Mega International Commercial Bank

Annual Report 2017

Annual Report 2017

Notice

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

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Service Network

Refer to Service Network Section for details of domestic and overseas business units

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Auditor of Financial Report

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After a major event in which the New York Branch was fined in 2016, the Bank learned from this bitter experience and designated 2017 as "the year of transformation". Besides hiring multiple consultants and experts to assist in shaping a robust mechanism against money laundering and strengthening the internal audit and internal control systems, the Bank is also committed to developing a corporate culture of attaching importance to compliance throughout the entire bank, internal controls, and risk management. The concerted efforts of all employees of the Bank, including correcting the issues at the New York Branch, establishing an anti-money laundering system, and reconstructing the compliance culture throughout the entire Bank, are gradually getting results.

While advancing various compliance systems and internal control mechanisms, the Bank has also focused on business development. In 2017, besides corporate finance, foreign exchange businesses, and other niche businesses, which continue to maintain dominance, the Bank has also actively sought a breakthrough in the field of consumer finance. Featured products new to the market are launched in businesses, such as credit cards and wealth management. Financial operations also demonstrated superior results. The net after-tax profit in 2017 was NT$21.523 billion, successfully meeting the target and ranking 2nd in domestic banks. Moreover, at the end of 2017, the non-performing loan ratio of the Bank was 0.12%; the coverage rate of the allowance for bad debt was 1,334.92%; the capital adequacy ratio was 14.30%. The overall asset quality is good and the capital adequacy is sufficient. All data points are superior to the industrial average.

Looking ahead to 2018, the Bank will continue to strengthen the compliance system as the foundation of stable operation; at the same time, the Bank will promote various important business strategies for business development. In order to improve administrative and operational effectiveness, the Bank is planning on launching a second wave of reorganization, introducing the business and management model of "business groups", expecting to amplify profitability thereby, and allowing the Bank to reveal a brand-new look.

Operation Results of 2017

I. Global & Domestic Economic Dynamics

1. Economic Growth

Benefiting from investment growth and rally of manufacturing and trading activities, IMF estimates the global economic growth rate at 3.7% in 2017; a new high since 2011. Looking ahead to 2018, IMF forecasts that the global economic growth rate will be 3.9%, which is still considered stable growth. However, since developed countries may continue to raise interest rates, which may gradually tighten global financial conditions, countries with financial vulnerability will face the market test.

Driven by the improving international environment globally, economic growth on the domestic front accelerated in 2017; the economic growth rate for the entire year was 2.86%, significantly higher than 1.5% in 2016. Looking ahead to 2018, international institutions generally forecast that the global economic growth and trade momentum will continue, which is beneficial to the expansion of the external demands of our country; moreover, domestic employment will improve, which helps the growth of private consumption. Advanced production plans of major semiconductor manufacturers and construction of forward-looking infrastructure driven by the government are expected to drive domestic investment, and thus domestic demand is expected to continue. However, since exports in the comparative base period of 2017 were higher, the Directorate General of Budget, Accounting and Statistics estimates that the contribution to economic growth by foreign net demand will slow down in 2018, and the economic growth rate is estimated to shrink to 2.42%. It is noteworthy that there are still many variables in the global economy, including rising international trade protectionism, the impact of tax reform in the United States and monetary policy normalization on global capital flows, and adjustment of the economic structure in China; all will impact the overall domestic economic performance.

Chairman
Chao-Shun Chang

2. Financial Market

Since there are still many uncertainties in the international economic outlook, the Central Bank will maintain the policy of an unchanged interest rate. Furthermore, since the domestic economic recovery was weak in the first half of 2017 and the capital demand by manufacturers is limited, the average overnight rate of the financial industry in the first half of the year was slightly lower. Economic recovery accelerated in the second half of the year, and the average interest rate rose slightly. However, the average of the entire year was 0.179%, which was still lower than 0.193%, the average in 2016. Looking ahead to the future, as the international economy recovers, domestic economic growth is expected to remain steady. However, since inflation is mild and in order to drive economic growth, it is expected that the Central Bank will still maintain a relaxed monetary policy.

In terms of exchange rates, from January to May 2017 and influenced by the comments by US President Trump regarding a weak US dollar, the Federal Reserve Bank of the United States was not as hawkish as expected. Along with the impact of the large-scale inflow of foreign capital, the exchange rate between NT dollar and US dollar rose significantly. After the Federal Reserve Bank of the United States increased the interest rate by a quarter of a percentage and announced the plan to reduce the balance sheet by the end of the year in June, and after the geopolitical risks of North Korea heated up, foreign companies started to transfer funds outbound and thus NT dollar slightly depreciated from June to September. In the fourth quarter, foreign companies started to transfer funds inbound again. In addition, US dollar continued to be weak internationally; the exchange rate between NT dollar and US dollar appreciated to over 30 dollars at one point. At the end of the year, the exchange rate was 29.858 dollars to one US dollar. Overall, the average exchange rate in 2017 was 30.44 dollars, an appreciation of 6.18% compared with 32.32 dollars in 2016. In the first quarter of 2018, foreign capital inflow continued, along with a series of international news unfavorable to a strong US dollar. NT dollar continued to appreciate; as of the end of March, the closing exchange rate between NT dollar and US dollar rose to 29.12 dollars, maintaining the trend of appreciation.

II. Change in Organization Structure

In 2017, the Bank set up the "Credit Products & Marketing Department" to strengthen the planning and marketing capabilities of the credit businesses; moreover, the "Offshore Banking Branch" was restructured. Moreover, in order to meet the global trend of anti-money laundering and combating financial crimes, the original "Anti-Money Laundering Center" was renamed as the "Anti-Money Laundering & Financial Crime Compliance Department", managing and expanding to the prevention of financial crimes such as bribery, corruption, tax evasion, Internet crimes, fraud, and misconduct. Moreover, the Bank specifically set up the "Anti-Money Laundering & Financial Crime Compliance Committee" under the "Compliance Committee" to ensure that various measures to combat money laundering and financial crimes are implemented effectively, and requirements of domestic and foreign financial supervision agencies are met and internal standards are complied with.

In the first quarter of 2018, in order to strengthen the compliance and risk management mechanisms of the entire Bank, the original "Legal Affairs and Compliance Department" was renamed as the "Compliance Department", specifically responsible for compliance affairs for the entire bank. The "Legal Affairs Office" was newly added to prevent potential conflicts of interest between the effectiveness of compliance and legal affairs.

III. Operating Results in 2017

Units: millions in N.T. dollars, except as indicated

Item \ Year	2017	2016	Change (%)
Deposits (Note 1)	2,261,201	2,189,718	3.26
Loans (Note 2)	1,701,601	1,739,548	-2.18
Corporate Financing	1,309,372	1,356,748	-3.49
Consumers Financing (Note 3)	392,229	382,800	2.46
Foreign Exchange Business (millions in US$)	845,753	805,160	5.04
Securities Purchased	502,291	435,646	15.30
Long-term Equity Investments	20,497	22,208	-7.70
Credit Card Loans	1,131	1,155	-2.08

Note 1: including due to Chunghwa Post Co., Ltd.

Note 2: the figure in 2017 with amount of non-performing loans NT$2,099 million, NPL ratio 0.12%, and coverage ratio 1,334.92%

Note 3: excluding credit card loans

IV. Budget Implementation

2017 Pretax Income (millions in NT dollars)	2017 Pretax Income Budget (millions in NT dollars)	Budget Achievement Rate (%)
24,237	24,126	100.46

President
Yong-Yi Tsai

Summary of Business Plan for 2018

I. Business Plan

- Implement mechanisms for anti-money laundering and financial crime prevention to build a culture of compliance.
- Review operation of overseas business units and strengthen supervision of Head Office.
- Advance mechanisms for risk control and promoting balance between risks and revenues.
- Master economic and industry trends and fortify leading edge in corporate banking.
- Propel operational growth by expanding consumer loans, wealth management, and credit card business.
- Master and respond to international finance flexibly and improving financial performance.
- Follow development of FinTech, initiate innovation and transformation, and strengthen information security.
- Implement corporate governance, ethical corporate management, and corporate social responsibility.

II. Business Objectives

With consideration of current economic and financial developments, the Bank has set up the following business targets based on competitive strategies for the year of 2018: total deposits of NT$2,289,623 million, total loans of NT$1,759,828 million and foreign exchange business of US$808,100 million.

Development Strategies

- **In terms of systems, the Bank continues to promote anti-money laundering and to build the compliance culture.**
  - ❖ The Bank continues to implement reform, study the tight specifications and high standards of international banks, and develop anti-money laundering and internal audit and internal control systems consistent across the entire bank.
  - ❖ The Bank deeply plants the concept of anti-money laundering and compliance through continuous, high-frequency education and training.
- **In terms of business, the Bank actively develops various businesses and creates operational growth and momentum.**
  - ❖ The Bank solidifies the niche advantages in the fields of corporate finance, international finance, and financial operation.
  - ❖ The Bank actively expands various consumer banking businesses, increases the percentage of service fee income thereby, and creates a dual engine of profitability of corporate finance and consumer finance.
- **In terms of organization, the Bank promotes reorganization and improves administrative and operational effectiveness.**
  - ❖ The Bank introduces business and management models of “business groups”.
  - ❖ The Bank performs a professional division of work according to business categories and characteristics of the front end and back end.

Major Regulatory Changes and Influences

- Cooperating with the “New Southbound Policy implementation plans” launched by the Executive Yuan on January 2017, the Financial Supervisory Commission formulated “The Program to Incentivize Lending by Domestic Banks to Enterprises in New Southbound Target Countries” which not only helps companies acquire funds required for investment or business development, but is also beneficial for domestic banks to develop new markets in southeast Asia and improve overseas credit businesses and profitability.
- In response to the APG assessment in 2018 to strengthen the procedure of confirming OBU customer identities, in May 2017, the Financial Supervisory Commission revised the “Rules Governing Offshore Banking Branches”, requiring that OBU re-inspect customer identities and conduct KYC and risk classification on accounts. Although this increases the operational costs of domestic banks, it is beneficial for banks to quickly align with the international anti-money laundering system.
- In the first half of 2017, the Financial Supervisory Commission revised “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries”, “Regulations Governing Anti-Money Laundering of Financial Institutions”, and “Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business, Electronic Payment Institutions and Electronic Stored Value Card Issuers”, which help financial institutions pay more attention to compliance and systems for anti-money laundering and combating the financing of terrorism, as well as strengthen qualifications, professional training, and roles and function of compliance staff and directors.
- In order to foster innovative businesses and assist the government in promoting strategic industries, the Financial Supervisory Commission increased the limit of shareholding percentage of venture capital businesses by banks from 5% to 100% in October 2017, but the total amount of direct investment in venture capital may not exceed 3% of the net value of the bank; moreover, relevant certificates issued by supervisory authorities are not required for direct investment in five plus two main innovative industries. This is beneficial for the diversified business development of domestic banks and increasing investment and credit business momentum.

■ On December 29, 2017, the Legislative Yuan passed the third reading of “Financial Technology Development and Innovative Experimentation Act”, which is beneficial for establishing experimental mechanisms for financial technology and innovation, accelerating the cooperation between financial service industries and non-financial service industries, grasping financial technology opportunities, and improving the development of financial technology and the competitiveness of the financial industry of our country.

Credit Rating

Credit Rating Institute	Credit Rating		Outlook	Publication Date (Year/Month)
	Long-term	Short-term		
Moody’s	A1	P-1	Stable	2017/12
S&P	A	A-1	Stable	2017/10
Taiwan Ratings Corp.	twAA+	twA-1+	Stable	2017/10

Chao-Shun Chang

Chairman

Yong-Yi Tsai

President

Historical Overview

Mega International Commercial Bank Co., Ltd. (Mega Bank) has come into being as a result of the merger of The International Commercial Bank of China and Chiao Tung Bank, effective on August 21, 2006. Both banks have been proud of their longtime histories of outstanding track records in our country.

In 1971, The Bank of China was privatized to become The International Commercial Bank of China Co., Ltd. (ICBC), whose origin dates back to the Ta Ching Bank and its predecessor, the Hupu Bank (the bank under the finance arm of the imperial court in the Ching Dynasty). The Bank of China had been entrusted with the mission to serve as an agent of the Treasury and a note-issuing bank before the establishment of the Central Bank of China in 1928. The Bank of China was designated as a licensed specialized bank for international trade and foreign exchange thereafter. Taking advantage of its specialization in foreign exchange, worldwide network of outlets and correspondence banks, superb bank assets, and excellent business performance, ICBC has become a top-notch bank in the Republic of China.

