

Stock Code: 2897



**O-Bank Co., Ltd.**

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

# **The Minutes for 2019 Annual General Meeting of Shareholders**

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**(Summary Translation)**

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

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**June 14, 2019**

**O-Bank Co., Ltd.**

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

**Minutes of 2019 Annual General Meeting of Shareholders**

**Time:** 9 am, June 14 (Friday), 2019

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

**Total outstanding shares of the Company:**

2,413,006,301 shares

**Total shares represented by shareholders present:**

2,052,854,012 shares

**Percentage of shares held by shareholders present:**

85.07%

**Non-voting delegates:** Kenneth C.M. Lo, Tina Y. Lo, Hou-Sheng  
Chan, Tony C.Y. Yang, David C.C. Chang,  
Lotus International Law Office- Lawyer Wen-  
Chang Huang, Deloitte- CPA Dian Chen, Roger  
Lin, Nancy Liu, Indra Huang, Jonathan Wei,  
Edward Tyane

**Directors in attendance:** Shih-Tze Chen, Gordon W.C. Lin, Bobby  
Sheng, Richard R.C. Liu, Nina Lo, Ta-Nien  
Tung

**Chairman:** Kenneth C.M. Lo

**Minute Taker:** Sabrina Su

The aggregate shareholding of the shareholders present constituted a quorum.

The Chairman called the meeting to order.

## **Matters for Reporting**

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

Proposal: Business report for 2018

Explanation: Please refer to Appendix I.

### **Proposal No. 2 (Proposed by the Audit Committee)**

Proposal: Review Report of 2018 Financial Statements by the Audit Committee

Explanation: Please refer to Appendix II.

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

Proposal: Distribution of remunerations to directors and employees for 2018

Explanation: Please refer to the Shareholders Meeting Agenda Handbook.

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

Proposal: To note for record the Announcement Report of Article 25 of Banking Act

Explanation: Please refer to the Shareholders Meeting Agenda Handbook.

### **Proposal No. 5 (Proposed by the Board of Directors)**

Proposal: Amendment to O-Bank Co., Ltd. Corporate Social Responsibility Best Practice Principles

Explanation: Please refer to the Shareholders Meeting Agenda Handbook.

## **Matters for Ratification**

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

Proposal: Business Report and Financial Statements of 2018

Explanation:

1. The Bank's financial statements of 2018, which certified public accountants Yang, Cheng-hsiu and Chen, Li-chi of Deloitte & Touche audited and for which they presented an unconditional opinion accordingly, and business report for 2018 (please refer to Appendices I and III) were approved by the 7<sup>th</sup> Board of Directors in its 15<sup>th</sup> and 16<sup>th</sup> meetings and later audited by the Audit Committee.
2. Shareholder ratification is respectfully requested.

**2,052,854,012 shares (133,223,603 shares from E-voting) were represented by the shareholders present in person or by proxy, accounting for 85.07% of the total number of voting shares issued by the Bank.**

#### **Voting resolution (including E-voting):**

Approval votes: 2,036,971,505 shares/99.22%

Disapproval votes: 414,179 shares

Invalid votes : 0 share

Abstention votes/no votes : 15,468,328 shares

**Resolution:** voted and acknowledged as originally proposed.

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

Proposal: Distribution of earnings for 2018

Explanation:

1. The proposed distribution of 2018 earnings (please refer to Appendix IV) is laid out as follows:

The Bank has made NT\$954,659,038 in net income for the year 2018, which comes in at NT\$610,044,624 after adjustment. Further deducted by a NT\$183,013,387, 30% legal reserve from after-tax profit in 2018; a NT\$159,981,185 appropriation of special reserve in accordance with Article 41 of the Securities and Exchange Act; and a NT\$4,773,295, 0.5% special reserve from after-tax profit in 2016 to 2018 required by the competent authority to protect the rights and interests of banking employees in the face of fintech development.

2. Separately, the Bank has taken notice of the competent authority's intention to revise regulations governing capital deductions with regard to investments by domestic banks in capital instruments of finance-related enterprises. To decrease the impact of this impending regulatory change on the Bank's capital structure and ensure its capital adequacy, the Bank intends to, except for appropriating NT\$11,527,397 for preferred stock dividend payment, retain the entirety of the year's earnings available for distribution, or NT\$250,749,360, as another special reserve appropriation in accordance with Article 32-1 of the Bank's Articles of Incorporation.
3. In accordance with Article 8-1 of the Bank's Articles of Incorporation, it is proposed that NT\$11,527,397 in cash dividend be distributed for 2018 (from November 29, 2018 to December 31, 2018) among holders of preferred stock A (such distribution shall be rounded off proportionately to the nearest Taiwan dollar and the sum of all dividends less than NT\$1 shall be calculated as the Bank's other income).

4. Subject to approval of this proposed distribution of earnings for 2018 by this shareholders' meeting, it is proposed that the Board of Directors be authorized to determine the record date of the preferred stock dividend distribution.
5. This proposal was approved by the 7<sup>th</sup> Board of Directors in its 15<sup>th</sup> meeting and audited by the Audit Committee
6. Shareholder ratification is respectfully requested.

**2,052,854,012 shares (133,223,603 shares from E-voting) were represented by the shareholders present in person or by proxy, accounting for 85.07% of the total number of voting shares issued by the Bank.**

**Voting resolution (including E-voting):**

Approval votes: 2,036,360,816 shares/99.19%

Disapproval votes: 1,375,868 shares

Invalid votes : 0 share

Abstention votes/no votes : 15,117,328 shares

**Resolution:** voted and acknowledged as originally proposed.

## **Matters for Discussion**

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

**Proposal:** Amendments to part of the “Procedures for Assets Acquisition or Disposal” of the Bank

**Explanation:**

1. The Bank’s Procedures for the Acquisition or Disposal of Assets, which was revised and implemented after securing shareholder approval at the General Meeting of June 14, 2017, are now amended in accordance with the revised Regulations Governing the Acquisition or Disposal of Assets by Public Companies (hereafter the “Regulations”) promulgated by the Financial Supervisory Commission in its order of November 26, 2018, ref. Jin-Guan-Zheng-Fa-Zi No. 1070341072.
2. It is proposed that the Bank revises some articles of its Procedures for the Acquisition or Disposal of Assets (please refer to Appendix V for a comparison table of the original and amended articles). A summary is as follows:
  - (1) Article 3, Article 7, Article 9, articles 12 through 15, and Article 24: amendment is made in accordance with Article 3, Article 9, Article 11, articles 15 through 18, and Article 31 of the Regulations to broaden the applicability of right-of-use assets.
  - (2) Article 5: amendment is made in accordance with Article 5 of the Regulations to clearly define the responsibility of outside experts.
  - (3) Original articles 16 through 19: these articles are deleted in accordance with Article 2, paragraph 2 of the Regulations, that is, when financial enterprises whose operation requires special approval conduct derivatives trading business or engage in derivatives trading, they shall do so in accordance with the provisions of other laws and regulations that govern their

sectors, and are exempt from the provisions of Chapter II, Section IV of the Regulations.

- (4) Article 24: amendment is made in accordance with that of Article 31 of the Regulations to spell out exemption for professional investors from an obligation to publicly announce and report on the trading of the aforesaid securities.
3. The proposal was approved by the 7<sup>th</sup> Board of Directors in its 17<sup>th</sup> meeting.
  4. Shareholder approval is respectfully requested.

**2,052,854,012 shares (133,223,603 shares from E-voting) were represented by the shareholders present in person or by proxy, accounting for 85.07% of the total number of voting shares issued by the Bank**

**Voting resolution (including E-voting):**

Approval votes: 2,036,509,252 shares/99.20%

Disapproval votes: 435,573 shares

Invalid votes : 0 share

Abstention votes/no votes : 15,909,187 shares

**Resolution:** voted and approved as originally proposed.



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

Proposal: Annulment of the “Procedures for Conducting the Transaction of Financial Derivatives” of the Bank

Explanation:

1. The Bank’s Procedures for Conducting the Transaction of Financial Derivatives secured shareholder approval for revision and implementation at the General Meeting of June 14, 2017. In accordance with Article 2, paragraph 2 of the revised Regulations Governing the Acquisition or Disposal of Assets by Public Companies promulgated by the Financial Supervisory Commission on November 26, 2018, when financial enterprises whose operation requires special approval conduct derivatives trading business or engage in derivatives trading, they shall do so in accordance with the provisions of other laws and regulations that govern their sectors, and are exempt from the provisions of Chapter II, Section IV herein.
2. For its conducting derivatives trading business, the Bank has mapped out internal operating systems and procedures in accordance with applicable laws and regulations and has thus decided to abolish its Procedures for Handling Derivatives Trading.
3. The proposal was approved by the 7<sup>th</sup> Board of Directors in its 17<sup>th</sup> meeting.
4. Shareholder approval is respectfully requested.

