

Stock Code: 2897

O-Bank Co., Ltd.

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

2018 Annual General Meeting of
Shareholders
Agenda Handbook

(Summary Translation)

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

June 14, 2018

O-Bank Co., Ltd.
(Formerly known as Industrial Bank of Taiwan Co., Ltd.)
Agenda Handbook for
2018 Annual General Meeting of Shareholders

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O-Bank Co., Ltd.

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

2018 Annual General Meeting of Shareholders

Time: 9 am, June 14 (Thursday), 2018

**Place: Sho-chieh Tsiang International Conference Hall,
Chung-Hua Institution for Economic Research (CIER)
No. 75, Changxing St., Da'an Dist., Taipei City**

Procedure of meeting:

1. Meeting in session.
2. Address by Chairman.
3. Matters for reporting.
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7. Meeting adjourned.

Matters for Reporting

Proposal No. 1 (Proposed by the Board of Directors)

Proposal: Business report for 2017

Explanation: Please refer to Appendix III of this Handbook and the Bank's annual report for 2017.

Proposal No. 2 (Proposed by the Audit Committee)

Proposal: Review Report of 2017 Financial Statements by the Audit
Committee

Explanation: Please refer to the Audit Committee Review Report.

O-Bank Co., Ltd.
Audit Committee Report

The Board of Directors has compiled and submitted the Bank's consolidated and parent balance sheets, income statements, statements of changes in shareholders' equity, and cash flow statements for 2017 audited by certified public accountants Yang, Chen-hsiu and Chen, Li-chi of Deloitte & Touche, business report, and statement of distribution of earnings to the Audit Committee. After reviewing the abovementioned statements and reports and discussing with the CPAs, the Audit Committee has found them to meet the requirements of applicable laws and regulations. This report is hereby prepared and submitted in accordance with Articles 14-4 and 14-5 of the *Securities and Exchange Act*.

Thomas Yue
Convener of the Audit Committee
O-Bank Co., Ltd.

Date: March 28, 2018

Proposal No. 3 (Proposed by the Board of Directors)

Proposal: Distribution of remunerations to directors and employees for 2017

Explanation:

1. The Bank shall, pursuant to Articles 22 and 32 of the *Articles of Incorporation* of the Bank, first deduct the amount preserved to cover accumulated losses from a given year's pretax profit before distribution of remunerations for directors and employees. Of the surplus, not more than 2.5% shall be set aside as remunerations for directors and 1-2.5% for employees.
2. It is proposed that the remunerations for directors and employees for 2017 are set aside as the following percentages and amounts:
 - (1) Remunerations for directors: Pursuant to Article 22 of the *Articles of Incorporation* of the Bank, 2.5% of the aforesaid surplus, or NT\$31,838,504, is to be set aside for the purpose. The remunerations shall be distributed among directors in proportion to their regular compensations and those who have been elected less than a year earlier shall be remunerated according to the proportion of the length of their service. Independent directors shall be excluded from this distribution of remunerations.
 - (2) Remunerations for employees: Pursuant to Article 32 of the *Articles of Incorporation* of the Bank, 1.25% of the aforesaid surplus, or NT\$15,919,252, is to be set aside for distribution in cash.
3. This proposal was approved by the 7th Board of Directors in its 6th meeting.

Proposal No. 4 (Proposed by the Board of Directors)

Proposal: Amendment to *O-Bank Co., Ltd. Criteria Governing Codes of Ethical Conduct*

Explanation:

1. An earlier amendment of the Bank's *Criteria Governing Codes of Ethical Conduct* was already submitted to the General Shareholders' Meeting of June 14, 2017. To make this Criteria better-rounded, it is proposed to amend Article 11 and add wording that personnel of all levels shall exercise reasonable judgment of instructions from superiors, clearly define their powers and responsibilities, and, if in doubt, seek clarifications from superiors and be refrained from making presumptions and resorting to favor-currying, lobbying, or any other misconduct (please refer to page 8-9 for a comparison table of the original and amended articles).
2. This proposal was approved by the 7th Board of Directors in its 5th meeting.

Comparison Table of Original and Amended Articles of O-Bank Co., Ltd. Criteria Governing Codes of Ethical Conduct

Amended Article	Original Article	Explanation
<p>Article 11 Workplace Ethics</p> <p>1. Managers and employees may not form joint ventures with customers, run their own businesses, or engage in monetary lending with customers.</p> <p>2. With the exception of relatives of direct lineage, managers and employees may not act as the undersigned or undertake any other affair for customers by proxy.</p> <p>3. Personnel of all levels shall maintain mutual respect with customers, treat each other with sincerity, and may not get involved in sexual harassment.</p>	<p>Article 11 Workplace Ethics</p> <p>1. Managers and employees may not form joint ventures with customers, run their own businesses, or engage in monetary lending with customers.</p> <p>2. With the exception of relatives of direct lineage, managers and employees may not act as the undersigned or undertake any other affair for customers by proxy.</p> <p>3. Personnel of all levels shall maintain mutual respect with customers, treat each other with sincerity, and may not get involved in sexual harassment.</p>	<p>In order to help this Code be better-rounded, wording is added that personnel of all levels shall make prior judgment to evaluate instructions from superiors and may not violate relevant regulations or engage in any misconduct.</p>

Amended Article	Original Article	Explanation
<p>4. <u>Personnel of all levels shall exercise reasonable judgment of instructions from superiors, clearly define their powers and responsibilities, and, if in doubt, seek clarifications from superiors and be refrained from making presumptions and resorting to favor-currying, lobbying, or any other misconduct in violation of relevant regulations.</u></p>		

Matters for Ratification

Proposal No. 1 (Proposed by the Board of Directors)

Proposal: Business Report and Financial Statements of 2017

Explanation:

1. The Bank's financial statements of 2017, which certified public accountants Yang, Chen-hsiu and Chen, Li-chi of Deloitte & Touche audited and for which they presented an unmodified opinion accordingly, and business report for 2017 (please refer to Appendices III and IV of this Handbook and the Bank's annual report for 2017) were approved by the 7th Board of Directors in its 6th and 7th meetings and audited by the Audit Committee.
2. Shareholder ratification is respectfully requested.

Resolution:

Proposal No. 2 (Proposed by the Board of Directors)

Proposal: Distribution of earnings for 2017

Explanation:

1. The proposed distribution of earnings for 2017 (please refer to page 13) is laid out as follows:

The Bank has NT\$1,072,079,503 in net income for the year 2017, which comes in at NT\$1,014,567,132 after adjustment (please refer to page 13 for adjustment items). Minus a NT\$304,370,140 (30%) compulsory appropriation of legal reserve, and a NT\$5,360,398 special reserve equivalent to 0.5% of net income set aside in the distribution of 2016-2018 earnings required by the competent authority to protect the rights and interests of banking employees in the face of fintech development, and plus the NT\$19,065,296 reverse of special reserve, the Bank has an amount of NT\$723,901,890 in earnings distributable for the year. It is proposed that a NT\$0.30 cash dividend per share be distributed among shareholders (all cash dividends being distributed shall be rounded off proportionately to the nearest Taiwan dollar and the sum of all cash dividends less than NT\$1 shall be calculated as the Bank's other income).

2. The total of cash dividends is calculated on the basis of 2,413,006,301 outstanding shares as of the end of 2017. It is proposed that the Board of Directors be authorized to adjust the dividend distribution ratio in the event of a change in outstanding shares on the record date derived from the buyback of any of the Bank's outstanding shares or the transfer of the Bank's treasury stock to employees.
3. Subject to approval of this proposed distribution of earnings for 2017 by this shareholders' meeting, it is proposed that the Board of Directors be authorized to determine the record date of the cash dividend distribution.

4. This proposal was approved by the 7th Board of Directors in its 6th meeting and audited by the Audit Committee.
5. Shareholder ratification is respectfully requested.

Resolution:

O-Bank Co., Ltd.
Proposed Distribution of 2017 Earnings

Currency: NT\$

Net income	1,072,079,503
Plus: Balance of undistributed earnings at the beginning of the period	0
Plus/Less: Undistributed earnings adjustment items	
1. Adjustment of investment accounted for using equity method	1,534,219
2. Adjustment of remeasurements of defined benefit plans	(9,983,000)
3. Adjustment of issuing new shares at a discount	(49,063,590)
After-adjustment undistributed earnings	1,014,567,132
Legal reserve appropriation (30%)	(304,370,140)
Special reserve appropriation	(5,360,398)
Reverse of special reserve	19,065,296
Earnings available for distribution	723,901,890
Distribution items:	
Cash dividend	723,901,890
Undistributed earnings as of the end of the period	0

Chairman: Lo, Kenneth C.M.

President: Yang, Tony C.Y.

Accounting Officer: Chang, David C.C.

Matters for Discussion

Proposal No. 1 (Proposed by the Board of Directors)

Proposal: To accommodate the Bank's long-term business development and operational planning, it is proposed to amend some provisions of the *Articles of Incorporation* of the Bank.

Explanation:

1. An earlier amendment of the Bank's *Articles of Incorporation* was already adopted by the Annual Shareholders' Meeting of June 14, 2017 and implemented accordingly. To meet the Bank's needs for future expansion and enhance the capital adequacy ratio and weighting of Tier 1 capital, it is proposed to include preferred shares as an additional fund-raising option and amend the *Articles of Incorporation* accordingly (please refer to Appendix V for the comparison table of articles before and after amendment). Highlights of the amendment are as follows:

- (1) Article 7: To accommodate future expansion, it is proposed to amend this article that allows an increase in the total amount of capital stock to NT\$35 billion and introduces preferred shares as a type of the Bank's shares.
- (2) Article 8-1 (added): Pursuant to Article 157 of the *Company Act*, it is proposed to add this article that defines rights and obligations thus entailed and other important issuance terms.
- (3) Article 11: Wording is added to specify that the Bank, if the need arises, may convene a meeting of holders of preferred shares pursuant to relevant laws and regulations.