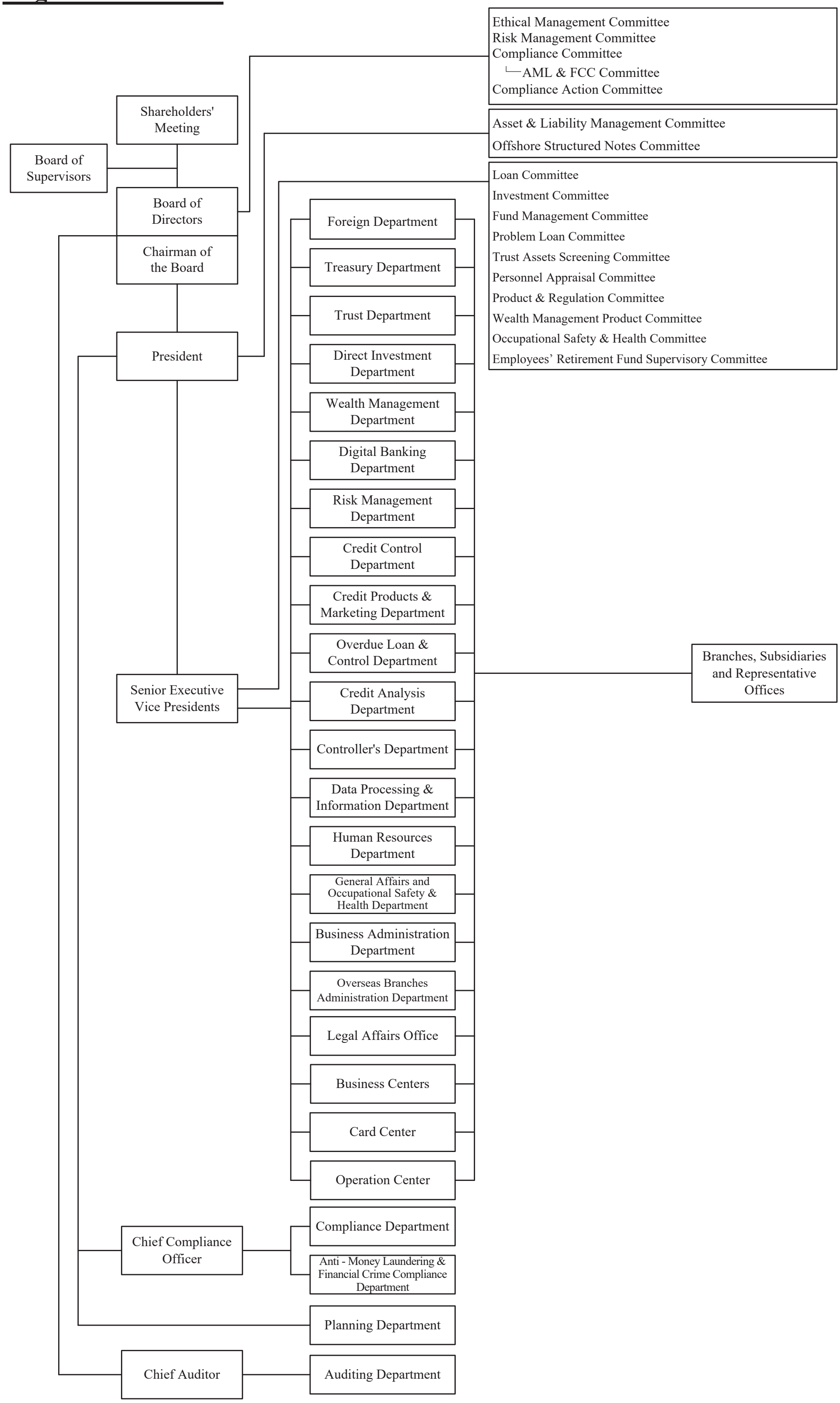
Set up five years before the founding of the Republic of China, Chiao Tung Bank Co., Ltd. (CTB) had also been delegated to act as an agent of the government coffer and a note-issuing bank in concert with the Bank of China at the outset of the Republic. Transforming from a licensed bank for industries in 1928, an industrial bank in 1975, and a development bank in 1979, CTB turned from a state-controlled bank into a privately–owned one in 1999. It has engaged in loan extensions for medium- and long-term development, innovation and guidance investment (equity investment), and venture capital ever since. For years, CTB has made significant contributions to the improvement of industrial structure and the promotion of the upgrading of industry by assisting in the development of strategic and vital industries in line with the economic policy and the economic development plan of the government.

CTB and International Securities Company formed the CTB Financial Holding Company in 2002. Late on, Chung Hsing Bills Finance Corporation and Barits International Securities Company came under the financial umbrella. On December 31, 2002, Chung Kuo Insurance Company and ICBC joined forces with the Company to form a conglomerate named Mega Financial Holding Company.

With a view to enlarging the business scale and increasing the market share, ICBC and CTB formally merged into one bank under the name of Mega International Commercial Bank Co., Ltd. on August 21, 2006. By the end of 2017, the Bank has 108 branches (including Foreign Department) at home, and 22 branches, 5 sub-branches, and 4 representative offices (including marketing office) abroad. Together with the network are wholly-owned bank subsidiaries in Thailand and Canada, along with their branches, bringing the number of overseas outposts to 38 in total. It has manpower 6,005 and an aggregate paid-in capital of NT$85.362 billion.

As of March, 2018

Organization Chart



Directors, Supervisors & Major Shareholders of the Institutional Shareholders

I. Board of Directors and Supervisors

As of December 31, 2017

Title	Name	Current Position / Occupation
Chairman of the Board	Chao-Shun Chang	Chairman of the Board Mega Financial Holding Company and Mega Bank
Managing Director & President	Li-Yen Yang (Note)	President Mega Financial Holding Company and Mega Bank
Managing Director	Ming-Chuan Ko	Director Mega International Commercial Bank Cultural and Educational Foundation
Managing Director	Chien-Liang Chiu	Dean College of Business and Management, Tamkang University
Independent Managing Director	Fu-Long Chen	
Independent Director	Shyue-Shing Liao	President Reason Law Office
Independent Director	Chih-Jen Hsu	Chairman of the Board Spring House Entertainment Tech. Inc.
Director	Ching-Wen Lin	Professor Department of International Business Administration, Chinese Culture University
Director	Sui-Chang Liang	Principal Attorney Liang & Associates, Attorneys-at-Law
Director	Wen-Ling Hung	Professor Department of Administration Police, Central Police University
Director	Jhy-Yuan Shieh	Professor Department of Economics, Soochow University
Director	Yong-Yi Tsai (Note)	Senior Executive Vice President Mega Bank
Director	Tsung-Hsun Lu	Associate Professor Department of Business Administration, CTBC financial Management College
Director	Chi-Hsu Lin	Assistant Vice President Mega Bank
Resident Supervisor	Sheng-Chang Liu	Director C.H. CHANG & Co. Certified Public Accountants
Supervisor	Chia-Chi Hsiao	Director General Department of Fiscal, Statistical and Financial Affairs, Executive Yuan
Supervisor	Juan-Chi Weng	Managing Partner Trust and Assist CPAs
Supervisor	Jiin-Feng Chen	Associate Professor Department of Accounting, Shih-Chien University
Supervisor	Tai-Long Lee	Chief Counselor Fidelity Law Partners

Note : From February 7, 2018 the position of Managing Director of Li-Yen Yang was filled by Kuang-Hua Hu. The position of President was filled by the Director Yong-Yi Tsai.

II. Professional Qualifications and Independence Analysis of Directors and Supervisors

As of December 31, 2017

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of other public companies in which the individual is concurrently serving as an Independent Director
	An instructor or higher position in a Department of Commerce, Law, Finance, Accounting, or other academic department related to the business needs of the bank in a public or private Junior College, College, or University	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist, who has passed a national examination and been awarded a certificate in a profession necessary for the business of the bank	Have work experience in the areas of commerce, law, finance, accounting, or otherwise necessary for the business needs of the bank	1	2	3	4	5	6	7	8	9	10	
Chao-Shun Chang	✓	✓	✓	✓		✓	✓			✓	✓	✓		
Li-Yen Yang			✓	✓		✓	✓			✓	✓	✓		
Ming-Chuan Ko			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Chien-Liang Chiu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Fu-Long Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Shyue-Shing Liao		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Chih-Jen Hsu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		3
Ching-Wen Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Sui-Chang Liang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Wen-Ling Hung	✓		✓	✓		✓	✓			✓	✓	✓		
Jhy-Yuan Shieh	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Yong-Yi Tsai			✓			✓	✓	✓		✓	✓	✓		
Tsung-Hsun Lu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Chi-Hsu Lin			✓		✓	✓	✓	✓	✓	✓	✓	✓		
Sheng-Chang Liu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Chia-Chi Hsiao			✓	✓		✓	✓			✓	✓	✓		
Juan-Chi Weng		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Jiin-Feng Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Tai-Long Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

Note: Check ("✓") the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Bank or any of its affiliates.
2. Not a director or supervisor of the Bank's affiliates. The same does not apply, however, in cases where the person is an independent director of the Bank's parent company, or any subsidiary in which the Bank holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a Bank shareholder that directly holds 5% or more of the total number of outstanding shares of the Bank or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Bank.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Bank or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

III. Major Shareholders of the Institutional Shareholders

As of December 31, 2017

Name of the Institutional Shareholders	Top Shareholders (Percentage of Shares Ownership)
Mega Financial Holding Co., Ltd.	Ministry of Finance, R.O.C. (8.40%)
	National Development Fund, Executive Yuan, R.O.C. (6.11%)
	Chunghwa Post Co., Ltd. (3.56%)
	Fubon Life Insurance Co., Ltd. (3.46%)
	Cathay Life Insurance Co., Ltd. (2.63%)
	Bank of Taiwan Co., Ltd. (2.46%)
	China Life Insurance Co., Ltd. (1.81%)
	Nan Shan Life Insurance Co., Ltd. (1.73%)
	Pou Chen Corporation (1.40%)
	Vanguard Emerging Markets Stock Index Fund (1.36%)

IV. Policies for Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Bank and its subsidiaries calculate the number of shares based on the closing price at the previous day of the Board of Directors' resolution day.

Execution of Corporate Governance

I. Attendance Record

A total of forty meetings of the Board of Directors were held in 2017. The attendance of directors and supervisors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman	Chao-Shun Chang	37	3	92.5	Assumed on Sep.2, 2016
Managing Director	Li-Yen Yang	39	1	97.5	Assumed on Sep.10, 2016
Managing Director	Ming-Chuan Ko	40	0	100	Assumed on Sep.10, 2016
Managing Director	Chien-Liang Chiu	38	2	95	Assumed on Sep.10, 2016
Independent Managing Director	Tien-Chang Huang	3	1	75	Relieved on Feb.18, 2017
Independent Managing Director	Fu-Long Chen	35	1	97.2	Assumed on Feb.22, 2017
Independent Director	Kai Ma	1	0	100	Relieved on Feb.20, 2017
Independent Director	Tai-Long Chen	0	1	0	Relieved on Feb.1, 2017
Independent Director	Shyue-Shing Liao	10	0	100	Assumed on Feb.22, 2017
Independent Director	Chih-Jen Hsu	10	0	100	Assumed on Feb.1, 2017
Director	Ching-Wen Lin	8	0	72.7	Assumed on Sep.10, 2016
Director	Chun-Hsiung Cho	11	0	100	Relieved on Dec.31, 2017
Director	Sui-Chang Liang	11	0	100	Assumed on Sep.10, 2016
Director	Wen-Ling Hung	11	0	100	Assumed on Sep.10, 2016
Director	Jhy-Yuan Shieh	11	0	100	Assumed on Sep.10, 2016
Director	Yong-Yi Tsai	10	1	90.9	Assumed on Sep.10, 2016
Director	Tsung-Hsun Lu	4	0	100	Assumed on Aug.30, 2017
Director	Chi-Hsu Lin	11	0	100	Assumed on Jan.25, 2017
Resident Supervisor	Sheng-Chang Liu	37	1	92.5	Assumed on Sep.10, 2016
Supervisor	Hung-Shu Fan	4	0	100	Relieved on May.10, 2017
Supervisor	Chih-Hsien Hsieh	9	1	81.8	Assumed on Sep.10, 2016
Supervisor	Juan-Chi Weng	11	0	100	Assumed on Sep.10, 2016
Supervisor	Jiin-Feng Chen	11	0	100	Assumed on Sep.10, 2016
Supervisor	Tai-Long Lee	4	0	100	Assumed on Aug.30, 2017

Note: 1. The Bank's directors and supervisors are appointed by the Mega Financial Holding Company. The term in office for 15th Board of Directors is from Sep. 1, 2015 to Aug. 31, 2018.

2. None of the independent directors has a dissenting opinion or qualified opinion on the resolutions.

3. The attendance rate is calculated as the ratio of the number of Board of Directors meetings attended to the number held during the term in office.

