Industrial Bank of Taiwan and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2016 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

INDUSTRIAL BANK OF TAIWAN

March 22, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Industrial Bank of Taiwan

Opinion

We have audited the accompanying consolidated financial statements of Industrial Bank of Taiwan (the "Bank") and its subsidiaries (collectively referred to as the "Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, 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, 2016 and 2015, 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, 2016. 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 description of each key audit matters of the consolidated financial statements for the year ended December 31, 2016 are as follows:

Allowance for Credit Losses

Concerning the accounting policy of allowance for credit losses, refer to Note 4 to the consolidated financial statements; the critical accounting judgments, estimates and accuracy of assumptions for 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 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.

Goodwill

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

Goodwill was recognized from IBT Holdings Corp. for purchasing shares of EverTrust Bank. 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.

Assessment of Reserve for Guarantee Liabilities

Concerning the accounting policy of 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 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.

Other Matter

We have also audited the parent company only financial statements of Industrial Bank of Taiwan (the "Bank") as of and for the years ended December 31, 2016 and 2015 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.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chen-Hsiu Yang and Li-Chi Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2017

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.

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 45)	$ 5,979,980	1	$ 7,850,486	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	17,126,977	3	9,028,597	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 45)	147,722,285	30	159,678,561	33
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Note 9)	200,092	-	4,100,000	1
RECEIVABLES, NET (Notes 10 and 12)	19,046,408	4	19,759,425	4
CURRENT TAX ASSETS	200,582	-	207,351	-
DISCOUNTS AND LOANS, NET (Notes 11, 12 and 45)	162,544,641	33	146,443,247	30
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 13 and 45)	126,981,565	26	115,841,981	24
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 14 and 45)	5,544,703	1	9,849,587	2
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Note 17)	107,981	-	170,642	-
RESTRICTED ASSETS (Notes 18 and 45)	148,214	-	450,649	-
OTHER FINANCIAL ASSETS (Note 19)	1,520,931	-	1,837,635	-
PROPERTIES, NET (Note 20)	3,771,171	1	3,017,250	1
INVESTMENT PROPERTIES (Note 21)	-	-	8,157	-
INTANGIBLE ASSETS, NET (Note 22)	1,499,011	-	1,408,773	-
DEFERRED TAX ASSETS (Note 42)	565,263	-	554,623	-
OTHER ASSETS (Notes 23 and 46)	3,924,946	1	5,779,178	1
TOTAL	$ 496,884,750	100	$ 485,986,142	100
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the Central Bank and other banks (Note 24)	$ 56,697,931	11	$ 47,840,792	10
Financial liabilities at fair value through profit or loss (Note 8)	2,377,872	1	6,289,076	1
Securities sold under agreement to repurchase (Note 25)	163,304,781	33	171,238,096	35
Accounts payable (Note 26)	3,753,143	1	4,477,081	1
Current tax liabilities	75,726	-	55,409	-
Deposits (Notes 27 and 44)	184,587,611	37	172,776,282	36
Bank debentures (Note 28)	17,450,000	4	14,950,000	3
Other financial liabilities (Note 29)	18,831,642	4	18,317,578	4
Provisions (Notes 12, 30 and 31)	1,801,044	-	1,741,005	-
Deferred tax liabilities (Note 42)	248,870	-	230,434	-
Other liabilities (Notes 32 and 46)	1,885,021	-	1,789,099	-
Total liabilities	451,013,641	91	439,704,852	90
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital stock	23,905,063	5	23,905,063	5
Capital surplus	3,193	-	1,773	-
Retained earnings				
Legal reserve	2,390,828	1	1,880,726	1
Special reserve	1,173,293	-	1,178,307	-
Unappropriated earnings	1,631,566	-	1,700,341	-
Total retained earnings	5,195,687	1	4,759,374	1
Other equity	284,715	-	1,030,616	-
Treasury stock	-	-	(18,693)	-
Total equity attributable to owners of the Bank	29,388,658	6	29,678,133	6
NON-CONTROLLING INTERESTS	16,482,451	3	16,603,157	4
Total equity (Note 33)	45,871,109	9	46,281,290	10
TOTAL	$ 496,884,750	100	$ 485,986,142	100

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

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET INTEREST					
Interest revenue (Note 34)	$ 6,874,444	89	$ 6,273,240	88	10
Interest expenses (Notes 34 and 44)	(2,723,007)	(35)	(2,888,663)	(40)	(6)
Net interest	4,151,437	54	3,384,577	48	23
NET REVENUE OTHER THAN INTEREST					
Commissions and fee revenue, net (Notes 35 and 44)	2,019,270	26	1,540,442	22	31
Gain on financial assets and liabilities at fair value through profit or loss (Note 36)	1,415,729	18	1,644,762	23	(14)
Realized income from available-for-sale financial assets (Note 37)	309,321	4	426,905	6	(28)
Foreign exchange gain (loss), net (Note 36)	(345,901)	(4)	97,506	1	(455)
Loss from asset impairment (Note 38)	(34,333)	-	(141,028)	(2)	(76)
Investment income (loss) recognized under equity method (Note 17)	6,891	-	(1,489)	-	563
Realized income from financial assets carried at cost (Note 19)	94,176	1	64,518	1	46
Consulting revenue	23,481	-	31,504	-	(25)
Other non-interest net gains (Note 44)	81,900	1	77,908	1	5
Net revenue other than interest	3,570,534	46	3,741,028	52	(5)
TOTAL NET REVENUE	7,721,971	100	7,125,605	100	8
PROVISIONS (Note 12)	(609,637)	(8)	(401,890)	(5)	52
OPERATING EXPENSES					
Personnel expenses (Notes 31, 39 and 44)	2,217,836	29	1,834,834	26	21
Depreciation and amortization (Note 40)	201,859	3	171,018	2	18
Others (Notes 41 and 44)	1,116,854	14	1,038,867	15	8
Total operating expenses	3,536,549	46	3,044,719	43	16

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INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INCOME BEFORE INCOME TAX	$ 3,575,785	46	$ 3,678,996	52	(3)
INCOME TAX EXPENSE (Note 42)	833,742	11	690,425	10	21
PROFIT FROM CONTINUING OPERATIONS	2,742,043	35	2,988,571	42	(8)
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (Note 15)	92,956	1	(67,821)	(1)	237
NET PROFIT FOR THE YEAR	2,834,999	36	2,920,750	41	(3)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	(19,763)	-	(26,931)	-	(27)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	(273,625)	(4)	205,608	3	(233)
Unrealized gain (loss) on available-for-sale financial assets	(862,672)	(11)	290,695	4	(397)
Share of the other comprehensive income of associates and joint ventures (Note 17)	(16,369)	-	(24,815)	-	(34)
Income tax relating to the components of other comprehensive income (Note 42)	73,111	1	(28,060)	(1)	361
Other comprehensive income (loss) for the year, net of income tax	(1,099,318)	(14)	416,497	6	(364)
TOTAL COMPREHENSIVE INCOME	$ 1,735,681	22	$ 3,337,247	47	(48)

(Continued)

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	$ 1,643,898	21	$ 1,726,066	24	(5)
Non-controlling interests	1,191,101	16	1,194,684	17	-
	$ 2,834,999	37	$ 2,920,750	41	(3)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 892,217	11	$ 1,928,227	27	(54)
Non-controlling interests	843,464	11	1,409,020	20	(40)
	$ 1,735,681	22	$ 3,337,247	47	(48)
EARNINGS PER SHARE (Note 43)					
From continuing and discontinued operations					
Basic	$0.69		$0.72		
Diluted	$0.69		$0.72		
From continuing operations					
Basic	$0.65		$0.75		
Diluted	$0.65		$0.75		

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

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank												
								Other Equity (Note 33)					
	Capital Stock (Note 33)			Retained Earnings (Note 33)									
	Shares (Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares (Note 33)	Owner of the Bank	Non-controlling Interests (Note 33)	Total Equity
BALANCE AT JANUARY 1, 2015	2,390,506	$ 23,905,063	$ -	$ 1,351,779	$ 899,153	$ 1,753,003	$ 4,003,935	$ 247,842	$ 565,041	$ (50,620)	$ 28,671,261	$ 16,311,405	$ 44,982,666
Appropriation of 2014 earnings													
Legal reserve	-	-	-	528,947	-	(528,947)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	279,154	(279,154)	-	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	(955,055)	(955,055)	-	-	-	(955,055)	-	(955,055)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(334,628)	(334,628)
Net income for the for the year ended December 31, 2015	-	-	-	-	-	1,726,066	1,726,066	-	-	-	1,726,066	1,194,684	2,920,750
Other comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	(15,572)	(15,572)	158,198	59,535	-	202,161	214,336	416,497
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	1,710,494	1,710,494	158,198	59,535	-	1,928,227	1,409,020	3,337,247
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(692,625)	(692,625)
Capital reduction of subsidiaries for cash received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(90,015)	(90,015)
Transmission of treasury stock for employees	-	-	1,773	-	-	-	-	-	-	31,927	33,700	-	33,700
BALANCE AT DECEMBER 31, 2015	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

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

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 3,575,785	$ 3,678,996
Income (loss) before income tax from discontinued operations	117,974	(66,059)
Adjustments for:		
Depreciation expenses	159,950	152,643
Amortization expenses	57,043	40,723
Recognition of provisions	609,637	401,890
Net gain on disposal of financial assets at fair value through profit or loss	(1,411,667)	(1,807,277)
Interest revenue	(6,925,241)	(6,368,437)
Interest expenses	2,725,733	2,915,107
Dividends income	(69,093)	(101,673)
Realized gain on the transactions with associates and joint ventures	(8,729)	(1,515)
Gain on disposal of properties	(129)	(702)
Impairment loss recognized on financial assets	34,333	141,028
Gain on disposal of investments	(339,550)	(389,750)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(1,004,431)	(403,669)
Financial assets at fair value through profit or loss	11,977,391	(18,985,969)
Receivables	351,876	(2,811,619)
Discounts and loans	(16,355,994)	(15,553,740)
Due to the Central Bank and other banks	8,857,139	4,254,625
Financial liabilities at fair value through profit or loss	(3,911,204)	481,566
Securities sold under agreements to repurchase	(7,933,315)	-
Accounts payable	(768,888)	1,705,520
Deposits	11,811,329	16,260,200
Provisions	258,630	32,948
Cash generated from (used in) operations	1,808,579	(16,425,164)
Interest received	6,275,748	5,058,668
Interest paid	(2,680,001)	(2,989,063)
Dividends received	94,211	124,036
Income tax paid	(802,646)	(787,738)
Net cash generated from (used in) operating activities	4,695,891	(15,019,261)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets designated as at fair value through profit or loss	(873,045)	(2,527,818)
Proceeds on sale of financial assets designated as at fair value through profit or loss	2,249,473	2,263,977
Purchase of available-for-sale financial assets	(66,015,344)	(168,080,165)
Proceeds on sale available-for-sale financial assets	54,560,305	148,866,811
Purchase of held-to-maturity financial assets	-	(5,350,000)
Received principal of held-to-maturity financial assets	4,305,000	382,800
Purchase of financial assets measured at cost	(47,964)	(45,927)

(Continued)

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
Proceeds on sale of financial assets carried at cost	$ 284,634	$ 68,034
Received principal of financial assets carried at cost	3,889	83,027
Other dividends received	-	2,656
Received principal of investments under equity method	55,021	44,937
Payments for properties	(1,084,582)	(325,696)
Proceeds from disposal of properties	28,162	5,008
Decrease (increase) in refundable deposits	1,974,366	(726,094)
Payments for intangible assets	(195,196)	(30,735)
Loss on disposal of intangible assets	21,809	-
Decrease in other financial assets	-	210,932
Decrease in other assets	181,190	94,426
Net cash used in investing activities	(4,552,282)	(25,063,827)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	(3,019,859)	1,310,854
Increase (decrease) in commercial papers	2,484,843	(1,814,665)
Proceeds from issue bank debentures	3,000,000	1,000,000
Repayments of bank debentures	(500,000)	(1,030,000)
Proceeds from (repayments of) long-term borrowings	1,121,688	876,156
Increase in securities sold under agreements to repurchase	-	34,718,610
Partial disposal of interests in subsidiaries	(166,627)	-
Payments for buy-back of common stocks	20,113	33,700
Capital reduction for cash received by non-controlling interest of subsidiaries	(5,653)	(90,015)
Decrease in other financial liabilities	(72,608)	(1,511,843)
Dividends paid to ownership of the Bank	(1,195,253)	(955,055)
Dividends paid to non-controlling interest	(798,442)	(692,625)
Increase in other liabilities	80,742	312,286
Net cash generated from financing activities	948,944	32,157,403
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	230,982	(442,960)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,323,535	(8,368,645)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	17,962,137	26,330,782
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 19,285,672	$ 17,962,137

(Continued)

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(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, 2016 and 2015:

	December 31	
	2016	**2015**
Cash and cash equivalents in consolidated balance sheets	$ 5,979,980	$ 7,850,486
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7	13,105,600	6,011,651
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	200,092	4,100,000
Cash and cash equivalents in consolidated statements of cash flow	$ 19,285,672	$ 17,962,137

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

1. GENERAL INFORMATION

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

The Bank's operations include the following: (a) accepting deposits from insurance companies, nonprofit organizations and corporations; (b) issuing bank debentures; (c) providing loans to enterprises; (d) investing in and underwriting the offering of securities; (e) investing in manufacturing companies; (f) providing domestic remittances and guarantee provisions; (g) dealing in government bonds; (h) authenticating stocks and bonds owned by clients; (i) providing financial consulting to government institutions, enterprises, and nonprofit organizations; (j) factoring; (k) dealing in derivative financial instruments; (l) providing foreign exchange for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (m) overseeing trust business under the Trust Business Law and regulation; and (n) participating in other operations authorized by the central authorities.

As of December 31, 2016, the Bank had five main departments - corporate banking, equity investment, treasury, securities trading and merchant banking. It also had four domestic branches, a Hong Kong branch, and a representative office in Tianjin.

To coordinate with the government's financial liberation policy and to increase its efficiency of operation, the Bank's board of directors approved and applied for a change of registration in accordance with Article 58 of the Banking Act of the Republic of China and Direction for Reviewing of Transferring to Commercial Bank on August 14, 2015, and the name of the bank will be changed to "O-Bank". The Financial Supervisory Commission accepted the application on December 17, 2015, and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. The Bank was approved to operate related a commercial banking business by the Banking Bureau starting from January 1, 2017 and simultaneously given an operating license. The Bank's name changed from 'Industrial Bank of Taiwan' to 'O-Bank Commercial Bank Corp. Ltd.' as of January 1, 2017.

The Bank's shares have been listed on the Emerging Stock Market of the Taipei Exchange ("TPEx") since August 2004 and was approved for an initial public offering by the Taiwan Stock Exchange ("TWSE") on November 28, 2016.

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

As of December 31, 2016 and 2015, the numbers of employees of the Company were 1,322 and 1,251, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors and authorized for issue on March 22, 2017.

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

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Company should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New or amended IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant dates on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition dates on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occurs in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company's accounting policies, except for the following:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president the Company or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Company has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Company's respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operations after business combinations and the expected benefits on the acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

b. New IFRSs in issue but not yet endorsed by the FSC

The Company has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4"Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017

(Continued)

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

(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Company's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

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

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

Impairment of financial assets

IFRS 9 requires the impairment loss on financial assets to be recognized by using the expected credit loss model. A credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

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

Hedge accounting

The main changes in hedge accounting came from amendments to the application requirements for hedge accounting so as to better reflect the entity’s risk management activities. Compared with IAS 39, the main changes include: (1) enhancing the types of transactions eligible for hedge accounting, specifically broadening the risks of non-financial items eligible for hedge accounting; (2) changing the way that the hedging of derivative instruments is accounted for in order to reduce profit or loss volatility; and (3) replacing the retrospective effectiveness assessment with the principle of an economic relationship between the hedging instrument and the hedged item.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period, and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively, and the accounting for hedging options shall be applied retrospectively.

2) IFRS 16 “Leases”

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

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

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

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Public Bills Finance Firms, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants, and IFRSs as endorsed and issue into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Since the operating cycle in the banking industry cannot be clearly identified, accounts included in the consolidation financial statements of the Company were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 49 for the maturity analysis of assets and liabilities.

Basis of Consolidation

<u>Principles for preparing consolidated financial statements</u>

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e. its subsidiaries, including special purpose entities). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Non-controlling interests shall be presented in the consolidated balance sheets within equity, separately from the equity of the owners of the Company.

Refer to Note 16 and Table 6 following the Notes to Consolidated Financial Statements for the list, main business activities and ownership percentages of subsidiaries.

Foreign Currencies

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

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

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

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

Investment in Associates

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

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

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

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

Financial Instruments

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

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

Financial assets

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

a. Measurement category

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

   1) Financial assets at fair value through profit or loss

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

      A financial asset is classified as held for trading if:

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

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

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

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

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

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

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

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

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

2) Held-to-maturity investments

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

Foreign corporate and bank debentures that the Company has positive intent and ability to hold to maturity are classified as held-to-maturity investments.

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

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

3) Available-for-sale financial assets

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

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

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

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

4) Loans and receivables

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

b. Impairment of financial assets

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

For certain categories of financial assets, such as loans and receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Assessment for impairment of discounts, loans and receivables, other receivables and overdue loans of the Company is described in this note under the section heading “Allowance for Credit Losses and Reserve for Losses on Guarantees”.

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

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

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

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

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

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

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

c. Derecognition of financial assets

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

On the derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Equity instruments

Debt and equity instruments issued by the Company entity are classified as either financial liabilities or as equity in accordance with the substance of contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

Financial liabilities

a. Subsequent measurement

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

- Financial liabilities at fair value through profit or loss

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

  A financial liability is classified as held for trading if:

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

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

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

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

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

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

c) In addition, if a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. The fair value is determined in the manner described in Note 49.

b. Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognized at fair value at the date that a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the contracts are not measured at fair value through profit or loss.

Non-performing Loans

Under the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt issued by the competent authority, loans and other credits (including accrued interests) that remain unpaid as they fall due are transferred to non-performing loans, if the transfer is approved by the board of directors.