- (4) Article 13, Paragraph 2 (deleted): It is proposed to delete the paragraph in question as the method of voting on matters at shareholders' meetings shall be dictated by the Bank's *Procedural Rules Governing Shareholders' Meetings*.
 - (5) Article 32-1: Add an explanatory text.
 - (6) Article 34: Add the date of amendment and specify the meeting in which it was adopted.
2. The proposal was approved by the 7th Board of Directors in its 7th meeting.
 3. Shareholder approval is respectfully requested.

Resolution:

Proposal No. 2 (Proposed by the Board of Directors)

Proposal: Shareholders are respectfully requested to approve the proposal for release of non-competition restrictions on directors of the board.

Explanation:

1. Where this Bank's directors invest in or run companies whose business scope is similar or identical to that of this Bank and act as their directors, it is proposed that, on condition of incurring no damage to the Bank's interests, non-competition restrictions on them be released pursuant to Article 209 of the *Company Act*. While the release of non-competition restrictions on members of the Bank's 7th Board of Directors was already approved by the 2017 General Shareholders' Meeting, it is proposed that the release applies to other new positions that Vice Chairman Lo, Tina Y. (representative of Ming Shan Investment Co., Ltd.), Managing Director Chang, Nelson An-Ping (representative of Taiwan Cement Corp.), Director Chen, Shih-Tze (representative of Tai Ya Investment Co., Ltd.), and Director Tung, Ta-Nien (representative of Wang Hsiang Co., Ltd.) have since taken (shown in the table below).

Director	Positions at other companies
Lo, Tina Y. Vice Chairman	Director/KC Investments Corp. (BVI)
Chang, Nelson An-Ping Managing Director	Chairman/HKC Investment Corp. Chairman/Yun Cheng Investment Corp. Chairman/CS Development & Investment Co., Ltd.
Chen, Shih-Tze Director	Director/Crystal Lake Global Ltd. (BVI)
Tung, Ta-Nien Director	Chairman/Hung Yeh Investment Co., Ltd. Director/Hui Yang Venture Corp. Director/Chung Yi Investment Co., Ltd.

2. The proposal was approved by the 7th Board of Directors in its 7th meeting.
3. Shareholder approval is respectfully requested.

Resolution:

Extempore Motion

Appendix I

O-Bank Co., Ltd. Procedural Rules Governing Shareholders' Meetings

Instituted on July 12, 1999

Amended by General Shareholders' Meeting of June 14, 2013

Amended by General Shareholders' Meeting of June 2, 2015

Amended by General Shareholders' Meeting of June 14, 2017

Article 1

Pursuant to Article 5 of the *Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies*, these *Procedural Rules Governing Shareholders' Meetings* (the "Rules") are adopted for the purposes of establishing a sound governance system for shareholders' meetings, building well-rounded supervisory capabilities, and strengthening management capabilities.

Article 2

Unless otherwise provided by applicable laws and regulations or the Company's *Articles of Incorporation*, the shareholders' meetings of the Company shall be held in accordance with the Rules set forth below.

Article 3

Unless otherwise provided by applicable laws or regulations, the shareholders' meetings of the Company shall be convened by the Board of Directors.

The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for discussion, or the election or dismissal of directors, and upload them onto the Market Observation Post System (MOPS) not fewer than 30 days before the date of a general shareholders' meeting or not fewer than 15 days before the date of a special shareholders' meeting. The Company shall prepare electronic versions of the

shareholders' meeting agenda handbook and supplemental meeting materials and upload them onto the MOPS not fewer than 21 days before the date of a general shareholders' meeting or not fewer than 15 days before the date of a special shareholders' meeting. In addition, not fewer than 15 days before the date of a shareholders' meeting, the Company shall also have prepared the shareholders' meeting agenda handbook and supplemental meeting materials and made them available for review by shareholders at any time. The aforesaid meeting agenda handbook and supplemental materials shall also be displayed at the Company and the shareholder services agent designated thereby as well as distributed at the meeting place.

The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors, amendments to the *Articles of Incorporation*, the dissolution, merger, or demerger of the Company, or any matter under Article 185, paragraph 1 of the *Company Act*, Articles 26-1 and 43-6 of the *Securities and Exchange Act*, or Articles 56-1 and 60-2 of the *Regulations Governing the Offering and Issuance of Securities by Securities Issuers* shall be set out in the notice of the reasons for convening the shareholders' meeting. None of the aforesaid matters may be raised by an extempore motion.

A shareholder holding 1% or more of the total number of issued shares may submit to the Company a written proposal for discussion at a general shareholders' meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda.

In addition, when the circumstances of any subparagraph of Article 172-1, paragraph 4 of the *Company Act* apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda.

Prior to the book closure date before a general shareholders' meeting is held, the Company shall publicly announce that it will accept shareholder proposals and specify the location and time period for their submission; the period for submission of shareholder proposals shall not be fewer than 10 days.

Shareholder proposals are limited to 300 words in writing, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the general shareholders' meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders' meeting, the Company shall inform the shareholders who submitted proposals of its screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders' meeting, the Board of Directors shall explain the reasons for exclusion of any shareholder proposals from the meeting agenda.

Article 4

For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to the Company not fewer than five days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights in writing or by electronic means, a written notice of proxy cancellation shall be submitted to the Company not fewer than two days before the meeting date. If the cancellation

notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5

The venue for a shareholders' meeting shall be the premises of the Company or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of independent directors with respect to the place and time of the meeting.

Article 6

The Company shall specify in its shareholders' meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations are to be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders and their proxies (the "shareholders") shall present attendance cards, sign-in cards, or other certificates of attendance to attend shareholders' meetings. The Company shall not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall provide attending shareholders with an attendance book to sign in for the meeting, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall also provide attending shareholders with a meeting agenda handbook, an annual report, an attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, preprinted ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders' meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

Article 7

If a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chair, the vice chairman shall act in place of the chair; if there is no vice chairman or the vice chairman also is on leave or for any reason unable to exercise the powers of the vice chairman, the chairman of the board shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairman does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic-person director that serves as chair.

It is advisable that shareholders' meetings convened by the Board of Directors be chaired by the chairman of the board in person and attended by a majority of the directors and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders' meeting is convened by a party that is not the Board of Directors but has the power to convene, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.

Article 8

The Company shall, beginning from the time it accepts shareholder attendance registrations, make an uninterrupted video and audio recording of the entire process of a shareholders' meeting, including the registration procedure, the proceedings of the meeting, and the voting and vote-counting procedures.

The aforesaid video and audio recording shall be retained for a minimum of one year. If a lawsuit has been instituted by any shareholder in accordance with Article 189 of the *Company Act*, however, the Company shall retain the aforesaid recording until the conclusion of the litigation.

Article 9

Attendance at shareholders' meetings shall be calculated based on the number of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of shares whose voting rights are exercised in writing or by electronic means.

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that not more than two such postponements, for a combined total of not more than 1 hour, may be made. If the quorum is not met after two postponements and the attending

shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the *Company Act*; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the *Company Act*.

Article 10

If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which shall not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a party that is not the Board of Directors but has the power to convene.

The chair shall not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extempore motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of these Rules, the other members of the board shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority

of the votes represented by the attending shareholders, and then resume the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extempore motions put forward by shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to be voted on, the chair may announce the discussion closed and call for a vote.

Article 11

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak shall be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to that given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chair, a shareholder shall not speak more than twice on the same proposal, and a single speech shall not exceed 5 minutes. If the shareholder's speech violates relevant regulations or exceeds the scope of the agenda item in question, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders shall not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic-person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chair may respond in person or instruct relevant personnel to respond.

Article 12

Voting at a shareholders' meeting shall be calculated based on the number of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder shall not vote on that item, and shall not exercise voting rights for any other shareholder by proxy.

The number of shares for which voting rights shall not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy shall not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

Article 13

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the *Company Act*.

When the Company holds a shareholders' meeting, it shall adopt electronic means for shareholders to exercise their voting rights and may allow them to exercise such rights in writing. When voting rights are exercised in writing or by electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights in writing or by electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extempore motions and amendments to original proposals of that meeting; it is therefore advisable that the Company refrains from presenting extraordinary motions and amendments to original proposals.

A shareholder intending to exercise voting rights in writing or by electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company not fewer than two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights in writing or by electronic means, in the event that the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, not fewer than two days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised in writing or by electronic means shall prevail. When a shareholder has both exercised voting rights in writing or by electronic means and appointed a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail.

Except as otherwise provided in the *Company Act* and in the Company's *Articles of Incorporation*, the passage of a proposal shall require an affirmative vote of a

majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be uploaded onto the MOPS.

If no objection is voiced after solicitation by the chair, a resolution shall be deemed adopted and shall have the same effect as if it had been put to a vote. If objection is indeed voiced (including the exercise of voting rights in writing or by electronic means to indicate objection or abstention), the case shall be put to a vote.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any of them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on the spot, and a record made of the vote.

Article 14

The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on the spot immediately, including the names of those elected as directors and the numbers of votes with which they are elected.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the *Company Act*, the ballots shall be retained until the conclusion of the litigation.

Article 15

Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed electronically.

The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement uploaded onto the MOPS.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Company.

For the resolution methods referred to in the preceding paragraph, a resolution shall be recorded as "the resolution was adopted based on the unanimous concurrence of shareholders" if no objection was voiced after solicitation by the chair. If objection is indeed voiced, however, the voting approach and the number of votes with which the resolution in question was adopted as well as their

percentage of the total number of issued shares shall be specified in the resolution method.