4. The Board of Directors has performed its duties in compliance with the related laws and regulations.

II. Corporate Governance Implementation Status and Deviations from "Corporate Governance Best-Practice Principles for Banks"

As of December 31, 2017

Evaluation Item	Implementation Status		
	Yes	No	Abstract Illustration
A. Ownership Structure and Shareholders' Equity			
1. Does the Bank establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		■ The Bank is a 100% owned subsidiary of Mega Financial Holding Company ("Mega FHC"). The Bank's operation and management, financial business information and audit management are handled in accordance with the "Regulations on Supervision of Mega FHC's Subsidiaries". Recommendations or questions regarding the Bank's operations may be conveyed through formal letters, telephones, emails, etc. The Bank's business supervisory units will handle or explain the case, in accordance to the internal operating procedures. ■ Mega FHC is the Bank's sole shareholder. Any shareholders' dispute or litigation shall be handled by the supervisory units. However, if due to complexity of the case or other special factors, where it is necessary to engage a lawyer, the units, according to Article 3 of the Bank's Directions for Handling Legal Cases, shall request for approval from the authorized level before engaging a lawyer.
2. Does the Bank possess the identities of its major shareholders as well as the ultimate owners of those shares?	✓		■ Mega FHC is the Bank's sole shareholder and ultimate controller.
3. Does the Bank establish and execute the risk management and firewall system within its conglomerate structure?	✓		■ The responsibilities for the management and risk control mechanism of personnels, assets and financial matters of the Bank and affiliated companies are completely independent; and tight firewall mechanisms are established and executed. ● Information security: The internet between the Bank and affiliated companies is connected directly through peer-to-peer which is the safest way of internet connection, and controlled by Firewall to avoid unauthorized connection. ● Client confidentiality: The person in charge of processing and using customer information has to be authorized for entering and removing customers' personal particulars, and a post-execution supervision mechanism is in place to ensure the appropriateness of authorization. ● Stakeholder transactions: The Bank has established "Rules on Handling Stakeholder Transaction". Also, in accordance with the relevant laws and regulations, the stakeholder transaction balance is submitted to the parent company, Mega FHC, regularly. Mega FHC then discloses the related information and submits it to the competent authority.
B. Composition and Responsibilities of the Board of Directors			
1. Does the Bank voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		■ After joining Mega FHC, the Bank is delisted from the stock market and is not mandatory to set up a Remuneration Committee. The design and adjustment of the Bank's remuneration is submitted to Mega FHC for approval. ■ Mega FHC has set up an Audit Committee. According to the

Evaluation Item	Implementation Status		
	Yes	No	Abstract Illustration
			regulations issued by Financial Supervisory Commission, a company 100% owned by a financial holding company may choose to set up an audit committee or appoint supervisors, and the Bank has adopted the latter. The Bank's supervisors may communicate with the Bank's employees, head of internal audit and shareholders at any time, and convene supervisors meetings from time to time, with the attendance of a CPA where necessary. ■ The Bank has 16 committees, and the board of directors is in charge of the Risk Management Committee, Compliance Committee, Compliance Action Committee, and Ethical Management Committee.
2. Does the Bank regularly evaluate the independence of CPAs?	✓		■ When appointing a CPA, the Bank shall assess its independence and request it to provide "Independence Declaration on the Auditing and Attestation of Financial Report by the Certified Public Accountant".
C. If the Bank is a listed or OTC company, is it required to set up dedicated (non-dedicated) unit or personnel in charge of matters related to corporate governance?	✓		■ The Bank is a 100% owned subsidiary of Mega FHC, and is not listed on Taiwan Stock Exchange or Taipei Exchange. However, the Bank's General Affairs and Occupational Safety & Health Department is in charge of matters related to company registration and registration change. The office of the board of directors is in charge of matters related to the board of directors meetings, and providing information regarding professional practice to directors and supervisors.
D. Does the Bank establish a communication channel with interested parties?	✓		■ The Bank has diverse communication channels with interested parties such as customers, employees, suppliers, community residents, etc. These parties may contact the Bank through the 24-hour customer hotline or public website; or may communicate with the Bank through letter or meeting. Also, a labor union bulletin in the Bank's intranet allows employees to express their opinions. ■ In terms of communicating with interested parties defined in The Banking Act and Financial Holding Company Act, the Bank's Head Office request all unites to provide the interested parties list according to The Banking Act of The Republic of China and Financial Holding Company Act to related interested parties for confirmation. Upon confirmation by the related interested parties, the interested parties profile shall be maintained in the Bank's e-Loan System and Mega Financial Holding Company's network information system. Should there be any change in the duties of the interested parties, the person concerned shall be communicated, and the profile updated immediately.
E. Information Disclosure 1. Does the Bank have a corporate website to disclose both financial standings and the status of corporate governance?	✓		■ The Bank's official website (https://www.megabank.com.tw) is maintained by dedicated personnels regularly to disclose information regarding the Bank's business, financials and corporate governance.
2. Does the Bank have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a	✓		■ The Bank's official website has an English version, https://www.megabank.com.tw/en/. If there's information needed to be made public in accordance with the relevant laws and regulations, the Bank shall, within the legal time limit, designate a personnel to report and disclose immediately. ■ The Bank has established "Procedures for Releasing Information by Spokesperson and Acting Spokesperson". The Spokesperson

Evaluation Item	Implementation Status		
	Yes	No	Abstract Illustration
spokesman system, webcasting investor conferences)?			and Deputy Spokesperson speak publicly on behalf of the Bank by means of press release, website disclosure or disclosure of information. ■ The investor conference is handled by the parent company, Mega FHC.
F. Is there any other important information to facilitate a better understanding of the Bank's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors, and donations to political parties, stakeholders, and charity organizations)?	✓		■ Employees' rights: The Bank shall inform the employees in advance of any job relocation. If the change of business nature results in no suitable jobs for the employee, or the employee is incompetent in taking up the job, the Bank shall, according to the Labor Standards Act, inform the employee in advance of the termination of employment contract at least 10 to 30 days. In addition, the Bank and the Union have established a collective agreement. The Bank has set up the Personnel Appraisal Committee, formed by the Bank and union representatives, responsible for the review of awards and penalties of the employees. It has also established the Occupational Safety & Health Committee, responsible for the planning and handling, review and supervision of matters related to labor safety, hygiene and health. Employees' Retirement Fund Supervisory Committee is also set up to safeguard employees' pension. ■ Employee welfare: The Bank has set up the Employee Welfare Committee, responsible for the review and planning of employee welfare services and fund allocation. In addition, the Bank conducts regular employees' health checkup and seminars. Employees can also obtain health knowledge through e-learning to achieve the objective of preventive health care. ■ Investor relationship: The Bank is fully answerable to its parent company, Mega FHC, for its business performance. ■ Directors to recuse themselves from cases in which they have a material interest: As per Rules and Procedures of shareholders meeting of the Bank, interested parties with respect to proposals shall recuse themselves from discussions or voting to avoid the conflict of interest. ■ Advanced studies of directors and supervisors: the Bank provides directors and supervisors with opportunities enhancing their professional competency. ■ Execution of customer policies: According to the various regulations of the competent authority and bank union, the Bank shall state in the contract, regulations to be complied, whereby customers can claim the right based on the contracts. ■ Purchasing liability insurance for directors and supervisors: The Bank purchases "Directors and Key Employees Liability Insurance" for all directors and supervisors. ■ Donations: The Bank has, over the years, organized various activities and donated to charities and non-profit organizations. The donation process strictly complies with the various internal and external laws and regulations.

The above mentioned corporate governance implementation status of the Bank has no deviation from the "Corporate Governance Best-Practice Principles for Banks".

Capital & Shares

I. Source of Capital Stock

Unit: NT$; share

Year/Month	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark
		Shares	Amount (NT$)	Shares	Amount (NT$)	Source of Capital
2002/12	10	3,726,100,000	37,261,000,000	3,726,100,000	37,261,000,000	Public offering
2006/08	10	2,684,887,838	26,848,878,380	2,684,887,838	26,848,878,380	Issuance of new shares for merger
2011/10	10	389,012,162	3,890,121,620	389,012,162	3,890,121,620	Transference of un-appropriated earnings
2012/09	10	300,000,000	3,000,000,000	300,000,000	3,000,000,000	Issuance of common stock (Private placement)
2013/12	10	600,000,000	6,000,000,000	600,000,000	6,000,000,000	Issuance of common stock (Private placement)
2015/06	10	300,000,000	3,000,000,000	300,000,000	3,000,000,000	Issuance of common stock (Private placement)
2015/12	10	536,233,631	5,362,336,310	536,233,631	5,362,336,310	Issuance of common stock (Private placement)

II. Type of Stock

Unit: share

Type	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total Shares	
Common Shares	8,536,233,631	0	8,536,233,631	Public offering

Note: Shares have been stopped listed since the Bank joined Mega Financial Holding Company on December 31, 2002.

III. Structure of Shareholders

As of December 31, 2017

	Government Agencies	Financial Institutions	Other Institutional Investors	Individuals	Foreign Institutional Investors & Foreigners	Total
Number of Shareholders		1				1
Shareholding (shares)		8,536,233,631				8,536,233,631
Percentage		100.00%				100.00%

Note: 100% shares are held by Mega Financial Holding Company.

IV. List of Major Shareholders

As of December 31, 2017

Shareholder's Name	Shareholding	
	Shares	Percentage
Mega Financial Holding Co., Ltd.	8,536,233,631	100.00%

Other Fund-Raising Activities

I. Issuance of preferred shares, global depository receipts, and employee share subscription warrants:

None.

II. Mergers, acquisitions, and issuance of new shares due to acquisition of shares of other companies:

None.

Business Activities

I. Business Scope: Commercial banking, including a wide range of services indicated as following:

1. Domestic Branches
   - Deposits
   - Loans & Guarantees
   - Documentary Credits
   - Remittance & Bill Purchase
   - Offshore Banking
   - Trust Business
   - Foreign Exchange Trading
   - Safety Boxes Services
   - Consumer Banking
   - U Card, VISA Card, MasterCard, JCB Card
   - Consignment Securities
   - Agency Services
   - Money Market Securities
   - Agency for selling gold, silver, gold/silver coins, Gold Deposit Account
   - Electronic Banking
   - Direct Investment Business
2. Overseas Branches
   - Deposits
   - Loans & Guarantees
   - Documentary Credits
   - Remittance & Bill Purchase
   - Foreign Exchange Trading
   - Loans Backed by the Overseas Chinese Credit Guarantee Fund
   - Trading Consulting Services
   - Warehousing Services

II. Distribution of Mega Bank's Net Operating Income

As of December 31, 2017

Item	Amount (thousands in NT$)	As percentage of Net Operating Income (%)
NET INTEREST INCOME	33,552,745	67.67
NON-INTEREST INCOME	16,029,323	32.33
Net service fee income	6,870,359	13.86
Gains on financial assets and liabilities at fair value through profit or loss	5,425,632	10.94
Realized gains on available-for-sale financial assets	1,484,447	2.99
Foreign exchange gain	1,853,603	3.74
Loss on asset impairment	-205,179	-0.41
Investment income recognized by the equity method	471,613	0.95
Net other non-interest income	235,497	0.47
Gain on financial assets carried at cost	619,151	1.25
Net other miscellaneous loss	-725,800	-1.46
NET OPERATING INCOME	**49,582,068**	**100.00**

Taiwanese Banking Industry & Market Overview

- **Competition in the domestic banking industry is intense, and amplifying deposit spreads is not easy.**

  The Bank has an advantageous market position in businesses with larger spreads, such as OBU and overseas loans and will strengthen the development of these niche businesses; it will also expand consumer loans to increase interest spreads.

- **US dollar has gone into a rate-hike cycle, which helps increase return on US dollar assets.**

  The US dollar deposits of the Bank are abundant, which is beneficial for expanding the US dollar loan business and increasing revenue. At the same time, while taking risks into consideration, the Bank adopts a more flexible financial operation strategy, masters the dynamics of the financial market, and creates opportunities for profit.

- **Compliance requirements for financial institutions have increased in various countries; it is more difficult to operate overseas branches.**

  The business branches of the Bank spread out globally, and there is a good foundation for the international layout; the Bank actively invested in compliance system reform, and progress is leading in the industry. In the future, it is expected to improve after hard work. While strengthening the compliance system, the Bank will look for operational niches of specific locations and give play to the advantages of international business.

- **The impact of financial technology development on financial business models is increasing.**

  The growth of mobile payments is accelerating in Taiwan; the Bank will actively participate in various mobile payment interfaces. At the same time, the Bank will also seek to cooperate with the financial technology industry, strengthen the capabilities of technological applications, plan for the transformation of physical channels, and improve the competitiveness of digital financial services.