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

Allowance for Credit Losses and Reserve for Losses on Guarantees

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

- Significant financial difficulty of the debtor;
- Account receivables becoming overdue; or
- It becoming probable that the debtor will enter bankruptcy or financial re-organization.

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

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

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

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

Credits deemed uncollectable are eligible to be written off upon approval by the board of directors.

Repurchase and Resale Transactions

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

Property and Equipment

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

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is any indication that the unit may be impaired. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

Provisions Liabilities and Contingencies

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Income Tax

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

a. Current tax

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

    According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain earnings.

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Interest and Service Revenue Recognition

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

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

Leases

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

a. The Company as lessor

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

b. The Company as lessee

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

Margin Loans and Stock Loans

The receivable amount for margin loans is the margin loan extended to customers to buy securities. The securities bought by customers are calculated and charged interest at intervals jointly agreed to by the TWSE, Taiwan Securities Association and Governing Securities Finance Enterprises and held as pledges on the loan provided.

The Company refinances customer loans from securities finance companies, and the related amount is recorded as a loan from refinanced margins and is covered by the underlying securities bought by the customer.

Customer Margin Accounts and Future Trader's Equity

Trading margins and premiums, and the related settlement differences, collected from future traders in accordance with applicable requirements of a futures commission merchant (FCM) conducting a futures brokerage business, are debited as customer margin accounts and credited as future trader's equity. Any amount to be recovered by an FCM for a debit balance in futures trader's equity is recognized as futures trading margins receivable, and customer margin accounts and future trader's equity are not offset except when they belong to the same future traders.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Income tax

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

b. Estimated impairment of loans and receivables

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

c. Assessment of reserve for guarantee liabilities

Unless otherwise prescribed by the Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt, when deciding whether to assess the adequacy of the reserve of guarantee liabilities, the Company focuses on if the reserve for guarantee liabilities is likely to be necessary and if there will be any possible cash inflow that may arise from the resulting guarantee obligation. Evidence for making such judgments include observable data indicating adverse movement in payment statuses of debtors or industry news relevant to back payments. The Company periodically reviews judgment factors and assumptions in order to reduce the difference between the estimated loss and the actual loss.

d. Fair value of derivatives and other financial instruments

As described in Note 48, the Company’s management uses its judgment when selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions were based on quoted market rates adjusted for specific features of the instruments. Other financial instruments were valued using a discounted cash flow analysis that includes assumptions based on quoted market prices or rates (if available). The Company’s management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

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

e. Recognition and measurement of defined benefit plan

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

f. Control over subsidiaries

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash on hand and petty cash	$ 64,457	$ 50,000
Checking for clearing	64,076	54,084
Due from banks	5,851,447	7,746,402
	$ 5,979,980	$ 7,850,486

Cash and cash equivalents as of December 31, 2016 and 2015 as shown in the consolidated statement of cash flows can be reconciled to the related items in the balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information as of December 31, 2016 and 2015.

Refer to Note 45 for information relating to due from banks pledged.

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

	December 31	
	2016	**2015**
Call loans	$ 13,105,600	$ 6,011,651
Reserves for deposits - Type A	644,825	13,036
Reserves for deposits - Type B	3,144,342	2,941,627
Others	232,210	62,283
	$ 17,126,977	$ 9,028,597

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
Financial assets designated as at fair value through profit or loss		
Convertible bond - domestic	$ 11,430,381	$ 15,544,556
Convertible bond - overseas	587,790	402,019
	12,018,171	15,946,575
Financial assets held for trading		
Derivative financial instruments		
Foreign exchange swap contracts	835,539	2,012,031
Forward contracts	452,318	578,292
Premium paid on foreign currency option contracts	1,107,731	3,543,611
Interest rate swap contracts	44,370	75,738
Underwriting fixed rate commercial paper contracts	4,211	-
Futures trading margin	-	6,066
Assets swap contracts	211,644	272,806
	2,655,813	6,488,544
Non-derivative financial assets		
Short-term instruments	96,648,408	100,750,259
Negotiable certificate of deposit	35,342,797	34,071,451
Securities - dealing	-	822,685
Securities - underwriting	-	205,663
Stocks and beneficiary certificates	539,779	400,568
Government bonds	403,514	699,685
Corporate bonds	113,803	293,071
When-issued bonds	-	60
	133,048,301	137,243,442
	$ 147,722,285	$ 159,678,561
Financial liabilities designated as at fair value through profit or loss		
Financial liabilities held for trading		
Derivative financial instruments		
Foreign exchange swap contracts	$ 828,650	$ 1,150,862
Forward contracts	303,580	763,235
Interest rate swap contracts	107,498	156,529
Underwriting fixed rate commercial paper contracts	4,206	-
Premium received on option contracts	1,133,328	3,566,741
Assets swap contracts	538	181
	2,377,800	5,637,548
Non-derivative financial liabilities		
Securities borrowed payable	-	146,299
When - issued bond	-	500,892
Commercial paper contracts	72	4,337
	72	651,528
	$ 2,377,872	$ 6,289,076

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

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2016 and 2015 were follows:

	December 31	
	2016	**2015**
Interest rate swap contracts	$ 27,010,479	$ 26,698,988
Foreign exchange swap contracts	81,045,393	116,949,345
Forward contracts	18,964,853	27,387,306
Assets swap contracts	10,635,900	13,213,000
Cross-currency swap contracts	512,179	-
Foreign currency options		
Call	12,847,023	124,349,002
Put	12,750,168	124,349,002
Purchase commitments	1,500,000	3,650,000

As of December 31, 2016 and 2015, financial instruments at fair value through profit and loss in the amount of $71,967,603 thousand and $85,524,161 thousand were under agreement to repurchase.

Refer to Note 45 for information relating to financial instruments at fair value through profit or loss pledged as security.

9. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

The Company purchased under resale agreements and bond investments are all government bonds. As of December 31, 2016 and 2015, bonds purchased were under agreements to resell in the amount of $200,186 thousand and $4,102,372 thousand, respectively. As of December 31, 2016 and 2015, bonds purchased under agreements to resell were sold under agreement to repurchase in the amount of $200,000 thousand and $3,700,000 thousand, respectively.

10. RECEIVABLES, NET

	December 31	
	2016	**2015**
Lease payment receivable	$ 11,439,007	$ 9,994,860
Margin loans receivable	-	1,536,135
Investment receivable	10,306	460,546
Interest receivable	1,784,083	1,708,342
Factoring	3,514,421	3,500,330
Acceptances	371,860	396,083
Investment receivable - execution of customer orders	170,000	329,190
Account receivable	2,437,915	2,300,715
Others	581,983	623,152
	20,309,575	20,849,353
Less: Allowance for possible losses	517,921	403,591
Unrealized interest revenue	745,246	686,337
	$ 19,046,408	$ 19,759,425

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

Please refer to Note 49 for impairment loss analysis of receivables.

11. DISCOUNTS AND LOANS, NET

	December 31	
	2016	**2015**
Short-term	$ 54,962,273	$ 49,167,808
Medium-term	106,555,849	93,726,464
Long-term	2,944,894	4,017,832
Export bill negotiated	293,826	1,409,010
Accounts receivables financing	211,556	244,522
Overdue loans	28,323	357,901
	164,996,721	148,923,537
Less: Allowance for credit losses	2,452,080	2,480,290
	$ 162,544,641	$ 146,443,247

As of December 31, 2016 and 2015, the unrecognized interest revenue on the above loans amounted to $635 thousand and $884 thousand for the years ended December 31, 2016 and 2015. For the years ended December 31, 2016 and 2015, the Bank wrote off credits only upon completing the required legal procedures.

Refer to Note 45 for information relating to discounts and loan assets pledged as security, and refer to Note 49 for the impairment loss analysis of discounts and loans.

12. ALLOWANCE FOR CREDIT LOSSES

The movements of allowance for credit losses and reserve for losses on guarantees liabilities for the years ended December 31, 2016 and 2015 are summarized as follows:

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

	For the Year Ended December 31, 2015			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2015	$ 324,994	$ 2,514,821	$ 1,460,667	$ 4,300,482
Allowance for bad debts (Note)	459,524	144,420	22,233	626,177
Write-offs	(378,426)	(204,323)	-	(582,749)
Effects of exchange rate changes	(2,501)	25,372	1,295	24,166
Balance at December 31, 2015	$ 403,591	$ 2,480,290	$ 1,484,195	$ 4,368,076

Note: Allowance for bad debts does not include the recovery from written-off credits. As of December 31, 2016 and 2015, recovery from written-off credits amounted to $366,043 thousand and $224,287 thousand, respectively.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Domestic government bonds	$ 41,607,637	$ 43,487,457
Bank debentures	29,972,672	18,771,055
Corporate bonds	49,713,879	48,630,726
Stock and beneficiary securities	1,201,277	1,393,411
Overseas government bonds	1,138,676	854,167
American mortgage backed securities	3,347,424	2,705,165
	$ 126,981,565	$ 115,841,981

As of December 31, 2016 and 2015, available-for-sale financial assets are sold under agreement to repurchase in the amount of $84,608,033 thousand and $77,728,293 thousand, respectively.

Refer to Note 45 for information relating to available-for-sale financial assets pledged as security.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2016	2015
Domestic investments		
Convertible bonds		
Government bonds	$ 499,703	$ 499,587
Negotiable certificate of deposit	5,045,000	9,350,000
	$ 5,544,703	$ 9,849,587

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

December 31, 2016

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

December 31, 2015

Investment Principal (In Thousands of New Taiwan Dollars)		Interest Rate	Effective Interest Rate	Average Maturity Date
Government bond	$ 500,000	1.125%	1.130%	4 years
Negotiable certificate of deposit	$ 9,350,000	0.611%-0.811%	0.611%-0.811%	1 year

Refer to Note 45 for information relating to held-to-maturity financial assets pledged as security.

15. DISCONTINUED OPERATIONS

IBTS decided to transfer operating rights and property of brokerage of securities to SinoPac Securities Corp. Ltd. approved by the temporary stockholders' meeting on May 25, 2016, and planned to end the brokerage of securities, dealing and self-operating business. The subsidiary completed the transaction on September 26, 2016. Except for the financing creditors' rights and obligation which were traded at the net value of $1,287,816 thousand at the last operating date on September 23, 2016, others were traded at $390,000 thousand.

By December 31, 2016, the self-operating and new financial assets business of the operating department of the subsidiary has ended and conformed to the discontinued operations definition of IFRS 5. Hence, the consolidated financial report regarded the operating department above as discontinued operations.
The details and cash flows information of discontinued operations are exhibited below:

	2016	2015
Interest revenues	$ 54,014	$ 96,888
Interest expenses	(2,726)	(26,444)
Net interest	51,288	70,444
Net revenues other than interest		
Commissions and fee revenues, net	94,073	166,189
Gain on financial assets and liabilities at fair value through profit or loss	(4,062)	162,515
Foreign exchange gain (loss), net	(7,867)	(1,582)
Investment income recognized under equity method	1,838	3,004
Realized income from financial assets carried at cost	5,146	-
Other non-interest net gains	416,070	66,809
Net revenues other than interest	505,198	396,935
Total net revenues	556,486	467,379

(Continued)

	2016	2015
Operating expenses		
Personnel expenses	$ 291,185	$ 267,454
Depreciation and amortization	15,134	22,348
Others	142,250	255,430
Total operating expenses	448,569	545,232
Income tax expense	25,018	1,762
Net profit/(loss) from discontinued operations before written off	82,899	(79,615)
Written-offs of the transactions with related parties	10,057	11,794
Net profit/(loss) from discontinued operations	$ 92,956	$ (67,821)
Net profit/(loss) of discontinued operations attributable to:		
Owners of the Bank	$ 103,206	$ (63,677)
Non-controlling interests	(10,250)	(4,144)
	$ 92,956	$ (67,821)

(Concluded)

	2016	2015
Net cash generated from operating activities	$ 2,277,742	$ 1,623,618
Net cash generated from investing activities	521,273	74,652
Net cash generated from financing activities	(3,517,412)	(1,694,665)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(6,838)	7,111
Net increase (decrease) in cash and cash equivalents	$ (725,235)	$ 10,716

16. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

			% of Ownership December 31		
Investor	Investee	Main Business	2016	2015	Remark
The Bank	IBTS	Securities underwriting, dealing and brokerage of securities	99.75	94.80	Founded in 1961
	Boston Venture	Venture capital	-	-	Founded in 2003 (dissolved in December 2015)
	IBTM	Securities investment trust	100.00	100.00	Founded in 2000
	IBTH	Holding company	100.00	100.00	Founded in 2006 in California
	CBF	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	Founded in 1978
	IBT Leasing	Leasing	100.00	100.00	Founded in 2011
	IBT VII Venture Capital Co., Ltd.	Venture capital	-	100.00	Founded in 2014
IBTS	IBTS Consulting	Investment and management consulting	100.00	100.00	Founded in 1998
	IBTSH	Holding company	100.00	100.00	Founded in 2003 in British Virgin Islands
IBTSSH	IBTS HK	Securities and investment	100.00	100.00	Founded in 2003 in Hong Kong
	IBTS Asia	Securities and investment	100.00	100.00	Founded in 2004 in Hong Kong
IBTS HK	Boston Venture	Venture capital	-	-	Founded in 2003 (dissolved in December 2015)
IBTH	EverTrust Bank	Banking	91.78	91.78	Founded in 1995 in California
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	Founded in 2011 in Mainland China
	IBT Tianjin International Leasing Corp.	Leasing	39.00	39.00	Founded in 2013 in Mainland China
	IBT VII Venture Capital Co., Ltd	Venture capital	100.00	-	Founded in 2014
IBT VII Venture Capital Co., Ltd.	IBT Tianjin International Leasing Corp.	Leasing	61.00	61.00	Founded in 2013 in Mainland China

The subsidiary IBTS decided to repurchase outstanding shares at $10 per share on August 15, 2016 which was approved by the subsidiaries' board of directors on May 25, 2016. The subsidiary totally recalled 16,663 thousand shares of treasury stock at a cost of $166,627 thousand. As a result, there was a change in the percentage of its holding of shares from 94.8% to 99.75%. The subsidiary ended the securities business on September 23, 2016 and was liquidated on November 11, 2016 as decided by the subsidiaries' board of directors on October 17, 2016. Accordingly, it allocated its property at first at $7 per share on December 26, 2016. The Bank recalled $2,227,964 thousand in the proportion of shares-holding.

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

		Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
Name of Subsidiary	**Principal Place of Business**	**2016**	**2015**
CBF	Taipei	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	December 31	
	2016	**2015**
CBF		
Equity attributable to:		
Owners	$ 6,365,124	$ 6,350,451
Non-controlling interests	16,071,934	16,034,886
	$ 22,437,058	$ 22,385,337

	For the Year Ended December 31	
	2016	**2015**
Revenue	$ 531,102	$ 143,095
Net profit from continuing operations	$ 1,633,518	$ 1,609,696
Other comprehensive income for the period	(467,140)	275,541
Total comprehensive income for the period	$ 1,166,378	$ 1,885,237
Profit attributable to:		
Owners	$ 463,409	$ 456,651
Non-controlling interests of CBF	1,170,109	1,153,045
	$ 1,633,518	$ 1,609,696
Total comprehensive income attributable to:		
Owners	$ 330,887	$ 534,819
Non-controlling interests of CBF	835,491	1,350,418
	$ 1,166,378	$ 1,885,237

(Continued)

	For the Year Ended December 31	
	2016	2015
Net cash inflow (outflow) from:		
Operating activities	$ (3,977,760)	$ 2,472,837
Investing activities	(156,981)	(274,127)
Financing activities	5,198,133	(2,196,931)
Net cash inflow	$ 1,063,392	$ 1,779
Dividends paid to non-controlling interest CBF	$ 798,442	$ 692,625

(Concluded)

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	December 31			
	2016		2015	
	Amount	%	Amount	%
IBT II Venture Capital Co., Ltd.	$ 107,981	39.58	$ 170,642	39.58

IBT II Venture Capital Co., Ltd. reduced 13,900 and 11,353 thousand shares of common stock, with a par value of $10, on April 18, 2016 and June 5, 2015, respectively, in the way of reducing cash capital to return share dividends approved by the stockholders' meeting. The Bank recalled $43,438 and $35,479 thousand in the proportion of shares-holding.

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

	For the Year Ended December 31	
	2016	2015
The Company's share of:		
Profit from continuing operations	$ 8,729	$ 1,515
Other comprehensive income	(16,369)	(24,815)
Total comprehensive income for the year	$ (7,640)	$ (23,300)

18. RESTRICTED ASSETS

	December 31	
	2016	2015
Pledged time deposits	$ 38,134	$ 347,774
Compensation accounts	110,080	102,875
	$ 148,214	$ 450,649

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

19. OTHER FINANCIAL ASSETS, NET

	December 31 2016	December 31 2015
Financial assets measured at cost		
Domestic stocks	$ 817,953	$ 1,007,556
Foreign stocks	695,202	822,143
	1,513,155	1,829,699
Time deposits with original maturity more than 3 months	7,748	7,936
Others	28	-
	$ 1,520,931	$ 1,837,635

Because the fair value of financial assets measured at cost could not be reliably measured, the Company did not evaluate the fair value on the balance sheet date. The Company disposed of certain financial assets measured at cost with carrying amounts of $217,600 thousand and $71,437 thousand during the years ended December 31, 2016 and 2015, respectively, recognizing disposal loss of $67,034 thousand and disposal gain of $3,403 thousand, respectively.