Article 16

On the day of a shareholders' meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation as well as the number of shares represented by proxies, and shall make a disclosure of the same at the place of the meeting.

If matters put to a resolution at a shareholders' meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation regulations, the Company shall upload the content of the resolution in question onto the MOPS within the prescribed time period.

Article 17

Staffers handling administrative affairs of a shareholders' meeting shall wear identification cards or armbands.

The chair may direct proctors or security guards to help maintain order at the meeting. The aforesaid proctors or security guards shall wear an identification card or armband marked the word "Proctor."

At the place of a shareholders' meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.

When a shareholder violates these Rules and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder out of the meeting.

Article 18

When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting is to be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extempore motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within five days in accordance with Article 182 of the *Company Act*.

Article 19

These Rules, and any amendments hereto, shall be implemented after adoption by shareholders' meetings.

Appendix II

O-Bank Co., Ltd. Articles of Incorporation

Amended at the General Shareholders' Meeting of June 14, 2017

Chapter I: General Provisions

- Article 1: This Bank has been established for the purposes of promoting industrial development, fostering industrial and commercial prosperity, creating an environment beneficial to all, and providing the public with comprehensive, specialized, and innovative financial services. It has been incorporated in line with the government's financial policy and in accordance with provisions of the *Company Act* and *Banking Act*.
- Article 2: The name of the Bank shall be O-Bank Co., Ltd.
- Article 3: The head office of the Bank shall be in Taipei City. Depending on business needs, branch entities may be established at suitable locations in Taiwan and abroad. The establishment, cancellation, or change of any of the foregoing branch entities by a commercial bank requires approval of the Board of Directors and approval of and registration with the competent authority.
- Article 4: All public announcements by the Bank shall be made in daily newspapers circulated at the seat of the Bank's head office, unless otherwise provided for by the authority in charge of securities.

Chapter II: Scope of Business

- Article 5: The Bank operates commercial banking business (Code: H101021/limited to items approved by the competent authority), securities brokerage business (Code: H301011/limited to items approved by the competent authority), personal insurance agency business (Code: H601011), and property and liability insurance agency business (Code: H601021).
- Article 6: With respect to its investment total while engaging in investment business, the Bank shall not violate the *Banking Act* and regulations of the competent authority governing investment by commercial banks.

Chapter III: Shares

- Article 7: The total authorized capital of the Bank shall be NT\$30 billion, divided into 3 billion shares with a par value of NT\$10 each. The Board of Directors is authorized to, in accordance with the *Company Act* and applicable laws and regulations, issue such shares in installments if necessary. The source of capital contribution by shareholders is limited to cash only. The

Bank may issue employee share subscription warrants and 200 million shares of the foregoing capital stock shall be set aside for the purpose of issuing such warrants.

Article 8: The shares of the Bank shall be registered shares affixed with the signatures or seals of the chair of the board and not fewer than two managing directors and shall be numbered and issued after being certified by the competent authority or a registration agency authorized thereby. The Bank may, in accordance with applicable laws and regulations, issue scripless shares; such operations as their registrations and book-entry transfers shall be conducted in accordance with the regulations of the relevant centralized securities custody enterprise.

Article 9: With respect to share transfers, no rights shall be asserted against the Bank if the name and domicile or residence of the transferee are not recorded in the shareholders' roster.

Within 60 days prior to the convocation of a general shareholders' meeting, or 30 days prior to the convocation of a special shareholders' meeting, or five days prior to the record date for declaration of dividends or any other interests, share transfer registrations and other changes to the shareholders' roster shall be suspended.

Article 10: Each shareholder of the Bank shall complete a seal specimen card and submit the same to the Bank for filing, and this shall apply to any change to the seal specimen. The seal specimen kept by the Bank shall be the basis for shareholders to collect dividends or bonuses or exercise shareholder rights in writing.

All stock affairs of the Bank shall be undertaken in accordance with the *Regulations Governing the Administration of Shareholder Services of Public Companies* promulgated by the competent authority.

Chapter IV: Shareholders' Meetings

Article 11: The shareholders' meetings of the Bank shall include the following two types:

1. General shareholders' meetings: Held annually at the seat of the Bank's head office, a general shareholders' meeting shall be convened by the Board of Directors within six months after the end of each fiscal year.
2. Special shareholders' meetings: Unless otherwise provided for by the *Company Act*, a special shareholders' meeting is to be convened by the Board of Directors when it is deemed necessary. Shareholders who have held a total of not less than 3% of the Bank's total number of issued shares for not less than one year may request the Board of

Directors to convene such a meeting in writing that specifies proposals to be addressed and the reasons thereof.

Article 12: The Bank shall notify each shareholder and make a public announcement of the date, venue, and reasons for a general shareholders' meeting 30 days in advance, or 15 days in advance if it is a special shareholders' meeting being convened.

Article 13: Unless otherwise provided for by law, a shareholders' meeting shall adopt a resolution after it is voted for by the majority of attending shareholders and the attending shareholders represent more than half of the total number of issued shares. If no objection is voiced after solicitation by the chair, a resolution shall be deemed adopted and shall have the same effect as if it had been put to a vote.

Article 14: Unless otherwise provided for by applicable laws and regulations and the Bank's *Articles of Incorporation*, a shareholder shall be entitled to one vote for each share held.

When the Bank holds a shareholders' meeting, it shall adopt electronic means for shareholders to exercise their voting rights and may allow them to exercise such rights in writing. When voting rights are exercised in writing or by electronic means, the method of exercise shall be specified in the shareholders' meeting notice.

Article 15: Any shareholder who cannot attend a shareholders' meeting in person for any reason may entrust a representative to attend on behalf thereof by presenting a proxy form issued by the Bank, specifying the scope of authorization. When one person is concurrently appointed as proxy by two or more shareholders, however, the voting rights represented by that proxy shall not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

The aforesaid proxy form shall be delivered to the Bank not fewer than five days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Bank, if the shareholder intends to attend the meeting in person or to exercise voting rights in writing or by electronic means, a written notice of proxy cancellation shall be presented to the Bank not fewer than two days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 16: More than one person is allowed to represent a juristic-person shareholder, provided the voting rights of such representatives are

exercised based on their combined shareholding. Where there are more than two representatives, such representatives shall jointly exercise their voting rights.

Article 17: The shareholders' meetings of the Bank shall resolve the following matters:

- (1) Establishment or amendment of the Bank's *Articles of Incorporation*.
- (2) Election and dismissal of directors.
- (3) Auditing and ratification of the statements and reports prepared by the Board of Directors.
- (4) Increases or decreases in capital stock.
- (5) Distribution of earnings, dividends, and bonuses.
- (6) Other matters that shall be resolved by shareholders' meetings in accordance with applicable laws and regulations.

Article 18: When a shareholders' meeting convenes, it shall be chaired by the chairman of the board. When the chairman of the board is absent for any reason, the vice chairman shall act in place of the chair; if there is no vice chairman or the vice chairman is also absent, the chairman of the board shall appoint one of the managing directors to act as chair. Where the chairman does not make such a designation, the managing directors or the directors shall select from among themselves one person to act as chair.

Article 19: Matters relating to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced electronically and distributed by means of a public announcement.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the duration of the existence of the Bank.

The attendance book meant for attending shareholders and the proxy forms shall be retained for a minimum of one year. If a lawsuit has been instituted by any shareholder in accordance with Article 189 of the *Company Act*, however, the Bank shall retain the aforesaid documents until the conclusion of the litigation.

Chapter V: Directors and the Board

Article 20: The Bank shall have 15 directors who are to make up the Board. The candidates nomination system is adopted for the election of directors;

directors shall be elected from a list of candidates by a shareholders' meeting.

Of the foregoing number of directors, the number of independent directors shall not be fewer than three and shall not account for less than one-fifth of the total number of directors.

The handling of matters regarding professional qualifications, shareholdings, limits on concurrent positions, nomination and election methods, and other matters for compliance in relation to independent directors shall be subject to applicable laws and regulations.

Article 21: The combined shareholdings of all directors shall not fall short of the share ownership ratios required by the competent authority.

Article 22: Directors shall each hold office for a term of three years and shall be eligible for re-election.

If no election of new directors is effected after expiration of the term of office of existing directors, the term of office of outgoing directors shall be extended until the time new directors have been elected and assumed their office.

The Bank shall provide compensation to directors (including independent directors) for the performance of their duties on behalf of the Bank, regardless of whether the Bank makes a profit or not. The Board of Directors shall be authorized to determine such compensation in line with industry standards on the basis of their degree of participation in the Bank's operations and value of their contribution to the Bank.

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

The Bank may, upon a resolution of the Board of Directors, purchase liability insurance to cover indemnification obligations of directors arising from performing their duties during their tenure of office.

The Board of Directors may give full authority to the chairman to renew the aforesaid insurance.

Article 23: The Bank shall have five managing directors who are to make up the Board of Managing Directors. The managing directors shall be elected from among the directors by a majority vote of the directors present at a meeting attended by at least two-thirds of all directors. The chairman shall be elected from among the managing directors in the same fashion; a vice chairman shall also be thus elected if it is deemed necessary.

Of the aforesaid number of managing directors, the number of independent directors shall not be fewer than one and shall not account for less than one-fifth of the total number of managing directors.

Article 24: The chairman of the board shall internally preside at shareholders' meetings as well as Board of Directors and Board of Managing Directors meetings, and shall externally represent the Bank. When the chairman of the board is on leave or for any reason unable to exercise his/her powers, the vice chairman shall act in his/her place. If there is no vice chairman or the vice chairman also is on leave or for any reason unable to exercise his/her powers, the chairman of the board shall appoint one of the managing directors to act on his/her behalf. Where the chairman does not make such a designation, the managing directors or the directors shall select from among themselves one person to act as chair.