- **The economic development policies of the government are expected to bring business opportunities to banks.**

  The government is actively promoting industrial innovation and transformation and is expected to drive domestic investment; the Bank will develop relevant key industrial opportunities by providing corporate loans, making strategic investments, and participating in national investment companies.

I. Positive Factors

- In 2018, the global economic boom is expected to improve over 2017; the demand for corporate capital and the willingness to invest in the market are improving, which is beneficial for the growth momentum of loan and wealth management businesses of domestic banks and the improvement of profitability of banks.
- To cooperate with the “New Southbound Policy” promoted by the government, domestic banks focus on overseas businesses and develop new markets; supervisory authorities also continue to relax restrictions on domestic banks to undertake domestic and foreign credit cases, and encourage loans to key innovative industries, which is beneficial for domestic banks to develop new loan cases and improve bank competitiveness and revenue.
- Policy promotion, accelerated relaxation of regulations, gradually improving information security, increasing acceptance by the public, and continual expansion of cooperation and strategic alliance between the industry and technology industries help domestic banks improve innovation capabilities of financial technology products, develop the financial technology market, and develop new customers.
- The global economic boom is stable, and the United States is raising interest rates and shrinking the balance sheet, which will drive the gradual rise of interest rates in major countries; moreover, domestic interest rates are expected to be stable, which is beneficial for domestic banks to expand interest spreads of domestic and foreign loans and improve profitability.

II. Negative Factors

- In 2018, domestic banks need to improve the capabilities of relevant professionals in the areas of anti-money laundering and terrorist financing, expand relevant departments, and improve software and hardware equipment. Financial technology innovation, demand for equipment, and marketing and promotion will also increase the operating costs of banks.
- The commercial models of domestic banks to expand the overseas market and financial technology market are gradually changing. Facing the southward development, customs and habits vary greatly in different countries and the demand for financial technology innovation and research and development is high. The importance of information security and risk control continues to increase, and recruiting relevant talents and accumulating experience will become challenges for domestic banks in the area of human resources.
- China continues to adjust economic and industrial structures. Risks, such as corporate liabilities and high increase rate of housing prices, continue to grow; the credit structure of local Chinese companies may become weakened and the asset quality of domestic banks in China may be weakened as well.

III. Winning Strategies

- In order to go beyond traditional banking business and management models so as to develop new businesses and increase revenue, banks should accelerate the development of financial technology, absorb multidisciplinary talents, strengthen employee on-job training, cultivate comprehensive financial talents, and continue to improve information security mechanisms.
- In order to improve the situation of excessive competition and lower spreads in the domestic banking industry, banks should actively improve competitiveness and accelerate the international layout, and further develop overseas credit markets with larger spreads. Moreover, banks should continue to focus on wealth management businesses, enrich product lines, meet the investment and wealth management demands of customers, and increase the service fee income of banks.
- There are still many variables in the global economy; while laying out overseas markets and developing businesses, banks should strengthen various relevant risk control and compliance mechanisms and pay attention to principles of risk diversification.

IV. Mega Bank’s Niche

- Mega Bank owns expansive global presence and international banking expertise, enhancing the bank’s diversification and profitability.
- Mega Bank maintains the highest foreign deposit balance among domestic banks ever since.

Business Plan

- Introduce “anti-money laundering and counter terrorism financing information systems” to establish a sound monitoring and reporting mechanism.
- Expand management information systems of overseas business units, strengthen contact and communication, and enhance the supervision and management efficiency of the Head Office.
- With reference to the government's policy direction of promoting industrial innovation and transformation, assist the government in expanding key industries through the Bank's corporate banking expertise and strategic investment mechanisms.
- In consideration of the requirements of risk management and control, expand consumer banking business and increase the proportion of the entire Bank’s consumer banking business volume..
- Increase the proportion of investment in high quality liquid assets to improve the Bank’s liquidity coverage ratio.
- Build a bank-wide data management platform for big data, promote accurate marketing, and increase the business penetration rate of target customers.

Human Resources Profile

Item		As of December 31,	
		2017	2016
Number of Employees	Domestic	5,317	4,939
	Overseas	688	604
	Total	6,005	5,543
Average Age		41.29	42.65
Average Years of Services		15.20	16.69
Education	Ph.D.	3	4
	Master’s Degree	1,450	1,240
	Bachelor’s Degree	4,311	4,039
	Senior High School	219	236
	Below Senior High School	22	24

Social Responsibility

Fulfilling corporate social responsibility is one of the Bank’s core values. The Bank participates in various public welfare activities and establishes many environmental protection mechanisms such as green buildings, garbage classification and recycling, water conservation and energy efficiency measures, etc.

Furthermore, the Bank founded Mega International Commercial Bank Cultural and Educational Foundation (formerly The International Commercial Bank of China Cultural and Educational Foundation) in 1992 to undertake cultural and educational matters and take care of underprivileged population. The area of sponsored activities in 2017 include: educations, sports, arts and public welfare, etc.

Credit Risk Management System

Year 2017

Item	Content
A. Credit Risk Strategies, Goals, Policies, and Procedures	1. When developing the Bank's credit and investment businesses, besides complying with the relevant laws and regulations such as the Banking Act of the Republic of China, the business supervisory units shall set risk management targets (non-performing loans ratio, NPL coverage ratio, etc.), and the Risk Management Department compiles and submits reports to the Bank's Risk Management Committee and the Bank's Board of Directors for approval. The Bank also sets its risk appetite by establishing various credit and investment regulations, maintaining a sound credit risk management framework and standard. 2. In response to the implementation of New Basel Capital Accord, the Bank is gradually developing models and evaluation mechanisms for estimating various credit risk component, such as implementation of internal rating system linked to probability of default (PD), to predict customer's PD with quantitative analysis tools, etc., so as to strengthen the existing credit rating system of credit analysis procedures, and thereby enhance the management efficiency of credit risk. 3. Before engaging in credit and investment businesses, the Bank shall ensure thorough credit investigation and review with clear authorization limits by a hierarchical delegation framework to enhance service efficiency and shorten operating processes. Regular review is also conducted by establishing a reporting mechanism to report irregular or emergent incidents within the stipulated time. 4. The Overdue Loan & Control Department is in charge of non-performing/non-accrual loans management. Proper guidelines, rules and procedures have been set to ensure effective monitoring and collection of NPLs.
B. Organization of Credit Risk Management	1. The Board of Directors has the ultimate responsibility for the Bank's credit risk management, in charge of approval of entire Bank's credit risk policies, framework, strategies/goals and important credit risk management regulations of the Bank. The Risk Management Committee is delegated by the Board of Directors and is convened by Chairman of the Board with the responsibility to review and discuss risk management policies, regulations, etc. 2. The Loan Committee and Investment Committee are in charge of reviewing credit and investment cases, related policies and implementation status in this regard. The Problem Loan Committee manages problem loans and debt collection, and reviews related policies of non-performing/non-accrual loans. 3. Each Head Office department in charge of credit risk shall, according to their duties, implement credit risk management procedures such as identification, measurement, monitoring, reporting, etc., and continue to enhance risk management mechanism. 4. The Risk Management Department shall coordinate and supervise the various units in establishing the credit risk management mechanism, and gradually develop tools such as internal rating system to enhance credit risk management, and submits risk management report to the Board of Directors and Mega Financial Holding Company regularly.
C. Scope and Characteristics of the Credit Risk, Reporting and Measuring System	1. The Bank's credit risk management objectives are set annually using a bottom-up method, and are submitted to the Board of Directors for approval. The implementation progress and status are evaluated regularly according to economic conditions, the Bank's financial status and risk exposure, etc., so as to strengthen the Bank's overall risk management. Meanwhile, in accordance with the regulations of the competent authority, related credit risk information is disclosed on the Bank's website. 2. To control the same concerned party (groups of related counterparties), industries, country risk, etc., and prevent over-concentration of risk, the Bank has set various credit and investment limits for the same concerned party (groups of related counterparties), industries, etc., according to economic performance, industry outlook and credit risk level, and reports

Item	Content
	to the senior management regularly on the implementation status and compliance status of the laws and regulations, such as the Banking Act of the Republic of China, and internal credit and investment related regulations of the Bank. 3. Conducts regular credit review to better understand customers, increases the frequency of review for loan customers with high and abnormal credit risk, and reports the review status to the senior management after annual analysis and review. 4. Visits the invested enterprises at least once per year, and takes note of their operation, capital flow and execution of business plan, helps solve various problems, analyzes the operations, and reports to the Board of Managing Directors. 5. Irregularity reporting system: if loan or investment customers encounter irregular operation, financial difficulty or other unexpected material incident that would affect the company's operation, the business unit shall immediately report to the senior management through the departments in charge, and to Mega Financial Holding Company through the Risk Management Department, so that related information can be relayed and necessary measures carried out immediately. 6. Asset evaluation: for the various credit assets, investments, other assets and contingent assets, business supervisory units shall base on the Bank's historical loss experience on bad debts write-off, provision, bad debt recovery, etc., current non-performing loans ratio, collection status and the competent authority's regulations, generally accepted accounting principles, etc., to evaluate the possible loss and provide for bad debts or cumulative impairment.
D. Credit Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	Through prudent credit investigation and review mechanism with fully understanding of customers' financial and operation status, the following countermeasures are adopted: 1. When the probability of loss occurrence of loans or transactions is high, and the severity of expected losses is significant, e.g. a newly incorporated company with low credit rating and with credit risk higher than profit, the Bank does not undertake such business. 2. When the probability of loss occurrence of loans or transactions is low, but the severity of expected losses is high, such business can be undertaken by self-liquidating trade finance, account receivable finance, etc., and strengthen foreign exchange transactions, and manage cash flow to further reduce risk. Major credit exposures, housing loans, etc., may be undertaken by requesting for collateral or guarantor, or through a syndicated loan, or selling off part of positions in the secondary market after undertaking, or engaging in debt securitization, so as to reduce or transfer risk. 3. When the probability of loss occurrence of loans or transactions is high, but the severity of expected losses is minor, the Bank shall sign agreements with the clauses such as financial or non-financial covenants and prohibition on sale of assets or mortgage so as to control the credit risk of the borrower or counterparty. 4. When the probability of loss occurrence of loans or transactions is low, and the severity of expected losses is minor, the Bank shall undertake such business if upon assessment, the profit is higher than risk borne. 5. For collaterals such as securities, real estates, etc., the Bank regularly monitor loan-to-value ratios for each case. For guarantors' creditworthiness, the Bank monitor through measures such as credit review to ensure the effectiveness of risk mitigation tools.
E. Method of Legal Capital Allocation	1. The Bank currently adopts the Standardized Approach for credit risk regulatory capital charge. 2. In order to quantify risk so as to effectively measure risk and enhance management, the Bank has progressively developed various credit rating models, introduced aforementioned models linked to probability of default into credit investigation process, and gradually developing a system complied with the credit risk Internal Ratings-Based Approach under the New Basel Capital Accord.

Operational Risk Management System

Year 2017

Item	Content
A. Operational Risk Management Strategies and Procedures	1. Strategies ■ Establish an effective framework and formulate internal control procedures for each level. ■ Enhance employee training in laws, regulations and business. ■ Strengthen control of operating procedures. ■ Implement internal and external audit and supervision measures to reduce the entire bank's operational risk loss. 2. Procedures ■ Conduct risk identification and assessment, suitability analysis and planning of information system, before launching new products or businesses or establishing new overseas branches, and hold a review council, in accordance with the Bank's "Operating Guidelines for Establishing New Business, New Products and Overseas Branches". ■ Formulate business management regulations, operational specifications, and establish them in the computer system to allow staff to inquire timely and to comply with, when performing their duties. ■ Conduct self-assessment of operational risk to identify and measure the degree of operational risk exposure, strengthen risk management awareness, and improve current control mechanism. ■ Conduct self-reviews to understand the implementation of various business control mechanism, and rectify the deficiencies immediately. ■ Submit and compile operational risk loss incidents based on the 8 major industry types and 7 major loss incident types stipulated in Basel II, and conduct reviews on the factors of occurrence of the loss and improve them. ■ Establish key indicators for operational risk to monitor potential risk, and apply appropriate management measures where necessary.
B. Organization of Operational Risk Management	1. Board of Directors: approve operational risk management policies. 2. Auditing Department: conduct regular reviews on the effectiveness of operational risk management mechanism to each unit. 3. Risk Management Department: formulate operational risk management policies and concrete targets, design and implement operational risk assessment and management mechanism, summarize and submit reports on the operational risk loss regularly. 4. Head Office's business supervisory units: identify operational risk, formulate respective business management regulations and operational specification, as well as establish control mechanism. 5. All units of the Bank: perform various operations according to the various control mechanisms, conduct regular self-reviews and self-assessment of operational risk, and submit reports on loss incidents.
C. Scope and Characteristics of the Operational Risk Reporting and Measurement System	1. The Bank submits a report to the Board of Directors regularly on the results of self-assessment of operational risk, occurrence of operational risk loss incidents, implementation of regulatory compliance system, and audit and self-review status. 2. The Bank's reporting on operational risk loss incidents, the implementation of law compliance system and the performance of audit system apply to each unit of the Bank. Self-review system is conducted by General Affairs and Occupational Safety & Health Department, Data Processing & Information Department, all business units and subsidiary banks. 3. When deficiencies are discovered, the units shall review and improve immediately, and make regular reports to Head Office.