**2,052,854,012 shares (133,223,603 shares from E-voting) were represented by the shareholders present in person or by proxy, accounting for 85.07% of the total number of voting shares issued by the Bank**

### **Voting resolution (including E-voting):**

Approval votes: 2,036,310,869 shares/99.19%

Disapproval votes: 1,515,830 shares

Invalid votes : 0 share

Abstention votes/no votes : 15,027,313 shares

**Resolution:** voted and approved as originally proposed.

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

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

#### **Explanation:**

1. Where this Bank's directors invest in or run companies whose business scope is similar or identical to that of this Bank and act as their directors, it is proposed that, on condition of incurring no damage to the Bank's interests, non-competition restrictions on them be released pursuant to Article 209 of the *Company Act*. While the release of non-competition restrictions on members of the Bank's 7<sup>th</sup> Board of Directors was already approved by the 2017 & 2018 General Shareholders' Meetings, it is proposed that the release applies to other new positions that Director Chen, Shih-Tze (representative of Tai Ya Investment Co., Ltd.), Director Sheng, Bobby (representative of Pioneer Chemical Corp.) and Director Tung, Ta-Nien (representative of Wang Hsiang Co., Ltd.) have since taken (shown in the table below).

Director	Positions at other companies
Chen, Shih-Tze Director	Director/ KC Investments Corporation (BVI) Director/ Global Sail Holdings Ltd. (BVI) Director/ Triple Ace Management Co., Ltd. (BVI)
Sheng, Bobby Director	Chairman/ Bao En International Corp.
Tung, Ta-Nien Director	Chairman/ Ruey Jin Co.,Ltd. Chairman/ Yu Bau Enterprise Co.,Ltd. Chairman/ Reng Hsing Co.,Ltd. Chairman/ Hsi Chao Investment Co.,Ltd.

2. The proposal was approved by the 7<sup>th</sup> Board of Directors in its 17<sup>th</sup> meeting.
3. Shareholder approval is respectfully requested.

**2,052,854,012 shares (133,223,603 shares from E-voting) were represented by the shareholders present in person or by proxy, accounting for 85.07% of the total number of voting shares issued by the Bank**

**Voting resolution (including E-voting):**

Approval votes: 2,032,664,035 shares/99.01%

Disapproval votes:1,869,658 shares

Invalid votes : 0 share

Abstention votes/no votes : 18,320,319 shares

**Resolution:** voted and approved as originally proposed.

**Extempore Motion : None**

**Adjournment : 9 : 55 a.m.**

## Appendix I

### ***Business Report for 2018***

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

#### **1. Credit Extension**

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

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

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

By industry, the mutual fund/investment/leasing/other financial institutions category accounted for the greatest share of our credit risk exposure, or 20.3%, at the end of 2018. Next came the real estate/ construction/cement industry category with 16.3%, the wholesaling and retailing industry with 10.0%, the electronics industry with 9.0%, individuals with 8.2%, the petrochemicals/textiles industry with

7.6%, the transportation/vehicles and parts industry with 5.3%, the metals industry with 4.1%, and others (manufacturing/non-manufacturing industries) with 19.2%. Within the electronics sector, the electronic components and parts industry recorded the greatest credit risk exposure of 3.5%, followed by the semiconductor industry with 2.7%, the IT hardware industry with 1.3%, the optoelectronics industry with 0.8%, the channels and other electronics industries with 0.4%, and the solar energy industry with 0.3%.

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

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

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

## **2. Deposits**

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

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

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

### **3. Foreign Exchange and Offshore Banking**

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

### **4. Direct Investment**

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

### **5. Financial Product Trading**

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

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

## **6. Securities Trading**

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

## **7. Project Finance**

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

## **8. Trust Business**

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

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

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



## **9. Cash Management and e-Banking**

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

As the market became increasingly digitized, we began developing and deploying a digital corporate banking platform in 2017. This platform, accessible anytime and anywhere, integrates the Bank's internal systems and strengthens our sales, management, and efficiency across the Bank, thereby optimizing our management of corporate banking services. Going online in January 2018, this platform enables managerial officers and salespeople to get hold of the latest first-hand information with regard to sales and customers on a real-time basis. Continuously, the Bank is ready to respond to changing needs of all business units by further optimizing the platform and developing new features, thereby maximizing the efficiency of sales management.

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

## **10. Digital Retail Banking Services**

- **Payment:** In addition to debit cards with more than 500 personalized card designs to choose from, we provide affinity cards issued in conjunction with online restaurant reservation platforms, gaming companies, and electronic stored value card operators. Featuring both attractive incentives and zero-risk card use, they rightly give cardholders peace of mind.

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

Chairman: Lo, Kenneth C.M.

President: Yang, Tony C.Y.

Accounting Officer: Tien, F.C.

## Appendix II

### **O-Bank Co., Ltd. Audit Committee Report**

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

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

Date: March 22, 2019

## **Appendix III**

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
O-Bank

#### **Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Public Bills Finance Companies and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2018 are as follows:

#### Allowance for Credit Losses of Loans

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

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

In response to this key audit matter, we:

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

#### Assessment of Reserve for Guarantee Liabilities

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

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

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

In response to this key audit matter, we:

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

#### **Other Matter**

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing

standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 22, 2019

#### Notice to Readers

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

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

**(With respect to the Notes in the Independent Auditors' Report, please refer to the 2018 Consolidated Financial Statement of O-Bank from the Market Observation Post System)**



## O-BANK AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS	\$ 9,227,068	2	\$ 6,625,973	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	22,607,002	4	11,506,456	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	151,512,614	27	154,136,983	29
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	149,952,752	27	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST	499,939	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS	991,363	-	5,682,864	1
RECEIVABLES, NET	20,829,951	4	21,202,093	4
CURRENT TAX ASSETS	381,082	-	301,362	-
DISCOUNTS AND LOANS, NET	197,338,050	35	180,086,186	33
AVAILABLE-FOR-SALE FINANCIAL ASSETS	-	-	149,145,722	28
HELD-TO-MATURITY FINANCIAL ASSETS	-	-	499,821	-
OTHER FINANCIAL ASSETS	1,329,918	-	1,283,434	-
PROPERTY AND EQUIPMENT, NET	2,951,660	1	3,084,952	1
INTANGIBLE ASSETS, NET	2,457,300	-	2,403,367	-
DEFERRED TAX ASSETS	672,656	-	582,334	-
OTHER ASSETS	<u>1,090,219</u>	<u>-</u>	<u>4,030,474</u>	<u>1</u>
TOTAL	<u>\$561,841,574</u>	<u>100</u>	<u>\$540,572,021</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Deposits from the Central Bank and banks	\$ 55,529,376	10	\$ 53,032,639	10
Financial liabilities at fair value through profit or loss	793,272	-	791,018	-
Notes and bonds issued under repurchase agreement	151,446,900	27	189,821,968	35
Payables	5,636,437	1	5,022,681	1
Current tax liabilities	17,857	-	136,269	-
Deposits and remittances	261,803,321	47	198,286,700	37
Bank notes payable	17,850,000	3	20,400,000	4
Other financial liabilities	15,034,414	3	22,337,877	4
Provisions	1,869,428	-	1,874,368	-
Deferred income tax liabilities	341,015	-	216,007	-
Other liabilities	<u>2,400,842</u>	<u>-</u>	<u>2,477,851</u>	<u>-</u>
Total liabilities	<u>512,722,862</u>	<u>91</u>	<u>494,397,378</u>	<u>91</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK</b>				
Capital				
Common stock	24,130,063	4	24,130,063	5
Preferred stock	<u>3,000,000</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total capital	<u>27,130,063</u>	<u>5</u>	<u>24,130,063</u>	<u>5</u>
Capital surplus	<u>8,503</u>	<u>-</u>	<u>7,730</u>	<u>-</u>
Retained earnings				
Legal reserve	3,184,667	1	2,880,297	1
Special reserve	1,215,831	-	1,229,536	-
Unappropriated earnings	<u>610,045</u>	<u>-</u>	<u>1,014,567</u>	<u>-</u>
Total retained earnings	<u>5,010,543</u>	<u>1</u>	<u>5,124,400</u>	<u>1</u>
Other equity interest	<u>(159,981)</u>	<u>-</u>	<u>20,400</u>	<u>-</u>
Total equity attributable to owners of the Bank	<u>31,989,128</u>	<u>6</u>	<u>29,282,593</u>	<u>6</u>
NON-CONTROLLING INTERESTS	<u>17,129,584</u>	<u>3</u>	<u>16,892,050</u>	<u>3</u>
Total equity	<u>49,118,712</u>	<u>9</u>	<u>46,174,643</u>	<u>9</u>
TOTAL	<u>\$561,841,574</u>	<u>100</u>	<u>\$540,572,021</u>	<u>100</u>

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

## O-BANK AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

(Continued)

## O-BANK AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

(Continued)

## O-BANK AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

(Continued)