20. PROPERTY AND EQUIPMENT, NET

	December 31 2016	December 31 2015
Carrying amounts of each class of		
Land	$ 822,716	$ 819,239
Buildings	1,454,011	1,501,367
Machinery and computer equipment	211,091	180,673
Transportation equipment	37,250	49,657
Office and other equipment	62,511	52,870
Lease improvement	157,203	157,809
Construction in progress and prepayments for equipment	1,026,389	255,635
	$ 3,771,171	$ 3,017,250

The movements of property and equipment for the years ended December 31, 2016 and 2015 are summarized as follows:

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2016	$ 833,107	$ 1,911,120	$ 583,962	$ 100,325	$ 222,981	$ 299,921	$ 255,635	$ 4,207,051
Additions	-	620	59,690	5,886	19,668	30,235	968,483	1,084,582
Disposals and scrapped	-	(9,847)	(94,118)	(12,466)	(32,230)	(80,622)	(2,152)	(231,435)
Reclassification	15,115	10,408	30,848	-	4,895	13,509	(195,503)	(120,728)
Effect of foreign currency exchange differences	-	-	(4,373)	(904)	(1,198)	(4,855)	(74)	(11,404)
Balance at December 31, 2016	$ 848,222	$ 1,912,301	$ 576,009	$ 92,841	$ 214,116	$ 258,188	$ 1,026,389	$ 4,928,066

(Continued)

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
Accumulated depreciation								
Balance at January 1, 2016	$ 13,868	$ 409,753	$ 403,289	$ 50,668	$ 170,111	$ 142,112	$ -	$ 1,189,801
Disposals	-	(3,273)	(85,041)	(9,437)	(30,716)	(74,935)	-	(203,402)
Depreciation expense	-	45,987	49,863	14,677	13,031	36,297	-	159,855
Reclassification	11,638	5,823	-	-	-	-	-	17,461
Effect of foreign currency exchange differences	-	-	(3,193)	(317)	(821)	(2,489)	-	(6,820)
Balance at December 31, 2016	$ 25,506	$ 458,290	$ 364,918	$ 55,591	$ 151,605	$ 100,985	$ -	$ 1,156,895
Carrying amounts								
Balance at December 31, 2016	$ 822,716	$ 1,454,011	$ 211,091	$ 37,250	$ 62,511	$ 157,203	$ 1,026,389	$ 3,771,171
Cost								
Balance at January 1, 2015	$ 833,107	$ 1,910,626	$ 484,899	$ 87,640	$ 219,004	$ 288,618	$ 229,074	$ 4,052,968
Additions	-	494	40,032	21,894	12,403	66,297	184,576	325,696
Disposals and scrapped	-	-	(10,967)	(9,402)	(6,170)	(45,965)	(295)	(72,799)
Reclassification	-	-	69,236	-	(3,735)	(13,340)	(157,859)	(105,698)
Effect of foreign currency exchange differences	-	-	762	193	1,479	4,311	139	6,884
Balance at December 31, 2015	$ 833,107	$ 1,911,120	$ 583,962	$ 100,325	$ 222,981	$ 299,921	$ 255,635	$ 4,207,051
Accumulated depreciation								
Balance at January 1, 2015	$ 13,868	$ 363,532	$ 368,680	$ 42,822	$ 164,178	$ 155,942	$ -	$ 1,109,022
Disposals	-	-	(10,063)	(7,314)	(6,096)	(45,020)	-	(68,493)
Depreciation expense	-	46,221	42,751	15,105	12,091	36,349	-	152,517
Reclassification	-	-	899	-	(899)	(7,422)	-	(7,422)
Effect of foreign currency exchange differences	-	-	1,022	55	837	2,263	-	4,177
Balance at December 31, 2015	$ 13,868	$ 409,753	$ 403,289	$ 50,668	$ 170,111	$ 142,112	$ -	$ 1,189,801
Carrying amounts								
Balance at December 31, 2015	$ 819,239	$ 1,501,367	$ 180,673	$ 49,657	$ 52,870	$ 157,809	$ 255,635	$ 3,017,250

(Concluded)

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

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

21. INVESTMENT REAL - ESTATE

	December 31	
	2016	2015
Lease assets	$ -	$ 8,157

	For the Year Ended December 31	
	2016	2015
Cost		
Balance at January 1	$ 25,523	$ 25,523
Reclassification	(25,523)	-
Balance at December 31	$ -	$ 25,523

(Continued)

	For the Year Ended December 31	
	2016	2015
Accumulated depreciation		
Balance at January 1	$ 17,366	$ 17,240
Reclassification	95	126
Depreciation expense	(17,461)	-
Balance at December 31	$ -	$ 17,366

(Concluded)

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

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

The fair value of investment real-estate on December 31, 2015 was $10,200 thousand, which was estimated by the management of The Bank and its subsidiaries from the market evidence similar to real estate trading price obtained from the Ministry of Interior Real Estate Actual Trading Price Searching Serving Net.

22. INTANGIBLE ASSETS

	December 31	
	2016	2015
Computer software	$ 266,446	$ 143,498
Goodwill	1,224,683	1,254,078
Others	7,882	11,197
	$ 1,499,011	$ 1,408,773

The movements of intangible assets for the years ended December 31, 2016 and 2015 are summarized as follows:

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2016	$ 581,647	$ 1,254,078	$ 95,555	$ 1,931,280
Additions	195,196	-	-	195,196
Disposals	(19,888)	-	(87,482)	(107,370)
Reclassification	1,724	-	-	1,724
Effect of foreign currency exchange differences	(2,412)	(29,395)	(191)	(31,998)
Balance at December 31, 2016	$ 756,267	$ 1,224,683	$ 7,882	$ 1,988,832

(Continued)

	Computer Software	Goodwill	Others	Total
Accumulated amortization and impairment loss				
Balance at January 1, 2016	$ 438,149	$ -	$ 84,358	$ 522,507
Amortization	52,936	-	3,053	55,989
Disposals	(145)	-	(85,416)	(85,561)
Effect of foreign currency exchange differences	(1,119)	-	(1,995)	(3,114)
Balance at December 31, 2016	$ 489,821	$ -	$ -	$ 489,821
Carrying amounts				
Balance at December 31, 2016	$ 266,446	$ 1,224,683	$ 7,882	$ 1,499,011
Cost				
Balance at January 1, 2015	$ 473,586	$ 1,203,350	$ 91,661	$ 1,768,597
Additions	30,735	-	-	30,735
Disposals	(6,470)	-	-	(6,470)
Reclassification	82,157	-	-	82,157
Effect of foreign currency exchange differences	1,639	50,728	3,894	56,261
Balance at December 31, 2015	$ 581,647	$ 1,254,078	$ 95,555	$ 1,931,280
Accumulated amortization and impairment loss				
Balance at January 1, 2015	$ 407,474	$ -	$ 77,295	$ 484,769
Amortization	36,107	-	3,648	39,755
Disposals	(6,470)	-	-	(6,470)
Effect of foreign currency exchange differences	1,038	-	3,415	4,453
Balance at December 31, 2015	$ 438,149	$ -	$ 84,358	$ 522,507
Carrying amounts				
Balance at December 31, 2015	$ 143,498	$ 1,254,078	$ 11,197	$ 1,408,773

(Concluded)

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

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

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

23. OTHER ASSETS

	December 31 2016	December 31 2015
Refundable deposits	$ 2,962,241	$ 4,941,343
Life insurance cash surrender value	384,038	387,943
Settlement payments	89,689	188,136
Prepayment	82,136	42,438
Others	406,842	219,318
	$ 3,924,946	$ 5,779,178

24. DUE TO THE CENTRAL BANK OF CHINA AND OTHER BANKS

	December 31 2016	December 31 2015
Due to other banks	$ 55,083,687	$ 47,179,472
Call loans from Central Bank	1,614,244	661,320
	$ 56,697,931	$ 47,840,792

25. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31 2016	December 31 2015
Transactions instruments	$ 161,213,032	$ 84,424,475
Government bonds	1,150,147	33,515,224
Corporate bonds	-	42,270,726
Bank debentures	941,602	11,027,671
	$ 163,304,781	$ 171,238,096
Date of agreement to repurchase	August 2017	July 2016
Amount of agreement to repurchase	$ 163,383,830	$ 171,313,676

26. PAYABLES

	December 31 2016	December 31 2015
Payable on securities sales and bonds sales	$ -	$ 918,600
Settlement accounts payable - execution of customer orders	89,677	437,530
Deposits payable for securities financing	-	161,181
Acceptances	371,860	396,083
Accrued interest	445,485	401,947

(Continued)

	December 31	
	2016	2015
Accrued expenses	$ 797,114	$ 788,082
Replacement of receipts payable	151,524	219,291
Factoring	1,152,783	666,462
Others	744,700	487,905
	$ 3,753,143	$ 4,477,081

(Concluded)

27. DEPOSITS AND REMITTANCES

	December 31	
	2016	2015
Deposits		
Checking	$ 2,319,109	$ 5,124,395
Demand	34,345,984	27,845,323
Time	147,922,360	139,805,187
Remittances	158	1,377
	$ 184,587,611	$ 172,776,282

28. BANK DEBENTURES

	December 31	
	2016	2015
Subordinate debenture bonds issued in 2009, fixed 3.20% interest rate; maturity: December 28, 2016; interest paid annually and repay maturity	$ -	$ 500,000
Subordinate debenture bonds issued in 2010; fixed 3.00% interest rate; maturity: April 12, 2017; interest paid annually and repay the principal at maturity	800,000	800,000
Subordinate debenture bonds issued in 2011; fixed 2.30% interest rate; maturity: August 26, 2018; interest paid annually and repay the principal at maturity	950,000	950,000
Subordinate debenture bonds issued in 2011; fixed 2.30% interest rate; maturity: October 28, 2018; interest paid annually and repay the principal at maturity	3,350,000	3,350,000
Subordinate debenture bonds issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repay the principal at maturity	1,650,000	1,650,000
Subordinate debenture bonds issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	2,300,000	2,300,000
Subordinate debenture bonds issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	1,300,000	1,300,000

(Continued)

	December 31	
	2016	**2015**
Subordinate debenture bonds issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	$ 1,000,000	$ 1,000,000
Subordinate debenture bonds issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
Subordinate debenture bonds issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	-
Subordinate debenture bonds issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	-
	$ 17,450,000	$ 14,950,000

(Concluded)

29. OTHER FINANCIAL LIABILITIES

	December 31	
	2016	**2015**
Bank loans	$ 11,382,997	$ 12,692,630
Commercial paper	2,799,824	314,981
Funds obtained from the government - intended for specific types of loans	4,638,398	5,021,807
Principal received of the structural goods	10,423	-
Others	-	288,160
	$ 18,831,642	$ 18,317,578

a. Bank loans

	December 31	
	2016	**2015**
Short-term secured loans	$ 1,626,203	$ 3,656,455
Short-term credit loans	5,468,358	6,877,964
Long-term secured loans	831,181	600,429
Long-term credit loans	3,457,255	1,557,782
	$ 11,382,997	$ 12,692,630
Interest rate interval		
New Taiwan dollars	1.20%-1.78%	1.35%-1.89%
U.S. dollars	0.69%-15.16%	0.66%-3.59%
Renminbi	4.79%-6.37%	4.70%-6.66%

b. Commercial paper

	December 31	
	2016	**2015**
Commercial paper	$ 2,800,000	$ 315,000
Less: Unamortized discount	(176)	(19)
	$ 2,799,824	$ 314,981
Interest rate interval	0.37%-1.35%	0.608%-1.48%

30. PROVISIONS

	December 31	
	2016	**2015**
Provisions for employee benefits	$ 280,076	$ 256,810
Reserve for losses on guarantees	1,511,876	1,484,195
Reserve for claims outstanding	9,092	-
	$ 1,801,044	$ 1,741,005

Reserve for claims outstanding are provisions recognized in the specific actual reconciliation condition from controversial cases due to sale of refundable forward transactions. By December 31, 2016, the reserve for claims outstanding was unpaid.

31. RETIREMENT BENEFITS PLANS

a. Defined contribution plans

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

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

The total expense recognized in profit or loss for the years ended December 31, 2016 and 2015 was $43,800 thousand and $58,551 thousand, respectively, represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standard Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the twelve months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy. Because of secondment from the subsidiaries, the Bank received $398 thousand and $188 thousand, which recognized in deduction of retirement expense, for 2016 and 2015, respectively.

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

	December 31	
	2016	**2015**
Present value of defined benefit obligation	$ 549,227	$ 597,934
Fair value of plan assets	(269,151)	(341,124)
Net defined benefit liability (asset)	$ 280,076	$ 256,810

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2015	$ 558,937	$ (346,992)	$ 211,945
Service cost			
Current service cost	24,028	-	24,028
Net interest expense (income)	8,556	(6,215)	2,341
Recognized in profit or loss	32,584	(6,215)	26,369
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,606)	(2,606)
Actuarial loss - changes in demographic assumptions	6,725	-	6,725
Actuarial loss - changes in financial assumptions	20,205	-	20,205
Actuarial loss - experience adjustments	2,736	-	2,736
Others	-	(129)	(129)
Recognized in other comprehensive income	29,666	(2,735)	26,931
Contributions from the employer	-	(7,460)	(7,460)
Contributions from plan participants	(22,278)	22,278	-
Benefits paid	(975)	-	(975)
Balance at December 31, 2015	$ 597,934	$ (341,124)	$ 256,810

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2016	$ 597,934	$ (341,124)	$ 256,810
Service cost			
Current service cost	18,438	-	18,438
Net interest expense (income)	6,324	(4,082)	2,242
Recognized in profit or loss	24,762	(4,082)	20,680
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,535	1,535
Actuarial loss - changes in demographic assumptions	6,750	-	6,750
Actuarial loss - changes in financial assumptions	14,962	-	14,962
Actuarial loss - experience adjustments	(3,415)	-	(3,415)
Others	-	(69)	(69)
Recognized in other comprehensive income	18,297	1,466	19,763
Contributions from the employer	-	(6,118)	(6,118)
Contributions from plan participants	(26,889)	26,889	-
Benefits paid	(64,877)	53,818	(11,059)
Balance at December 31, 2016	$ 549,227	$ (269,151)	$ 280,076

(Concluded)

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

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

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

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

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

	December 31	
	2016	2015
Discount rate(s)	0.875%-1.25%	1.25%-1.75%
Expected rate(s) of salary increase	2.50%	2.125%-2.50%

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

	December 31, 2016
Discount rate(s)	
0.25% increase	$ (11,817)
0.25% decrease	$ 12,277
Expected rate(s) of salary increase	
0.25% increase	$ 11,908
0.25% decrease	$ (11,524)

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

	December 31	
	2016	2015
The expected contributions to the plan for the next year	$ 5,372	$ 6,544
The average duration of the defined benefit obligation	10 years	11 years

32. OTHER LIABILITIES

	December 31	
	2016	2015
Guarantee deposits received	$ 1,550,697	$ 1,418,235
Advance revenue	110,579	189,874
Others	223,745	180,990
	$ 1,885,021	$ 1,789,099

33. EQUITY

a. Capital stock

Common stock

	December 31	
	2016	2015
Numbers of shares authorized (in thousands)	2,601,706	2,601,706
Capital stock authorized	$ 26,017,060	$ 26,017,060
Number of shares issued and fully paid (in thousands)	2,390,506	2,390,506
Shares issued	$ 23,905,063	$ 23,905,063

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

The stockholders' meeting on June 3, 2016 approved to issue new stocks in public by increasing cash capital before going initial public offering in Taiwan Stock Exchange Market and planned to issue 22,500 thousand shares, which have a par value of $10.

b. Capital surplus

	December 31	
	2016	2015
Arising from treasury share transactions	$ 3,193	$ 1,773

Such capital surplus may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Bank's capital surplus and once a year).

c. Retained earnings and dividend policy

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

Under the dividend policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 39.

The Company's Articles of Incorporation also stipulate a dividend policy that the issuance of a stock dividend takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 20% of total dividends distributed.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's capital surplus. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash.

Under the Company Law, legal reserve shall be appropriated until it has reached the Bank's capital surplus. This reserve may be used to offset deficit. When the Bank has no loss and the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Bank should appropriate or reverse to a special reserve. When the deduction of other equity was reversed, the reversed part could be distributed in cash.

Except for non-ROC resident stockholders, all stockholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Bank.

The appropriations of earnings for 2015 and 2014 had been approved in stockholders' meetings on June 3, 2016 and June 2, 2015, respectively. The appropriations and dividends per share were as follows:

	2015		2014	
	Appropriation of Earnings	**Dividend Per Share (NT$)**	**Appropriation of Earnings**	**Dividend Per Share (NT$)**
Legal reserve	$ 510,102		$ 528,947	
Special reserve	(5,014)		279,154	
Cash dividend - common stock	1,195,253	$0.50	955,055	$0.40

Bonuses to employees and remuneration of directors and supervisors for 2015 proposed in the stockholders' meetings on February 22, 2016 were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 489,470	
Special reserve	56,244	
Cash dividend - common stock	1,085,853	$0.45

Bonus to employees and remuneration of directors and supervisors will be approved in stockholders' meeting on June 14, 2016.

d. Other equity items

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

	For the Year Ended December 31	
	2016	**2015**
Balance at January 1	$ 406,040	$ 247,842
Exchange differences arising on translating the financial statements of foreign operations	(256,621)	189,136
Income tax related to gains arising on translating the financial statements of foreign operations	41,571	(30,938)
Balance at December 31	$ 190,990	$ 406,040

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

	For the Year Ended December 31	
	2016	**2015**
Balance at January 1	$ 624,576	$ 565,041
Unrealized gain arising on revaluation of available-for-sale financial assets	(245,450)	421,624
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	(272,516)	(393,153)
Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	2,898	58,449
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	(15,783)	(27,385)
Balance at December 31	$ 93,725	$ 624,576

e. Non-controlling interests

	2016	2015
Balance at January 1	$ 16,603,157	$ 16,311,405
Attribute to non-controlling interests		
Share of profit for the year	1,191,101	1,194,684
Exchange differences arising on translation of foreign entities	(10,267)	17,270
Unrealized gains and losses on available-for-sale financial assets	(326,497)	206,042
Actuarial gains (loss) on defined benefit plans	(10,873)	(8,976)
Changes in percentage of ownership interest in subsidiaries	(160,075)	-
Subsidiaries dividends paid	(798,442)	(692,625)
Subsidiaries refund capital	(5,653)	(90,015)
Disposal of subsidiaries	-	(334,628)
Ending balance	$ 16,482,451	$ 16,603,157

f. Treasury stock

On June 26, 2013, the Bank's board of directors resolved to buy-back outstanding shares at $5.5-$8 per share from emerging market in order to transfer the shares to employees. The Bank bought back 7,774 thousand shares in the amount of $50,620 thousand. The Bank had transferred 2,869 and 4,905 thousand shares to employees in February 2016 and March 2015. In accordance with IFRS 2 "Share based payment", the Bank recognized employee benefits expense in the amount of $1,492 thousand and $1,864 thousand and capital surplus - stock options in the amount of $1,420 thousand and $1,773 thousand (including related taxes) on grant day, and recognized capital surplus - treasury stock transactions on the settlement day. Under the Securities and Exchange Act, the Bank shall neither pledge treasury stock nor exercise stockholders' rights on these shares, such as rights to dividends and to vote.