Item	Content
	4. The Bank's business units and General Affairs and Occupational Safety & Health Department, Controller's Department, Data Processing & Information Department, Overdue Loan & Control Department, Risk Management Department, Digital Banking Department, Anti-Money Laundering & Financial Crime Compliance Department, Operation Center, Regional Business Centers, etc., conduct annual operational risk self-assessment to measure the Bank's operational risk exposure and, based on the recommendations from the various units, validate the improvement of the existing control mechanism for preventing the occurrence of operational risk.
D. Operational Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	1. The Bank transfers the possible operational risk loss from the Bank's employees, financial affairs and equipment through insuring on banker's blanket bond insurance, fire insurance, earthquake insurance, third-party liability insurance, group personal accident insurance, etc.,. The Bank also reviews and renews annually to maintain the effectiveness of risk transfer. 2. The contract that the Bank signs with contractors for outsourced operations shall specify the scope of outsourced operations and the relevant regulations so as to clarify the attributions of responsibilities and transfer possible operational risk. Also, regular evaluations are conducted on the contractors for outsourced operations to ensure that the outsourced operations are in compliance with the relevant regulations of the competent authority.
E. Method of Legal Capital Allocation	The Bank currently adopts the Basic Indicator Approach (BIA) for operational risk regulatory capital charge.

Market Risk Management System

Year 2017

Item	Content
A. Market Risk Management Strategies and Procedures	1. Strategies: ■ According to the risk management objectives and risk limits approved by the Board of Directors, supervise the entire bank's market risk position and tolerable loss. ■ According to the Bank's "Market Risk Management Guidelines" and other relevant regulations, implement market risk management in order to attain operational objectives and maintain a healthy capital adequacy ratio. ■ Establish market risk information system to enable effective monitoring of limit management, profit and loss assessment, sensitivity factor analysis, execution of stress test, etc., of the financial products' position, and compile a risk report to be submitted to the head for review and use as reference for decision-making. 2. Procedures: Set different types of risk management rules for financial products based on their different business natures and include the process for risk identification, measurement, monitoring and reporting into the regulations. The Risk Management Department monitors the compliance status of the transaction unit. ■ Daily transactions: Prepare daily market risk position and income statement, compile and analyze domestic and overseas transaction unit data, summarize and analyze various financial products' position, assess profit and loss, sensitivity risk factor analysis, and submit monthly stress test results to enable the top management to understand the entire bank's market risk exposure; and regularly compile the balances, gains and losses, and market assessments of investments in securities and trades of derivative financial products and submit to the (Managing) Board of Directors for the Board of Directors to understand the market risk control of the Bank.

Item	Content
	■ Exception management: Each transaction has limits and stop-loss rules. If the transaction reaches the stop-loss limit, action shall be taken immediately. If stop-loss is not executed, the transaction unit shall state the reason for not executing stop-loss and the contingency plan, submit to top management for approval, and report to the Risk Management Committee and Board of Directors based on the type of financial products.
B. Organization of Market Risk Management	1. The Board of Directors is the Bank's highest supervisory unit for market risk, in charge of the approval of risk strategies and various risk limits, and of the Risk Management Committee which supervises market risk. 2. Conduct Risk Management Committee council regularly, and the Risk Management Department shall submit a report on the management of the Bank's various financial products position for reference by the committee. Besides submitting report on the Bank's management status such as market risk and liquidity risk, the business supervising unit shall submit a special report on the current period's major extraordinary event. 3. Risk Management Department is in charge of establishing risk control mechanism and formulating internal regulations. It compiles and analyzes data such as position, assesses the profit and loss, sensitivity risk factor analysis and stress test of various financial products regularly, and reports to the supervisory top management and Mega Financial Holding Company. 4. Stress test is conducted on market risk factor changes on a monthly basis. Also, the Risk Management Department shall, according to market conditions, set the stress scenario every half a year and submit this to the top management for approval for execution of the stress test. The results are then submitted to the top management for review, and then to the competent authority according to the regulations of the competent authority. 5. Risk Management Department compiles and submits the balances, gains and losses, and market assessments of securities investments and derivative financial products to the (Managing) Board of Directors regularly to enable them to understand the Bank's market risk management status. 6. The Treasury Department, the Direct Investment Department, Offshore Banking Branch, and overseas branches (including subsidiary banks) shall comply with relevant regulations and operating rules on market risks of the Bank and execute risk control based on business characteristics and scales; overseas branches (including subsidiary banks) shall also comply with the regulations of local supervisory authorities.
C. Scope and Characteristics of Market Risk Reporting and Measurement	1. The content of the Bank's market risk report includes exchange rate, interest rate, as well as the position, profit and loss assessment and sensitivity factor analysis of financial products such as equity securities, credit default swap, etc. 2. The domestic transaction units shall submit the financial products' positions and gain or loss to the management on a daily basis. When positions are near to stop-loss alert indicator, close monitoring of market changes will be carried out. 3. The risk management unit conducts monthly stress test and submits reports to the Risk Management Committee meetings regularly. 4. For non-hedging transactions of derivative financial products, the risk is assessed based on daily market price; for hedging transactions, the risk is assessed twice per month. 5. When stop-loss limits for loss assessment of securities such as shares, mutual funds, bonds, etc. and derivative financial products are reached, stop-loss shall be executed immediately. The transaction unit shall state the reasons for not executing stop-loss and the response measures, and submit to the top management for approval. When these products exceeded a certain amount of loss, such incident shall be reported to the Risk Management Committee and Board of Directors based on the type of financial product.

Item	Content
D. Market Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	1. The hedging strategy of the Bank is to use spot or derivative financial products as hedging tools to avoid market risk. Targeting the financial products to be hedged and the tools used to hedge, the Bank combines positions and profit/loss stop limits of both and evaluates whether if they are within acceptable range and whether the currently used risk management measures are appropriate. 2. If the assessed risk is too high, the Bank will transfer the risk by reducing the exposure or adopting other approved hedging methods to reduce the risk to a tolerable range.
E. Method of Legal Capital Allocation	1. The Bank adopts the Standardized Approach for market risk capital charge. 2. In terms of risk management, SUMMIT Market Risk Information System provides limit management, profit and loss assessment, sensitivity factor analysis, stress test, and risk value calculation. The Bank is gradually managing market risk through information generated from SUMMIT. In the future, it shall decide whether to adopt Internal Models Approach for capital charge based on business requirements and complexity of the financial products.

Liquidity Risk Management System

Year 2017

Item	Content
A. Liquidity Risk Management Strategies and Procedures	1. Strategies: ■ Monitor the Bank's overall liquidity risk limit according to the risk management objectives approved by the Board of Directors. ■ According to the regulations of the Bank's "Liquidity Risk Management Guidelines", "Operational Directions for Contingency Funding Plan", and "Operational Directions for Liquidity Stress Tests", implement liquidity risk management to ensure the Bank's payment ability. ■ Conduct stress test regularly to ensure that when the Bank's internal operation or external financial environment suffers severe impact, under any circumstance whether at present or in the future, the Bank's liquid funds are sufficient to meet asset increase requirements or fulfill due obligations, so that the Bank can attain sustainable operation. 2. Process: ■ According to the Bank's "Liquidity Risk Management Guidelines", Treasury Department shall control intra-day liquidity positions and risks of NTD and foreign currencies held by domestic units on a daily basis, set aside deposit reserves and maintain liquidity reserves as per the regulations of the Central Bank of the Republic of China (Taiwan), and adjust the liquidity gap based on changes in daily cash flows and market status to ensure the proper liquidity. Overseas branches shall abide by the rules of the home country and the competent authority and hold proper liquid assets to maintain the sufficient liquidity ■ Risk Management Department monitors the liquidity risk management indicators of major currencies, inspects regulatory compliance regularly, and reports to the Fund Management Committee, Risk Management Committee and the Board of Directors.

Item	Content
	■ Risk Management Department sets stress scenario for specific event crisis for individual organizations or overall market environmental crisis. When setting stress scenarios, it takes into consideration the impact on intraday liquidity position due to liquidity risks, collateral multiplier effect, and breach of contract by customer or counterparty due to liquidity shortage. Stress tests shall be conducted regularly, and the results submitted to the Asset & Liability Management Committee and the Board of Directors.
B. Organization of Liquidity Risk Management	1. The Board of Directors is the Bank's highest supervisory unit for liquidity risk, and is in charge of the approval of risk strategies and limits. 2. Treasury Department is the executive unit for managing liquidity risk. 3. Risk Management Department is the supervising unit responsible for monitoring all risk limits and reviewing the appropriateness of the implementation procedures by the implementing units on a regular basis. It shall, on a regular basis, report the monitoring results of the liquidity risk to the Fund Management Committee, the Asset & Liability Management Committee and the Board of Directors.
C. Scope and Characteristics of Liquidity Risk Reporting and Measurement	1. The main purpose of the Bank's liquidity risk report is to estimate the impact of various businesses' future cash flow on the Bank's capital movement, and control the cash flow gap or ratio under a tolerable risk limit. 2. When the liquidity indicator reaches an alert level, the Risk Management Department shall immediately report to the Chairman of the Fund Management Committee, and report at the meeting of the Fund Management Committee. 3. When the level for activating contingency plan is reached, the Risk Management Department shall immediately request the Chairman of the Fund Management Committee to convene a special meeting to review the liquidity contingency plan and implement it upon approval by the President. 4. Upon approval of the plan, the Treasury Department shall immediately implement liquidity contingency plan and the Risk Management Department shall request overseas branches to cooperate according to the plan, so as to fill the funding gap. 5. The Bank conducts stress test regularly and analyzes test results from the perspective of cash flow, liquidity position, repayment ability, etc. If the test results are not up to expectation, and if the liquidity gap is mild, adjust the fund structure as a response measure within stipulated time. In case of high liquidity gap or difficulty in raising short-term funds in the market, activate fund emergency contingency plan to reduce the impact of liquidity risk.
D. Liquidity Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	In response to liquidity crisis such as abnormal deposit withdrawal, huge drain of funds, other serious shortage of liquidity, etc., the Bank has formulated "Operational Directions for Contingency Funding Plan" to fill the funding gap, reduce liquidity risk, maintain normal operation of the entire Bank and the goal of sustainable operation.

Condensed Consolidated Balance Sheets

Unit: Thousands in NT dollars

Item	As of December 31,	
	2017	2016
Cash and cash equivalents, and due from the central bank and call loans to banks	706,479,013	630,438,288
Financial assets at fair value through profit or loss	41,616,462	45,316,653
Available-for-sale financial assets – net	278,090,000	205,720,937
Securities purchased under resale agreements	1,697,586	4,255,968
Receivable – net	59,206,809	59,425,191
Current tax assets	99,432	122,108
Bills discounted and loans – net	1,762,160,756	1,715,278,766
Held-to-maturity financial assets – net	282,443,736	279,291,168
Investments accounted for under the equity method – net	3,108,324	3,033,753
Other financial assets – net	9,337,686	9,670,797
Property and equipment– net	14,909,527	14,322,434
Investment property– net	584,646	865,039
Deferred tax assets	5,563,351	5,088,804
Other assets – net	2,890,767	1,621,685
Total assets	3,168,188,095	2,974,451,591
Due to the central bank and commercial banks	370,989,624	386,017,007
Borrowed funds	33,457,560	39,974,427
Financial liabilities at fair value through profit or loss	8,775,326	11,394,240
Securities sold under repurchase agreements	848,125	444,678
Payables	35,538,952	32,149,539
Current tax liabilities	7,132,566	8,134,367
Deposits and remittances	2,389,236,241	2,173,615,665
Financial bonds payable	25,900,000	36,200,000
Other financial liabilities	8,969,641	8,583,989
Provisions	14,820,870	12,953,433
Deferred tax liabilities	2,216,847	2,161,652
Other liabilities	6,419,470	5,258,347
Total liabilities	2,904,305,222	2,716,887,344
Equity attributable to owners of the parent company	263,882,873	257,564,247
Capital stock	85,362,336	85,362,336
Capital reserve	62,219,540	62,219,540
Retained earnings	118,719,341	111,444,170
Other equity	(2,418,344)	(1,461,799)
Total equity	263,882,873	257,564,247