Article 25: The Board of Directors is composed of all directors and convened by the chairman of the board. Unless otherwise provided for by applicable laws and regulations, the Board of Directors shall adopt resolutions by a majority vote of the directors present at a meeting attended by a majority of all directors.

Each director shall attend Board of Directors meetings in person but, if he/she is unable to do so for any reason, may appoint another director as proxy. In each such case, the absent director shall issue a written proxy and state therein the scope of authorization with reference to the subjects to be discussed at the meeting. A director may accept the appointment to act as the aforesaid proxy of only one other director.

Article 26: Except the matters subject by law to resolutions adopted by shareholders' meetings, the Bank shall conduct business operations in accordance with resolutions adopted by the Board of Directors. The duties and powers of the Board of Directors are as follows:

- (1) Examine and approve rules and regulations.
- (2) Examine and approve business plans.
- (3) Propose increases or decreases in capital stock.
- (4) Decide on establishing, canceling, or changing branch outlets.
- (5) Examine major contracts.
- (6) Examine and approve budgeting and book-closing.
- (7) Decide on acquiring or disposing of major assets; ensure compliance with Article 185 of the Company Act when warranted.
- (8) Propose distribution of earnings.
- (9) Approve major lending and business cases.
- (10) Decide on appointment and dismissal of managers.
- (11) Appoint CPAs.

(12) Examine and approve matters assigned by the chairman of the board and those proposed by the president.

(13) Implement resolutions adopted by shareholders' meetings.

(14) Undertake other duties and powers under applicable laws and regulations.

To promote sound decision-making and strengthen management mechanisms, the Board of Directors may establish various functional committees and adopt their respective charters thereof.

Article 27: When the Board of Directors is in recess, managing directors shall, by assembly, perform the duties and powers of the board on a regular basis, and the chairman of the board may convene meetings at any time. Resolutions of such meetings shall be adopted by a majority vote of the managing directors present at a meeting attended by a majority of all managing directors.

With respect to the Board of Managing Directors performing the duties and powers of the Board of Directors referred to in the preceding paragraph, the scope of authorization thereof shall be determined in accordance with applicable laws and regulations, these Articles, and resolutions adopted by shareholders' meetings and the Board of Directors. The aforesaid scope of authorization shall specify the level and content of affairs being authorized. With respect to matters that are required by applicable laws to undergo discussion at the Board of Directors, however, it shall be mandatory to secure resolutions of the Board of Directors.

Article 28: The Bank shall set up the Audit Committee, which shall be composed of the entire number of independent directors. Its members shall not be fewer than three, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise. The committee's duties and powers as well as other compliance matters shall be handled in accordance with applicable laws and regulations or the relevant bylaws of the Bank.

Since the Bank has established the Audit Committee, the Bank is not required by law to have supervisors separately.

Chapter VI: Managers

Article 29: The Bank shall have the position of president, whose appointment, dismissal, and compensation shall be proposed by the chairman of the board and require a majority vote of the directors present at a meeting attended by a majority of all directors.

Article 30: The Bank shall have a number of vice presidents to assist the president in conducting its business operations. Their appointment and dismissal shall be proposed by the chairman of the board together with the president and

require a majority vote of the directors present at a meeting attended by a majority of all directors. Separately, the Bank shall have a chief auditor to handle all audit affairs; his/her appointment, dismissal, or transfer shall be handled in accordance with applicable laws or regulations.

Chapter VII: Closing of Books and Distribution of Earnings

Article 31: The fiscal year of the Bank is from the first of January every year to the thirty first of December of the same year. At the end of each fiscal year, the Bank shall prepare the following reports and statements and, after examination by the Board of Directors, submit them to a shareholders' meeting for ratification according to statutory procedure:

- (1) Business report.
- (2) Financial statements.
- (3) Proposals for distribution of earnings or compensation for losses.

The Bank shall undertake mid-year closing of books pursuant to applicable laws and regulations at the end of June every year.

The Bank shall prepare and submit the aforesaid annual and semi-annual financial statements to the competent authority and make a public announcement on the same.

Article 32: If the Bank records a profit in a year, the Bank shall set aside 1-2.5% of the profit for employee remunerations. If the Bank has accumulated losses, however, the profit shall be used to offset the aforesaid accumulated losses first.

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

Article 32-1: If there is a profit after its annual closing of books, the Bank shall first set aside funds for taxes and offset the accumulated losses from previous years before appropriating 30% of the profit toward its legal reserve. No appropriation shall be required if the Bank's legal reserve already equals the total amount of its paid-in capital. After appropriation or reverse of any special reserve, the outstanding balance together with undistributed earnings from previous years shall be used as the basis for the Board of Directors to propose distribution and seek a resolution of a shareholders' meeting thereof.

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

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

Chapter VIII: Supplemental Provisions

Article 33: Matters not stipulated herein shall be governed by the *Company Act*, *Banking Act*, and other applicable laws and regulations.

The Banks' charter, business guidelines, and standards for the division of authority between the Board of Directors and managerial departments as well as other relevant regulations shall be separately prescribed by the Board of Directors.

Article 34: These *Articles of Incorporation* were enacted on June 22, 1998, with the 1st amendment on July 12, 1999; the 2nd amendment on April 8, 2000; the 3rd amendment on August 19, 2000; the 4th amendment on May 22, 2001; the 5th amendment on May 30, 2002; the 6th amendment on June 11, 2004; the 7th amendment on June 10, 2005; the 8th amendment on June 9, 2006; the 9th amendment on June 15, 2007; the 10th amendment on June 19, 2009; the 11th amendment on June 18, 2010; the 12th amendment on June 13, 2011; the 13th amendment on June 18, 2012; the 14th amendment on June 14, 2013; the 15th amendment on June 2, 2015; the 16th amendment on October 2, 2015; the 17th amendment on June 3, 2016; and the 18th amendment on June 14, 2017.

Appendix III Business Report for 2017

In 2017, the Bank's domestic business locations included its Taipei Headquarters, Taichung Branch, and Kaohsiung Branch, as well as Taipei Vie Show Branch. In addition, the competent authority approved the establishment of regional service units in Taoyuan, Hsinchu, and Tainan; apart from promoting this Bank's financial products, these service units also provide all-round financial services to clients in the manufacturing and technology sectors throughout northern, central, and southern Taiwan. Our first overseas branch—Hong Kong Branch—opened in April 2009; this branch has since extended our financial products and services platform to Hong Kong and the Greater China area, thereby serving local clients and Taiwanese-invested enterprises from a close distance and promoting win-win outcomes through long-term cooperation characterized by mutual trust and reciprocity.

1. Credit Extension

In 2017, the Bank continued to actively cultivate clients in Taiwan and abroad for its corporate banking services. With regard to lending services, apart from pursuing stable growth, we also sought to disperse our operating risk. As such, we adopted conservative and prudent business policies and, at the same time, cautiously and rigorously sought to keep up lending quality and ensure reasonable earnings.

Since this Bank became a commercial bank in 2017, it has begun offering personal financial services. Customers are provided with a diversified range of loan products, including first mortgage loans, three-stage repayment mortgage loans, standard unsecured loans, microcredit loans, and debt-integrated credit products. We are ready to meet client needs for funds in all aspects of their lives.

By industry, the mutual fund/investment/leasing/other financial institutions category accounted for the greatest share of our credit risk exposure, or 18.7%, at the end of 2017. Next came the real estate/construction/cement industry category with 15.6%, the electronics industry with 11.4%, the petrochemicals/textiles industry with 10.2%, the wholesaling and retailing industry with 7.8%, the transportation/vehicles and parts industry with 6.7%, the metals industry with 6.1%, individuals with 5.0%, and others (manufacturing/non-manufacturing industries) with 18.5%. Within the electronics sector, the electronic components and parts industry had the greatest credit risk exposure of 4.7%, followed by information hardware industry with 2.4%, the semiconductor industry with 2.4%, the optoelectronics industry with 0.8%, the channels and other electronics product industry with 0.7%, and the solar energy industry with 0.4%.

As of the end of 2017, this Bank's overall credit assets (outstanding balance of NT dollar and foreign currency lending) came in at NT\$181.7 billion (including receivable L/C amounts), an increase of NT\$23.9 billion from a year earlier. Meanwhile, the Bank recorded a non-performing loan ratio of 0.25% and an NPL coverage ratio of 581.52%, attesting to its sound asset quality.

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

Syndicated loans have always been the mainstay of our lending business. The Bank's Corporate Finance Department excels at providing customized services and quick and precise financing solutions to clients, raising funds for them, and helping them

resolve critical problems. Our target clients are chiefly located in the Greater China area (Taiwan, Hong Kong, and China) and span the industries of retailing, electronics, optoelectronics, steel, transportation, electrical machinery, textiles, foods, chemical engineering, leasing, construction, securities and finance, and communications. Their capital uses include such capital expenditures as plant construction, purchase of machinery and equipment, and real estate development; mergers and acquisitions; equity adjustment; and mid-term working capital needed to improve financial structure. Our meticulous professional services not only help companies maintain growth but also enhance their competitiveness.

In 2017, slowing domestic and foreign economic growth saw companies reduce their capital expenditures. Alongside a gradual decrease in syndicated loans, it was increasingly difficult to secure lead bank status. Yet, on top of a solid customer base built over the years, the Bank always prides itself on staying focused on corporate clients with growth prospects, joining forces with affiliates for co-marketing endeavors, and specializing in cross-border structured cases. In defiance of a largely unfavorable market, we acted as lead bank for a total of 11 syndicated loans in 2017. Combined, these loans amounted to some NT\$27.1 billion and spanned the areas of finance, textiles, real estate, department stores, electronics, and foods.