## O-BANK AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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

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

## O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank												
	Capital Stock			Retained Earnings			Other Equity			Unrealized Gains (Losses) on Financial Assets		Total Equity	
	Common Stock (Thousands)	Preferred Stock (Thousands)	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Foreign Financial Statements	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Value Through Other Comprehensive	Owner of the Bank		Non-controlling Interests
BALANCE AT JANUARY 1, 2017	\$ 23,905,063	\$ -	\$ 23,905,063	\$ 2,390,828	\$ 1,173,293	\$ 1,631,566	\$ 5,195,687	\$ 190,990	\$ 83,725	\$ -	\$ 29,388,658	\$ 16,482,451	\$ 45,871,109
Appropriation of 2016 earnings	-	-	-	489,469	-	(489,469)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	56,243	(56,243)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(1,085,854)	(1,085,854)	-	-	-	(1,085,854)	-	(1,085,854)
Cash dividends distributed by the Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	1,072,080	1,072,080	-	-	-	1,072,080	986,821	2,058,901
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	(8,449)	(8,449)	(407,255)	142,941	-	(272,754)	230,840	(41,924)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	1,063,631	1,063,631	(407,255)	142,941	-	799,316	1,217,661	2,016,977
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(808,062)	(808,062)
Issue of shares	225,000	-	225,000	-	-	(49,064)	(49,064)	-	-	-	180,473	-	180,473
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	24,130,063	-	24,130,063	2,880,297	1,229,536	1,014,567	5,124,400	(216,266)	236,666	-	29,282,593	16,882,050	46,174,643
Effect of retrospective application	-	-	-	-	-	(208,457)	(208,457)	-	(236,666)	144,112	(301,011)	90,927	(210,084)
BALANCE AT JANUARY 1, 2018	24,130,063	-	24,130,063	2,880,297	1,229,536	806,110	4,915,943	(216,266)	-	144,112	28,981,582	16,982,977	45,964,559
Appropriation of 2017 earnings	-	-	-	304,370	-	(304,370)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	(13,705)	13,705	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(723,902)	(723,902)	-	-	-	(723,902)	-	(723,902)
Cash dividends distributed by the Bank	-	-	-	-	-	-	-	-	-	-	-	-	-
Unclaimed dividends	-	-	-	-	-	-	-	-	-	-	308	1,174	1,482
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(683,005)	(683,005)
Net profit for the year ended December 31, 2018	-	-	-	-	-	954,659	954,659	-	-	-	954,659	987,694	1,942,353
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	2,405	2,405	123,460	-	(349,849)	(223,984)	(157,803)	(381,787)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	957,064	957,064	123,460	-	(349,849)	730,675	829,891	1,560,566
Issue of shares	-	3,000,000	3,000,000	-	-	-	-	-	-	-	3,000,000	-	3,000,000
Capital reduction of subsidiaries for cash received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,453)	(1,453)
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(138,562)	(138,562)	-	-	138,562	-	-	-
BALANCE AT DECEMBER 31, 2018	\$ 24,130,063	\$ 3,000,000	\$ 27,130,063	\$ 3,184,667	\$ 1,215,831	\$ 610,045	\$ 5,010,543	\$ (92,806)	\$ -	\$ (67,175)	\$ 31,989,128	\$ 17,429,584	\$ 49,418,712

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

## O-BANK AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

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

(Continued)

## O-BANK AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

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

(Continued)



## O-BANK AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

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

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

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
O-Bank Co., Ltd.

### **Opinion**

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the financial statements for the year ended December 31, 2018 are as follows:

#### **Allowance for Credit Losses of Loans**

Concerning the accounting policy on the allowance for credit losses, refer to Note 4.5. to the accompanying financial statements; for the critical accounting judgments, estimates and appropriateness of assumptions of loan impairment, refer to Note 5.a. to the accompanying financial statements; and for the allowance for credit losses, refer to Note 12 to the accompanying financial statements.

Management performs assessments for the expected credit losses of loans to establish and recognize allowances for credit losses. Management uses judgment in making assumptions about risk of default and expected loss rates based on past history, existing market conditions as well as forward-looking estimates, and it estimates the amount of 12-month or lifetime expected credit losses based on whether loans have increased significantly since initial recognition.

Management also refers to the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” to calculate the minimum allowance for credit losses. The aforementioned risk of default and expected loss rates involve estimations and judgments, which affect the adequacy of the allowance for credit losses; therefore, we consider the allowance for credit losses to be a key audit matter.

In response to this key audit matter, we:

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

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

Concerning the accounting policy and instruction on the investments accounted for using the equity method, refer to Notes 4.4. and 14 to the accompanying financial statements.

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

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

In response to this key audit matter, we:

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Bank's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 27, 2019

#### Notice to Readers

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

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

**(With respect to the Notes in the Independent Auditors' Report, please refer to the 2018 Financial Statement of O-Bank from the Market Observation Post System)**

## O-BANK CO., LTD.

### BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS	\$ 3,670,225	1	\$ 2,404,565	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS	21,684,624	7	10,610,821	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	53,820,259	16	44,703,932	15
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	48,889,287	15	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST	499,940	-	-	-
RECEIVABLES, NET	6,842,372	2	5,891,803	2
CURRENT TAX ASSETS	82,212	-	54,922	-
DISCOUNTS AND LOANS, NET	179,388,428	54	162,757,142	55
AVAILABLE-FOR-SALE FINANCIAL ASSETS	-	-	48,598,498	17
HELD-TO-MATURITY FINANCIAL ASSETS	-	-	499,821	-
INVESTMENTS MEASURED BY EQUITY METHOD, NET	14,120,402	4	14,219,590	5
OTHER FINANCIAL ASSETS	614,919	-	777,105	-
PROPERTY AND EQUIPMENT, NET	2,757,103	1	2,864,155	1
INTANGIBLE ASSETS, NET	1,274,262	-	1,248,176	-
DEFERRED TAX ASSETS	164,392	-	138,133	-
OTHER ASSETS	<u>531,695</u>	<u>-</u>	<u>251,373</u>	<u>-</u>
TOTAL	<u>\$334,340,120</u>	<u>100</u>	<u>\$295,020,036</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Deposits from the Central Bank and banks	\$ 28,984,872	9	\$ 34,894,919	12
Financial liabilities at fair value through profit or loss	780,811	-	700,106	-
Notes and bonds issued under repurchase agreement	4,400,442	1	15,845,930	5
Payables	4,834,006	2	4,100,342	2
Current tax liabilities	-	-	91,977	-
Deposits and remittances	240,461,299	72	183,021,391	62
Bank notes payable	17,850,000	5	20,400,000	7
Other financial liabilities	4,321,291	1	5,997,782	2
Provisions	328,048	-	241,454	-
Deferred income tax liabilities	333,990	-	215,911	-
Other liabilities	<u>56,233</u>	<u>-</u>	<u>227,631</u>	<u>-</u>
Total liabilities	<u>302,350,992</u>	<u>90</u>	<u>265,737,443</u>	<u>90</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK</b>				
Capital				
Common stock	24,130,063	7	24,130,063	8
Preferred stock	<u>3,000,000</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total Capital	<u>27,130,063</u>	<u>8</u>	<u>24,130,063</u>	<u>8</u>
Capital surplus	<u>8,503</u>	<u>-</u>	<u>7,730</u>	<u>-</u>
Retained earnings				
Legal reserve	3,184,667	1	2,880,297	1
Special reserve	1,215,831	1	1,229,536	1
Unappropriated earnings	<u>610,045</u>	<u>-</u>	<u>1,014,567</u>	<u>-</u>
Total retained earnings	<u>5,010,543</u>	<u>2</u>	<u>5,124,400</u>	<u>2</u>
Other equity interest	<u>(159,981)</u>	<u>-</u>	<u>20,400</u>	<u>-</u>
Total equity	<u>31,989,128</u>	<u>10</u>	<u>29,282,593</u>	<u>10</u>
TOTAL	<u>\$334,340,120</u>	<u>100</u>	<u>\$295,020,036</u>	<u>100</u>

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

## O-BANK CO., LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST					
INTEREST INCOME	\$5,505,554	116	\$4,138,029	92	33
INTEREST EXPENSE	<u>(3,324,033)</u>	<u>(70)</u>	<u>(2,161,812)</u>	<u>(48)</u>	54
Net interest revenue (expense)	<u>2,181,521</u>	<u>46</u>	<u>1,976,217</u>	<u>44</u>	10
NET REVENUE OTHER THAN INTEREST INCOME					
Net service fee revenue	610,128	13	656,229	14	(7)
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	1,385,777	29	(540,380)	(12)	356
Realized gains on available-for-sale financial assets	-	-	394,922	9	(100)
Realized gains on financial assets at fair value through other comprehensive income	78,990	2	-	-	-
Foreign exchange gain (loss), net	(536,618)	(11)	1,244,443	28	(143)
Share of profit of associates and joint ventures accounted for using equity method	880,415	19	695,405	15	27
Other net revenue other than interest income	<u>129,670</u>	<u>2</u>	<u>79,304</u>	<u>2</u>	64
Net revenue other than interest	<u>2,548,362</u>	<u>54</u>	<u>2,529,923</u>	<u>56</u>	1
TOTAL NET REVENUE	<u>4,729,883</u>	<u>100</u>	<u>4,506,140</u>	<u>100</u>	5
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION	<u>(453,038)</u>	<u>(9)</u>	<u>(534,168)</u>	<u>(12)</u>	(15)
OPERATING EXPENSES					
Employee benefits expenses	1,633,518	35	1,571,449	35	4
Depreciation and amortization expense	382,934	8	265,925	6	44
Other general and administrative expense	<u>1,133,707</u>	<u>24</u>	<u>908,815</u>	<u>20</u>	25
Total operating expenses	<u>3,150,159</u>	<u>67</u>	<u>2,746,189</u>	<u>61</u>	15