Condensed Consolidated Statements of Comprehensive Income

Unit: Thousands in NT dollars

Item	2017	2016
Interest revenue	53,854,147	50,877,951
Less: interest expense	19,770,044	15,294,311
Net interest income	34,084,103	35,583,640
Net non-interest income	15,892,500	10,051,088
Net operating income	49,976,603	45,634,728
Provision for loan losses and guarantee reserve	4,344,809	3,619,823
Operating expenses	21,328,752	18,899,537
Consolidated income from continuing operations before income tax	24,303,042	23,115,368
Income tax expense	2,779,632	4,105,407
Consolidated net income	21,523,410	19,009,961
Total other comprehensive income (after income tax)	(2,400,434)	(2,134,315)
Total comprehensive income	19,122,976	16,875,646

Major Financial Analysis

Item		Consolidated		Standalone	
		2017	2016	2017	2015
Financial Structure	Total Liabilities to Total Assets (%)	91.56	91.22	91.51	91.17
	Property and Equipment to Total Shareholders' Equity (%)	5.65	5.56	5.63	5.54
Solvency	Liquidity Reserve Ratio (%)	30.29	27.11	30.29	27.11
Operating Performance Analysis	Loans to Deposits Ratio (%)	75.14	80.38	74.90	80.16
	NPL Ratio (%)	0.13	0.11	0.12	0.09
	Total Assets Turnover (Number of Times)	0.02	0.02	0.02	0.01
	Average Profit per Employee (Thousands in NT Dollars)	3,470	3,316	3,572	3,418
Profitability Analysis	Return on Tier 1 Capital (%)	9.62	9.36	9.70	9.44
	ROA (%)	0.70	0.63	0.70	0.63
	ROE (%)	8.26	7.44	8.26	7.44
	Net Income to Net Operating Income (%)	43.07	41.66	43.41	42.08
	Earnings per Share (NT Dollars)	2.52	2.23	2.52	2.23
	Cash Dividends per Share (NT Dollars)	1.50	1.50	1.50	1.50
	Shareholders' Equity per Share Before Appropriation (NT Dollars)	30.91	30.17	30.91	30.17
Capital Adequacy Ratio (%)		14.48	14.49	14.30	14.32

Note：The 2017 earnings distribution will be resolved in the 2018 Board of Directors on the stockholders' behalf.

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Report of Independent Accountants

To the Board of Directors and Shareholders of Mega International Commercial Bank Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Mega International Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as at December 31, 2017 and 2016, 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" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Rules Governing the Audit of Financial Statements of Financial Institution by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Bank and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The Bank and its subsidiaries' key audit matters for the year ended December 31, 2017 are addressed as follows:

Impairment assessment of bills discounted and loans

Description

For the accounting policy for the impairment assessment of bills discounted and loans, please refer to Note 4(9) of the consolidated financial statements; for critical accounting judgments, estimates, and key sources of assumption uncertainty of impairment assessment of bills discounted and loans, please refer to Note 5(2) of the consolidated financial statements; for the details of bills discounted and loans, please refer to Note 6(5) of the consolidated financial statements. Gross bills discounted and loans and allowance for bad debts as at December 31, 2017, was $1,790,516,261 thousand and $28,355,505 thousand, respectively.

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The credit services provided by the Bank and its subsidiaries, which are their main business activity, are primarily corporate credit facilitations. Impairment losses on bills discounted and loans are losses as a result of existing objective evidence of impairment that estimated future cash flows of loans may not be recovered. The Bank and its subsidiaries' impairment assessment on bills discounted and loans is conducted in accordance with related regulations of IAS 39, 'Financial Instruments: Recognition and Measurement' and meet the related requirements of the competent authority. If there is existing objective evidence of impairment loss for significant credit facilitations which exceed a certain amount, then such facilitations are individually assessed. Impairment loss is primarily provisioned according to the future cash flows and collateral value of the borrower; if there is no existing objective evidence of impairment or if there is existing objective evidence of impairment but the credit facilitation does not exceed a certain amount, then assessment is conducted on a collective basis and impairment losses are estimated according to impairment parameters such as the impairment probability, recovery rate, and effective interest rate under each industry group.

The aforementioned provision of impairment loss for bills discounted and loans includes the determination of future cash flows of individual assessment and impairment parameters for collective assessment. Because this involves subjective judgment and numerous assumptions and estimates, the method of determining assumptions and estimates will directly affect the related recognized amounts. Also, considering that loans account for approximately 56% of total assets, we have thus included the individual and collective impairment assessment of the Bank and its subsidiaries' bills discounted and loans as one of the key audit matters in our audit.

<u>How our audit addressed the matter</u>

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarized as follows:

1. Understood and assessed the related policies, internal control system, and operation procedures of assumptions and estimates (including the impairment probability, recovery rate, future cash flows, and collateral value) used by the Bank and its subsidiaries in provisioning impairment losses for bills discounted and loans.
2. Sampled and tested internal controls related to the provision of impairment loss, including the identification of objective evidence for impairment loss, annual reviews, management of collateral and their value assessment, value assessment of collateral, controls for changing impairment parameters, and approval for provisioning of impairment loss.
3. Collective assessment
   (1) Evaluated the model parameter assumptions of the Bank and its subsidiaries' collective assessments; understood the calculation logic of different group parameters (e.g. the impairment probability, recovery rate, and effective interest rate), as well as the status of periodic updates.
   (2) Sampled and tested the accuracy of impairment loss balances.
   (3) Filtered loan portfolio amounts of corporate facilitations under loans accounts using the system logic which incorporated the Bank's policy to sample and test the accuracy of their respective impairment probability, recovery rate, and effective interest rates, as well as to examine their consistency with the financial statements.
4. Individual assessment (for credit facilitations with existing objective evidence of impairment loss that exceeded a certain amount)
   (1) Assessed the completeness of the watch list for credit facilitations for which objective evidence is existed.
   (2) Sampled and compared the consistency of the system's judgment with samples which had been judged to have objective evidence of impairment.
   (3) Assessed the reasonableness of parameter assumptions (including the borrower's time of past due, financial and operational status, and historical experience) for estimated future cash flows and the accuracy of calculation results for estimated future cash flows.

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Impairment assessment of equity investments carried at cost

Description

For the accounting policy for the impairment assessment of equity investment carried at cost (accounted under other financial assets), please refer to Note 4(9) of the consolidated financial statements; for critical accounting judgments, estimates, and key sources of assumption uncertainty of equity investments carried at cost, please refer to Note 5(3) of the consolidated financial statements; for detail of other financial assets-equity investments carried at cost, please refer to Note 6(9) of the consolidated financial statements. Other financial assets-equity investments carried at cost and its accumulated impairment as at December 31, 2017, was $10,214,744 thousand and $884,452 thousand, respectively.

For the provision of impairment for other financial assets-equity investments carried at cost accounted for by the Bank and its subsidiaries, in accordance with the Bank and its subsidiaries' accounting policy, upon the end of each reporting period, the Bank and its subsidiaries shall estimate impairment losses when it is assessed that there is objective evidence of impairment. When individual equity investments have existing objective evidence of impairment loss, provision of impairment loss is determined by the recoverable amount of cash flows based on the financial and operating status.

Because the aforementioned determination on whether there is existing objective evidence of impairment for equity investments carried at cost and the provision of impairment (including the determination of recoverable cash flows) involve subjective judgment and numerous assumptions and estimates, the method of determining assumptions and estimates will directly affect recognized amounts. Thus, we have included the impairment assessment of the Bank and its subsidiaries' equity investments carried at cost as one of the key audit matters in our audit.

How our audit addressed the matter

The procedures that we have conducted in response to specific aspects of the above-mentioned key audit matter are summarized as follows:

1. Understood and assessed the Bank and its subsidiaries' related policies, stop-loss and exception management controls, and handling procedures for determining impairment evidence and the provision of impairment for equity investments measured at cost.
2. Sampled and tested the evaluations provided by management to determine whether there are documents that support the existence of impairment evidence.
3. Sampled and tested the appropriateness of management's estimate future cash flows (e.g. documents related expected recoverable cash flows of investees) and recalculated the accuracy of provisioned impairment amounts.

Other matter – Parent company only financial report

We have audited and expressed an unqualified opinion on the parent company only financial statements as at and for the years ended December 31, 2017 and 2016, prepared by the Bank.

Responsibilities of management and those charged with governance for the consolidated 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" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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.

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In preparing the consolidated financial statements, management is responsible for assessing the Bank and its subsidiaries' 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 and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank and its subsidiaries' financial reporting process.

Auditor's 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 auditor's 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 ROC GAAS 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 ROC GAAS, 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 Bank and its subsidiaries' 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 and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Bank and its subsidiaries 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank and its subsidiaries audit. We remain solely responsible for our audit opinion.

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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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 consolidated financial statements as at and for the year ended December 31, 2017 expressed in US dollars were translated from the New Taiwan dollar consolidated financial statements using the exchange rate of US$1:NT$29.648 at December 31, 2017 solely for the convenience of the readers. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

Chi, Shu-Mei

Chi, Shu-Mei

Chou, Chien-Hung

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan
March 16, 2018

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF DOLLARS)

		December 31, 2017		December 31, 2016
Assets	Notes	NT$	US$	NT$
Assets			(Unaudited-Note 4)	
Cash and cash equivalents	6(1) and 11(3)	$ 137,710,247	$ 4,644,841	$ 90,426,546
Due from the Central Bank and call loans to banks	6(2) and 11(3)	568,768,766	19,184,052	540,011,742
Financial assets at fair value through profit or loss	6(3)	41,616,462	1,403,685	45,316,653
Securities purchased under resale agreements	11(3) and 13	1,697,586	57,258	4,255,968
Receivables, net	6(4)(5)	59,206,809	1,996,992	59,425,191
Current tax assets		99,432	3,354	122,108
Bills discounted and loans, net	6(5) and 11(3)	1,762,160,756	59,436,075	1,715,278,766
Available-for-sale financial assets, net	6(6) and 12	278,090,000	9,379,722	205,720,937
Held-to-maturity financial assets, net	6(7) and 12	282,443,736	9,526,569	279,291,168
Investments accounted for under the equity method, net	6(8)	3,108,324	104,841	3,033,753
Other financial assets, net	6(5)(9)	9,337,686	314,952	9,670,797
Property and equipment, net	6(10) and 11(3)	14,909,527	502,885	14,322,434
Investment property, net	6(11) and 11(3)	584,646	19,719	865,039
Deferred tax assets	6(35)	5,563,351	187,647	5,088,804
Other assets, net	6(12)	2,890,767	97,503	1,621,685
Total assets		$ 3,168,188,095	$ 106,860,095	$ 2,974,451,591
Liabilities and equity				
Liabilities				
Due to the Central Bank and commercial banks	6(13) and 11(3)	$ 370,989,624	$ 12,513,142	$ 386,017,007
Borrowed funds	6(14) and 11(3)	33,457,560	1,128,493	39,974,427
Financial liabilities at fair value through profit or loss	6(15)(18)	8,775,326	295,984	11,394,240
Securities sold under repurchase agreements	6(3)(6) and 13	848,125	28,607	444,678
Payables	6(16)	35,538,952	1,198,696	32,149,539
Current tax liabilities	11(3)	7,132,566	240,575	8,134,367
Deposits and remittances	6(17) and 11(3)	2,389,236,241	80,586,759	2,173,615,665
Financial bonds payable	6(18)	25,900,000	873,583	36,200,000
Other financial liabilities	6(20)	8,969,641	302,538	8,583,989
Provisions	6(19) and 11(3)	14,820,870	499,894	12,953,433
Deferred tax liabilities	6(35)	2,216,847	74,772	2,161,652
Other liabilities	6(21)	6,419,470	216,523	5,258,347
Total liabilities		2,904,305,222	97,959,566	2,716,887,344
Equity attributable to owners of the parent company				
Share capital				
Common stock	6(22)	85,362,336	2,879,194	85,362,336
Capital reserve	6(22)	62,219,540	2,098,608	62,219,540
Retained earnings				
Legal reserve	6(22)	79,690,847	2,687,900	73,987,859
Special reserve	6(22)	4,000,055	134,918	3,873,832
Undistributed earnings	6(23)	35,028,439	1,181,477	33,582,479
Other equity	6(6)(24)	(2,418,344)	(81,568)	(1,461,799)
Total equity		263,882,873	8,900,529	257,564,247
Total liabilities and equity		$ 3,168,188,095	$ 106,860,095	$ 2,974,451,591