2. Deposits

Having launched personal financial services since our becoming a commercial bank in 2017, we are striving to expand our customer base and provide an even wider range of deposit products. These include online opening of NT dollar and foreign currency digital accounts without visiting a physical branch, NT dollar and foreign currency demand deposits, NT dollar and foreign currency time deposits, foreign exchange swaps, and various innovative payment and account transfer services. We seek to meet clients' cash management and funds allocation needs via both digital and physical channels.

The Bank's funds are intended mainly for mid- to long-term purposes. As far as our structure of NT dollar and foreign currency deposits are concerned, the Bank thus gives priority to diversifying the maturities of time deposits while actively soliciting demand deposits so as to meet the need for both liquidity and security. As of the end of 2017, the Bank's outstanding balance of NT dollar and foreign currency deposits came in at approximately NT\$183.0 billion, an increase of 11.56% from a year earlier.

In addition, the expansion in our foreign currency loans makes it necessary to aggressively grow foreign currency deposits as well. In the face of intensifying competition in the market, the Bank's end-2017 balance of foreign currency deposits was equivalent to roughly NT\$61.9 billion, which represented a 7.65% year-on-year increase.

3. Foreign Exchange and Offshore Banking

In 2017, we continued to offer trade financing services and give priority to maintaining a reasonable interest spread in our foreign exchange financing operations. As of the end of the year, our outstanding balance of foreign currency loans stood at about NT\$52.5 billion, up 6.7% from a year earlier. With regard to offshore banking, the Bank offered DBU and OBU services across the Taiwan Strait while further strengthening services to clients that have established multinational operations centers so that they could secure the funds needed for offshore operations. Meanwhile, the Bank responded to the rapid development of trade across the Taiwan Strait by enhancing the quality of service to Taiwanese firms, thereby fostering business development and attracting even more business opportunities.

4. Direct Investment

The Bank obtained permission from the Financial Supervisory Commission to become a commercial bank in March 2015. And now we focus on the disposal of our original investment portfolio. As of the end of 2017, the Bank had a total of 34 domestic and foreign investment accounts, with a combined outstanding balance of NT\$1.229 billion.

5. Financial Product Trading

The Bank's financial product trading operations include financial product transactions and marketing. We trade financial products linked to foreign exchange and interest rates as well as their derivatives, and deal in capital allocations and fixed income investment items. Financial product marketing services chiefly refer to those meant to provide clients with various financial products and services and financial hedging instruments.

While the global economy recovered steadily in 2017, the Bank continued to strengthen its overall risk management, monitor market value assessments, and enhance training of relevant personnel. Although the Federal Reserve initiated a fresh rate hike cycle and sought to shrink its balance sheet, the global funds environment remained relatively loose. In turn, the Bank's fixed income investments continued to bring handsome rewards.

6. Securities Trading

The Bank's securities business chiefly consists of investment in the shares of domestic companies listed on the Taiwan Stock Exchange and Taipei Exchange. While the Federal Reserve initiated a fresh rate hike cycle and moved to shrink its balance sheet, the global funds environment remained loose in 2017 as the global economy enjoyed a steady recovery. Furthermore, corporate earnings grew steadily, and strong gains among new economy and technology shares led stock markets higher worldwide. For its part, Taiwan registered GDP growth of 2.86% in 2017 on the back of robust external trade. This, in turn, pushed the Taiex past the 10,000-point mark. Betting on a stock market bull run driven by solid export momentum during 2017, the Bank adopted an aggressive approach early on to equities investment, a strategy that eventually proved reasonably rewarding.

7. Project Finance

Project finance encompasses project financing and financial consulting. Project financing chiefly provides private companies and state-run (governmental) enterprises with a wide range of project financing and project development services for infrastructure projects in the areas of transportation, energy, and environmental protection, as well as commercial and cultural/educational facilities, commercial real estate development, and urban renewal. We can provide comprehensive project financial planning, investment feasibility assessment, structuring of syndicated project loans, transfer of trust beneficiary rights, drafting of strategies for contract negotiations, and assistance with the acquisition of funds to participate in equity investments. Our financial consulting services are meant to provide clients with tailor-made solutions, that is, consulting with regard to debt arrangement, corporate consolidation and M&As, reorganization, fund-raising, M&A financing, and tax planning.

8. Trust Business

When it comes to trust business, the Bank mainly aims to develop trust, securitization, and asset management services. Our trust services focus on monetary

and real estate trust; our securitization services are geared toward developing various kinds of securitized products; and our asset management services are mainly aimed at helping clients allocate assets and build well-rounded portfolios.

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

As of the end of 2017, outstanding balance of assets entrusted to the Bank came in at NT\$2.7 billion. There was a 57.02% decrease in the overall balance of real estate and monetary trust contracts due to contract termination upon maturity and the return of assets to trustors. Separately, the Bank launched non-discretionary monetary trust and advance payment trust services in 2017. As of the end of the year, the outstanding balances for the two stood at NT\$130 million and NT\$250 million respectively.

9. Cash Management and e-Banking

As Taiwan's first digitally focused bank, the Bank is committed to financial innovation and fintech-empowered services. In 2015, the Bank took the lead to initiate corporate e-banking, introduce the industry's first fully integrated secure carrier, and built an electronic trading platform that accommodates automated transactions with a view to ensuring both convenience and security. This was followed in 2016 by our expansion of corporate e-banking services to Hong Kong. In 2017, the Bank reinvented itself as a commercial bank and launched into retail banking. As such, the Bank upgraded its corporate e-banking platform and ushered in an automated online payroll service to help corporate clients reduce financial and manpower costs and enhance transaction efficiency. This stride toward meeting a growing variety of customer needs certainly contributed to strengthening customer loyalty.

As the market became increasingly digitized, we developed and deployed a digital corporate banking platform in 2017. This platform, accessible anytime and anywhere, integrates the Bank's internal systems and strengthens our sales, management, and efficiency across the board, thereby optimizing our management of corporate banking services.

In addition, we added a wide range of liquid asset management products and services to expand access to reliable funds. Emphasis was also placed on meeting customer needs for diversifying funds allocation. On top of our Corporate Tier Rate Campaign for Fresh Funds in NTD Savings Account, we introduced a similar campaign in 2017 to attract large deposits. The initiative was meant not only to attract new customers and foster growth in deposits but also to add diversity to our customer base. In line with our goal of sustainability and commitment to engaging in and promoting the B Corporation initiative, we also introduced Corporate Higher Rate Campaign for Mega-Customer in NTD Savings Account specifically for the B Corporation community. Our goal is to have more local businesses to endorse the cause of sustainable development.

10. Digital Retail Banking Services

- **Payment:** We provide diverse options, including personalized debit cards with as many as 100 different card designs, as well as affinity cards issued in conjunction with gaming companies and electronic stored value card operators. Featuring both attractive incentives and zero-risk card use, they are designed to give cardholders peace of mind.

- **Wealth Management:** We provide a wide range of wealth management products, including insurance, mutual funds, and robot advisory, to meet customer needs of financial management and insurance in different phases of their lives.
- **Electronic Banking:** We provide secure and convenient online/mobile banking services, and our user-friendly interface and convenient functions allow users to easily check their accounts, make transfers, sell or buy foreign exchange, pay fees, perform mutual fund transactions, and conduct various other operations. We also offer 24-hour video customer service: our customers are invited to take advantage of all manner of financial services anytime, anywhere.

Appendix IV

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. 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)

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

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

(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	%	
INCOME BEFORE INCOME TAX	\$2,844,190	36	\$3,575,785	46	(20)
INCOME TAX EXPENSE	<u>732,303</u>	<u>9</u>	<u>833,742</u>	<u>11</u>	(12)
PROFIT FROM CONTINUING OPERATIONS	2,111,887	27	2,742,043	35	(23)
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	<u>(52,986)</u>	<u>(1)</u>	<u>92,956</u>	<u>1</u>	(157)
NET PROFIT FOR THE YEAR	<u>2,058,901</u>	<u>26</u>	<u>2,834,999</u>	<u>36</u>	(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	6,892	-	(16,369)	-	142
Income tax relating to the components of other comprehensive income	<u>68,948</u>	<u>1</u>	<u>73,111</u>	<u>1</u>	(6)
Other comprehensive income (loss) for the year, net of income tax	<u>(41,924)</u>	<u>(1)</u>	<u>(1,099,318)</u>	<u>(14)</u>	(96)
TOTAL COMPREHENSIVE INCOME	<u>\$2,016,977</u>	<u>25</u>	<u>\$1,735,681</u>	<u>22</u>	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	<u>986,821</u>	<u>12</u>	<u>1,191,101</u>	<u>16</u>	(17)
	<u>\$ 2,058,901</u>	<u>26</u>	<u>\$ 2,834,999</u>	<u>37</u>	(27)
TOTAL COMPREHENSIVE INCOME					
ATTRIBUTABLE TO:					
Owners of the Bank	\$ 799,316	10	\$ 892,217	11	(10)
Non-controlling interests	<u>1,217,661</u>	<u>15</u>	<u>843,464</u>	<u>11</u>	44
	<u>\$ 2,016,977</u>	<u>25</u>	<u>\$ 1,735,681</u>	<u>22</u>	16
EARNINGS PER SHARE					
From continuing and discontinued operations					
Basic	<u>\$0.45</u>		<u>\$0.69</u>		
Diluted	<u>\$0.45</u>		<u>\$0.69</u>		
From continuing operations					
Basic	<u>\$0.47</u>		<u>\$0.65</u>		
Diluted	<u>\$0.47</u>		<u>\$0.65</u>		