(Continued)

## O-BANK CO., LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	\$ 1,126,686	24	\$ 1,225,783	27	(8)
INCOME TAX EXPENSE	<u>172,027</u>	<u>4</u>	<u>153,703</u>	<u>3</u>	12
PROFIT	<u>954,659</u>	<u>20</u>	<u>1,072,080</u>	<u>24</u>	(11)
OTHER COMPREHENSIVE INCOME					
Components of other comprehensive income that will not be reclassified to profit or loss:					
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	(127,365)	(3)	-	-	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(30,934)	-	1,534	-	(2,117)
Gains (losses) on remeasurements of defined benefit plans	1,077	-	(9,983)	-	111
Components of other comprehensive income that will be reclassified to profit or loss:					
Exchange differences on translation	149,013	3	(467,600)	(10)	132
Unrealized gains on valuation of available-for-sale financial assets	-	-	45,889	1	(100)
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	-	-	97,052	2	(100)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(90,021)	(2)	-	-	-

(Continued)



## O-BANK CO., LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Revaluation losses on investments in debt instruments measured at fair value through other comprehensive income	\$ (98,510)	(2)	\$ -	-	-
Impairment losses on investments in debt instruments measured at fair value through other comprehensive income	(1,691)	-	-	-	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(25,553)</u>	<u>(1)</u>	<u>60,344</u>	<u>1</u>	(142)
Other comprehensive income (loss) for the year, net of income tax	<u>(223,984)</u>	<u>(5)</u>	<u>(272,764)</u>	<u>(6)</u>	(18)
TOTAL COMPREHENSIVE INCOME	<u>\$ 730,675</u>	<u>15</u>	<u>\$ 799,316</u>	<u>18</u>	(9)
EARNINGS PER SHARE (Note 38)					
Basic	<u>\$0.40</u>		<u>\$0.45</u>		
Diluted	<u>\$0.40</u>		<u>\$0.45</u>		

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

(Concluded)

**O-BANK CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(In Thousands of New Taiwan Dollars)**

	Capital Stock		Retained Earnings				Other Equity			Total Equity
	Common Stocks (Thousands)	Preferred Stocks (Thousands)	Total	Unappropriated Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Available-for- sale	Unrealized Gains (Losses) on Financial Assets Through Other Comprehensive	
				Capital Surplus	Legal Reserve	Special Reserve				
BALANCE AT JANUARY 1, 2017	\$23,905,063	\$ -	\$23,905,063	\$ 3,193	\$ 2,390,828	\$ 1,173,293	\$ 5,195,687	\$ 93,725	\$ -	\$29,388,658
Appropriation of 2016 earnings	-	-	-	-	489,469	-	(489,469)	-	-	-
Legal reserve	-	-	-	-	-	56,243	(56,243)	-	-	-
Special reserve	-	-	-	-	-	-	(1,085,854)	-	-	(1,085,854)
Cash dividends distributed by the Bank	-	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	1,072,080	-	-	1,072,080
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	(8,449)	142,941	-	(272,764)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	1,063,631	142,941	-	799,316
Issuance of shares	225,000	-	225,000	4,537	-	-	(49,064)	-	-	180,473
BALANCE AT DECEMBER 31, 2017	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536	5,124,400	236,666	-	29,282,593
Effect of retrospective application	-	-	-	-	-	-	(208,457)	(236,666)	144,112	(301,011)
BALANCE AT JANUARY 1, 2018	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536	4,915,943	-	144,112	28,981,582
Appropriation of 2017 earnings	-	-	-	-	304,370	-	(304,370)	-	-	-
Legal reserve	-	-	-	-	-	(13,705)	13,705	-	-	-
Special reserve	-	-	-	-	-	-	(723,902)	-	-	(723,902)
Cash dividends distributed by the Bank	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	-	465	-	-	-	-	-	465
Unclaimed dividends	-	-	-	308	-	-	-	-	-	308
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	954,659	-	-	954,659
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	2,405	123,460	(349,849)	(223,984)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	957,064	123,460	(349,849)	730,675
Issuance of shares	-	3,000,000	3,000,000	-	-	-	-	-	-	3,000,000
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(138,562)	-	138,562	-
BALANCE AT DECEMBER 31, 2018	\$24,130,063	\$ 3,000,000	\$27,130,063	\$ 8,503	\$ 3,184,667	\$ 1,215,831	\$ 5,010,543	\$ (92,806)	\$ (67,175)	\$31,989,128

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

## O-BANK CO., LTD.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit from continuing operations before tax	\$ 1,126,686	\$ 1,225,783
Adjustments to reconcile profit (loss):		
Depreciation expense	160,032	140,217
Amortization expense	222,902	125,708
Expect credit losses/recognition of provisions	451,128	534,168
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(1,379,069)	540,380
Interest expense	3,324,033	2,161,812
Interest income	(5,505,554)	(4,138,029)
Dividends income	(57,555)	(62,979)
Net change in other provisions	983	-
Share-based payments	-	4,537
Share of profit of associates and joint ventures accounted for using equity method	(880,415)	(695,405)
Loss (gain) on disposal of property and equipment	20	(1,981)
Gain on disposal of investments	-	(333,015)
Changes in operating assets and liabilities:		
Increase in due from the Central Bank and call loans to banks	(1,663,780)	(2,187,491)
Increase in financial assets at fair value through profit or loss	(7,589,283)	(6,063,627)
Decrease in financial assets at fair value through other comprehensive income	135,478	-
Increase in receivables	(546,365)	(1,027,469)
Increase in discounts and loans	(17,210,345)	(19,294,207)
Decrease in deposits from the Central Bank and banks	(5,910,047)	(6,980,222)
Decrease in financial liabilities at fair value through profit or loss	-	(1,649,883)
(Decrease) increase in notes and bonds issued under repurchase agreement	(11,445,488)	13,754,181
Increase in payables	483,800	1,231,349
Increase in deposits and remittances	57,439,908	18,964,555
Decrease in provisions	(26,432)	(497)
Cash inflow (outflow) generated from operations	11,130,637	(3,752,115)
Interest received	5,272,750	4,123,792
Dividends received	57,555	75,678
Interest paid	(3,073,861)	(1,998,305)
Income taxes paid	(201,328)	(82,988)
Net cash flows from (used in) operating activities	<u>13,185,753</u>	<u>(1,633,938)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets designated at fair value through profit or loss	-	(2,411,318)
Proceeds from disposal of financial assets designated at fair value through profit or loss	-	2,718,595
Acquisition of available-for-sale financial assets	-	(46,904,340)

(Continued)

## O-BANK CO., LTD.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Proceeds from disposal of available-for-sale financial assets	\$ -	\$30,489,987
Proceeds from repayments of held-to-maturity financial assets	-	5,045,000
Proceeds from disposal of financial assets at cost	-	78,123
Proceeds from capital reduction of financial assets at cost	-	7,289
Proceeds from disposal of investments accounted for using equity method	4,945	11,839
Proceeds from capital reduction of investments accounted for using equity method	572,905	-
Acquisition of property and equipment	(231,412)	(446,141)
Proceeds from disposal of property and equipment	9,303	4,368
Decrease (increase) in refundable deposits	(263,871)	1,513,459
Acquisition of intangible assets	(164,254)	(178,436)
Increase in other financial assets	(614,919)	-
Increase in other assets	(16,451)	(7,165)
Dividends received	<u>270,497</u>	<u>320,025</u>
Net cash flows used in investing activities	<u>(433,257)</u>	<u>(9,758,715)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuing bank notes payable	1,750,000	3,750,000
Repayments of bank notes payable	(4,300,000)	(800,000)
Increase in long-term debt	1,063,417	3,614,406
Repayments of long-term debt	(2,739,908)	(2,255,022)
Decrease in other financial liabilities	-	(10,423)
Decrease in other liabilities	(171,398)	55,265
Cash dividends paid	(723,902)	(1,085,854)
Proceeds from issuing shares	<u>3,000,000</u>	<u>175,936</u>
Net cash flows (used in) from financing activities	<u>(2,121,791)</u>	<u>3,444,308</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>44,978</u>	<u>911,074</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	10,675,683	(7,037,271)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>6,806,518</u>	<u>13,843,789</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$17,482,201</u>	<u>\$ 6,806,518</u>