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

		For the years ended December 31,		
		2017		2016
	Notes	NT$	US$ (Unaudited-Note 4)	NT$
Interest revenue	6(6)(7)(25) and 11(3)	$ 53,854,147	$ 1,816,451	$ 50,877,951
Less: interest expense	6(25) and 11(3)	(19,770,044)	(666,825)	(15,294,311)
Net interest income		34,084,103	1,149,626	35,583,640
Non-interest income				
Net service fee income	6(26) and 11(3)	6,929,515	233,726	7,907,733
Gains on financial assets and liabilities at fair value through profit or loss	6(27)	5,422,840	182,907	3,009,597
Realized gains on available-for-sale financial assets	6(28)	1,484,447	50,069	1,596,716
Realized loss on held-to maturity financial assets	6(7)	-	-	(189)
Foreign exchange gain		1,926,016	64,963	2,112,070
Loss on asset impairment	6(6)(9)(29)	(205,179)	(6,920)	(334,397)
Investment income recognized by the equity method	6(8)	208,567	7,035	227,118
Net other non-interest income	6(30)	235,497	7,943	228,162
Gain on financial assets carried at cost	6(9)	619,151	20,883	803,272
Net other miscellaneous loss	6(31)	(728,354)	(24,567)	(5,498,994)
Net operating income		49,976,603	1,685,665	45,634,728
Provision for loan losses and guarantee reserve	6(5)(19)	(4,344,809)	(146,546)	(3,619,823)
Operating expenses				
Employee benefits expenses	6(32) and 11(3)	(13,649,035)	(460,370)	(11,920,209)
Depreciation and amortization	6(33)	(541,720)	(18,272)	(490,379)
Other general and administrative expenses	6(34) and 11(3)	(7,137,997)	(240,758)	(6,488,949)
Consolidated income from continuing operations before income tax		24,303,042	819,719	23,115,368
Income tax expense	6(35)	(2,779,632)	(93,754)	(4,105,407)
Consolidated net income		21,523,410	725,965	19,009,961
Other comprehensive income				
Non-reclassifiable to profit or loss subsequently				
Remeasurement of defined benefit plan	6(19)	(1,739,625)	(58,676)	(534,337)
Income tax relating to the components of other comprehensive income	6(35)	295,736	9,975	90,837
Potentially reclassifiable to profit or loss subsequently				
Cumulative translation differences of foreign operations	6(24)	(1,777,256)	(59,945)	(1,255,005)
Unrealized gain (loss) on valuation of available-for-sale financial assets	6(24)	799,586	26,969	(373,245)
Share of other comprehensive income (loss) of associates and joint ventures accounted for under the equity method	6(24)	21,125	713	(62,565)
Total other comprehensive loss (after income tax)		(2,400,434)	(80,964)	(2,134,315)
Total comprehensive income		$ 19,122,976	$ 645,001	$ 16,875,646
Consolidated net income attributable to:				
Owners of the parent		$ 21,523,410	$ 725,965	$ 19,009,961
Consolidated comprehensive income attributable to:				
Owners of the parent		$ 19,122,976	$ 645,001	$ 16,875,646
Consolidated earnings per share				
Basic and diluted earnings per share (in dollars)	6(36)	$ 2.52	$ 0.08	$ 2.23

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF DOLLARS)

	Equity attributable to owners of the parent							
			Retained earnings			Other equity		
	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Differences of Foreign Operations	Unrealized Gain or Loss on Available-For-Sale Financial Assets	Total
For the year ended December 31, 2017(NT Dollars)								
Balance, January 1, 2017	$ 85,362,336	$ 62,219,540	$ 73,987,859	$ 3,873,832	$ 33,582,479	($ 926,233)	($ 535,566)	$ 257,564,247
Earnings distribution for 2016								
Cash dividends	-	-	-	-	(12,804,350)	-	-	(12,804,350)
Legal reserve	-	-	5,702,988	-	(5,702,988)	-	-	-
Special reserve	-	-	-	126,223	(126,223)	-	-	-
Net income for the year of 2017	-	-	-	-	21,523,410	-	-	21,523,410
Other comprehensive loss for the year of 2017	-	-	-	-	(1,443,889)	(1,787,137)	830,592	(2,400,434)
Balance, December 31, 2017	$ 85,362,336	$ 62,219,540	$ 79,690,847	$ 4,000,055	$ 35,028,439	($ 2,713,370)	$ 295,026	$ 263,882,873
For the year ended December 31, 2017 (US Dollars - Unaudited-Note 4)								
Balance, January 1, 2017	$ 2,879,194	$ 2,098,608	$ 2,495,543	$ 130,661	$ 1,132,706	($ 31,241)	($ 18,064)	$ 8,687,407
Earnings distribution for 2016								
Cash dividends	-	-	-	-	(431,879)	-	-	(431,879)
Legal reserve	-	-	192,357	-	(192,357)	-	-	-
Special reserve	-	-	-	4,257	(4,257)	-	-	-
Net income for the year of 2017	-	-	-	-	725,965	-	-	725,965
Other comprehensive loss for the year of 2017	-	-	-	-	(48,701)	(60,278)	28,015	(80,964)
Balance, December 31, 2017	$ 2,879,194	$ 2,098,608	$ 2,687,900	$ 134,918	$ 1,181,477	($ 91,519)	$ 9,951	$ 8,900,529

(Continued)

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(EXPRESSED IN THOUSANDS OF DOLLARS)

	Equity attributable to owners of the parent							
			Retained earnings			Other equity		
	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Differences of Foreign Operations	Unrealized Gain or Loss on Available-For-Sale Financial Assets	Total
For the year ended December 31, 2016 (NT Dollars)								
Balance, January 1, 2016	$ 85,362,336	$ 62,219,540	$ 66,275,325	$ 3,845,354	$ 35,561,380	$ 331,363	($ 102,347)	$ 253,492,951
Earnings distribution for 2015								
Cash dividends	-	-	-	-	(12,804,350)	-	-	(12,804,350)
Legal reserve	-	-	7,712,534	-	(7,712,534)	-	-	-
Special reserve	-	-	-	28,478	(28,478)	-	-	-
Net income for the year of 2016	-	-	-	-	19,009,961	-	-	19,009,961
Other comprehensive loss for the year of 2016	-	-	-	-	(443,500)	(1,257,596)	(433,219)	(2,134,315)
Balance, December 31, 2016	$ 85,362,336	$ 62,219,540	$ 73,987,859	$ 3,873,832	$ 33,582,479	($ 926,233)	($ 535,566)	$ 257,564,247

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF DOLLARS)

	For the years ended December 31,		
	2017		2016
	NT$	US$	NT$
CASH FLOWS FROM OPERATING ACTIVITIES		(Unaudited -Note 4)	
Consolidated income before income tax	$ 24,303,042	$ 819,719	$ 23,115,368
Adjustments to reconcile consolidated income before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Provision for loan losses and guarantee reserve	4,344,809	146,546	3,619,823
Depreciation	535,681	18,068	484,684
Amortization	6,039	204	5,695
Interest income	(53,854,147)	(1,816,451)	(50,877,951)
Dividend income	(962,590)	(32,467)	(1,102,239)
Interest expense	19,770,044	666,825	15,294,311
Investment income recognized under the equity method	(208,567)	(7,035)	(227,118)
Gain on disposal of property and equipment	(1,262)	(43)	(1,142)
Loss on asset impairment	205,179	6,920	334,397
Loss on retirement of property and equipment	32	1	253
Changes in assets/liabilities relating to operating activities			
Decrease in due from the Central Bank and call loans to banks	34,914,999	1,177,651	6,827,796
Decrease in financial assets at fair value through profit or loss	3,700,191	124,804	1,711,731
Decrease in receivables	756,477	25,515	83,835,911
(Increase) decrease in bills discounted and loans	(50,940,398)	(1,718,173)	54,310,193
(Increase) decrease in available-for-sale financial assets	(71,282,208)	(2,404,284)	25,309,572
Increase in held-to-maturity financial assets	(3,152,568)	(106,333)	(79,762,628)
Increase in other financial assets	(569,362)	(19,204)	(125,878)
Increase in other assets	(1,258,431)	(42,446)	(184,024)
Decrease in due to the Central Bank and commercial banks	(15,027,383)	(506,860)	(33,859,832)
Decrease in financial liabilities at fair value through profit or loss	(2,618,914)	(88,334)	(10,545,055)
Increase (decrease) in securities sold under repurchase agreements	403,447	13,608	(103,120)
Increase (decrease) in payables	2,769,707	93,420	(3,585,879)
Increase (decrease) in deposits and remittances	215,620,576	7,272,685	(61,625,990)
Increase (decrease) in other financial liabilities	385,652	13,008	(89,234)
Increase in reserve for employee benefit liabilities	159,054	5,365	45,482
Decrease in other liabilities	(37,890)	(1,278)	(3,085,629)
Interest received	53,001,824	1,787,703	50,650,521
Dividend received	1,117,711	37,699	1,261,175
Interest paid	(19,150,338)	(645,923)	(15,507,830)
Income tax paid	(3,882,373)	(130,949)	(4,473,792)
Net cash provided by operating activities	139,048,033	4,689,961	1,649,571
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments under the equity method	-	-	2,747
Proceeds from capital reduction of financial assets carried at cost	387,056	13,055	193
Acquisitions of property and equipment	(867,567)	(29,262)	(466,857)
Proceeds from disposal of property and equipment	6,621	223	1,799
Net cash used in investing activities	(473,890)	(15,984)	(462,118)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in borrowed funds	(6,516,867)	(219,808)	(5,484,667)
Increase (decrease) in deposits received	1,199,013	40,442	(633,181)
Payments of cash dividends	(12,804,350)	(431,879)	(12,804,350)
Decrease in financial bonds payable	(10,300,000)	(347,409)	-
Net cash (used in) provided by financing activities	(28,422,204)	(958,654)	(18,922,198)
EFFECT OF EXCHANGE RATE CHANGES	(1,754,597)	(59,179)	(1,238,798)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	108,397,342	3,656,144	(18,973,543)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	423,036,592	14,268,638	442,010,135
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 531,433,934	$ 17,924,782	$ 423,036,592
CASH AND CASH EQUIVALENTS COMPOSITION:			
Cash and cash equivalents shown in consolidated balance sheet	$ 137,710,247	$ 4,644,841	$ 90,426,546
Due from the Central Bank and call loans to bank meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	392,026,101	13,222,683	328,354,078
Securities purchased under resale agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	1,697,586	57,258	4,255,968
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 531,433,934	$ 17,924,782	$ 423,036,592

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

(1) Mega International Commercial Bank Co., Ltd. (the "Bank"; formerly The International Commercial Bank of China Co., Ltd.) was reorganized on December 15, 1971 in accordance with the "Law for International Commercial Bank of China" as announced by the President of the Republic of China (R.O.C.) (which was then abolished in December, 2005) and other related regulations. As of December 31, 2002, the Bank became an unlisted wholly owned subsidiary of Mega Financial Holding Co. Ltd., through a share swap transaction. With the view to enlarging business scale and increasing market share, the Bank entered into a merger agreement with Chiao Tung Bank Co., Ltd. on August 21, 2006, the effective date of the merger. The Bank was later renamed Mega International Commercial Bank Co., Ltd. Mega Financial Holding Co., Ltd. holds 100% equity interest in the Bank and is the Bank's ultimate parent company.

(2) The Bank engages in the following operations: (a) commercial banking operations authorized by the R.O.C. Banking Law; (b) foreign exchange and related operations; (c) import and export financing and guarantees; (d) financial operations related to international trade; (e) trust operations; (f) investment services on consignments by clients; (g) loan operations, including mid-term to long-term development loan and guarantee operations; (h) venture capital activities; and (i) other related operations approved by the R.O.C. government.

(3) The Bank's business and operations are widely managed by the head office. The Bank expands its network by opening branches at key locations in both domestic and foreign markets. The Bank was incorporated as company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). As of December 31, 2017 the Bank had 108 domestic branches, 22 overseas branches, 5 overseas sub-branches, 3 overseas representative offices, and 1 marketing office.

(4) The Trust Department of the Bank is primarily responsible for planning, management and operation of trust investment businesses regulated by the R.O.C. Banking Law.

(5) As of December 31, 2017 and 2016, the Bank and subsidiaries had 6,202 and 5,733 employees, respectively.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 16, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

As of the date the consolidated financial statements were issued, the above standards and interpretations have no significant impact to the Bank and subsidiaries' financial condition and financial performance.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Bank and subsidiaries.

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Bank and subsidiaries' financial condition and financial performance:

IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial assets at fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortised cost. Equity instruments would be classified as financial assets at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

When adopting the new standards endorsed by the FSC effective from 2018, the Bank and subsidiaries will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 are summarised below.