(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					Total Equity
	Capital Stock		Capital Surplus	Retained Earnings			Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares	Owner of the Bank	Non-controlling Interests	
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings							
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	<u>2,413,006</u>	<u>\$24,130,063</u>	<u>\$ 7,730</u>	<u>\$ 2,880,297</u>	<u>\$ 1,229,536</u>	<u>\$ 1,014,567</u>	<u>\$ 5,124,400</u>	<u>\$ (216,266)</u>	<u>\$ 236,666</u>	<u>\$ -</u>	<u>\$29,282,593</u>	<u>\$16,892,050</u>	<u>\$46,174,643</u>

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	<u>10,373,930</u>	<u>4,695,548</u>
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	<u>265,136</u>	<u>181,190</u>
Net cash used in investing activities	<u>(18,234,122)</u>	<u>(4,551,939)</u>
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	<u>589,364</u>	<u>80,742</u>
Net cash generated from financing activities	<u>5,327,619</u>	<u>948,944</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>853,326</u>	<u>230,982</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,679,247)	1,323,535
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>19,285,672</u>	<u>17,962,137</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 17,606,425</u>	<u>\$ 19,285,672</u>

(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:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
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	<u>5,682,864</u>	<u>200,092</u>
Cash and cash equivalents in consolidated statements of cash flow	<u>\$ 17,606,425</u>	<u>\$ 19,285,672</u>

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

We have audited the accompanying financial statements of O-Bank (the “Bank”), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Criteria Governing the Preparation of Financial Reports by Public Banks, 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 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 financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of each key audit matters of the financial statements for the year ended December 31, 2017 are as follows:

Allowance for Credit Losses

Concerning the accounting policy of allowance for credit losses, refer to Note 4 of the financial statements; the critical accounting judgments, estimates and accuracy of assumptions for loan impairment, refer to Note 5 of the financial statements, and the allowance for credit losses, refer to Note 11 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 and tested the internal control design and implementation by management for 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 for individually impaired loans, including the estimations of expected recoverable amounts, the collateral values and the appropriations of the use of discount rates by management.
- Verified whether the classification of loans is 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.

Investment Accounted for Using the Equity Method - Impairment Assessment the Difference between the Investment Cost and the Fair Value of Identifiable Net Assets

Concerning the accounting policy of investments accounted for using equity method, refer to Notes 4 and 14 of the financial statements.

IBT Holding Corp., a subsidiary of equity method, that acquired the cost of EverTrust Bank in excess of the net fair value of the EverTrust Bank identifiable assets and liabilities, which is recognized as being include goodwill and can not be amortized.

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. The aforementioned 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:

- An external specialist who appointed by the bank provide us with a goodwill impairment valuation report, and we assessed the competence, capabilities and objectivity of the external specialists as well as reviewed the goodwill impairment valuation report, including understanding and evaluating the appropriateness of the assumptions and methods applied by the external specialists.

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

Investment Accounted for Using the Equity Method - Assessment of Reserve for Guarantee Liabilities

Concerning the accounting policy of the investment accounted for using the equity method, refer to Notes 4 and 14 of the financial statements.

Management 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. 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 of the provision for losses on guarantees as 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Criteria Governing the Preparation of Financial Reports by Public Banks, 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 Financial statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 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

Feb 27, 2018

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

O-BANK

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

ASSETS	2017		2016	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS	\$ 2,404,565	1	\$ 2,729,826	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	10,610,821	4	15,135,340	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	44,703,932	15	39,538,632	15
RECEIVABLES, NET	5,891,803	2	4,690,507	2
CURRENT TAX ASSETS	54,922	-	55,293	-
DISCOUNTS AND LOANS, NET	162,757,142	55	143,940,139	54
AVAILABLE-FOR-SALE FINANCIAL ASSETS	48,598,498	17	32,628,260	12
HELD-TO-MATURITY FINANCIAL ASSETS	499,821	-	5,544,703	2
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	14,219,590	5	14,242,663	5
OTHER FINANCIAL ASSETS	777,105	-	1,039,445	1
PROPERTIES, NET	2,864,155	1	3,524,300	1
INTANGIBLE ASSETS, NET	1,248,176	-	248,507	-
DEFERRED TAX ASSETS	138,133	-	79,550	-
OTHER ASSETS	<u>251,373</u>	<u>-</u>	<u>1,757,667</u>	<u>1</u>
TOTAL	<u>\$295,020,036</u>	<u>100</u>	<u>\$265,154,832</u>	<u>100</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the Central Bank and other banks	\$ 34,894,919	12	\$ 41,875,141	16
Financial liabilities at fair value through profit or loss	700,106	-	2,349,989	1
Securities sold under agreement to repurchase	15,845,930	5	2,091,749	1
Accounts payable	4,100,342	2	2,705,487	1
Current tax liabilities	91,977	-	-	-
Deposits	183,021,391	62	164,056,836	62
Bank debentures	20,400,000	7	17,450,000	6
Other financial liabilities	5,997,782	2	4,648,821	2
Provisions	241,454	-	176,479	-
Deferred tax liabilities	215,911	-	239,307	-
Other liabilities	<u>227,631</u>	<u>-</u>	<u>172,365</u>	<u>-</u>
Total liabilities	<u>265,737,443</u>	<u>90</u>	<u>235,766,174</u>	<u>89</u>
EQUITY				
Capital stock	<u>24,130,063</u>	<u>8</u>	<u>23,905,063</u>	<u>9</u>
Capital surplus	<u>7,730</u>	<u>-</u>	<u>3,193</u>	<u>-</u>
Retained earnings				
Legal reserve	2,880,297	1	2,390,828	1
Special reserve	1,229,536	1	1,173,293	-
Unappropriated earnings	<u>1,014,567</u>	<u>-</u>	<u>1,631,566</u>	<u>1</u>
Total retained earnings	<u>5,124,400</u>	<u>2</u>	<u>5,195,687</u>	<u>2</u>
Other equity	<u>20,400</u>	<u>-</u>	<u>284,715</u>	<u>-</u>
Total equity	<u>29,282,593</u>	<u>10</u>	<u>29,388,658</u>	<u>11</u>
TOTAL	<u>\$295,020,036</u>	<u>100</u>	<u>\$265,154,832</u>	<u>100</u>

O-BANK

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	\$4,138,029	92	\$3,629,099	84	14
Interest expenses	<u>(2,161,812)</u>	<u>(48)</u>	<u>(1,545,201)</u>	<u>(36)</u>	40
Net interest	<u>1,976,217</u>	<u>44</u>	<u>2,083,898</u>	<u>48</u>	(5)
NET REVENUE OTHER THAN INTEREST					
Commissions and fee revenue, net	656,229	15	823,615	19	(20)
Gain on financial assets and liabilities at fair value through profit or loss	(540,380)	(12)	589,819	14	(192)
Realized income from available-for-sale financial assets	394,922	9	291,754	7	35
Foreign exchange gain (loss), net	1,244,443	28	(273,333)	(6)	555
Investment income (loss) recognized under equity method	695,405	15	735,478	17	(5)
Realized income from financial assets carried at cost	1,072	-	46,866	1	(98)
Consulting revenue	13,369	-	13,750	-	(3)
Other non-interest net gains	<u>64,863</u>	<u>1</u>	<u>6,883</u>	<u>-</u>	842
Net revenue other than interest	<u>2,529,923</u>	<u>56</u>	<u>2,234,832</u>	<u>52</u>	13
TOTAL NET REVENUE	<u>4,506,140</u>	<u>100</u>	<u>4,318,730</u>	<u>100</u>	4
PROVISIONS	<u>(534,168)</u>	<u>(12)</u>	<u>(409,498)</u>	<u>(9)</u>	30
OPERATING EXPENSES					
Personnel expenses	1,571,449	35	1,276,638	30	23
Depreciation and amortization	265,925	6	145,108	3	83
Others	<u>908,815</u>	<u>20</u>	<u>630,902</u>	<u>15</u>	44
Total operating expenses	<u>2,746,189</u>	<u>61</u>	<u>2,052,648</u>	<u>48</u>	34
INCOME BEFORE INCOME TAX	1,225,783	27	1,856,584	43	(34)
INCOME TAX EXPENSE	<u>153,703</u>	<u>3</u>	<u>212,686</u>	<u>5</u>	(28)

(Continued)

O-BANK

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 FOR THE YEAR	<u>1,072,080</u>	<u>24</u>	<u>1,643,898</u>	<u>38</u>	(35)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Share of the other comprehensive income of associates and joint ventures	1,534	-	(4,307)	-	136
Remeasurement of defined benefit plan	(9,983)	-	(1,473)	-	578
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(467,600)	(10)	(233,155)	(5)	101
Unrealized gain (loss) on available-for-sale financial assets	45,889	1	(384,842)	(9)	112
Share of the other comprehensive income of associates and joint ventures	97,052	2	(146,009)	(3)	166
Income tax relating to the components of other comprehensive income	<u>60,344</u>	<u>1</u>	<u>18,105</u>	<u>-</u>	233
Other comprehensive income (loss) for the year, net of income tax	<u>(272,764)</u>	<u>(6)</u>	<u>(751,681)</u>	<u>(17)</u>	(64)
TOTAL COMPREHENSIVE INCOME	<u>\$ 799,316</u>	<u>18</u>	<u>\$ 892,217</u>	<u>21</u>	(10)
EARNINGS PER SHARE					
Basic	<u>\$0.45</u>		<u>\$0.69</u>		
Diluted	<u>\$0.45</u>		<u>\$0.69</u>		

(Concluded)