(Continued)

## O-BANK CO., LTD.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

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

	<u>December 31</u>	
	2018	2017
Cash and cash equivalents reported in the statement of financial position	\$ 3,670,225	\$ 2,404,565
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>13,811,976</u>	<u>4,401,953</u>
Cash and cash equivalents at end of the year	<u>\$17,482,201</u>	<u>\$ 6,806,518</u>

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

(Concluded)

## Appendix IV

### O-Bank Co., Ltd. Proposed Distribution of 2018 Earnings

Currency: NT\$

Net income	954,659,038
Plus: Balance of undistributed earnings at the beginning of the period	0
Plus/Less: Undistributed earnings adjustment items	
1. Adjustment for first-time adoption of IFRS 9	(208,456,864)
2. Disposal of investments in equity instrument designated as at fair value through other comprehensive income, with cumulative profits or losses directly transferred to retained earnings	(164,083,162)
3. Adjustment of investment accounted for using equity method	26,848,612
4. Adjustment of remeasurements of defined benefit plans	1,077,000
After-adjustment undistributed earnings	610,044,624
Legal reserve appropriation (30%)	(183,013,387)
Legal special reserve appropriation	(164,754,480)
Voluntary special reserve appropriation	(250,749,360)
Earnings available for distribution	11,527,397
Distribution items:	
Preferred stock dividend	11,527,397
Undistributed earnings as of the end of the period	0

Chairman: Lo, Kenneth C.M.

President: Yang, Tony C.Y.

Accounting Officer: Tyane, Edward

## Appendix V

### O-Bank Co., Ltd.'s *Procedures for the Acquisition or Disposal of Assets*: Comparison Table of Original and Amended Articles

Amended Article	Original Article	Explanation
<p>Article 1</p> <p>To strengthen control over the acquisition or disposal of assets, the Company hereby amends these <i>Procedures</i> in accordance with the <i>Regulations Governing the Acquisition or Disposal of Assets by Public Companies</i> (hereafter the “Regulations”) newly promulgated by the Financial Supervisory Commission.</p>	<p>Article 1</p> <p>To strengthen control over the acquisition or disposal of assets, the Company hereby amends these <i>Procedures</i> in accordance with the <i>Regulations Governing the Acquisition or Disposal of Assets by Public Companies</i> (hereafter the “Regulations”) promulgated by the Financial Supervisory Commission in its order of December 30, 2013, ref. Jin-Guan-Zheng-Fa-Zi No. 1020053073.</p>	<p>These <i>Procedures</i> are amended in accordance with the revised <i>Regulations Governing the Acquisition or Disposal of Assets by Public Companies</i> (hereafter the “Regulations”) promulgated by the Financial Supervisory Commission in its order of November 26, 2018, ref. Jin-Guan-Zheng-Fa-Zi No. 1070341072.</p>
<p>Article 2</p> <p>The Company shall undertake the acquisition or disposal of assets in accordance with these <i>Procedures</i>. If, however, financial laws or regulations provide otherwise, such provisions shall prevail.</p> <p>The Company shall undertake derivatives trading business or engage in derivatives trading in accordance with applicable financial laws or regulations; the applicability of the Regulations with regard to derivatives trading shall thus be excluded.</p>	<p>Article 2</p> <p>The Company shall undertake the acquisition or disposal of assets in accordance with these <i>Procedures</i>. If, however, other laws or regulations provide otherwise, such provisions shall prevail.</p>	<ol style="list-style-type: none"> <li>1. This article is amended in accordance with Article 2 of the Regulations.</li> <li>2. As a specially approved financial services provider, the Company shall undertake derivatives trading business or engage in derivatives trading in accordance with applicable financial laws or regulations and exclude the applicability of articles 19 through 22 of the Regulations with regard to derivatives trading.</li> </ol>

Amended Article	Original Article	Explanation
<p>Article 3</p> <p>The term “assets” as used in these <i>Procedures</i> includes the following:</p> <ol style="list-style-type: none"> <li>1. Investments in equities, government bonds, corporate bonds, financial debentures, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial securities, and asset-backed securities.</li> <li>2. Real property (including land, houses and buildings, and investment realty) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li>5. Right-of-use assets.</li> <li>6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li>7. Derivatives.</li> <li>8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</li> <li>9. Other major assets.</li> </ol>	<p>Article 3</p> <p>The term “assets” as used in these <i>Procedures</i> includes the following:</p> <ol style="list-style-type: none"> <li>1. Investments in equities, government bonds, corporate bonds, financial debentures, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial securities, and asset-backed securities.</li> <li>2. Real property (including land, houses and buildings, investment realty, and land-use rights) and equipment.</li> <li>3. Memberships.</li> <li>4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li>5. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).</li> <li>6. Derivatives.</li> <li>7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.</li> <li>8. Other major assets.</li> </ol>	<p>This article is amended in accordance with Article 3 of the Regulations.</p>
<p>Article 4</p> <p>Terms used in these <i>Procedures</i> are defined as follows:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, price of a financial instrument, price of</li> </ol>	<p>Article 4</p> <p>Terms used in these <i>Procedures</i> are defined as follows:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from an asset, interest rate, foreign exchange rate, index, or any</li> </ol>	<p>This article is amended in accordance with Article 4 of the Regulations.</p>



Amended Article	Original Article	Explanation
<p>a commodity, foreign exchange rate, index of prices or rates, credit rating or credit index, or any other variable; hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, and other acts; or transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) in accordance with Article 156-3 of the Company Act.</p> <p>3. Related party or subsidiary: As defined in the <i>Regulations Governing the Preparation of Financial Reports by Securities Issuers</i>.</p> <p>4. Professional appraiser: A real property appraiser or other</p>	<p>other interest; and hybrid contracts combining the above products. The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.</p> <p>2. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, and other acts; or transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) in accordance with Paragraph 8, Article 156 of the Company Act.</p> <p>3. Related party or subsidiary: As defined in the <i>Regulations Governing the Preparation of Financial Reports by Securities Issuers</i>.</p> <p>4. Professional appraiser: A real property appraiser or other</p>	

Amended Article	Original Article	Explanation
<p>person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>5. Date of occurrence: The date of contract signing, date of payment, date of consignment trade, date of transfer, date of the relevant board of directors resolution, or other date that can confirm the counterpart and monetary amount of the transaction in question, whichever date is earlier. For investment for which approval of the competent authority is required, however, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>6. Mainland China area investment: Investments in the mainland China area conducted in accordance with the <i>Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area</i> implemented by the Investment Commission, Ministry of Economic Affairs.</p> <p>7. Investment professional: Financial holding companies, banks, insurance companies, bills finance companies, trust enterprises, securities firms conducting proprietary trading or underwriting business, futures firms conducting proprietary trading business, securities investment trust enterprises, securities</p>	<p>person duly authorized by law to engage in the value appraisal of real property or equipment.</p> <p>5. Date of occurrence: The date of contract signing, date of payment, date of consignment trade, date of transfer, date of the relevant board of directors resolution, or other date that can confirm the counterpart and monetary amount of the transaction in question, whichever date is earlier. For investment for which approval of the competent authority is required, however, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.</p> <p>6. Mainland China area investment: Investments in the mainland China area conducted in accordance with the <i>Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area</i> implemented by the Investment Commission, Ministry of Economic Affairs.</p>	

Amended Article	Original Article	Explanation
<p>investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</p> <p>8. Securities exchange: “Domestic securities exchange” refers to Taiwan Stock Exchange Corp.; “foreign securities exchange” refers to any organized foreign securities exchange that is regulated by the competent securities authority of the jurisdiction where it is located.</p> <p>9. Over-the-counter (OTC) venue: “Domestic OTC venue” refers to a venue for OTC trading provided by a securities firm in accordance with the <i>Regulations Governing Securities Trading on the Taipei Exchange</i>; “foreign OTC venue” refers to a venue at a financial institution that is regulated by the relevant foreign competent authority and that is permitted to conduct securities business.</p>		
<p>Article 5 Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions shall meet the following requirements:</p>	<p>Article 5 Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions may not be a related party of any party to the</p>	<p>This article is amended in accordance with Article 5 of the <i>Regulations</i>.</p>

Amended Article	Original Article	Explanation
<p>1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. This provision, however, does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>2. May not be a related party or de facto related party of any party to the transaction.</p> <p>3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>2. When examining a case, they shall appropriately plan and</p>	<p>transaction.</p>	