	Shares Transferred to Employees (In Thousands of Shares)
Number of shares at January 1, 2015	7,774
Decrease during the year	4,905
Number of shares at December 31, 2015	2,869
Number of shares at January 1, 2016	2,869
Decrease during the year	2,869
Number of shares at December 31, 2016	-

34. NET INTEREST

	For the Year Ended December 31 2016	2015
Interest revenue		
Discounts and loans	$ 3,961,651	$ 3,578,914
Due from the central bank and call loans to banks	102,636	205,267
Investment in marketable securities	1,727,071	1,427,845
Installment sales and lease	806,308	927,714
Others	276,778	133,500
	6,874,444	6,273,240
Interest expense		
Deposits	1,097,825	1,236,105
Due to central bank and other banks	312,663	233,087
Bank debentures	348,216	317,176
Securities sold under agreement to repurchase	619,880	836,950
Debit loans	337,363	260,532
Others	7,060	4,813
	2,723,007	2,888,663
	$ 4,151,437	$ 3,384,577

35. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31 2016	2015
Commission and fee revenue		
Guarantee business	$ 610,454	$ 530,832
Loan business	414,924	227,111
Agency income	339,258	279,276
Trust business	6,757	28,496
Lease business	193,454	163,104
Credit examine business	295,388	204,997
Import and export business	38,227	38,372
Factoring business	54,729	50,923
Others	114,514	58,670
	2,067,705	1,581,781
Commission and fee expense		
Others	48,435	41,339
	$ 2,019,270	$ 1,540,442

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

	For the Year Ended December 31	
	2016	2015
Realized gain profit or loss		
Instruments	$ 152,110	$ -
Stocks	(11,932)	90,612
Bonds	37,367	61,748
Derivatives	(20,667)	307,073
Others	(23,957)	118,465
	132,921	577,898
Gains (losses) on valuation		
Instruments	(6,746)	20,872
Stocks	(30,256)	(10,292)
Bonds	(892)	131
Derivatives	427,784	(133,122)
Others	(68,768)	14,012
	321,122	(108,399)
Interest revenue	961,686	1,175,263
	$ 1,415,729	$ 1,644,762

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

	For the Year Ended December 31	
	2016	2015
Net profit on disposal - stocks	$ 222,386	$ 338,197
Net profit on disposal - bonds	48,877	42,290
Net profit on disposal - securitized beneficiary certificates	1,253	12,666
Dividend revenue	36,805	33,752
	$ 309,321	$ 426,905

38. LOSS FROM ASSET IMPAIRMENT

	For the Year Ended December 31	
	2016	2015
Financial assets carried at cost	$ 31,435	$ 82,578
Available-for-sale financial assets	2,898	58,450
	$ 34,333	$ 141,028

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

39. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits		
Salaries and wages	$ 1,397,557	$ 1,055,456
Award expense	497,828	432,356
Labor insurance and national health insurance	77,442	85,341
Others	180,927	188,586
Post-employment benefits		
Pension	64,082	73,095
	$ 2,217,836	$ 1,834,834

In compliance with the Company Act as amended in May 2015, and the amended Articles of Incorporation of the Company approved by the stockholders in their meeting in June 2016, the Bank accrued employees' compensation and remuneration of directors and supervisors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Bank's board of directors on February 22, 2017 and March 25, 2016, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation	1.25%	1.25%
Remuneration of directors and supervisors	2.50%	2.50%

	For the Year Ended December 31			
	2016		2015	
	Cash Dividends	Stock Dividends	Cash Dividends	Stock Dividends
Bonus to employees	$ 24,111	$ -	$ 26,039	$ -
Bonus to directors	48,223	-	52,078	-

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

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

Information on the bonus to employees, directors and supervisors proposed by the Bank's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

40. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2016	2015
Property and equipment	$ 148,751	$ 140,914
Intangible assets	53,108	30,104
	$ 201,859	$ 171,018

41. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2016	2015
Taxation	$ 178,941	$ 190,131
Rental	144,463	141,768
Management fee	34,431	29,951
Compensation payable to directors and supervisors	71,574	100,726
Computer operating and consulting fees	77,026	67,582
Entertainment	53,684	46,415
Professional services	53,901	30,975
Others	502,834	431,319
	$ 1,116,854	$ 1,038,867

42. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current period	$ 726,396	$ 607,868
Income tax on unappropriated earnings	-	28,110
In respect of prior periods	27,313	(12,116)
	753,709	623,862
Deferred tax		
In respect of the current period	80,033	66,563
Income tax expense recognized in profit or loss	$ 833,742	$ 690,425

The reconciliation of the income based on income before income tax at the statutory rate and income tax expense was as follows:

	For the Year Ended December 31	
	2016	2015
Profit before tax from continuing operations	$ 3,575,785	$ 3,678,996
Income tax expense calculated at the statutory rate	$ 824,983	$ 724,026
Nondeductible expenses in determining taxable income	52,117	96,004
Tax-exempt income	(184,775)	(265,177)
Deductible loss carryforwards	(7,726)	(371)
Additional income tax under the Alternative Minimum Tax Act	50,735	25,447
Income tax on unappropriated earnings	-	28,110
Unrecognized temporary difference	10,809	47,684
Unrecognized loss carryforwards	8,233	40,649
Overseas tax	52,053	6,169
Adjustments for prior years' tax	27,313	(12,116)
Income tax expense recognized in profit or loss	$ 833,742	$ 690,425

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
Deferred tax		
Recognized in other comprehensive income		
Translation of foreign operations	$ 48,308	$ (30,140)
Fair value remeasurement of available-for-sale financial assets	21,693	(303)
Actuarial gains (loss) on defined benefit plans	3,110	2,383
	$ 73,111	$ (28,060)

c. Deferred tax assets and liabilities

For the year ended December 31, 2016

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

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

For the year ended December 31, 2015

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	$ 22	$ (22)	$ -	$ -	$ -
Property and equipment	10,407	(2,237)	-	343	8,513
AFS financial assets	8,856	-	(1,527)	377	7,706
Defined benefit plans	12,003	154	2,383	-	14,540
Provisions	344,493	(59,875)	-	32,901	317,519
Doubtful debts	89,171	1,975	-	73	91,219
Asset impairment	9,707	-	-	-	9,707
Other	64,658	37,977	-	2,784	105,419
	$ 539,317	$ (22,028)	$ 856	$ 36,478	$ 554,623

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	$ 7,513	$ 6,457	$ -	$ -	$ 13,970
AFS financial assets	1,224	-	(1,224)	-	-
Associates	96,989	37,955	-	-	134,944
Exchange difference on foreign operations	49,870	-	30,140	-	80,010
Other	685	825	-	-	1,510
	$ 156,281	$ 45,237	$ 28,916	$ -	$ 230,434

d. Integrated income tax

	December 31	
	2016	2015
Imputation credit accounts	$ 40,491	$ 73,377

The creditable ratio for distribution of earnings of 2016 and 2015 was 2.48% (estimated) 2.48% and 9.39%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident stockholders of the Company was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to stockholders of the Company was based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

The Bank did not have undistributed earnings earned before 1997 (including 1997).

e. Income tax assessments income tax returns of the Company through 2014 had been assessed by the Taipei National Tax Administrative, except the CBF for 2010 had not been assessed by the Taipei National Tax Administration.

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

43. EARNINGS PER SHARE

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

Unit: NT$ Per Share

	For the Year Ended December 31	
	2016	**2015**
Basic earnings per share		
From continuing operations	$ 0.65	$ 0.75
From discontinued operations	0.04	(0.03)
Total basic earnings per share	$ 0.69	$ 0.72
Diluted earnings per share		
From continuing operations	$ 0.65	$ 0.75
From discontinued operations	0.04	(0.03)
Total diluted earnings per share	$ 0.69	$ 0.72

Net Profit for the Year

	For the Year Ended December 31	
	2016	**2015**
Earnings used in the computation of basic and diluted earnings per share from continuing operations	$ 1,550,942	$ 1,793,885
Profit for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	92,956	(67,819)
Earnings used in the computation of basic and diluted earnings per share	$ 1,643,898	$ 1,726,066

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

	For the Year Ended December 31	
	2016	**2015**
Weighted average number of common stocks in computation of basic earnings per share	2,390,083	2,386,981
Effect of potentially dilutive common stocks:		
Employees' compensation or bonus issue to employees	2,874	3,369
Weighted average number of common stocks used in the computation of diluted earnings per share	2,392,957	2,390,350

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

44. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with The Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture)	Associates
Tai Chia International Co., Ltd. (dissolved on June 8, 2015)	Associates
IBT Education Foundation (IBTEF)	The Bank is the major donor of the foundation
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Bank's legal director
Others	The Bank's management and their other relatives

b. The significant transactions and balances with the related parties are summarized as follows:

1) Deposits

	Ending Balance	Interest Expense	Rate (%)
For the year ended December 31, 2016			
Associates	$ 4,553	$ 103	0.08-0.48
Others	881,883	8,334	0.00-6.54
	$ 886,436	$ 8,437	
For the year ended December 31, 2015			
Associates	$ 50,631	$ 291	0.05-1.42
Others	1,288,341	7,203	0.00-6.70
	$ 1,338,972	$ 7,494	

2) Directors acting as the guarantor of the loan balance

	Ending Balance	Rate (%)
December 31, 2016	$ 665,000	1.437
December 31, 2015	$ 855,000	1.59

3) Service fee income

	For the Year Ended December 31	
	2016	**2015**
Associates	$ 136	$ 129

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

4) Other expense

	For the Year Ended December 31	
	2016	**2015**
Others	$ 2,520	$ 2,680

Other expenses are donations.

5) Rental income and others

	For the Year Ended December 31	
	2016	**2015**
Others	$ 322	$ 552

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

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	**2015**
Short-term employee benefits		
Salaries and wages	$ 202,951	$ 134,920
Awards	113,141	118,694
Others	77,743	108,092
	393,835	361,706
Post-employment benefits	3,966	7,779
Severance payments	5,933	7,779
Share based payments	-	1,479
	$ 403,734	$ 370,964

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

45. PLEDGED ASSETS

	December 31 2016	December 31 2015
Due from banks	$ 221,966	$ 251,567
Financial assets at fair value through profit or loss	5,852,839	4,700,314
Discounts and loans	9,700,057	8,784,763
Available-for-sale financial assets	2,465,184	2,595,205
Held-to-maturity financial assets	5,255,176	4,502,700
Pledged time deposits	38,134	347,774
Compensation account for payment	110,080	102,875
	$ 23,643,436	$ 21,285,198

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of due from banks) and negotiable certificates of deposits (part of financial assets at fair value through profit or loss and held-to-maturity financial assets) as collateral for the day-term overdraft. The pledged amount is adjustable based on overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above available-for-sale financial assets were bond investments and mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the U.S.A. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limits to Federal Home Loan Bank of San Francisco. Restricted assets were provided not merely as collaterals for short-term borrowings, commercial paper issued, contract security deposit and administrative reliefs, but as pledged for the Central Bank bond bidding.

46. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2016 and 2015, the Company had commitments as follows:

	December 31 2016	December 31 2015
Office decorating and contracts of computer software		
Amount of contracts	$ 1,593,409	$ 554,479
Payments for construction in progress and prepayments for equipment	1,026,389	255,635

To operate in accordance with the commercial bank requests, The Bank made computer software contracts with International Integrated System Inc., International Commercial Machine Corporation, Future Intelligence Technology Inc., New Southern Engineering Enterprise Corp. Ltd., Mitac Communication, Himax Technologies, Provision Information Inc. and SAS Institute Taiwan Inc. in 105 respectively.

b. The Company as lessee

Due to rental of buildings, the bank and its subsidiaries have been entered into various leasehold contracts with others, respectively. These contracts are gradually expire before the end of May 2025.

As of December 31, 2016 and 2015, refundable deposits paid under operating lease amounted to $26,769 thousand and $29,887 thousand.

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

	December 31, 2016
Up to 1 years	$ 121,025
Over 1 year to 5 years	342,641
Over 5 years	140,664
	$ 604,330

c. Regarding the merger in which subsidiary company, IBT Asset Management Co., Ltd. (IBTAM), was merged by Taishin Securities Investment Trust Co., Ltd. (TSIT) on December 18, 2010. According to merger agreement, the Bank and the main stockholder of IBTAM, Chiung-Tzan Chen should inherit the rights, obligations and liabilities of IBTAM. According to the Contract, after 2 years of merger date, the retention of $22,419 is reserved in TSIT, would be fully returned to the Bank, unless the deductions due to loss regarding litigation, non-litigation, settlement or administrative sanctions were determined. As of December 31, 2016, the amount of $17,397 thousand was not yet refunded. The issue as follows:

   Another investor filed a civil lawsuit against IBTAM, the manager of IBT Global MBS Fund, and Polaris Securities on July 17, 2009. The investor asked for a compensation of $18,481 thousand from IBTAM and Polaris Securities on March 19, 2010, plus 5% interest from June 11, 2009 to the date of payment of the compensation. The Taipei District Court adjudged that IBTAM is without liability on September 12, 2013. The plaintiff refused to accept the result and appeal the lawsuit to Taipei High Court, the court adjudged that IBTAM is without liability on March 3, 2015. But the plaintiff still do not agree the judgment, and the supreme court dismiss the appeal and sustain the original judgement on March 8, 2017.

   As for the litigations and contingencies, IBT considered there is still possibility of loss. Thus, it conservatively evaluated to recognize $18,182 thousand of liabilities.

d. A client, Mr. Huang, took a civil lawsuit against IBTS on May 11, 2015 for alleged encroachment of a former clerk on his stock delivery models, and claimed for compensation in the amount of $1,779 thousand. The lawsuit is in the Court of First Instance, and the preliminary proceedings will be convened on September 30, 2015. According to the investigation, the Company estimates the possibility of losing in the case is very low, but the final result still depends on the Court's judgment.

e. IBTS Asia (HK) Limited (IBTS Asia), subsidiary company of IBTS (second defendant in this case), was sued by a client, Rao, who alleged his partner, Liang (first defendant in this case), violated the cooperative agreement among themselves and sold all of the 650 million shares of Uni-Bio Science Company Limited (the original 650 million shares have been merged into 65 million shares by now) in their joint account opened at IBTS Asia, and IBTS Asia together with its manager, Sih Tu (third defendant in this case), failed to follow the cooperative agreement to monitor the performance of the agreement; therefore, all the three defendants should return the 650 million shares or pay compensation. Neither IBTS Asia nor its employees have signed the cooperative agreement. The plaintiff has submitted pleadings to The High Court of Hong Kong in January 2010. The court held the trial conference from November 28, 2016 to December 16, 2016. After the trial conference, Mr. Rao, Mr. Liang and IBTS Asia made a reconciliation on December 1, 2016.

47. TRUST BUSINESS UNDER THE TRUST LAW

Trust-related items are shown in the following balance sheet and trust property list:

Balance Sheet of Trust Accounts

	December 31	
	2016	2015
Trust assets		
Bank deposits	$ 760,034	$ 817,756
Financial asset	228,378	874,986
Real estate	5,222,776	9,021,767
	$ 6,211,188	$ 10,714,509
Trust capital and liability	$ 6,211,188	$ 10,714,509

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2016	2015
Trust revenue		
Interest revenue	$ 78,012	$ 122,011
Trust expenses		
Income tax expense	7,763	12,201
	$ 70,249	$ 109,810

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

Trust Property List

	December 31	
	2016	2015
Bank deposit	$ 760,034	$ 817,756
Stock	228,378	874,986
Land	5,131,963	7,230,954
Real estate, net	90,813	1,790,813
	$ 6,211,188	$ 10,714,509

48. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity financial assets	$ 5,544,703	$ 5,550,503	$ 9,849,587	$ 9,894,834
Financial liabilities				
Bank debentures	17,450,000	17,544,491	14,950,000	15,033,738

2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

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

	December 31, 2015			
Item	Total	Level 1	Level 2	Level 3
Financial assets				
Held-for-maturity financial assets	$ 9,894,834	$ -	$ 9,894,834	$ -
Financial liabilities				
Bank debentures	15,033,738	15,033,738	-	-

Held-to-maturity financial assets and bank debentures. Refer to quoted market prices for fair value. If quoted market prices are not available, the fair value is determined by using a valuation technique.

b. Fair value of financial instruments carried at fair value

1) The fair value hierarchy of the financial instruments as of December 31, 2016 and 2015 were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 539,779	$ 360,084	$ 114,669	$ 65,026
Bonds	517,317	10,928	506,389	
Bills	96,648,408	-	96,648,408	-
Others	35,342,797	-	35,342,797	-
Financial assets designated as fair value through profit or loss	12,018,171	-	1,627,391	10,390,780
Available-for-sale financial assets				
Stocks	1,201,277	1,201,277	-	-
Bonds	125,780,288	101,197	125,679,091	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	72	-	72	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	2,655,813	-	2,444,169	211,644
Liabilities				
Financial liabilities at fair value through profit or loss	2,377,800	-	2,377,800	-

Item	December 31, 2015 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 996,647	$ 924,213	$ 72,434	$ -
Bonds	1,425,025	996,832	328,180	100,013
Bills	100,750,259	204,771	100,545,488	-
Others	34,071,511	-	34,071,511	-
Financial assets designated as fair value through profit or loss	15,946,575	-	2,972,502	12,974,073
Available-for-sale financial assets				
Stocks	1,393,411	1,393,411	-	-
Bonds	114,448,570	2,862,444	111,586,126	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	651,528	146,299	505,229	-

(Continued)

Item	December 31, 2015 Total			
	Total	Level 1	Level 2	Level 3
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	$ 6,488,544	$ 6,066	$ 6,209,672	$ 272,806
Liabilities				
Financial liabilities at fair value through profit or loss	5,637,548	-	5,637,548	-

(Concluded)

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to achieve by the two sides, in exchange of assets or settle of liabilities, fair value is the amount settled. Financial instruments at fair value through profit or loss, available-for-sale financial assets and hedging derivative financial assets refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

i. Ensure the consistency and completeness of market data.

ii. The source of market data should be transparent, easy to access, and should come from independent resources.

iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.

iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with those generally used by other market participants to price financial instruments.

