL	The Bank	b	Cash and cash equivalents	1,504	Note 2	-
24	IBTL	The Bank	b	Interest revenue	2	Note 2	-
25	IBTVC7	The Bank	b	Cash and cash equivalents	105,662	Note 2	0.02
26	IBTVC7	The Bank	b	Interest revenue	467	Note 2	0.01
27	IBTVC7	The Bank	b	Account receivable	49	Note 2	-
28	IBTVC7	IBTM	c	Other operating and administrative expense	6,288	-	0.08
29	IBTL	Chun Teng New Century	c	Other non-interest net revenues	242	-	-
30	Chun Teng New Century	IBT Leasing	c	Other operating and administrative expense - discontinued operations	242	-	-

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)