Amended Article	Original Article	Explanation
<p>execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</p>		
<p>Article 6 (Paragraphs 1 and 2: omitted) (Paragraph 3) Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of Article 32, paragraphs 3 and 4.</p>	<p>Article 6 (Paragraphs 1 and 2: omitted) (Paragraph 3) Any transaction involving major assets or derivatives shall be approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of Article 36, paragraphs 3 and 4.</p>	<p>Articles 16 through 19 of these <i>Procedures</i> are deleted in accordance with Article 2, paragraph 2 of these <i>Procedures</i>; Article 36 is renumbered Article 32.</p>

Amended Article	Original Article	Explanation
<p>Article 7 In acquiring or disposing of real property, equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted to the Board of Directors for approval in advance; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</li> <li>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</li> <li>3. Where any one of the following circumstances applies with respect to the professional</li> </ol>	<p>Article 7 In acquiring or disposing of real property or equipment, where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted to the Board of Directors for approval in advance; the aforesaid procedure shall also be followed whenever there is any change to the terms and conditions of the transaction afterward.</li> <li>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</li> <li>3. Where any one of the following circumstances applies with respect to the professional</li> </ol>	<p>This article is amended in accordance with Article 9 of the <i>Regulations</i>.</p>

Amended Article	Original Article	Explanation
<p>appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	<p>appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p> <p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p>	

Amended Article	Original Article	Explanation
<p>Article 9 Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of its paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>Article 9 Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% or more of its paid-in capital or NT\$300 million or more, except in transactions with a government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>This article is amended in accordance with Article 11 of the <i>Regulations</i>.</p>
<p>Article 9-1 The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 24, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p>	<p>Article 9-1 The calculation of the transaction amounts referred to in the preceding three articles shall be done in accordance with Article 28, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.</p>	<p>Given the deletion of Articles 16 through 19 of these <i>Procedures</i>, Article 28 is renumbered Article 24.</p>
<p>Article 12 When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party</p>	<p>Article 12 When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20%</p>	<ol style="list-style-type: none"> <li>1. This article is amended in accordance with Article 15 of the <i>Regulations</i>.</li> <li>2. Given the deletion of Articles 16 through 19 of these <i>Procedures</i>, articles 28 and 36 are</li> </ol>



Amended Article	Original Article	Explanation
<p>and the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been first approved by more than half of all audit committee members and then submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of Article 32, paragraphs 3 and 4:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing a related party as the transaction counterparty.</li> <li>3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 13 and Article 14.</li> <li>4. The date and price at which the related party originally acquired the real property, the</li> </ol>	<p>or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been first approved by more than half of all audit committee members and then submitted to the Board of Directors for a resolution, and shall be subject to mutatis mutandis application of Article 36, paragraphs 3 and 4:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of assets.</li> <li>2. The reason for choosing a related party as the transaction counterparty.</li> <li>3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 13 and Article 14.</li> <li>4. The date and price at which the related party originally acquired the real property, the</li> </ol>	<p>renumbered articles 24 and 32 respectively.</p>

Amended Article	Original Article	Explanation
<p>original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 24, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by more than half of all audit committee members and for which a Board of Directors resolution has been secured need not be counted toward the transaction amount.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which</p>	<p>original transaction counterparty, and that transaction counterparty's relationship to the Company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with Article 28, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by more than half of all audit committee members and for which a Board of Directors resolution has been secured need not be counted toward the transaction amount.</p> <p>With respect to acquisition or disposal of equipment for business use, when to be conducted between the Company and its subsidiaries,</p>	

Amended Article	Original Article	Explanation
<p>it directly or indirectly holds 100% of the issued shares or authorized capital, the Company's Board of Directors may pursuant to Article 7, paragraph 1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of equipment or right-of-use assets thereof for business use.</li> <li>2. Acquisition or disposal of real property right-of-use assets for business use.</li> </ol> <p>When a matter is submitted for discussion by the Board of Directors pursuant to paragraph 1, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p>	<p>the Company's Board of Directors may pursuant to Article 7, paragraph 1, subparagraph 3 delegate the board chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:</p> <p>When a matter is submitted for discussion by the Board of Directors pursuant to paragraph 1, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p>	
<p>Article 13 When acquiring real property or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary</li> </ol>	<p>Article 13 When acquiring real property from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary</li> </ol>	<p>This article is amended in accordance with Article 16 of the <i>Regulations</i>.</p>

Amended Article	Original Article	Explanation
<p>interest on funding” is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property, provided that it may not be higher than the non-financial industry’s maximum lending rate announced by the Ministry of Finance.</p> <p>2. Total loan value appraisal from a financial institution where the related party has previously secured a loan on the property as security, provided that the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. This shall not apply, however, where the financial institution is a related party of one of the transaction counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>When acquiring real property or right-of-use assets thereof from a related party, the Company shall appraise the cost of the real property or right-of-use assets</p>	<p>interest on funding” is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property, provided that it may not be higher than the non-financial industry’s maximum lending rate announced by the Ministry of Finance.</p> <p>2. Total loan value appraisal from a financial institution where the related party has previously secured a loan on the property as security, provided that the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. This shall not apply, however, where the financial institution is a related party of one of the transaction counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>When acquiring real property from a related party, the Company shall appraise the cost of the real property in accordance with paragraph 1</p>	

Amended Article	Original Article	Explanation
<p>thereof in accordance with the preceding two paragraphs and shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>Where the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding article, and the preceding three paragraphs do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.</li> <li>2. More than 5 years have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.</li> <li>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</li> <li>4. The acquisition of the real property right-of-use assets for business takes place between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.</li> </ol>	<p>and paragraph 2 and shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 12, and the preceding three paragraphs do not apply:</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property through inheritance or as a gift.</li> <li>2. More than 5 years have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</li> <li>3. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</li> </ol>	

Amended Article	Original Article	Explanation
<p>Article 14 When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 15. This restriction shall not apply, however, where the following circumstances exist, and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1) Where undeveloped land is appraised in accordance with the means in the preceding article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period</p>	<p>Article 14 When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 15. This restriction shall not apply, however, where the following circumstances exist, and objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA:</p> <p>1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(1) Where undeveloped land is appraised in accordance with the means in the preceding article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period</p>	<p>This article is amended in accordance with Article 17 of the <i>Regulations</i>.</p>

Amended Article	Original Article	Explanation
<p>as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) Transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area prices in accordance with standard property market purchase/sale or leasing practices.</p> <p>2. Where the Company acquiring real property or obtaining real property right-of-use assets through leasing from a related party provides evidence that the terms of the transaction are similar to the terms of transactions involving neighboring parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Transactions involving neighboring parcels of land in the</p>	<p>as announced by the Ministry of Finance, whichever is lower.</p> <p>(2) Transactions concluded by unrelated parties within the preceding year involving other floors of the same property or neighboring parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area prices in accordance with standard property market purchase or sale practices.</p> <p>(3) Leases taken by unrelated parties within the preceding year involving other floors of the same property, where the transaction terms are similar after calculation of reasonable price discrepancies in floor prices in accordance with standard property market leasing practices.</p> <p>2. Where a public company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of concluded transactions involving neighboring parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Concluded transactions involving neighboring parcels of land in the</p>	

Amended Article	Original Article	Explanation
<p>preceding paragraph refer to parcels on the same or an adjacent block and within a distance of not more than 500 meters or parcels with a similar publicly announced current value; transactions involving similarly sized parcels refer to transactions by unrelated parties for parcels with a land area of not less than 50% of the property in the planned transaction; “within the preceding year” refers to the year preceding the date of occurrence of the acquisition of the real property or right-of-use assets thereof.</p>	<p>preceding paragraph refer to parcels on the same or an adjacent block and within a distance of not more than 500 meters or parcels with a similar publicly announced current value; transactions involving similarly sized parcels refer to transactions concluded by unrelated parties for parcels with a land area of not less than 50% of the property in the planned transaction; “within the preceding year” refers to the year preceding the date of occurrence of the acquisition of the real property.</p>	
<p>Article 15 Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price, the following steps shall be taken: 1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the <i>Securities and Exchange Act</i> against the difference between the real property or right-of-use assets transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the same</p>	<p>Article 15 Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with articles 13 and 14 are uniformly lower than the transaction price, the following steps shall be taken: 1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the <i>Securities and Exchange Act</i> against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the same <i>Act</i> shall be set aside pro rata</p>	<p>This article is amended in accordance with Article 18 of the <i>Regulations</i>.</p>



Amended Article	Original Article	Explanation
<p>Act shall be set aside pro rata in a proportion consistent with the share of the public company's equity stake in the other company.</p> <p>2. Independent director members of the Audit Committee shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to the preceding two subparagraphs shall be reported to a General Meeting of Shareholders, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>Provided the Company has set aside a special reserve under the preceding paragraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence conforming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>Provided the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	<p>in a proportion consistent with the share of the public company's equity stake in the other company.</p> <p>2. Independent director members of the Audit Committee shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to subparagraphs 1 and 2 shall be reported to a General Meeting of Shareholders, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>Provided the Company has set aside a special reserve under the preceding paragraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence conforming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>Provided the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	