Fair values of forward contracts are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation. Other derivatives are evaluated by the Kondor$^+$ system.

The fair value of interest exchange and swap contracts are using the Kondor$^+$ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. The structured and credit-linked instruments use discounted cash flows at the applicable yield curve for the duration to calculate and analyze the fair value. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

i. Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.

ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).

iii. Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Reconciliation of Level 3 items of financial instruments

<u>For the year ended December 31, 2016</u>

(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/ Sold	Transfer Out of Level 3	
Financial assets at fair value through profit or loss							
Held-for-trading financial assets	$ 100,013	$ -	$ -	$ -	$ -	$ (34,987)	$ 65,026
Derivative	272,806	(61,162)	-	-	-	-	211,644
Financial assets designated as fair value through profit or loss	12,974,073	241,528	10,569,800	-	(13,394,621)	-	10,390,780

<u>For the year ended December 31, 2015</u>

(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/ Sold	Transfer Out of Level 3	
Financial assets at fair value through profit or loss							
Held-for-trading financial assets	$ 113,804	$ -	$ -	$ -	$ (13,791)	$ -	$ 100,013
Derivative	264,445	8,361	-	-	-	-	272,806
Financial assets designated as fair value through profit or loss	10,066,332	218,813	11,403,200	-	(8,714,272)	-	12,974,073
Financial liabilities at fair value through profit or loss							
Held-for-trading financial liabilities	1,572	(3,287)	7,013	-	(5,298)	-	-

4) Transfer between Level 1 and Level 2

The Company has no significant transfers between Level 1 and Level 2 for years ended December 31, 2016 and 2015.

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

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

For the year ended December 31, 2016

(In Thousands of New Taiwan Dollars)

	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at fair value through profit or loss Derivative financial instruments	$ -	$ (1,221)	$ -	$ -

For the year ended December 31, 2015

(In Thousands of New Taiwan Dollars)

	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at fair value through profit or loss Derivative financial instruments	$ 31	$ (1,388)	$ -	$ -

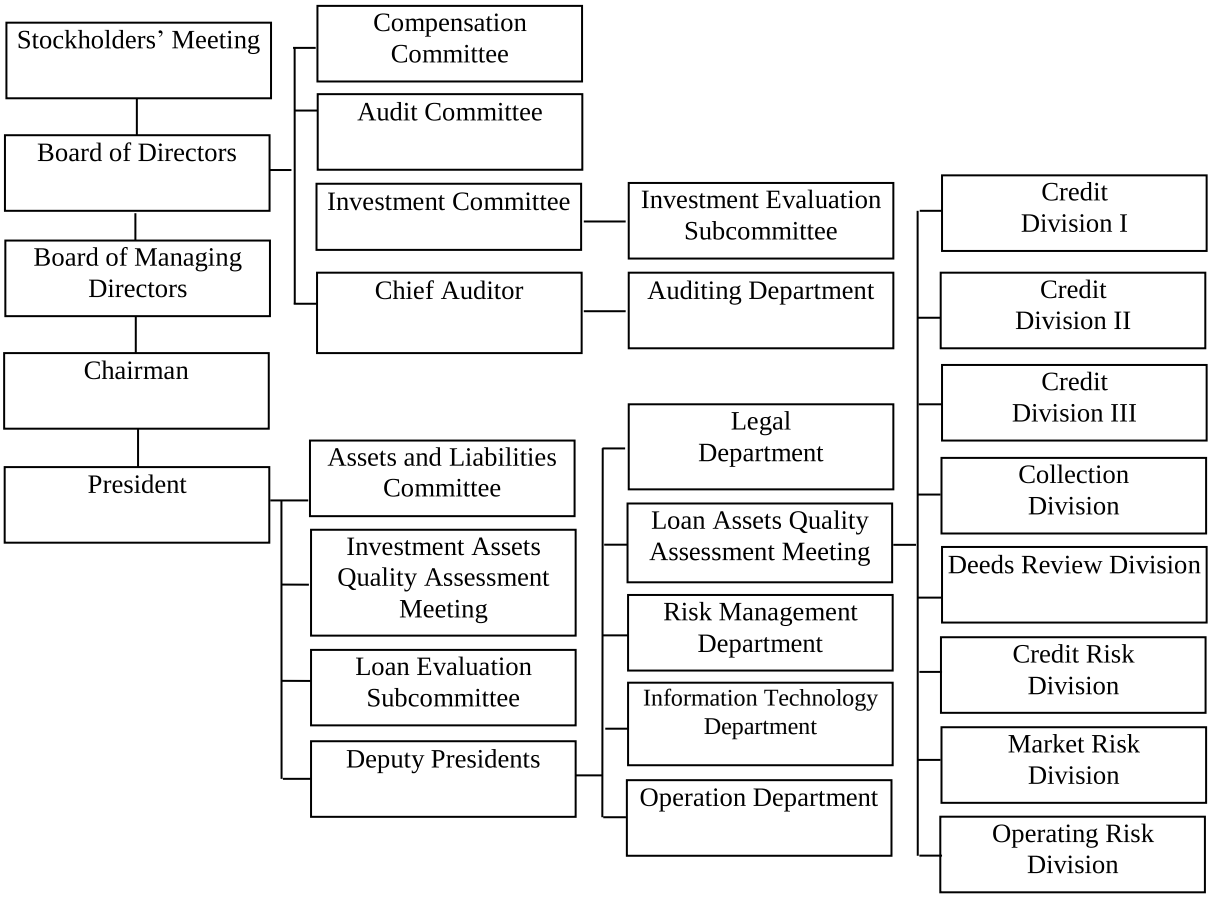
49. FINANCIAL RISK MANAGEMENT

a. Overview

The Company's risk appetite which is an expression of the amount of risk the Company is prepaid to take. The Company continues to engage actively with the regulators and monitors the capital adequacy ratio to meet the Basel III requirements.

b. Risk management framework

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



1) Assets and Liabilities Committee: It has responsibility for oversight and review of significant issues, policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk and capital adequacy.

2) Loan Evaluation Subcommittee: It reviews the loan cases that should be reviewed by the president or higher authorities.

3) Investment Evaluation Subcommittee: It reviews equity investments which are submitted by the investment department.

4) Loan and investment assets assessment meetings held for various businesses:

   a) Investment assets quality assessment meeting

      i. Examine the quality of investment assets at the Levels 5 to 8, and determine the related strategies and policies.

ii. Discuss and approve the evaluation methods and results and accounting principles by evaluators of equity investment department.

iii. Assess the probable loss of investment assets, pass cases of investment loss recognition, and make the proposal to the board for resolution.

iv. Track the operation of investees in which investment was fully recognized as loss.

b) Loan assets quality assessment meeting

i. Examine the quality of loan assets and determine the related strategies and policies.

ii. Assess the probable loss of loan assets and discuss the adequacy of allowance for credit losses and its recognition.

IBTS's risk management comprises the Board of Directors, risk management committee and risk management department.

1) Board of Directors: It has responsibility for setting risk appetite, including limits of department losses, VaR, and the amount of specific investments.

2) Risk management committee: It has responsibility for approving qualitative and quantitative risk management processes and methods, assets and VaR of configuration and dynamic adjustment, as well as managing authority for extraordinary cases, depending on business needs for first approval.

3) Risk management department: It has responsibility for the effective planning, monitoring and implementing risk management services. It acts within the authority delegated by the Risk Management Committee. Its responsibilities also include the daily risk monitoring, measurement, and evaluation. Various parts of the periodic evaluation of the profit or loss, the amount of license management, the implementation of the internal risk management practices and conditions, periodic/occasional risk management reports, assess risk exposure and risk concentration, stress testing and back testing methods development and implementation checklist for use of financial instruments business pricing model and evaluation system, evaluation and confirmation of price information, as well as quantitative management planning operational risk management systems.

China Bills Finance Corporation's (CBF) board of directors has the ultimate responsibility for risk framework decisions unit and oversees the implementation of the risk management. Business risk management which is headed by the general manager is comprised of Financial Assets and Liabilities Management Committee, Business Committee and the Investment Commission for the joint implementation of market risk, credit risk and operational risk control, and the other set of business and oversight of the audit office, and the business risk control management unit case. To effectively manage the overall risk and risks associated with integration of information, CBF has defined risk assessment methods and has summarized risk positions for the risk management group responsible for implementing the risk management operations.

c. Credit risk

1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligation to pay the Bank and its subsidiary in accordance with agreed terms.

2) Strategy/objectives/policies and procedures

a) Credit risk management strategy: The Bank and its subsidiaries are set as the implement the relevant provisions of the principles of credit risk management requirements and establish the Bank its subsidiaries' of credit risk management mechanism to ensure that the credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank and its subsidiaries credit risk, and achieve operational and management objectives.

b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank and subsidiaries' credit risk management, to minimized potential financial losses and pursue optimal reward.

   Sound risk management systems and control processes, and strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations, the Company's standards, and serve to maintain high credit standards and asset quality.

c) Credit risk management policy: The Bank and its subsidiaries establish risk management system to ensure the integrity of the Bank and its subsidiaries' business risk management and compliance particularly with the Financial Supervisory Commission issued the "financial holding companies and banking internal control and Auditing System Implementation Measures "and "norms for formulating proposals and execution of risk management policies by subsidiaries of banks"; to limit the credit risk of the Bank and its subsidiaries within the acceptable range, to maintain adequate capital and credit risk strategy to achieve the objectives, and to create maximum risk-adjusted returns.

d) Credit risk management process:

   i. Risk identification

      Credit risk management process begins with the identification of existing and potential risks, including the banking book and the trading book, including balance sheet and off-balance sheet transactions, along with financial innovation; as new businesses become increasingly complex, business executives in order do existing and new businesses, should be fully aware of the complexity involved in the business of credit risk, re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

   ii. Risk measurement

      i) The Bank manages assets portfolio by the risk rating scale.

         The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk rating must actually be scaled within credit and investors. The continual change of market gives rise to the change of credit or investor. Therefore, risk rating must be reevaluated and updated often.

      ii) Portfolio management:

         - It is used to ensure the risk of loan is within the tolerable scope,
         - It is also used to set up concentration limit to sufficiently diversify the risk, and
         - It achieves the optimal profits.

iii. Risk communication

i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include: Asset quality, portfolio rating classification status, and all kinds of exception reports.

ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank and its subsidiaries quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

i) The Bank and its subsidiaries shall establish monitoring system to assess changes in credit risk of borrower or counterparty or issuer (eg, bonds issuer and guarantor of issuers of equity related products, derivatives counterparties' credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.

ii) Besides monitoring the individual credit risk, the Company also deal with credit portfolio monitoring and management.

iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.

iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.

v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management framework

a) The Board of Directors: The Board of Directors, the top risk supervisor of the Company, is responsible for authorizing and reviewing the credit risk management strategies, and approving the credit risk management framework.

b) The Audit Department: The department is directly under the board of directors, and has one chief auditor. The department is responsible for auditing the credit risk management framework, and for ensuring the effective implementation of the credit risk management framework.

c) The Audit Committee: Responsible for stipulation and amendment of stipulations on issues about internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.

d) The Salary and Remuneration Committee: The committee considers the reasonable relationship of personnel performance, business operation, and future risk, and stipulates and reviews the policies on incentive program for the board of directors and managers periodically.

e) The Investment Examination Committee: The committee is responsible for setting investment policies, and deliberates on the overseas investment and reinvestment that is above the chairman of the board's authority.

f) The Asset/Liability Management Committee: The committee is responsible for convening meetings for management of assets and liabilities, and reviews the policies and strategies about management of assets and liabilities, liquidity risk, currency rate risk, market risk, and capital adequacy ratio.

g) The Investment Assessment Company: Evaluates the Investment Department's projects, and submits approved projects to Investment Examination Committee and the Board of Directors.

h) The Credit Assessment Company: Evaluates the Risk Management Department's credit projects, and submits approved projects to authorized levels.

i) The Investment Assets Quality Evaluation Company: The Company is in charge for making policies and strategies for identifying the possibilities of loss on financial assets. The Company discusses and approves the evaluation method and analyzes the results of the evaluation of the financial assets.

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

k) The Risk Management Division: The division makes sure the Company follows the BASEL's regulation, and is responsible for the preparation of risk management reports, and responsible for planning and application of monitoring tools for credit risk measurement.

l) The Business Management units: The units stipulate regulations, progress and internal control for business management, and monitors the activities of operation units.

m) The Operation units: Adhering to the risk management regulations and procedures stipulated by the Business Management units, the Operation units implement daily risk management works and internal controls.

4) Credit risk measurement, control and reporting

The Bank regularly monitors the credit risk limit control situations and reports for the risk behind the financial products and business operations, and is approved properly by the Board of Directs or authorized committee.

a) Credit evaluation system: Ranking customers' credit rating by scorecards produced from the data of customers' credit status used in statistics methods.

b) Risk evaluation system: The Credit evaluation score card is divided into 10 grades including customers' guarantee status, credit period, credit risk of borrower's country and credit risk of products.

c) Centralized management of credit limit: The Company measures each risk in the comparability basis by the same borrower, trading partner or interested parties, and sets the overall credit limit and control policies by country, industries, business and financial institution.

5) Mitigation of risks or hedging of credit risk

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty's bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Company has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Company uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links levy credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

The maximum credit exposure of the financial instruments held by the Company is equal to the book value except as follows:

Off-balance Sheet Item	Maximum Exposure Amount	
	December 31, 2016	December 31, 2015
Financial guarantees and standby letter of credit		
Contract (notional) amounts	$ 104,736,341	$ 95,430,592
Maximum exposure amounts	104,736,341	95,430,592

7) Concentrations of credit risk exposure

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Bank's total credit exposure. The Bank maintains a diversified portfolio, limits its exposure to any one geographic region, country or individual creditor and monitors the exposure on a continuous basis. On December 31, 2016 and 2015, the Bank's most significant concentrations of credit risk were summarized as follows:

a) By industry

Credit Risk Profile by Industry Sector	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Financial intermediary	$ 22,375,602	8.55	$ 18,665,557	7.89
Real estate	21,704,954	8.29	24,924,110	10.54
The printed circuit board component manufacturing	16,214,475	6.19	11,438,267	4.84

b) By counterparty

Credit Risk Profile by Industry Sector	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Private sector	$ 16,140,629	98	$ 146,589,874	98
Natural person	2,856,092	2	2,333,662	2

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Domestic	$ 98,175,606	60	$ 90,629,727	61
Other Asia area	36,184,647	22	29,646,154	20
Central America	24,334,197	15	27,408,738	18

8) Credit quality and impairment assessment

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, financial asset at fair value through profit or loss, repos and debt securities, refundable deposits, guaranty bond and clearing and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

a) Credit analysis for receivables and discounts and loans

December 31, 2016	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+ (C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables (Note)	$ 19,924,914	$ -	$ 204,355	$ 20,129,269	$ 182,049	$ 335,872	$ 19,611,348
Discounts and loans	163,187,859	-	1,808,862	164,996,721	327,481	2,124,599	162,544,641

December 31, 2015	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+ (C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables (Note)	$ 19,994,298	$ -	$ 65,319	$ 20,059,617	$ 42,147	$ 361,444	$ 19,656,026
Discounts and loans	147,822,020	-	1,101,517	148,923,537	91,867	2,388,423	146,443,247

Note: The above receivables include installment, lease payment receivable, securities margin loans receivable, interest receivables, acceptances, factoring, account receivable and others.

b) Credit analysis for marketable securities

December 31, 2016	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+ (C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Available-for-sale financial assets							
Bonds	$ 125,780,289	$ -	$ -	$ 125,780,289	$ -	$ -	$ 125,780,289
Equity investments	1,192,758	-	14,287	1,207,045	5,769	-	1,201,276
Others							
Held-to-maturity financial assets							
Bonds	499,703	-	-	499,703	-	-	499,703
Others	5,045,000	-	-	5,045,000	-	-	5,045,000
Other financial assets							
Equity investments	1,280,976	-	1,065,948	2,346,924	833,769	-	1,513,155

December 31, 2015	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+ (C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Available-for-sale financial assets							
Bonds	$ 114,448,570	$ -	$ -	$ 114,448,570	$ -	$ -	$ 114,448,570
Equity investments	1,259,928	-	306,714	1,566,642	173,231	-	1,393,411
Others	-	-	-	-	-	-	-
Held-to-maturity financial assets							
Bonds	499,587	-	-	499,587	-	-	499,587
Others	9,350,000	-	-	9,350,000	-	-	9,350,000
Other financial assets							
Equity investments	1,463,435	-	1,283,113	2,746,548	916,849	-	1,829,699

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets overdue but not yet impaired.

The Company as of year ended December 31, 2016 were no overdue but not impaired financial assets.

10) Analysis of impairment for financial assets

The Company has assessed whether loans and receivables have objective evident of impairment. Assessed with banks, the Central Bank and other banks had no impairment loss. The assessment on loans and receivables are as follows:

<u>Discounts and loans</u>

Type of Impairment Assessment		December 31, 2016		December 31, 2015	
		Discounts and Loans	Allowance for Credit Losses	Discounts and Loans	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 1,808,862	$ 327,481	$ 1,101,517	$ 91,867
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed	163,187,859	2,124,599	147,822,020	2,388,423

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

Receivables

Type of Impairment Assessment		December 31, 2016		December 31, 2015	
		Discounts and Loans	Allowance for Credit Losses	Discounts and Loans	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 204,355	$ 182,049	$ 65,319	$ 42,147
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed for impairment	19,924,914	335,872	19,994,298	361,444

Note 1: The receivables are those originated by the Company, and not net of the allowance for credit losses and adjustments for discount (premium).