O-BANK

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

	Capital Stock		Capital Surplus	Retained Earnings				Other Equity		Treasury Shares	Total Equity
	Shares	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets		
	(Thousands)										
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
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)
Changes in percentage of ownership interest in subsidiaries	-	-	-	-	-	(6,552)	(6,552)	-	-	-	(6,552)
Net income for the year ended December 31, 2016	-	-	-	-	-	1,643,898	1,643,898	-	-	-	1,643,898
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	(5,780)	(5,780)	(215,050)	(530,851)	-	(751,681)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	1,638,118	1,638,118	(215,050)	(530,851)	-	892,217
Transmission of treasury stock for employees	-	-	1,420	-	-	-	-	-	-	18,693	20,113
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
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)
Net income for the for the year ended December 31, 2017	-	-	-	-	-	1,072,080	1,072,080	-	-	-	1,072,080
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	(8,449)	(8,449)	(407,256)	142,941	-	(272,764)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	1,063,631	1,063,631	(407,256)	142,941	-	799,316
Issuance of common stock for cash	22,500	225,000	4,537	-	-	(49,064)	(49,064)	-	-	-	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

O-BANK

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,225,783	\$ 1,856,584
Adjustments for:		
Depreciation expenses	140,217	106,564
Amortization expenses	125,708	38,544
Recognition of provisions	534,168	409,498
Net gain on disposal of financial assets at fair value through profit or loss	540,380	(589,819)
Interest expenses	2,161,812	1,545,201
Interest revenue	(4,138,029)	(3,629,099)
Dividends income	(62,979)	(39,292)
Recognition of outstanding losses provisions	-	9,092
Share-based payment of remuneration costs	4,537	-
Realized gain on the transactions with associates and joint ventures	(695,405)	(735,478)
Gain on disposal of properties	(1,981)	6,774
Impairment loss recognized on financial assets	-	33,449
Gain on disposal of investments	(333,015)	(299,328)
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	(6,063,627)	2,893,336
Receivables	(1,027,469)	424,677
Discounts and loans	(19,294,207)	(16,864,546)
Due to the Central Bank and other banks	(6,980,222)	5,044,349
Financial liabilities at fair value through profit or loss	(1,649,883)	(3,773,503)
Securities sold under agreements to repurchase	13,754,181	2,091,749
Accounts payable	1,231,349	610,231
Deposits	18,964,555	8,479,246
Provisions	(497)	(10,446)
Cash generated from (used in) operations	(3,752,115)	(3,396,648)
Interest received	4,123,792	3,895,650
Dividends received	75,678	46,512
Interest paid	(1,998,305)	(1,700,434)
Income tax paid	(82,988)	(204,247)
Net cash used in operating activities	<u>(1,633,938)</u>	<u>(1,359,167)</u>
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	(46,904,340)	(32,247,212)
Proceeds on sale available-for-sale financial assets	30,489,987	28,106,899
Purchase of held-to-maturity financial assets	5,045,000	4,305,000
Purchase of investments under equity method	-	(643,000)

(Continued)

O-BANK

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

	2017	2016
Proceeds on sale of investments under equity method	11,839	643,343
Received principal of associates and joint ventures	-	2,271,402
Purchase of financial assets measured at cost	-	(6,857)
Proceeds on sale of financial assets carried at cost	78,123	130,896
Received principal of financial assets carried at cost	7,289	3,889
Payments for properties	(446,141)	(1,058,531)
Proceeds from disposal of properties	4,368	1,777
Decrease (increase) in refundable deposits	1,513,459	1,398,134
Payments for intangible assets	(178,436)	(48,669)
Received principal disposal of intangible assets	-	9,391
Decrease in other assets	(7,165)	(21,733)
Received dividends from associates and joint ventures	<u>320,025</u>	<u>316,215</u>
Net cash (used in) generated from investing activities	<u>(9,758,715)</u>	<u>4,537,372</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue bank debentures	3,750,000	3,000,000
Repayments of bank debentures	(800,000)	(500,000)
Proceeds from loan fund	2,255,022	2,132,554
Repayments of loan fund	(3,614,406)	(1,749,144)
Increase in other liabilities	2,708,345	(756,396)
Capital reduction for cash received by non-controlling interest of subsidiaries	-	20,113
Decrease in other financial liabilities	55,265	(101,438)
Dividends paid to ownership of the Bank	(1,085,854)	(1,195,253)
Issuance of common stock	175,936	-
Payments for buy-back of common stocks	<u>-</u>	<u>-</u>
Net cash generated from financing activities	<u>3,444,308</u>	<u>850,436</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>911,074</u>	<u>384,307</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,037,271)	4,412,948
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>13,843,789</u>	<u>9,430,841</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,806,518</u>	<u>\$13,843,789</u>

(Continued)

O-BANK

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 statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2017 and 2016:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents in balance sheets	\$ 2,404,565	\$ 2,729,826
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7	<u>4,401,953</u>	<u>11,113,963</u>
Cash and cash equivalents in consolidated statements of cash flow	<u>\$ 6,806,518</u>	<u>\$13,843,789</u>

(Concluded)

Appendix V

Comparison Table of Original and Amended Articles of *O-Bank Co., Ltd. Articles of Incorporation*

Amended Article	Original Article	Explanation
<p>Chapter III: Shares</p> <p>Article 7</p> <p>The total authorized capital of the Bank shall be NT\$<u>35</u> billion, divided into <u>3.5</u> billion shares with a par value of NT\$10 each <u>and including common and preferred shares</u>. The Board of Directors is authorized to, in accordance with the <i>Company Act</i> and applicable laws and regulations, issue such shares in installments if necessary. The source of capital contribution by shareholders is limited to cash only. The Bank may issue employee share subscription warrants and 2% of the foregoing capital stock shall be set aside for the purpose of issuing such warrants.</p>	<p>Chapter III: Shares</p> <p>Article 7</p> <p>The total authorized capital of the Bank shall be NT\$30 billion, divided into 3 billion shares with a par value of NT\$10 each. The Board of Directors is authorized to, in accordance with the <i>Company Act</i> and applicable laws and regulations, issue such shares in installments if necessary.</p> <p>The source of capital contribution by shareholders is limited to cash only.</p> <p>The Bank may issue employee share subscription warrants and 2% of the foregoing capital stock shall be set aside for the purpose of issuing such warrants.</p>	<p>The amendment is made to accommodate a proposed increase in capital stock to NT\$35 billion for sustaining future expansion and to include preferred shares as a type of the Bank's shares.</p>
<p><u>Article 8-1</u></p> <p><u>The rights and obligations of the Bank's preferred shares as well as other important terms of issuance are as follows:</u></p> <p>1. <u>If a surplus remains after the Bank closes its books for a given year, the Bank shall, in accordance with its <i>Articles of Incorporation</i>, first set aside funds for taxes and offset the accumulated losses from previous years, make provisions for legal reserve, and register</u></p>		<p>Pursuant to Article 157 of the <i>Company Act</i>, this article is added to specify the rights and obligations entailed by preferred shares as well as other important terms of issuance.</p>

Amended Article	Original Article	Explanation
<p><u>allocation or reverse of special reserve before giving priority to using the remainder in distributing cash dividends for preferred shares for the year.</u></p> <p>2. <u>The dividend rate of preferred shares is capped at 8% per annum on the issue price. Cash dividends shall be distributed as lump-sum payments annually. After the Bank's general shareholders' meeting ratifies its audited financial statements for a given year, the Board of Directors shall set the record date for paying the cash dividends that are to be distributed for the previous year. With respect to distribution of cash dividends for the year of issuance and year of redemption, the amount of payable dividends shall be calculated based on the actual number of days of the aforesaid shares being in issuance that year.</u></p> <p>3. <u>The Bank has autonomous discretion on distribution of cash dividends for preferred shares. If the Bank's audited results of a given year show no surplus or a surplus insufficient for distribution of cash dividends for preferred shares, or if distribution of cash dividends will cause the Bank's capital adequacy ratio to fall short of legal requirements or the minimum required by the competent authority, the Bank's</u></p>		

Amended Article	Original Article	Explanation
<p><u>decision to cancel distribution of cash dividends for preferred shares shall not be regarded as an event of default. If the preferred shares issued by the Bank are specified as non-cumulative, the undistributed dividends or shortfalls in dividends distributed will not be cumulative and therefore no deferred payment will be paid in subsequent years when there is a surplus in earnings.</u></p> <p>4. <u>While being entitled to the cash dividends prescribed in subparagraph 2 of this article, holders of preferred shares—if their holdings are of the non-participating type—shall not be entitled to distribution of cash or stock dividends for common shares drawing from retained earnings and capital surplus.</u></p> <p>5. <u>In terms of entitlement to distribution of the Bank’s residual assets, holders of preferred shares shall take precedence over holders of common shares. With their order of priority subordinate to that of general creditors, holders of the Bank’s different types of preferred shares shall rank <i>pari passu</i> without any preference among themselves and their entitlement shall be capped at the monetary amount of preferred shares issued.</u></p>		

Amended Article	Original Article	Explanation
<p>6. <u>At shareholders' meetings, holders of preferred shares are denied voting rights and rights to elect directors but are entitled to be elected as directors themselves. Holders of preferred shares have voting rights at meetings of preferred shareholders.</u></p> <p>7. <u>Convertible preferred shares issued by the Bank shall not be converted within one year after issuance. The Board of Directors is authorized to specify in the terms of issuance the time period during which conversion is to be allowed. Holders of convertible preferred shares may, pursuant to the terms of issuance, apply for conversion of all or part of their holdings to common shares on a 1-for-1 basis. After the exercise, the newly converted shares shall entail the same rights and obligations as those applicable to common shares. Distribution of cash dividends for the year of conversion shall be calculated based on the actual number of days in issuance proportionate to the total number of days of the year in question. If the aforesaid conversion to common shares takes place prior to the record date for going ex-dividend, however, shareholders shall not be entitled to distribution of cash dividends for preferred shares for that year and the year after. Still,</u></p>		