Amended Article	Original Article	Explanation
(Deleted)	<p>Article 16</p> <p>When engaging in derivatives trading, the Company shall establish the <i>Procedures for Handling Derivatives Trading</i> in accordance with these <i>Procedures</i> and submit them to the General Meeting of Shareholders after having secured Board of Directors approval; the same procedure shall also be followed whenever there is any subsequent revision. The Company shall also pay attention to control with regard to the following important risk management and auditing matters:</p> <ol style="list-style-type: none"> <li>1. Trading principles and strategies: These shall include the types of derivatives that may be traded, operating or hedging strategies, segregation of duties, key aspects of performance evaluation, total amount of derivatives contracts that may be traded, and the maximum loss limits for total trading and for individual contracts.</li> <li>2. Risk management measures.</li> <li>3. Internal audit system.</li> <li>4. Regular evaluation methods and the handling of irregular circumstances.</li> </ol>	<p>This article is deleted in accordance with Article 2, paragraph 2 of these <i>Procedures</i>.</p>
	<p>Article 17</p> <p>When engaging in derivatives trading, the Company shall adopt the following risk management measures:</p> <ol style="list-style-type: none"> <li>1. Risk management shall address credit, market, liquidity, cash flow,</li> </ol>	<p>This article is deleted in accordance with Article 2, paragraph 2 of these <i>Procedures</i>.</p>

Amended Article	Original Article	Explanation
	<p>operational, and legal risks.</p> <p>2. Personnel engaged in derivatives trading may not serve concurrently in other operations such as confirmation and settlement.</p> <p>3. Personnel charged with risk measurement, monitoring, and control and those referred to in the preceding subparagraph shall be assigned to different departments and the former shall report to the Board of Directors or senior management personnel with no responsibility for trading or position decision-making.</p> <p>4. Derivatives trading positions held shall be evaluated at least once per week while positions for hedge trades necessitated by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the Board of Directors.</p> <p>5. Other important risk management measures.</p>	
(Deleted)	<p>Article 18</p> <p>When the Company engages in derivatives trading, the Board of Directors shall faithfully supervise and manage such trading in accordance with the following principles:</p> <p>1. Designate managerial officers to pay continuous attention to monitoring and controlling derivatives trading risk.</p> <p>2. Periodically evaluate whether derivatives trading</p>	<p>This article is deleted in accordance with Article 2, paragraph 2 of these <i>Procedures</i>.</p>

Amended Article	Original Article	Explanation
	<p>performance is consistent with the Company's operational strategy and whether the risk undertaken is within the Company's scope of tolerance.</p> <p>Managerial officers authorized by the Board of Directors shall manage derivatives trading in accordance with the following principles:</p> <ol style="list-style-type: none"> <li>1. Conduct periodic evaluation to determine if the risk management measures currently employed are appropriate and if derivatives trading is faithfully conducted in accordance with these <i>Procedures</i> and the Company's <i>Procedures for Engaging in Derivatives Trading</i>.</li> <li>2. When irregularities are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the Board of Directors; where a company has independent directors, an independent director shall be present at the meeting and express an opinion.</li> </ol> <p>The Company shall report to the soonest meeting of the Board of Directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its <i>Procedures for Engaging in Derivatives Trading</i>.</p>	

Amended Article	Original Article	Explanation
(Deleted)	Article 19 When engaging in derivatives trading, the Company shall establish a logbook in which details of the types and amounts of derivatives trading engaged in, Board of Directors approval dates, and the matters required to be carefully evaluated under subparagraph 4 of Article 17 and subparagraph 2 of paragraph 1, and subparagraph 1 of paragraph 2, of Article 18 shall be recorded in detail.	This article is deleted in accordance with Article 2, paragraph 2 of these <i>Procedures</i> .
Article 16 (Omitted)	Article 20 (Omitted)	A change in the order of articles.
Article 17 (Omitted)	Article 21 (Omitted)	A change in the order of articles.
Article 18 (Paragraphs 1-4: omitted)  (Paragraph 5) Where any of the counterparty companies participating in a merger, demerger, acquisition, or transfer of another company's shares neither is listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of the previous two paragraphs.	Article 22 (Paragraphs 1-4: omitted)  (Paragraph 5) Where any of the counterparty companies participating in a merger, demerger, acquisition, or transfer of another company's shares neither is listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 3 and 4.	1. This article is amended in accordance with Article 25 of the <i>Regulations</i> . 2. A change in the order of articles.
Article 19 (Omitted)	Article 23 (Omitted)	A change in the order of articles.
Article 20 (Omitted)	Article 24 (Omitted)	A change in the order of articles.
Article 21 (Omitted)	Article 25 (Omitted)	A change in the order of articles.
Article 22 (Omitted)	Article 26 (Omitted)	A change in the order of articles.

Amended Article	Original Article	Explanation
<p>Article 23 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 18, Article 19, and Article 22.</p>	<p>Article 27 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the public company(s) shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Article 22, Article 23, and Article 26.</p>	<ol style="list-style-type: none"> <li>1. A change in the order of articles.</li> <li>2. Given the deletion of Articles 16 through 19 of these <i>Procedures</i>, Article 22, Article 23, and Article 26 are renumbered Article 18, Article 19, and Article 22 respectively.</li> </ol>
<p>Article 24 Under any of the following circumstances, the Company shall publicly announce and report relevant information with respect to its acquisition or disposal of assets on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days (inclusive) of the occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more. This shall not apply, however, to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic</li> </ol>	<p>Article 28 Under any of the following circumstances, the Company shall publicly announce and report relevant information with respect to its acquisition or disposal of assets on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days (inclusive) of the occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more. This shall not apply, however, to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust</li> </ol>	<ol style="list-style-type: none"> <li>1. This article is amended in accordance with Article 31 of the <i>Regulations</i>.</li> <li>2. A change in the order of articles.</li> </ol>

Amended Article	Original Article	Explanation
<p>securities investment trust enterprises.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>(1) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>(2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>5. Where land is acquired under an arrangement on the engaging of others to build on the Company's own land, engaging of others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale; the transaction counterparty is not a related party; and the amount the Company expects to invest in the transaction reaches</p>	<p>enterprises.</p> <p>2. Merger, demerger, acquisition, or transfer of shares.</p> <p>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</p> <p>4. Where equipment for business use are acquired or disposed of, the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:</p> <p>(1) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>(2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>5. Where land is acquired under an arrangement on the engaging of others to build on the Company's own land, engaging of others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale; and the amount the Company expects to invest in the transaction reaches NT\$500 million or more.</p>	

Amended Article	Original Article	Explanation
<p>NT\$500 million or more.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million. This shall not apply, however, to the following circumstances:</p> <p>(1) Trading of domestic government bonds.</p> <p>(2) Where done by professional investors- securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the regulations of the Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase and resale agreements, or</p>	<p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution or an investment in the mainland China area reaches 20% or more of paid-in capital or NT\$300 million. This shall not apply, however, to the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Where done by professional investors- securities trading on domestic or overseas securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the regulations of the Taipei Exchange.</p> <p>(3) Trading of bonds under repurchase and resale agreements, or</p>	



Amended Article	Original Article	Explanation
<p>subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions cited above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1) The amount of any individual transaction.</li> <li>2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3) The cumulative transaction amount of acquisitions and disposals (accumulations of acquisitions and disposals compiled separately) of real property or right-of-use assets thereof within the same development project within the preceding year.</li> <li>4) The cumulative transaction amount of acquisitions and disposals (accumulations of acquisitions and disposals compiled separately) of the same security within the preceding year.</li> </ol> <p>“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these <i>Procedures</i> need not be counted toward the transaction amount.</p>	<p>subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions cited above shall be calculated as follows:</p> <ol style="list-style-type: none"> <li>1) The amount of any individual transaction.</li> <li>2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</li> <li>3) The cumulative transaction amount of acquisitions and disposals (accumulations of acquisitions and disposals compiled separately) of real property within the same development project within the preceding year.</li> <li>4) The cumulative transaction amount of acquisitions and disposals (accumulations of acquisitions and disposals compiled separately) of the same security within the preceding year.</li> </ol> <p>“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these <i>Procedures</i> need not be counted toward the transaction amount.</p>	

Amended Article	Original Article	Explanation
<p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>If the Company, at the time of public announcement, makes an error or omission in an item required by regulations to be publicly announced, the Company shall correct it. All the items shall be again publicly announced and reported in their entirety within two days of the date (inclusive) of knowing of such error or omission.</p> <p>The Company shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and CPA, attorney, and securities underwriter opinions with respect to its acquisition or disposal of assets at the Company, where they shall be retained for 5 years except where another act provides otherwise.</p>	<p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by this Company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>If the Company, at the time of public announcement, makes an error or omission in an item required by regulations to be publicly announced, the Company shall correct it. All the items shall be again publicly announced and reported in their entirety within two days of the date (inclusive) of knowing of such error or omission.</p> <p>The Company shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports, and CPA, attorney, and securities underwriter opinions with respect to its acquisition or disposal of assets at this Company, where they shall be retained for 5 years except where another act provides otherwise.</p>	
Article 25 (Omitted)	Article 29 (Omitted)	A change in the order of articles.
Article 26 Procedures for deciding on the terms of a transaction: When acquiring or disposing of an asset, the Company shall	Article 30 Procedures for deciding on the terms of a transaction: When acquiring or disposing of an asset, the Company shall	1. A change in the order of articles and revision of terms. 2. Given the deletion of Articles 16 through 19