Note 2: The above receivables and allowances include installment, lease payment receivable, securities margin loans receivable, interest receivables, acceptances, factoring, account receivable and others.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Company's capacity to fill the need for funds to meet obligations, including deposits and guarantees.

Liquidity risk is the risk that the Company is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles

a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Company's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.

b) Ensure that the Company's available financial resources are sufficient.

c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Company's liquidity.

d) To establish an appropriate information system to measure, monitor and report liquidity risk.

e) To set an early warning indicators and a set of liquidity limits that cover important factors (including the introduction of new products or services).

f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.

g) In addition to the monitoring of the capital requirements, under normal business conditions, the Company should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.

h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the banking operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2016 and 2015, the liquidity reserve ratio was 42.84% and 45.86%.

3) The analysis of cash inflow and outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

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

December 31, 2015	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1^+ Year	Total
Due to the Central Bank and other bank	$ 40,703,908	$ 7,136,884	$ -	$ -	$ -	$ 47,840,792
Financial liabilities at fair value through profit or loss	651,528	-	-	-	-	651,528
Securities sold under agreements to repurchase	147,742,287	22,740,462	768,364	62,563	-	171,313,676
Accounts payable	2,969,072	235,218	870,504	379,293	22,994	4,477,081
Deposits	47,821,274	46,645,051	43,449,192	17,016,600	17,844,165	172,776,282
Bank debentures	-	-	-	500,000	14,450,000	14,950,000
Other financial liabilities	9,798,536	851,087	734,333	1,440,487	5,493,135	18,317,578
	$ 249,686,605	$ 77,608,702	$ 45,822,393	$ 19,398,943	$ 37,810,294	$ 430,326,937

4) The Company assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity analysis of derivative financial liabilities was as follows:

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

December 31, 2015	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Deliverable						
Forward contracts	$ 42,346	$ 25,970	$ 588,695	$ 93,039	$ 13,185	$ 763,235
Currency swap contracts	1,088,821	26,891	20,180	14,955	15	1,150,862
Selling foreign currency option contracts	127,836	173,533	97,862	776,822	2,390,688	3,566,741
Commercial paper contracts	181	-	-	-	-	181
	1,259,184	226,394	706,737	884,816	2,403,888	5,481,019
Non-deliverable						
Interest rate swap contracts	82,091	-	-	492	73,946	156,529
	$ 1,341,275	$ 226,394	$ 706,737	$ 885,308	$ 2,477,834	$ 5,637,548

5) The maturity analysis of off-balance sheet items

The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the consolidated balance sheet.

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

December 31, 2015	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Unused letters of credit	$ 939,693	$ 1,072,230	$ 381,809	$ -	$ -	$ 2,393,732
Other guarantee amounts	28,888,201	55,730,824	4,620,200	2,701,322	1,096,313	93,036,860
	$ 29,827,894	$ 56,803,054	$ 5,002,009	$ 2,701,322	$ 1,096,313	$ 95,430,592

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and procedures

The Company adopts Value at Risk (VaR) to evaluate the market risk of financial instruments related to currency exchange rate, NTD interest rate, and price of listed stock which is calculated since 2011. VaR is the potential loss in market values of financial instruments held by the Bank, which is measured within a set confidence interval for a specified period. Since 2011, the Bank estimated VaR on the basis of Monte Carlo method, instead of original historical price volatility, with confidence interval is 99% related to currency exchange rate and NTD interest rate instruments in the past one year and listed stocks in the past 3 months. The table below presents VaR of financial instruments, which is according to confidence interval, using estimation of potential loss amount in a day to assume possible fluctuation in market during a day under unfavorable changes in interest rates and exchange rates. Based on the assumption, the VaRs of the financial instruments may exceed the following values due to the fluctuations of interest rate or currency exchange rate in 1 day out of 100 days. The average VaR, the high and low VaRs were calculated based on daily VaRs in the year. The whole market risk of the Bank was less than the aggregated value of VaRs of fair value, currency exchange rate and price.

Industrial Bank of Taiwan

	December 31					
	2016			2015		
	Average	High	Low	Average	High	Low
Currency exchange rate risk	$ 1,390	$ 5,968	$ 101	$ 1,392	$ 5,087	$ 206
Fair value risk resulting from interest rate	2,105	11,246	37	1,942	7,559	137
Fair value resulting from stock price	7,103	24,218	1,063	9,815	26,830	541

IBT Securities Co., Ltd.

	December 31					
	2016			2015		
	Average	High	Low	Average	High	Low
Currency exchange rate risk	$ -	$ -	$ -	$ 18,818	$ 43,902	$ 11,292
Fair value risk resulting from interest rate	-	-	-	2,030	3,041	2,145
Fair value resulting from stock price	-	-	-	13,735	32,735	3,205

3) The procedures for market risk control, reporting and verification

The Company established risk assessment model for financial products, including bonds and notes, foreign exchange, securities and derivative transactions that take into consideration stop-loss business, location, and risk control index values, etc., to minimize possible losses from stock market price, exchange rate and interest rate fluctuations.

4) Market risk measurement of trading book

The Company measures trading book market risk measure imposed in conformity with the assessment model using publicly quoted market prices or other measurement, including interest rate sensitivity analysis (DV01 value) and stress tests; interest rate sensitivity analysis (DV01 value) refers to changes in market interest by 1 basis point (0.01%); abnormal stress test system deal with market volatility-it involves estimation of probable losses (Stress Loss) and impact of events on major asset portfolio on a regular basis according to setting of stress test scenarios, and assessment of possible effect on the Company’s profit and loss.

5) Market risk measurement of banking book

The primary purpose of banking book interest rate risk management is to use funds effectively and avoid the net interest income to be affected by adverse changes in interest rates. Banking book interest rate risk sources include liquidity risk of bonds held, bills cash position and hedge position, and the order of business units for trading, such as deposits, loans, etc. arising from interest rate risk.

a) Strategy

Interest rate risk management objective is to avoid loss due to interest rate changes and maintain high liquidity conditions, and the pursuit of stability and growth in earnings.

b) Measurement

Banking book interest rate risk primarily measure banking book assets, liabilities and off-balance sheet items amount and maturity or repricing date difference caused by the difference and the phase differences between risks. Risk management department monitor the banking book by using the interest rate risk sensitivity.

c) Management program

Before making a transaction, the risk management department should identify repricing risk, and measure changes in interest rates that may affect the value of the economy. The risk management department monitors the interest rate risk position and prepares monthly analysis and report asset and liability to the management committee, and regularly reports to the Board.

f. Foreign currency rate risk information

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

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

	December 31, 2016		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 2,824,488	32.2849	$ 91,188,247
JPY	2,391,104	0.2753	658,202
HKD	3,532,320	4.1633	14,706,224
EUR	23,902	33.9640	811,822
AUD	1,308	23.3208	30,495
RMB	711,611	4.6393	3,301,385
Financial liabilities			
Monetary item			
USD	2,922,717	32.2849	94,359,538
JPY	311,265	0.2753	85,682
HKD	3,113,917	4.1633	12,964,274
EUR	19,662	33.9640	677,794
AUD	8,585	23.3208	200,213
RMB	1,618,335	4.6393	7,505,033

	December 31, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 2,375,266	33.0660	$ 78,540,518
JPY	941,907	0.2747	258,713
HKD	1,810,071	4.2663	7,722,315
EUR	15,506	36.1527	560,572
AUD	2,276	24.1580	54,995
RMB	1,307,595	5.0314	6,578,537

(Continued)

	December 31, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial liabilities			
Monetary item			
USD	$ 2,680,043	33.0660	$ 88,618,287
JPY	379,049	0.2747	104,113
HKD	2,001,216	4.2663	8,537,799
EUR	14,390	36.1527	520,251
AUD	11,762	24.1580	284,142
RMB	2,437,501	5.0314	12,263,908

(Concluded)

g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

Industrial Bank of Taiwan

	For the Year Ended December 31			
	2016		**2015**	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
Interest-earning assets				
Cash and cash equivalents - due from banks	$ 599,721	1.92	$ 1,170,468	2.21
Call loans to banks	7,547,503	1.26	8,525,984	1.89
Due from the Central Bank	3,206,108	0.76	2,827,265	1.01
Financial assets at fair value through profit or loss	40,158,025	0.66	32,123,495	0.88
Securities purchased under resell agreements	112,844	0.06	17,213	0.16
Discounts and loans	133,164,219	2.20	125,236,428	2.16
Available-for-sale financial assets	30,926,910	1.44	22,721,526	1.43
Held-to-maturity financial assets	9,361,348	0.81	9,525,374	0.81
Interest-bearing liabilities				
Due to the Central Bank and other banks	40,810,605	0.61	33,850,699	0.50
Demand deposits	27,145,073	0.32	20,831,236	0.31
Time deposits	100,878,966	0.71	126,652,048	0.84
Securities sold under repurchase agreements	1,466,221	0.37	280,013	0.36
Bank debentures	16,469,126	2.11	14,485,918	2.19
Other financial liabilities	5,378,658	-	5,978,343	0.04

China Bills Finance Corporation (CBF)

	For the Year Ended December 31			
	2016		2015	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents - due from banks	$ 536,434	0.16	$ 314,114	0.07
Call loans to banks	24,728	1.25	23,425	0.39
Financial assets at fair value through profit or loss - bonds and bills	99,646,881	0.57	97,481,924	0.77
Available-for-sale financial assets	87,380,875	1.36	75,229,369	1.36
Held-to-maturity financial assets	11,408,684	1.73	11,389,918	1.77
Securities purchased under resell agreements	3,895,444	0.20	2,215,590	0.53
Interest-bearing liabilities				
Due to other banks	18,251,341	0.35	15,761,179	0.41
Bank overdrafts	4,483	1.87	1,966	2.23
Securities sold under repurchase agreements	160,247,982	0.38	154,474,572	0.54

50. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Company's common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis subject to the competent authorities. The calculation of the ratio mentioned above by the competent authority regulations.

b. Capital assessment program

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

c. Capital adequacy ratio

Industrial Bank of Taiwan

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

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

Unit: In Thousands of New Taiwan Dollars, %

Items			December 31, 2015 Own Capital Adequacy Ratio	December 31, 2015 Consolidated Capital Adequacy Ratio
Eligible capital	Common equity Tier 1		$ 19,681,826	$ 21,316,632
	Other Tier 1 capital		-	-
	Tier 2 capital		2,663,223	4,168,719
	Eligible capital		22,345,049	25,485,351
Risk-weighted assets	Credit risk	Standard	147,924,999	150,471,365
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	5,991,475	7,111,525
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	4,366,688	6,228,413
		Internal model approach	-	-
	Total risk-weighted assets		158,283,162	163,811,303
Capital adequacy rate (Note 1)			14.12%	15.56%
Ratio of common stockholders' equity to total assets (Note 1)			12.43%	13.01%
Ratio of Tier 1 capital to risk-weighted assets			12.43%	13.01%
Leverage ratio			7.64%	8.15%

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

Note 2: Formulas used were as follows:

1) Eligible capital = Tier 1 capital + Other Tier 1 capital + Tier 2 capital

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of Tier 1 capital to risk-weighted assets = Tier 1 capital ÷ Risk-weighted assets.

5) Ratio of Tier 2 capital to risk-weighted assets = Tier 2 capital ÷ Risk-weighted assets.

6) Ratio of Tier 3 capital to risk-weighted assets = Tier 3 capital ÷ Risk-weighted assets.

7) Ratio of common stock to total assets = Common stock ÷ Total assets.

8) Leverage ratio = Tier 1 capital ÷ Adjusted average assets (average assets minus goodwill, unamortized loss from sale of non-performance loans, and items to be subtracted from Tier 1 capital which are ruled by "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

China Bills Finance Corporation

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

Items	Year	December 31, 2016	December 31, 2015
Eligible capital	Tier 1 capital	$ 22,186,884	$ 21,472,695
	Tier 2 capital	261,977	172,497
	Tier 3 capital	102,749	339,172
	Eligible capital	22,551,610	21,984,364
Risk-weighted assets	Credit risk	107,837,165	100,447,640
	Operational risk	3,572,500	3,046,596
	Market risk	55,947,322	56,998,639
	Total risk-weighted assets	167,356,987	160,492,875
Capital adequacy rate (Note 1)		13.48%	13.70%
Ratio of Tier 1 capital to risk-weighted assets (Note 1)		13.26%	13.38%
Ratio of Tier 2 capital to risk-weighted assets (Note 1)		0.16%	0.11%
Ratio of Tier 3 capital to risk-weighted assets (Note 1)		0.06%	0.21%
Ratio of common stockholders' equity to total assets (Note 1)		6.60%	6.47%

Note: 1) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

2) The amount of total assets mentioned above is calculated by summarizing all assets on the balance sheet.

3) The capital adequacy ratio (CAR) should be computed at the end of June and December. In quarterly report, the capital adequacy ratio disclosed is the data of related period (the end of June or December).

4) The calculation method of eligible capital and risk-weighted assets should follow the “bills finance company’s capital adequacy management approach” and “calculation and description of bills finance capital and risk assets”.

51. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Industrial Bank of Taiwan

a. Credit risk

1) Asset quality: See Table 5.

2) Concentration of credit extensions

December 31, 2016

(In Thousands of New Taiwan Dollars, %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (Other financial service)	$ 5,889,061	20.04
2	B Company (LCD and component manufacturing)	4,105,383	13.97
3	C Company (Ocean water transportation)	3,988,689	13.57
4	D Company (Fuel and coal production on manufacturing)	3,113,561	10.59
5	E Company (Real estate development)	2,979,749	10.14
6	F Company (Financial intermediate)	2,748,125	9.35
7	G Company (Paper making)	2,592,188	8.82
8	H Company (Real estate development)	2,460,465	8.37
9	I Company (Metal materials wholesale)	2,377,758	8.09
10	J Company (Real estate development)	2,148,768	7.31

December 31, 2015

(In Thousands of New Taiwan Dollars, %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (Other financial service)	$ 4,515,116	15.21
2	K Company (Semiconductor packaging and testing)	3,548,887	11.96
3	B Company (LCD and component manufacturing)	3,336,811	11.24
4	F Company (Financial intermediate)	2,721,411	9.17
5	D Company (Fuel and coal production on manufacturing)	2,666,640	8.99
6	C Company (Ocean water transportation)	2,595,305	8.74
7	J Company (Real estate development)	2,528,362	8.52
8	H Company (Real estate development)	2,448,000	8.25
9	E Company (Real estate development)	2,390,186	8.05
10	L Company (Textile industry)	2,043,000	6.88

b. Market risk

Interest Rate Sensitivity (New Taiwan Dollars)
December 31, 2016

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 109,271,601	$ 6,689,069	$ 13,921,957	$ 38,098,290	$ 167,980,917
Interest rate-sensitive liabilities	82,311,467	25,533,915	16,068,903	35,693,023	159,607,308
Interest rate-sensitive gap	26,960,134	(18,844,846)	(2,146,946)	2,405,267	8,373,609
Net worth					29,388,658
Ratio of interest rate-sensitive assets to liabilities					105.25%
Ratio of interest rate sensitivity gap to net worth					28.49%

December 31, 2015

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 101,072,289	$ 7,788,420	$ 13,866,348	$ 35,668,359	$ 158,395,416
Interest rate-sensitive liabilities	63,497,265	38,442,276	16,583,601	32,727,965	151,251,107
Interest rate-sensitive gap	37,575,024	(30,653,856)	(2,717,253)	2,940,394	7,144,309
Net worth					29,678,133
Ratio of interest rate-sensitive assets to liabilities					104.72%
Ratio of interest rate sensitivity gap to net worth					24.07%

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity (U.S. Dollars)
December 31, 2016

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,456,084	$ 88,866	$ 44,243	$ 497,033	$ 2,086,226
Interest rate-sensitive liabilities	1,525,147	577,152	73,811	73	2,176,183
Interest rate-sensitive gap	(69,063)	(488,286)	(29,568)	496,960	(89,957)
Net worth					18,419
Ratio of interest rate-sensitive assets to liabilities					95.87%
Ratio of interest rate sensitivity gap to net worth					(488.39%)

December 31, 2015

(In Thousands of U.S. Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,287,709	$ 64,865	$ 25,457	$ 452,979	$ 1,831,010
Interest rate-sensitive liabilities	1,233,323	650,539	66,704	33,578	1,984,144
Interest rate-sensitive gap	54,386	(585,674)	(41,247)	419,401	(153,134)
Net worth					4,252
Ratio of interest rate-sensitive assets to liabilities					92.28%
Ratio of interest rate sensitivity gap to net worth					(3,601.46%)

Note 1: The above amounts included only U.S. dollar amounts held by the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars)

c. Liquidity risk

1) Profitability

(%)

Items		For the Year Ended December 31, 2016	For the Year Ended December 31, 2015
Return on total assets	Before income tax	0.72	0.83
	After income tax	0.64	0.72
Return on equity	Before income tax	6.29	6.87
	After income tax	5.57	5.92
Net income ratio		38.06	45.54

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets

Note 2: Return on equity = Income before (after) income tax ÷ Average equity

Note 3: Net income ratio = Income after income tax ÷ Total net revenues

Note 4: Income before (after) income tax represents income for the years ended December 31, 2016 and 2015.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2016

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 208,581,483	$ 45,214,409	$ 15,011,780	$ 12,238,204	$ 16,626,871	$ 23,424,948	$ 96,065,271
Main capital outflow on maturity	238,970,810	21,313,955	30,272,935	69,783,129	24,401,394	25,059,486	68,139,911
Gap	(30,389,327)	23,900,454	(15,261,155)	(57,544,925)	(7,774,523)	(1,634,538)	27,925,360

December 31, 2015

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 208,046,343	$ 52,421,418	$ 20,171,323	$ 15,621,491	$ 24,947,115	$ 94,884,996
Main capital outflow on maturity	239,188,449	53,159,435	46,629,475	40,947,356	22,986,540	75,465,643
Gap	(31,142,106)	(738,017)	(26,458,152)	(25,325,865)	1,960,575	19,419,353

Note: The above amounts are book value held by the Bank in New Taiwan dollars.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2016

(In Thousands of U.S. Dollars)

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

December 31, 2015

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 5,138,168	$ 1,228,165	$ 1,489,889	$ 797,999	$ 863,384	$ 758,731
Main capital outflow on maturity	5,466,116	1,701,875	1,449,628	716,835	773,702	824,076
Gap	(327,948)	(473,710)	40,261	81,164	89,682	(65,345)

Note 1: The above amounts are book value held by the Bank in U.S. dollars.