Amended Article	Original Article	Explanation
<p><u>such shareholders shall be entitled to distribution of dividends for common shares drawing from retained earnings and capital surplus.</u></p> <p>8. <u>Where the Bank issues perpetual preferred shares, holders of such shares shall be denied the right to request redemption of their holdings by the Bank. For its part, the Bank may set a redemption date not earlier than the day after the fifth anniversary of the issuance date. Redemption of previously issued preferred shares, in whole or in part, shall be conducted at the original issue price. The remaining and outstanding preferred shares shall retain the rights and obligations described in the preceding paragraphs. If the Bank resolves on distribution of cash dividends for preferred shares for the year of redemption, such distribution shall be based on the number of days in issuance up to the date of redemption.</u></p> <p>9. <u>Where the Bank issues non-perpetual preferred shares, their term shall not be shorter than five years and holders of such shares shall have no right to request their redemption by the Bank. Upon expiry of such shares or beginning from the day after the fifth anniversary of the issuance date, the Bank may,</u></p>		

Amended Article	Original Article	Explanation
<p><u>pursuant to the issue price and terms of issuance, redeem such shares in cash, issue new shares to accommodate compulsory conversion on a 1-for-1 basis, or effect redemption by other means permitted under other laws or regulations. If the Bank should fail to redeem all or part of the aforesaid preferred shares due to force majeure or other reasons within the aforesaid time period, the rights and obligations of the outstanding preferred shares shall remain unchanged until their redemption by the Bank.</u></p> <p><u>The Board of Directors is authorized to take into account market conditions and investor sentiment and determine the name, issuance date, and other issuance terms of preferred shares in accordance with the Bank's <i>Articles of Incorporation</i> and applicable laws and regulations.</u></p>		
<p>Chapter IV: Shareholders' Meetings Article 11 The shareholders' meetings of the Bank shall include the following two types:</p> <ol style="list-style-type: none"> 1. Regular shareholders' meetings: Held annually at the seat of the Bank's head office, a general shareholders' meeting shall be convened by the Board of Directors within six months after the end of each fiscal year. 2. Special shareholders' meetings: Unless otherwise provided for by 	<p>Chapter IV: Shareholders' Meetings Article 11 The shareholders' meetings of the Bank shall include the following two types:</p> <ol style="list-style-type: none"> 1. Regular shareholders' meetings: Held annually at the seat of the Bank's head office, a general shareholders' meeting shall be convened by the Board of Directors within six months after the end of each fiscal year. 2. Special shareholders' meetings: Unless otherwise provided for by 	<p>A paragraph is added to specify that the Bank may, when the need arises, convene a meeting of preferred shareholders in accordance with applicable laws and regulations.</p>

Amended Article	Original Article	Explanation
<p>the <i>Company Act</i>, a special shareholders' meeting is to be convened by the Board of Directors when it is deemed necessary. Shareholders who have held a total of not less than 3% of the Bank's total number of issued shares for not less than one year may request the Board of Directors to convene such a meeting in writing that specifies proposals to be addressed and the reasons thereof.</p> <p><u>A meeting of preferred shareholders may be convened in accordance with applicable laws and regulations.</u></p>	<p>the <i>Company Act</i>, a special shareholders' meeting is to be convened by the Board of Directors when it is deemed necessary. Shareholders who have held a total of not less than 3% of the Bank's total number of issued shares for not less than one year may request the Board of Directors to convene such a meeting in writing that specifies proposals to be addressed and the reasons thereof.</p>	
<p>Article 13 Unless otherwise provided for by law, a shareholders' meeting shall adopt a resolution after it is voted for by the majority of attending shareholders and the attending shareholders represent more than half of the total number of issued shares.</p>	<p>Article 13 Unless otherwise provided for by law, a shareholders' meeting shall adopt a resolution after it is voted for by the majority of attending shareholders and the attending shareholders represent more than half of the total number of issued shares.</p> <p><u>If no objection is voiced after solicitation by the chair, a resolution shall be deemed adopted and shall have the same effect as if it had been put to a vote.</u></p>	<p>The second paragraph is deleted as voting on proposed matters at the Bank's shareholders meetings is conducted in accordance with its <i>Procedural Rules Governing Shareholders' Meetings</i>.</p>
<p>Chapter VII Closing of Books and Distribution of Earnings Article 32-1: If there is a profit after its annual closing of books, the Bank shall first</p>	<p>Chapter VII Closing of Books and Distribution of Earnings Article 32-1: If there is a profit after its annual closing of books, the Bank shall first</p>	<p>Explanatory wording is added.</p>

Amended Article	Original Article	Explanation
<p>set aside funds for taxes and offset the accumulated losses from previous years before appropriating 30% of the profit toward its legal reserve. No appropriation shall be required if the Bank's legal reserve already equals the total amount of its paid-in capital. After appropriation or reverse of any special reserve <u>and distribution of cash dividends for preferred shares, if a profit remains</u>, the outstanding balance together with undistributed earnings from previous years shall be used as the basis for the Board of Directors to propose distribution and seek a resolution of a shareholders' meeting thereof. Before the legal reserve equals the total amount of capital stock, the maximum cash distribution of earnings shall not exceed 15% of the total amount of paid-in capital. With regard to the foregoing dividend distribution, the Bank adopts a policy of stability and balance that takes into account capital budget planning, capital needs for business operations, and commitment to a sound financial structure. In particular, the cash dividend payout shall account for not less than 20% of the total dividend payout for any given year. The aforesaid method of dividend distribution is intended only as a principle-based guideline; the Bank may consider actual needs and, via the Board of Directors, propose an</p>	<p>set aside funds for taxes and offset the accumulated losses from previous years before appropriating 30% of the profit toward its legal reserve. No appropriation shall be required if the Bank's legal reserve already equals the total amount of its paid-in capital. After appropriation or reverse of any special reserve, the outstanding balance together with undistributed earnings from previous years shall be used as the basis for the Board of Directors to propose distribution and seek a resolution of a shareholders' meeting thereof. Before the legal reserve equals the total amount of capital stock, the maximum cash distribution of earnings shall not exceed 15% of the total amount of paid-in capital. With regard to the foregoing dividend distribution, the Bank adopts a policy of stability and balance that takes into account capital budget planning, capital needs for business operations, and commitment to a sound financial structure. In particular, the cash dividend payout shall account for not less than 20% of the total dividend payout for any given year. The aforesaid method of dividend distribution is intended only as a principle-based guideline; the Bank may consider actual needs and, via the Board of Directors, propose an amendment and seek shareholder approval in the form of a resolution</p>	

Amended Article	Original Article	Explanation
amendment and seek shareholder approval in the form of a resolution adopted by a shareholders' meeting.	adopted by a shareholders' meeting.	
<p>Article 34</p> <p>These <i>Articles of Incorporation</i> were enacted on June 22, 1998; the 15th amendment on June 2, 2015; the 16th amendment on October 2, 2015; the 17th amendment on June 3, 2016; the 18th amendment on June 14, 2017; <u>and the 19th amendment on June 0, 2018.</u></p>	<p>Article 34</p> <p>These <i>Articles of Incorporation</i> were enacted on June 22, 1998; the 15th amendment on June 2, 2015; the 16th amendment on October 2, 2015; the 17th amendment on June 3, 2016; and the 18th amendment on June 14, 2017.</p>	<p>The date and ordinal number of another amendment are added.</p>

Appendix VI

Shareholdings of Directors

Record Date (Book Closure Date): April 16, 2018

Position	Name		Date of Election	Term (2017.6.14-2020.6.13)	Shareholding When Elected		Current Shareholding	
					Shares	Ratio%	Shares	Ratio%
Chairman	Lo, Kenneth C.M.	Representatives of Yi Chang Investment Co., Ltd.	2017/6/14	3 years	238,644,084	9.98	238,644,084	9.89
Managing Director	Yang, Tony C.Y.		2017/6/14	3 years				
Director	Lin, Gordon W.C.		2017/6/14	3 years				
Vice Chairman	Lo, Tina Y.	Representatives of Ming Shan Investment Co., Ltd.	2017/6/14	3 years	238,697,967	9.99	238,707,967	9.89
Director	Lo, Nina		2017/6/14	3 years				
Managing Director	Taiwan Cement Corp. Representative: Chang, Nelson An-Ping		2017/6/14	3 years	30,000,000	1.25	29,719,000	1.23
Independent Managing Director	Chan, Hou-Sheng		2017/6/14	3 years	0	0	0	0
Directors	Chen, Shih-Tze	Representatives of Tai Ya Investment Co., Ltd.	2017/6/14	3 years	77,091,768	3.22	75,307,768	3.12
	Chang, David C.C.		2017/6/14	3 years				
Director	Abag Investment Holdings Co., Ltd. Representative: Tcheng, George		2017/6/14	3 years	50,000	0.002	50,000	0.002
Director	Lee, Mark		2017/6/14	3 years	100,390	0.004	100,390	0.004
Director	Pioneer Chemical Corp. Representative: Sheng, Bobby		2017/6/14	3 years	10,167,384	0.43	9,980,384	0.41
Independent Director	Yue, Thomas		2017/6/14	3 years	0	0	0	0
Independent Director	Liu, Richard R.C.		2017/6/14	3 years	0	0	0	0
Director	Wang Hsiang Co., Ltd. Representative: Tung, Ta-Nien		2017/6/14	3 years	5,884,631	0.25	5,697,631	0.24

Note:

- As of April 16, 2018, the Bank's total shares in issue stood at 2,413,006,301.
- The Bank's board directors are required by law to hold a minimum of 57,912,151 shares. As of April 16, 2018, the roster of shareholders showed all directors to hold a combined 598,207,224 shares.
 - Shareholdings of independent directors are not included in those of all directors.
- The Bank has established its Audit Committee, so the legal requirement over the minimum shareholdings of supervisors no longer applies.