Amended Article	Original Article	Explanation
<p>abide by the provisions spelled out in its <i>Table on Delegation of Responsibility and Authority, Division of Duties Between the Board of Directors and Management, and Organizational Regulations</i>. Where such acquisition or disposal reaches a threshold requiring public announcement and regulatory filing under Article 24 of these <i>Procedures</i>, the Company shall make an announcement and file a report in accordance with these <i>Procedures</i>.</p> <p>Where Article 185 of the <i>Company Act</i> is applicable, the Company shall seek approval at a General Meeting of Shareholders accordingly.</p>	<p>abide by the provisions spelled out in its <i>Table on Delegation of Responsibility and Authority, Division of Duties Between the Board of Directors and Management, Quota Limits for Reviewing Direct Investment, and Organizational Regulations</i>. Where such acquisition or disposal reaches a threshold requiring public announcement and regulatory filing under Article 28 of these <i>Procedures</i>, the Company shall make an announcement and file a report in accordance with these <i>Procedures</i>.</p> <p>Where Article 185 of the <i>Company Act</i> is applicable, the Company shall seek approval at a General Meeting of Shareholders accordingly.</p>	<p>of these <i>Procedures</i>, Article 28 is renumbered Article 24.</p> <p>3. Wording is revised to accommodate the Bank's adjusting its commercial banking business.</p>
<p>Article 27</p> <p>Where any of the Company's subsidiaries that is not itself a public company is required under provisions of the previous chapter to announce and report information with regard to the acquisition or disposal of assets, the said subsidiary shall submit the required announcement items to the Company within the prescribed period, after which the Company's relevant department shall undertake the announcement and reporting in accordance with these <i>Procedures</i>.</p> <p>Where the subsidiary referred to in the preceding paragraph</p>	<p>Article 31</p> <p>Where any of the Company's subsidiaries that is not itself a public company is required by these <i>Procedures</i> to announce and report information with regard to the acquisition or disposal of assets, the said subsidiary shall submit the required announcement items to the Company within the prescribed period, after which the Company's relevant department shall undertake the announcement and reporting in accordance with these <i>Procedures</i>.</p> <p>Where the subsidiary referred to in the preceding paragraph</p>	<p>1. This article is amended in accordance with Article 34 of the <i>Regulations</i>.</p> <p>2. A change in the order of articles.</p> <p>3. Given the deletion of Articles 16 through 19 of these <i>Procedures</i>, Article 28 is renumbered Article 24.</p>

Amended Article	Original Article	Explanation
<p>reaches the thresholds requiring public announcement and regulatory filing with regard to paid-in capital or total assets, as prescribed in paragraph 1 of Article 24, this Company's paid-in capital or total assets shall be used for calculation.</p> <p>The Company shall supervise and urge subsidiaries to adopt and implement its <i>Procedures for the Acquisition or Disposal of Assets</i> in accordance with the <i>Regulations</i>.</p>	<p>reaches the thresholds requiring public announcement and regulatory filing, i.e. 20% of paid-in capital or 10% of total assets, as prescribed in paragraph 1 of Article 28, this Company's paid-in capital or total assets shall be used for calculation.</p> <p>The Company shall supervise and urge subsidiaries to adopt and implement its <i>Procedures for the Acquisition or Disposal of Assets</i> in accordance with the <i>Regulations</i>.</p>	
<p>Article 28 The Company's acquisition of real property not meant for business use shall be conducted in accordance with Article 75 of the <i>Banking Act</i>. When the Company acquires securities, their types and total amount and limits on individual shares shall be subject to provisions of relevant regulations governing commercial banks as well as provisions spelled out in the letters and orders of the competent authority.</p> <p>When engaging in derivatives trading, the Company shall comply with Article 45-1, paragraph 4 of the <i>Banking Act</i> and provisions of the competent authority's applicable laws and regulations.</p> <p>When the Company's subsidiaries acquire real property not meant for business use or securities, their total amount and</p>	<p>Article 32 The Company's acquisition of real property not meant for business use shall be conducted in accordance with Article 75 of the <i>Banking Act</i>. When the Company acquires securities, their types and total amount and limits on individual shares shall be subject to provisions of relevant regulations governing commercial banks as well as provisions spelled out in the letters and orders of the competent authority.</p> <p>When engaging in derivatives trading, the Company shall comply with the relevant provisions of its <i>Procedures for Handling Derivatives Trading</i>.</p> <p>When the Company's subsidiaries acquire real property not meant for business use or securities, their total amount and</p>	<ol style="list-style-type: none"> <li>1. A change in the order of articles and revision to wording.</li> <li>2. Also revised is the basis for paragraph 2 of this article.</li> </ol>

Amended Article	Original Article	Explanation
limits on individual shares shall be subject to provisions of applicable laws and regulations or provisions spelled out in the letters and orders of their respective competent authorities.	limits on individual shares shall be subject to provisions of applicable laws and regulations or provisions spelled out in the letters and orders of their respective competent authorities.	
<p>Article 29 Where making an announcement or filing a report in accordance with these <i>Procedures</i> is warranted, the unit responsible for real property or fixed assets is in principle the unit charged with general affairs; investment in mainland China, the unit charged with international affairs; short-term securities investment, the units charged with securities and treasury trading; derivatives trading, the unit charged with corporate operation; merger, demerger, acquisition, or transfer of shares and the same operations at subsidiaries, the unit charged with financial management; and the acquisition or disposal of memberships, intangible assets, and claims of financial institutions, various relevant business units.</p> <p>In the event of any other circumstance not covered in the preceding paragraph where making an announcement or filing a report in accordance with these <i>Procedures</i> is warranted, the unit responsible for such shall be that or those prescribed in the Company's <i>Organizational Regulations</i>.</p>	<p>Article 33 Where making an announcement or filing a report in accordance with these <i>Procedures</i> is warranted, the unit responsible for real property or fixed assets is in principle the General Affairs Department; long-term securities investment and investment in mainland China, Principal Investment Department; short-term securities investment, Securities Trading Department and Treasury Department; derivatives trading, Corporate Operation Department; merger, demerger, acquisition, or transfer of shares and the same operations at subsidiaries, Financial Management Department; and the acquisition or disposal of memberships, intangible assets, and claims of financial institutions, various relevant business units.</p> <p>In the event of any other circumstance not covered in the preceding paragraph where making an announcement or filing a report in accordance with these <i>Procedures</i> is warranted, the unit responsible for such shall be that or those prescribed in the Company's <i>Organizational Regulations</i>.</p>	<ol style="list-style-type: none"> <li>1. A change in the order of articles.</li> <li>2. In keeping with business needs and for the sake of retaining flexibility, departments are specified functionally rather than nominally.</li> </ol>

Amended Article	Original Article	Explanation
<p>Article 30 Depending on the actual situation, personnel of the Company violating these <i>Procedures</i> or the FSC's provisions under the <i>Regulations</i> shall be dealt with in accordance with the Company's <i>Regulations on Employee Rewards and Discipline</i>.</p>	<p>Article 34 Depending on the actual situation, personnel of the Company violating these <i>Procedures</i> or the FSC's provisions under the <i>Regulations Governing the Acquisition or Disposal of Assets by Public Companies</i> shall be dealt with in accordance with the Company's <i>Regulations on Employee Rewards and Discipline</i>.</p>	<p>A change in the order of articles and revision of terms.</p>
<p>Article 31 For the calculation of 10% of total assets under these <i>Regulations</i>, the total assets stated in the Company's most recent only or individual financial report shall be used.</p>	<p>Article 35 For the calculation of 10% of total assets under these <i>Regulations</i>, the total assets stated in the Company's most recent only or individual financial report shall be used.</p>	<p>A change in the order of articles.</p>
<p>Article 32 (Paragraph 1: omitted)</p> <p>(Paragraph 2) When these <i>Procedures</i> are submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p>(Paragraph 3 and Paragraph 4: omitted)</p>	<p>Article 36 (Paragraph 1: omitted)</p> <p>(Paragraph 2) When the <i>Procedures for the Acquisition or Disposal of Assets</i> is submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.</p> <p>(Paragraph 3 and Paragraph 4: omitted)</p>	<p>A change in the order of articles and revision of terms.</p>
<p>Article 33 (Omitted)</p>	<p>Article 37 (Omitted)</p>	<p>A change in the order of articles.</p>