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)
December 31, 2016

(In Thousands of U.S. Dollars)

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

December 31, 2015

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,535,319	$ 345,589	$ 410,727	$ 146,941	$ 246,566	$ 385,496
Main capital outflow on maturity	1,570,823	428,676	426,016	142,293	258,654	315,184
Gap	(35,504)	(83,087)	(15,289)	4,648	(12,088)	70,312

China Bills Finance Corporation

a. Asset quality

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

Item / Period	December 31, 2016	December 31, 2015
Balance of guarantees and endorsement credits overdue within 3 months	$ -	$ -
Nonperforming debts (include overdue receivables)	-	-
Credits under observation	-	-
Overdue receivables	-	-
Ratio of nonperforming debts	0.00%	0.00%
Ratio of nonperforming debts and credits under observation	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	972,378	872,953
Actual provision for credit losses and reserve for losses on guarantees	1,429,477	1,386,977

b. The principal operation

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

Item / Period	December 31, 2016	December 31, 2015
Balance of guarantees and endorsement securities	$ 96,796,900	$ 86,831,000
Ratio of guarantees and endorsement securities to net worth (Note)	4.59	4.27
Short-term bills and bonds sold under agreement to repurchase	161,290,005	171,313,676
Ratio of short-term bills and bonds sold under agreement to repurchase to net worth (Note)	7.65	8.43

Note: The net worth mentioned above is the net worth after appropriation in prior year minus the original cost of financial assets carried at cost.

c. The provision policy losses and allowance for doubtful accounts please refer to Note 12.

d. Concentrations of credit extensions

(In Thousands of New Taiwan Dollars, %)

Item \ Period	December 31, 2016		December 31, 2015	
Credit to common interest party	$ -		$ -	
Credit to common interest party ÷ Total credit	-		-	
Credit with stocks pledged ÷ Total credit	19.69		21.30	
Loan concentration by industry (The concentration of listed industries were the Top 3 of all industries)	**Type of Industry**	**%**	**Type of Industry**	**%**
	1) Finance and insurance industry	31.93	1) Finance and insurance industry	33.71
	2) Manufacturing industry	27.51	2) Manufacturing industry	26.96
	3) Real estate industry	21.24	3) Real estate industry	19.28

Note 1: Ratio of credit extensions to common interest parties: Credit to common interest party ÷ Total credit.

Note 2: Ratio of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable.)

e. Interest rate sensitivity information

December 31, 2016

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 94,538	$ 13,812	$ 11,861	$ 80,481	$ 200,692
Interest rate-sensitive liabilities	177,756	690	90	22,437	200,973
Interest rate-sensitive gap	(83,218)	13,122	11,771	58,044	(281)
Net worth					22,437
Ratio of interest rate-sensitive assets to liabilities (%)					99.86
Ratio of interest rate sensitivity gap to net worth (%)					(1.25)

December 31, 2015

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 104,672	$ 7,427	$ 16,556	$ 76,100	$ 204,755
Interest rate-sensitive liabilities	181,417	768	63	22,385	204,633
Interest rate-sensitive gap	(76,745)	6,659	16,493	53,715	122
Net worth					22,385
Ratio of interest rate-sensitive assets to liabilities (%)					100.06
Ratio of interest rate sensitivity gap to net worth (%)					0.55

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

f. The use of funding sources table

December 31, 2016

(In Millions of New Taiwan Dollars)

Items \ Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 46,287	$ 43,355	$ 7,535	$ 122	$ -
	Bonds	1,933	1,406	6,277	11,739	80,481
	Due from banks	334	-	-	-	-
	Call loans	1,023	-	-	-	-
	Securities purchased under agreement to resell	100	100	-	-	-
	Total	49,677	44,861	13,812	11,861	80,481
Cash provided by	Borrowing	17,323	-	-	-	-
	Securities sold under agreement to repurchase	135,881	24,552	690	90	-
	Eligible capital	-	-	-	-	22,437
	Total	153,204	24,552	690	90	22,437
Net cash flows		(103,527)	20,309	13,122	11,771	58,044
Accumulated cash flows		(103,527)	(83,218)	(70,096)	(58,325)	(281)

December 31, 2015

(In Millions of New Taiwan Dollars)

Items \ Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 61,327	$ 36,127	$ 4,776	$ 306	$ -
	Bonds	1,315	1,509	2,651	16,250	76,100
	Due from banks	294	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	2,300	1,800	-	-	-
	Total	65,236	39,436	7,427	16,556	76,100
Cash provided by	Borrowing	11,010	-	-	-	-
	Securities sold under agreement to repurchase	147,667	22,740	768	63	-
	Eligible capital	-	-	-	-	22,385
	Total	158,677	22,740	768	63	22,385
Net cash flows		(93,441)	16,696	6,659	16,493	53,715
Accumulated cash flows		(93,441)	(76,745)	(70,086)	(53,593)	122

g. Matters requiring special notation

(In Thousands of New Taiwan Dollars)

Causes	December 31, 2016	December 31, 2015
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on CBF for violations of the Act Governing Bills Finance Business and the other laws	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures on CBF	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT$50 million dollars	None	None
Other	None	None

Note: The term "within the past year" means one year before the balance sheet date.

52. SPECIFIC RISK FROM FUTURES DEALING

The client pays margin deposits when entering into futures contracts through IBTS. The client might make a huge profit or loss due to the financial leverage effect on futures contracts. To prevent the client's losses causing damage to IBTS's financial position, IBTS evaluates contracts daily to determine the current market value of the margin account. If the balance of the margin account is less than the maintenance requirement, IBTS will ask the client to deposit additional margin. IBTS will close out the open position held by the client if the client does not meet the minimum maintenance level within the required time.

IBTS pays margin deposits when entering into futures contracts. IBTS evaluates the margin account daily on the basis of the market price of the outstanding futures contracts. If the balance of the margin account is less than the maintenance level, IBTS should deposit an additional margin or make a pre-settlement to recognize the loss.

The securities business was ended on September 23, 2016; therefore, there is no information to be disclosed.

As of December 31, 2015, there were 56 futures contracts and 30 option contracts outstanding of IBTS and its subsidiaries. The initial margin was $6,066 thousand and excess margin was $187,165 thousand.

53. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Bank and its investees:

a. Related information of significant transactions and investees and b. proportionate share in investees:

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

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

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

4) Marketable securities acquired and disposed of at costs or prices of at least $300 million or 10% of the paid-in capital (the Bank disclosed its investments accumulated or disposed of): Table 4 (attached)

5) Acquisition of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

6) Disposal of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

7) Allowance of service fees to related parties amounting to at least $5 million: None

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: None

9) Sale of nonperforming loans: None

10) Information of asset securitization under the "Regulations for Financial Asset Securitization": None

11) Other significant transactions which may affect the decisions of users of financial reports: None

12) Name, locations and other information of investees on which the Bank exercises significant influence: Table 6 (attached)

13) Derivative transactions: Note 8

c. Investment in Mainland China: Table 7 (attached)

54. OPERATING SEGMENT INFORMATION

The Company provides CODM to assess segment performance, focusing on the nature of business operations, assets and profit and loss. The accounting policies of each operating segment are described in Note 4 the same significant accounting policies. The Company shall be reported to the operating divisions are as follows:

a. Bank: Business ruled in Regulations Governing the Establishment Criteria and Administrating of the Industrial Bank Article 5.

b. Overseas: Overseas banking business.

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

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

e. Others: Other non-core businesses.

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

	Bank	Overseas	Securities	Bills	Others	Eliminations	Consolidated
For the year ended December 31, 2016							
Net interest							
From unaffiliated customers	$ 2,094,369	$ 878,502	$ -	$ 525,442	$ 661,263	$ (8,139)	$ 4,151,437
From other segment	(10,471)	-	-	5,660	1,594	3,217	-
	$ 2,083,898	$ 878,502	$ -	$ 531,102	$ 662,857	$ (4,922)	$ 4,151,437
Net revenue other than interest							
From unaffiliated customers	$ 1,452,339	$ 79,550	$ -	$ 1,781,392	$ 248,603	$ (722)	$ 3,561,162
From other segment	47,358	-	-	-	-	(44,877)	2,481
	$ 1,499,697	$ 79,550	$ -	$ 1,781,392	$ 248,603	$ (45,599)	$ 3,563,643
Segment profits	$ 1,643,898	$ 287,148	$ -	$ 1,633,518	$ (92,484)	$ (730,037)	$ 2,742,043
Identifiable assets	$ 250,912,169	$ 27,596,101	$ 1,086,695	$ 203,339,091	$ 14,576,969	$ (734,256)	$ 496,776,769
Equity investments - equity method							107,981
							$ 496,884,750
Depreciation and amortization	$ 145,107	$ 18,926	$ -	$ 9,829	$ 27,997	$ -	$ 201,859
Capital expenditure	$ 1,058,531	$ 2,728	$ 3,465	$ 7,247	$ 12,611	$ -	$ 1,084,582
For the year ended December 31, 2015							
Net interest							
From unaffiliated customers	$ 1,750,474	$ 810,342	$ -	$ 134,461	$ 698,441	$ (9,141)	$ 3,384,577
From other segment	(12,087)	-	-	8,634	1,762	1,691	-
	$ 1,738,387	$ 810,342	$ -	$ 143,095	$ 700,203	$ (7,450)	$ 3,384,577
Net revenue other than interest							
From unaffiliated customers	$ 1,626,366	$ 61,714	$ -	$ 2,081,577	$ (21,395)	$ (900)	$ 3,747,362
From other segment	47,152	-	-	-	-	(51,997)	(4,845)
	$ 1,673,518	$ 61,714	$ -	$ 2,081,577	$ (21,395)	$ (52,897)	$ 3,742,517
Segment profits	$ 1,726,066	$ 243,268	$ -	$ 1,609,696	$ (281,241)	$ (309,218)	$ 2,988,571
Identifiable assets	$ 234,502,557	$ 26,715,420	$ 5,662,284	$ 207,582,155	$ 13,359,049	$ (2,005,965)	$ 485,815,500
Equity investments - equity method							170,642
							$ 485,986,142
Depreciation and amortization	$ 110,042	$ 17,861	$ -	$ 11,953	$ 31,162	$ -	$ 171,018
Capital expenditure	$ 259,418	$ 28,613	$ 8,818	$ 3,034	$ 25,813	$ -	$ 325,696

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Note 4)	Note
													Item	Value			
1	IBT Leasing	San Rong Fisheries Corp.	Account receivable - short-term accommodations	No	$ 30,000	$ 30,000	$ -	7	1	$ 30,000	Working capital turnover	$ -	-	$ -	$ 204,170	$ 2,041,704	
		Yi Mei E-Commerce Corp.	Account receivable - short-term accommodations	No	35,000	35,000	-	5.8	2	-	Working capital turnover	-	Margin	9,000	204,170	816,681	
		Jing Ming Industry Corp.	Account receivable - short-term accommodations	No	20,000	5,197	5,197	3.35	2	-	Working capital turnover	169	-	-	204,170	816,681	
		Shi Yi Mechatronics Engineering Corp.	Account receivable - short-term accommodations	No	45,000	18,225	18,225	4.8635	2	-	Working capital turnover	198	Margin	5,000	204,170	816,681	
		Hong Ji Construction Corp.	Account receivable - short-term accommodations	No	30,000	20,522	20,522	6.589	2	-	Working capital turnover	154	Real estate	15,670	204,170	816,681	
		Hui Tang Construction Corp.	Account receivable - short-term accommodations	No	60,000	27,588	27,588	3.5369	2	-	Working capital turnover	414	-	-	204,170	816,681	
		Xin Quan Construction Corp.	Account receivable - short-term accommodations	No	30,000	30,000	30,000	3.6539	2	-	Working capital turnover	450	Stock	-	204,170	816,681	
		Wei Hao Corp.	Account receivable - short-term accommodations	No	50,000	36,481	36,481	3.9458	2	-	Working capital turnover	274	Stock	22,070	204,170	816,681	
		Shang Sheng Construction Corp.	Account receivable - short-term accommodations	No	150,000	117,289	117,289	3.1486	2	-	Working capital turnover	880	Real estate	121,312	204,170	816,681	
		Bao Hung Industry Construction Corp.	Account receivable - short-term accommodations	No	125,000	125,000	125,000	7	2	-	Working capital turnover	1,875	Real estate	90,817	204,170	816,681	
2	IBT International Leasing Corp.	San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	No	92,972	92,972	-	9-11	1	232,430	Working capital turnover	-	-	-	444,251	1,110,628	
		Qing Dao Lian Sheng Industry Corp.	Entrusted loans	No	185,944	185,944	185,944	9-11	1	371,888	Working capital turnover	6,043	Real estate	208,611	444,251	1,110,628	
		San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	No	232,430	232,430	232,430	9-11	2	-	Working capital turnover	1,737	Real estate	232,556	444,251	777,440	
3	IBT Tianjin International Leasing Corp.	San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	No	139,458	69,729	69,729	10	2	-	Working capital turnover	697	Real estate	139,458	173,380	303,416	
		Founder Commodities Corp.	Entrusted loans	No	92,972	92,972	92,972	7-7.2	2	-	Working capital turnover	2,092	Margin	9,297	173,380	303,416	

Note 1: Explanation:

a. Issuing entity: 0.
b. Invested companies were sequentially numbered from No. 1.

Note 2: Loan type: Business “1”; short-term financial intermediation “2”.

Note 3: IBT Leasing loaned to individual company was limited by 10% net assets. IBT International Leasing Corp. and IBT Tianjin International Leasing Corp. loaned to individual company was limited by 40% net assets.

Note 4: Each issuing entity’s total amount of loans was limited to 40% of IBT Leasing’s net assets, and each issuing entity’s total amount of loans was limited to 70% of IBT International Leasing Corp.’s and IBT Tianjin International Leasing Corp.’s net assets. The loan mentioned formerly which belongs to business transactions is limited to 100%.of the corporation net assets.

TABLE 2

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
1	IBT Leasing	IBT Tianjin International Leasing Corp.	Subsidiaries	$ 16,333,629	$ 5,177,828	$ 4,769,360	$ 981,345	$ -	48.07	$ 24,500,443	Y	-	Y
		IBT International Leasing Corp.	Subsidiaries	16,333,629	10,256,289	9,132,644	4,714,461	-	230.91	24,500,443	Y	-	Y

Note: The maximum amount of guarantees shall not exceed 8 times of the net assets of the subsidiaries which held by the Group with 100%; the maximum amount of guarantees to outsides shall not exceed 12 times of the net assets of the Industrial Bank of Taiwan and subsidiaries.

TABLE 3

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
IBT Holdings	Stocks							
	EverTrust Bank	Equity-method investee	Equity investment equity method	10,714	US$ 142,160	91.78	US$ 142,160	Note 2
IBT Management Corp.	Funds							
	Taishin Ta-Chong Money Market Fund	-	Financial asset at fair value through profit or loss	750	10,139	-	10,139	
	Uni Money Market Fund	-	Financial asset at fair value through profit or loss	803	10,126	-	10,126	
	Stocks							
	Powertip Technology Inc.	-	Available-for-sale financial asset	120	477	0.38	477	
	Gatetech Technology Co., Ltd.	-	Financial asset carried at cost	78	779	0.18	779	Note 1
	ARC Solid-state Lighting Corp.	-	Financial asset carried at cost	50	100	0.20	100	Note 1
IBT Leasing Co., Ltd.	Stocks							
	IBT International Leasing Corp.	Equity-method investee	Equity investment equity method	-	1,061,991	100.00	1,061,991	Note 2
	IBT Tianjin International Leasing Corp.	Equity-method investee	Equity investment equity method	-	158,203	39.00	158,203	Note 2
	IBT VII Venture Capital Co., Ltd.	Equity-method investee	Equity investment equity method	65,000	580,656	100.00	580,656	Note 2
IBT VII Venture Capital Co., Ltd.	Stocks							
	IBT Tianjin International Leasing Corp.	Equity-method investee	Equity investment equity method	-	256,492	61.00	256,492	Note 2
	EirGenix Co., Ltd.	-	Available-for-sale financial asset	1,550	59,536	2.56	59,536	Note 1
	TAIRX Corp.	-	Financial asset carried at cost	2,083	49,992	3.44	49,992	Note 1
	Meridigen Corp.	-	Financial asset carried at cost	1,000	20,000	1.86	20,000	Note 1
	Femcosteel Tech Co., Ltd.	-	Financial asset carried at cost	1,498	29,984	4.49	29,984	Note 1
	Shihlian China Holdings Corp.	-	Financial asset carried at cost	1,171	29,777	0.04	29,777	Note 1

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

Note 2: The net asset values of equity-method investees are based on the audited financial statements except for IBT Fortune Limited and IBT Management USA.

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Industrial Bank of Taiwan	Equity	Investment of equity method	IBT Leasing	Subsidiaries	65,000,000	$ 563,759	-	$ -	65,000,000	$ 643,000	$ 563,811	$ - (Note)	-	$ -

Note: There is no profit or loss recognized since the transaction is the reorganization of the organization.

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

NON-PERFORMING LOANS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, %)

Period			December 31, 2016					December 31, 2015				
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 28,323	$ 52,263,816	0.05%	$ 612,772	2,163.51%	$ 357,900	$ 44,682,160	0.80%	$ 546,245	152.63%
	Unsecured		-	93,842,037	-	1,552,942	-	-	84,836,589	-	1,649,872	-
Consumer banking	Housing mortgage (Note 4)		-	-	-	-	-	-	-	-	-	-
	Cash card		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	Small-scale credit loans (Note 5)		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	Other (Note 6)	Secured	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
		Unsecured	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total			28,323	146,105,853	0.02%	2,165,714	7,646.49%	357,900	129,518,749	0.28%	2,196,117	613.61%
			Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards (Note 5)			NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Factoring accounts receivable without recourse (Note 6)			-	3,514,421	-	39,498	-	-	3,500,330	-	34,578	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.” Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: Other consumers banking loans refer to secured or unsecured loans that exclude housing mortgage, cash and credit card, and small scale credit loans.

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

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

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of U.S. Dollars and New Taiwan Dollars)

Investee Company	Location	Main Business	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Consolidated Investment				Note
						Shares (Thousands)	Pro-forma Share of Ownership	Total		
								Shares (Thousands)	Percentage of Ownership	
Financial institution										
Equity investment - equity method										
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	$ 6,298,115	$ 463,409	382,531	-	382,531	28.48	
IBT Management Corp.	Taipei City, Taiwan	Securities investment trust	100.00	232,391	7,235	13,400	-	13,400	100.00	
IBT Holdings Corp.	California, America	Holding company	100.00	4,628,616	263,384	10,869	-	10,869	100.00	
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	2,032,658	(110,688)	264,300	-	264,300	100.00	
Non-financial institution										
Equity investment - equity method										
IBT II Venture Capital Co., Ltd.	Taipei City, Taiwan	Venture capital	31.25	85,248	6,891	17,857	-	17,857	56.67	
IBT VII Venture Capital Co., Ltd.	Taipei City, Taiwan	Venture capital	-	-	19,231	65,000	-	65,000	100.00	
IBT Securities Co., Ltd.	Taipei City, Taiwan	Investment	99.75	965,635	85,673	318,281	-	318,281	99.75	
Available-for-sale financial assets										
Neo Solar Power Corporation	Hsinchu City, Taiwan	Solar industry	0.20	30,156	-	1,997	-	1,997	0.20	
Formosa Plastics Corporation	Kaohsiung City, Taiwan	Nonmetal mining	0.00	26,760	-	300	-	300	0.00	
Eternal Materials Co., Ltd	Kaohsiung City, Taiwan	Chemical industry	0.01	4,664	-	142	-	142	0.01	
ASE Semiconductor Manufacturing Group, Ltd	Kaohsiung City, Taiwan	Electronic component manufacturing	0.01	23,069	-	708	-	708	0.01	
Hon Hai Precision Ind. Co., Ltd.	New Taipei City, Taiwan	Electronic component manufacturing	0.00	50,520	-	642	-	642	0.00	
Yageo Co., Ltd	New Taipei City, Taiwan	Chemical material manufacturing	0.08	23,030	-	393	-	393	0.08	
Taiwan Semiconductor Manufacturing Company, Limited	Hsinchu City, Taiwan	Semiconductor	0.00	83,490	-	461	-	461	0.00	
Chin Poon Industrial Co., Ltd	Taoyuan City, Taiwan	Electronic component manufacturing	0.06	15,539	-	256	-	256	0.06	
Chunghwa Telecom Co., Ltd	Taipei City, Taiwan	Telecommunication	0.02	131,950	-	1,303	-	1,303	0.02	
Mega Holdings Co., Ltd	Taipei City, Taiwan	Financial Insurance	0.02	41,400	-	3,002	-	3,002	0.02	
Novatek Microelectronics Corp., Ltd	Hsinchu City, Taiwan	Semiconductor	0.02	15,975	-	150	-	150	0.02	
Taiwan Mobile Co., Ltd	Taipei City, Taiwan	Telecommunication	0.03	114,400	-	1,100	-	1,100	0.03	
Megaforce Company Limited	New Taipei City, Taiwan	Produce industrial plastic	0.67	14,346	-	877	-	877	0.67	
Apogee Optocom Co., Ltd.	Tainan City, Taiwan	Optical coating industry	2.56	48,690	-	825	-	825	2.56	
Brave C&H Supply Co., Ltd.	Taoyuan City, Taiwan	Electronic component manufacturing	1.53	29,993	-	465	-	465	1.53	
Okbiotech Co., Ltd.	Hsinchu City, Taiwan	Biotech medical treatment	0.83	16,049	-	544	-	544	0.83	
Reber Genetics Co., Ltd.	Taipei City, Taiwan	Technique research and development	4.69	68,729	-	3,481	-	3,481	4.69	
CDIB Bioscience	Taipei City, Taiwan	Biotech research and development	1.03	125,568	-	673	-	673	1.03	
TTBIO Corp.	Taichung City, Taiwan	Medical equipment manufacturing	7.48	50,881	-	1,799	-	1,799	7.48	
Powertip Image Corp.	Taichung City, Taiwan	Electronic component manufacturing	6.37	8,042	-	2,021	-	2,021	6.37	
Synergy Scientech Corp.	Hsinchu City, Taiwan	Electronic component manufacturing	1.69	25,001	-	1,264	-	1,264	1.69	
Thevax Genetics Vaccine Co., Ltd.	Taipei City, Taiwan	Cancer vaccine development	1.16	105,969	-	2,197	-	2,197	2.45	
Time Watch Investment Limited	Cayman Island	Watch industry	0.14	11,616	-	3,000	-	3,000	0.14	
Vietnam (VNI)	Cayman Island	Venture capital	-	27,601	-	1,500	-	1,500	-	
Financial asset carried at cost										
Progate Group Corporation	Taipei City, Taiwan	Wholesale of electronic materials	4.35	19,476	-	1,444	-	1,444	4.35	
Galaxy Software Services	Taipei City, Taiwan	Information system service	1.31	6,519	-	289	-	289	1.31	
Intumit Inc.	New Taipei City, Taiwan	Information system wholesaler and retailer	9.36	7,122	-	1,385	-	1,385	9.36	
Sinomovie.Com Co., Ltd.	Taipei City, Taiwan	Information system service	16.67	2,498	-	1,337	-	1,337	26.75	
Chipwell Tech Corporation	Hsinchu City, Taiwan	Electronic component manufacturing	2.61	3,397	-	391	-	391	2.61	
Knowledge Freeway Co., Ltd.	Taipei City, Taiwan	Information system wholesaler and retailer	25.11	11,239	-	1,256	-	1,256	25.11	
Ace Technology Co., Ltd.	Hsinchu County, Taiwan	Electronic component manufacturing	0.09	342	-	19	-	19	0.09	
Ori Vita Bio Application, Inc.	New Taipei City, Taiwan	Biological-technology service industry	2.03	41,518	-	4,152	-	4,152	2.03	
Parawin Venture Capital Corp.	Taipei City, Taiwan	Venture capital	5.00	29,157	-	2,916	-	2,916	5.00	
Krom Electronics Co., Ltd.	Taipei City, Taiwan	Computer and electronic component manufacturing	1.40	5,928	-	607	-	607	2.74	

(Continued)

Investee Company	Location	Main Business	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Consolidated Investment: Shares (Thousands)	Consolidated Investment: Pro-forma Share of Ownership	Consolidated Investment: Total: Shares (Thousands)	Consolidated Investment: Total: Percentage of Ownership	Note
Luminous Town Electric Co., Ltd.	Kaohsiung County, Taiwan	Electronic component manufacturing	0.90	$ 6,972	$ -	601	-	601	0.90	
Taiwan Hi-Tech Corp.	Hsinchu City, Taiwan	Electronic component manufacturing	2.96	9,524	-	1,000	-	1,000	2.96	
Gatetech Technology Inc.	Taoyuan City, Taiwan	Precision casting and seller	1.60	7,011	-	701	-	701	1.60	
Mosa Industrial Corporation	Yunlin County, Taiwan	Equipment manufacturing	1.87	56,857	-	2,917	-	2,917	1.87	
Echem Solutions Corp.	Taoyuan City, Taiwan	Wholesale of electronic materials	2.45	18,326	-	1,187	-	1,187	2.45	
Arc Solid-State Lighting Corporation	New Taipei City, Taiwan	Electronic component and optical instruments manufacturing	3.87	1,900	-	950	-	950	3.87	
Joyin Co., Ltd.	Taipei City, Taiwan	Electronic component manufacturing	3.79	32,000	-	2,492	-	2,492	3.79	
Nisho Image Tech, Inc.	New Taipei City, Taiwan	L.E.D. printer output	0.91	4,961	-	410	-	410	0.91	
TaiRx, Inc.	Taipei City, Taiwan	Biotech research and development	6.50	65,385	-	4,359	-	4,359	6.50	
Gesyw Co., Ltd.	Taiwan	Solar Industry	0.90	27,000	-	1,800	-	1,800	0.90	
Nanpao Resins Co., Ltd.	Tainan City, Taiwan	Manufacture and sale of synthetic resin	0.78	63,000	-	761	-	761	0.78	
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry	0.50	3,000	-	300	-	300	0.50	
Kaohsiung Rapid Transit Corporation	Kaohsiung City, Taiwan	Transportation	1.38	39,703	-	3,845	-	3,845	1.38	
Biotechnology Development Fund II	America	Venture capital	4.58	5,660	-	-	-	-	4.58	
Acorn Campus Fund II	America	Venture capital	17.26	16,794	-	514	-	514	17.26	
GS Mezzanine Partners 2006 Offshore, L.P.	Cayman Island	Venture capital	0.14	5,204	-	-	-	-	0.14	
Anchor Semiconductor, Inc.	America	Software development	3.09	16,399	-	1,000	-	1,000	3.09	
Shihlien China Holding Co., Ltd.	Hong Kong	Chemical Industries	1.67	227,528	-	52,182	-	52,182	1.67	
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	74,687	-	6,997	-	6,997	8.82	
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	60,030	-	244	-	244	2.18	
BioResource International Inc.	America	Agricultural biotechnology industry	5.72	59,996	-	1,105	-	1,105	5.72	
Topping Cuisine International Holdings Limited	Cayman Island	Retail restaurant management	2.17	35,018	-	500	-	500	2.17	
Beauty Essentials International Ltd. (Samoa)	Samoa	Cosmetic products wholesale	2.41	63,500	-	25,974	-	25,974	2.41	
ATop Tech, Inc.	America	Software wholesale	1.46	11,794	-	560	-	560	1.46	

(Concluded)

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Industrial Bank of Taiwan

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 25,827,903 (US$ 800,000)	Note 1 c.	$ 222,701 (US$ 6,898)	$ -	$ -	$ 222,701 (US$ 6,898)	1.67	$ -	$ 222,701 (US$ 6,898)	$ -
Shinlien Brine Huaian Co.	Production of glass materials	1,033,116 (US$ 32,000)	Note 1 c.	10,751 (US$ 333)	-	-	10,751 (US$ 333)	1.67	-	10,751 (US$ 333)	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	619,870 (US$ 19,200)	Note 1 c.	74,029 (US$ 2,293)	-	-	74,029 (US$ 2,293)	2.09	-	74,029 (US$ 2,293)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	252,421 (RMB 54,300)	Note 1 c.	64,570 (US$ 2,000)	-	-	64,570 (US$ 2,000)	2.175	-	64,570 (US$ 2,000)	-
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	139,794 (US$ 4,330)	Note 1 c.	18,887 (US$ 585)	-	-	18,887 (US$ 585)	2.17	-	18,887 (US$ 585)	-
Shanghai Doupinshan Food Management Co., Ltd.	Food retailing	167,881 (US$ 5,200)	Note 1 c.	18,887 (US$ 585)	-	-	18,887 (US$ 585)	2.17	-	18,887 (US$ 585)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,457 (US$ 200)	Note 1 c.	129 (US$ 4)	-	-	129 (US$ 4)	2.17	-	129 (US$ 4)	-
Shanghai Niuer Cosmetic Co., Ltd.	Cosmetic retailing	64,570 (US$ 2,000)	Note 1 c.	64,570 (US$ 2,000)	-	-	64,570 (US$ 2,000)	2.702	-	64,570 (US$ 2,000)	-

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$474,523 (US$14,698)	$474,523 (US$14,698)	$27,522,665

(Continued)

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 968,547 (US$ 30,000)	Note 1 d.	$ 968,547 (US$ 30,000)	$ -	$ -	$ 968,547 (US$ 30,000)	100.00	$ 58,600 (Note 2)	$ 1,061,991	$ -
IBT Tianjin International Leasing Corp.	Leasing	251,822 (US$ 7,800)	Note 1 d.	251,822 (US$ 7,800)	-	-	251,822 (US$ 7,800)	39.00	(5,282) (Note 2)	158,203	-

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,220,369 (US$37,800)	$1,220,369 (US$37,800)	$2,032,658

IBT Leasing

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow					
IBT Tianjin International Leasing Corp.	Leasing	$ 393,876 (US$ 12,200)	Note 1 d.	$ 393,876 (US$ 12,200)	$ -	$ -	$ 393,876 (US$ 12,200)	61.00	$ (8,261) (Note 2)	$ 256,492	$ -

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$393,876 (US$12,200)	$393,876 (US$12,200)	$348,394

Note 1: There were five investment approaches stated as follows.

a. Investment in Mainland China by remittance via a third country.

b. Indirect investment in Mainland China via setting a company in a third country.

c. Indirect investment in Mainland China via investing in a current company in a third country. (Via investing Shilien China Holding Co., Limited, Dio Investment, Ltd., Shengzhuang Holding, Ltd., Topping Cusine International Holding, Ltd., and Beauty Essential International, Ltd.)

d. Direct investment in Mainland China.

e. Others.

(Continued)

Note 2: Investment gain or loss.

a. No investment gain or loss for the reason of being under preparation.

b. Recognition of investment gain or loss is classified as follows.

1) From financial statements reviewed by international accounting firms in cooperation with accounting firms in the Republic of China.
2) From financial statements reviewed by certified public accountants of parent company in Taiwan.
3) Others.

(Concluded)

TABLE 8

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

FINANCIAL RATIO LIMIT AND EXECUTION PERFORMANCE
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No	Formula	December 31, 2016		December 31, 2015		Standard	Execution Performance
		Calculation	Ratio	Calculation	Ratio		
17	Equity / Total liability-Trader equity	- / -	＝-	610,346 / 14,279	＝42.74	≧1	Confirmed
17	Current assets / Current liability	- / -	＝-	644,313 / 162,439	＝3.966	≧1	Confirmed
22	Equity / Paid-in capital	- / -	＝-%	610,346 / 555,000	＝109.972%	≧60% ≧40%	Confirmed
22	Net capital - adjusted / Total margin of unsterilized future position	- / -	＝-%	593,827 / 27,193	＝2,183.749%	≧20% ≧15%	Confirmed

Note: Securities business was ended on September 23, 2016; therefore, there is no information to be disclosed.

INDUSTRIAL BANK OF TAIWAN AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
1	The Bank	IBTS, IBTM, CBF and IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Deposits	$ 676,543	Note 2	0.14
2	The Bank	IBTS, IBTM, Boston Venture, IBTS Asia (HK) Limited, IBT Leasing, CBF and IBTVC7	a	Interest expense	10,471	Note 2	0.15
3	The Bank	IBTM, IBTS, IBTS Asia (HK) Limited, CBF and IBTVC7	a	Accounts payable	444	Note 2	-
4	The Bank	IBTS, IBTM, IBTS Consulting and CBF	a	Other non-interest net revenues	52,027	-	0.76
5	The Bank	IBTS	a	Gain from financial assets and liabilities at fair value through profit or loss	4,669	Note 2	0.07
6	IBTS	The Bank	b	Cash and cash equivalents	165,646	Note 2	0.03
7	IBTS	The Bank	b	Interest revenue	2,196	Note 2	0.03
8	IBTS	The Bank	b	Account receivable	227	Note 2	-
9	IBTS	The Bank	b	Other operating and administrative expense	17,113	-	0.25
10	IBTS	The Bank, CBF, IBTM, Boston Venture and IBTVC7	b, c	Commissions and fee revenues, net	4,938	Note 2	0.07
11	IBTM	The Bank	b	Account receivable	53	Note 2	-
12	IBTM	The Bank	b	Cash and cash equivalents	208,815	Note 2	0.04
13	IBTM	The Bank	b	Interest revenue	819	Note 2	0.01
14	IBTM	The Bank	b	Other operating and administrative expense	936	Note 2	0.01
15	IBTM	IBTS	c	Realized gain (loss) from available-for-sale financial asset	15	Note 2	-

(Continued)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
16	IBTM	IBTVC7	c	Consultancy fee revenue	$ 6,651	Note 2	0.10
17	CBF	The Bank	b	Held for trading financial assets	5,660	Note 2	0.08
18	CBF	The Bank	b	Other operating and administrative expense	32,879	-	0.48
19	CBF	IBTS	c	Realized gain (loss) from available-for-sale financial asset	254	Note 2	-
20	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	84	Note 2	-
21	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	167,784	Note 2	0.03
22	IBTS Asia (HK) Limited	The Bank	b	Interest revenue	1,021	Note 2	0.01
23	IBTS Asia (HK) Limited	The Bank	b	Account receivable	125	Note 2	-
24	IBTS Consulting	The Bank	b	Other operating and administrative expense	1,098	-	0.02
25	IBTL	The Bank	b	Cash and cash equivalents	269	Note 2	-
26	IBTL	The Bank	b	Interest revenue	119	Note 2	-
27	IBTVC7	The Bank	b	Cash and cash equivalents	133,945	Note 2	0.03
28	IBTVC7	The Bank	b	Interest revenue	656	Note 2	0.01
29	IBTVC7	The Bank	b	Account receivable	39	Note 2	-
30	IBTVC7	IBTM	c	Other operating and administrative expense	6,651	-	0.10

Note 1: Three types of transactions with related parties were classified as follows:

a. Parent company to subsidiaries.
b. Subsidiaries to parent company.
c. Subsidiaries to subsidiaries.

Note 2: The terms for the transactions between the Bank and related parties are similar to those with unrelated parties.

(Concluded)