Consolidated balance sheet Affected items	2017 version IFRSs amount	Effect of adoption of new standards	2018 version IFRSs amount	Remark
January 1, 2018				
Financial assets at fair value through profit or loss	$ 41,616,462	$ 11,169,422	$ 52,785,884	2.5
Available-for-sale financial assets	278,090,000	(278,090,000)	-	2.3.4
Financial assets at fair value through other comprehensive income	-	242,449,187	242,449,187	1.4
Held-to-maturity financial assets	282,443,736	(282,443,736)	-	3
Other financial assets, net	9,337,686	(9,330,292)	7,394	1.2
Financial assets at amortised cost	-	323,295,318	323,295,318	3
Bills discounted and loans	1,762,160,756	(47)	1,762,160,709	7
Accounts receivable, net	59,206,809	(44,269)	59,162,540	5.7
Other assets	735,332,646	(2,637)	735,330,009	7
Total affected assets	$ 3,168,188,095	$ 7,002,946	$ 3,175,191,041	
Provisions for liabilities	$ 14,820,870	$ 39,719	$ 14,860,589	7
Deferred tax liabilities	2,216,847	(13,962)	2,202,885	4
Other liabilities	2,887,267,505	(64)	2,887,267,441	5
Total affected liabilities	2,904,305,222	25,693	2,904,330,915	
Share capital	85,362,336	-	85,362,336	
Capital surplus	62,219,540	-	62,219,540	
Retained earnings	118,719,341	533,042	119,252,383	1.2.3.5.6.7
Other equity interest	(2,418,344)	6,444,211	4,025,867	1.2.3.4.6
Total affected equity	263,882,873	6,977,253	270,860,126	
Total affected liabilities and equity	$ 3,168,188,095	$ 7,002,946	$ 3,175,191,041	

Explanation:

1. In accordance with IFRS 9, the Bank and subsidiaries expect to reclassify other financial assets-equity investment carried at cost in the amounts of $4,833,186 thousand and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income, increasing retained earnings and other equity interest in the amounts of $10,999,949 thousand, $299,195 thousand, and $5,867,568 thousand, respectively.
2. In accordance with IFRS 9, the Bank and subsidiaries expect to reclassify available-for-sale financial assets and other financial assets-equity investments carried at cost in the amounts of $5,781,732 thousand and $4,497,106 thousand, respectively, by increasing financial assets at fair value through profit or loss, increasing retained earnings and other equity interest in the amounts of $11,153,376 thousand $445,678 thousand and $428,860 thousand, respectively.
3. In accordance with IFRS 9, the Bank and subsidiaries expect to reclassify available-for-sale financial assets, held-to-maturity financial assets of $40,859,030 thousand, and $282,443,736 thousand, respectively, by increasing financial assets at amortised cost, decreasing Retained earnings and increasing other equity interest in the amounts of $323,295,318 thousand, $12,557 thousand and $5,109 thousand, respectively.
4. In accordance with IFRS 9, the Bank and subsidiaries expect to reclassify available-for-sale financial assets of $231,449,238 thousand, by increasing financial assets at fair value through other comprehensive income, decreasing deferred income tax liabilities and increasing other equity interest in the amounts of $231,449,238 thousand, $13,962 thousand, and $13,962 thousand, respectively.
5. In accordance with IFRS 9, the Bank and subsidiaries expect to reclassify Accrued interest of $16,084 thousand, by increasing financial assets at fair value through profit or loss, increasing retained earnings, decreasing other liabilities in the amounts of $16,046 thousand, $26 thousand and $64 thousand, respectively.
6. In accordance with IFRS 9, the Bank and subsidiaries expect to reclassify financial assets at fair value through other comprehensive income, In line with the regulation under IFRS 9 on provision for impairment, by increasing other equity interest, decreasing retained earnings in the amounts of $128,712 thousand, and $128,712 thousand, respectively.
7. In line with the regulation under IFRS 9 on provision for impairment, accounts receivable will have to be decreased by $28,185 thousand, bills discounted and loans decreased by $47 thousand, cash and cash equivalents decreased by $ 516 thousand, due from the Central Bank and call loans to banks decreased by $2,121 thousand, provisions increased by $39,719 thousand and retained earnings decreased by $70,588 thousand.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 16, ‘Leases’	January 1, 2019
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the application of the above-mentioned new standards, interpretations and amendments is not likely to result in a material change in the accounting policy of the Bank and subsidiaries. The quantitative impact will be disclosed when the assessment is complete:

IFRS 16, ‘Leases’:

IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Bank and subsidiaries have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Public Banks”, International Financial Reporting Standards, International Accounting standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis for preparation

Except for financial assets and financial liabilities (including derivative instruments) at fair value, defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation, and available-for-sale financial assets measured at fair value, these consolidated financial statements have been prepared under the historical cost convention.

The analysis of expense is classified based on the nature of expenses.

The management has to make certain significant accounting estimates based on their professional judgment and decide the accounting policy according to the IFRSs as endorsed by the FSC. Any change in the assumption could result in a significant change in the financial statements. The management of the Bank and subsidiaries believes that the assumptions used in the consolidated statements are appropriate. For highly complicated matters, matters requiring high level of judgments, significant judgments that could have an impact on the consolidated financial statements and estimates and key sources of assumption uncertainty, please refer to Note 5 for further details.

(3) Basis for preparation of consolidated financial statements

A. All subsidiaries are included in the Bank and subsidiaries' consolidated financial statements. Subsidiaries are all entities controlled by the Bank. The Bank controls an entity when the Bank is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Bank obtains control of the subsidiaries and ceases when the Bank loses control of the subsidiaries.

Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Bank and subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Bank.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent. Total comprehensive income is also attributed to the owners of the parent.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Major business activities	Percentage of holding shares (%) December 31, 2017	Percentage of holding shares (%) December 31, 2016
The Bank	Mega International Commercial Bank (Canada)	Commercial Banking	100.00	100.00
The Bank	Mega International Commercial Public Co., Ltd.(Thailand)	Commercial Banking	100.00	100.00

C. Subsidiaries not included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Major business activities	Percentage of holding shares (%) December 31, 2017	Percentage of holding shares (%) December 31, 2016
The Bank	Cathay Investment & Development Corporation (Bahamas)	International Investment & Exploration	100.00	100.00
The Bank	Mega Management Consulting Co., Ltd.	Venture capital and management consulting etc.	100.00	100.00
The Bank	Cathay Investment & Warehousing Co., S.A.	1.Storage and warehousing of imported commodities 2.Manage and make the investment for the business in foreign trade business	100.00	100.00
The Bank	Ramlett Finance Holdings Inc.	Real estate investment industry	100.00	100.00
The Bank	Yung-Shing Industries Co.	Packaging, printing and agency of manpower service	99.56	99.56
The Bank	China Products Trading Company	Investments in products businesses, storage businesses and other businesses	68.27	68.27
Yung-Shing Industries Co.	Win Card Co., Ltd	Corporate management consulting, data processing business and general advertising services	100.00	100.00
Yung-Shing Industries Co.	ICBC Asset Management & Consulting Co., Ltd	Investment consulting, corporate management consulting and venture investment management consulting	100.00	100.00

As the individual total assets or operating revenue amounts of the above subsidiaries are immaterial, the accounts of these subsidiaries are not included in the Bank's consolidated financial statements although the Bank holds more than 50% equity interest in these subsidiaries. The investments of certain subsidiaries are accounted for under equity method.

D. Adjustments for subsidiaries with different balance sheet dates：None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company:None.

(4) Foreign currency translations

A. Functional and presentation currency

Items included in the financial statements of each of the Bank and subsidiaries' entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Bank's functional and the Bank and subsidiaries' presentation currency.

B. Transactions and balances

The transactions denominated in foreign currency or to be settled in foreign currency are translated into a functional currency at the spot exchange rate between the functional currency and the underlying foreign currency on the date of the transaction.

Foreign currency monetary items should be reported using the closing rate (market exchange rate) at the date of each balance sheet. When multiple exchange rates are available for use, they should be reported using the rate that would be used to settle the future cash flows of the foreign currency transactions or balances at the measurement date. Foreign currency non-monetary items measured at historical cost should be reported using the exchange rate at the date of the transaction. Foreign currency non-monetary items measured at fair value should be reported at the rate that existed when the fair values were determined.

Exchange differences arising when foreign currency transactions are settled or when monetary items are translated at rates different from those at which they were translated when initially recognized or in previous financial statements are reported in profit or loss in the period.

If a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income. Conversely, if a gain or loss on a non-monetary item is recognized in profit or loss, any foreign exchange component of that gain or loss is also recognized in profit or loss.

C. Translation of foreign operations

The operating results and financial position of the entire Bank and subsidiaries' entities in the consolidated financial statements that have a functional currency (which is not the currency of a hyperinflationary economy) different from the presentation currency are translated into the presentation currency as follows:

(A) Assets and liabilities presented are translated at the Bank and subsidiaries' closing exchange rate at the date of that balance sheet;

(B) The profit and loss presented is translated by the average exchange rate in the period (except for the situation that the exchange rate on the trade date shall be adopted when the exchange rate fluctuate rapidly); and

(C) All resulting exchange differences are recognized in other comprehensive income.

The translation differences arising from above processes are recognized as 'Cumulative translation differences of foreign operations' under equity items.

(5) Cash and cash equivalents

"Cash and cash equivalents" in the consolidated balance sheet includes cash on hand, due from other banks, short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. In respect of the consolidated statements of cash flows, cash and cash equivalents include cash and cash equivalents in the consolidated balance sheet, due from the central bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No.7 "Cash Flow Statements", and securities purchased under resale agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements" as endorsed by the FSC.

(6) Bills and bonds under repurchase or resale agreements

The transactions of bills and bonds with a condition of repurchase agreement or resell agreement are accounted for under the financing method. The interest expense and interest income are recognized as incurred at the date of sale and purchase and the agreed period of sale and purchase. The repo trade liabilities, bond liabilities, reverse repo trade bills and bond investments are recognized at the date of sale or purchase.

(7) Financial assets or liabilities

The financial assets and liabilities of the Bank and subsidiaries including derivatives are recognized in the consolidated balance sheet and are properly classified in accordance with IFRSs as endorsed by the FSC.

A. Financial assets

The IFRSs as endorsed by the Financial Supervisory Commission apply to the entire Bank and subsidiaries' financial assets, which are classified into four categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets.

(A) A regular way purchase or sale

Financial assets that are purchased or sold on a regular way purchase or sale basis should be recognized and derecognized using trade date accounting or settlement date accounting. The uniform accounting principles should be applied in the accounting for purchase and sale of financial assets of the same type. All the Bank and subsidiaries' financial assets are accounted for using trade date accounting.

(B) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

There are two types of loans and receivables: one is originated by the Bank and subsidiaries; the other is not originated by the Bank and subsidiaries. Loans and receivables originated by the entity refer to the direct provision by the Bank and subsidiaries of money, merchandise or services to debtors, and loans and receivables not originated by the Bank and subsidiaries are loans and receivables other than those originated by the Bank and subsidiaries.

Loans and receivables are initially recognized at fair value, which includes the price of transaction, significant costs of transaction, significant handling fees paid or received, discount and premium, etc., and subsequently measured using the effective interest method. However, if the effect of discount is insignificant, following the "Regulations Governing the Preparation of Financial Reports by Public Banks", loans and receivables can be measured at initial amount.

Interest accruing on loans and receivables is recognized as 'interest revenue'. An impairment loss is recognized when there is an objective evidence of impairment on loans and receivables. Allowance for impairment is a deduction to carrying amount of loans and receivables, which is under the 'allowance for bad debts and reserve for guarantee liabilities' account.

(C) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling or repurchasing or gaining profit in the short-term, or if they are derivative instruments. These financial assets are initially recognized at fair value.

Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

a. Hybrid (combined) contracts; or

b. They eliminate or significantly reduce a measurement or recognition inconsistency; or

c. They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Any changes in fair value of financial assets at fair value through profit or loss and financial assets designated as at fair value through profit or loss on initial recognition are recognized under the 'gain/loss on financial assets and liabilities at fair value through profit or loss' account in the consolidated statement of comprehensive income.

(D) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Bank and subsidiaries have the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables, designated as available-for-sale financial assets and those that are designated as at fair value through profit or loss on initial recognition by the Bank and subsidiaries.

Interest accruing on held-to-maturity financial assets is recognized as 'interest revenue'. An impairment loss is recognized when there is an objective evidence of impairment on financial assets. Impairment loss is a deduction to carrying amount of financial assets, which is recognized under the 'impairment loss on financial assets' account.

(E) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are not classified in held-to-maturity financial assets, financial assets at fair value through profit or loss and loans and receivables. Financial assets and liabilities that are attributed to equity and debt investments on initial recognition are assessed at fair value. Transaction costs which are attributable to the acquisition should be capitalized.

Available-for-sale financial assets are measured at fair value with changes in fair value recognized in other comprehensive income. When the financial asset is no longer recognized, the cumulative unrealized gain or loss that was previously recognized in other comprehensive income is recognized in profit or loss.

An impairment loss is recognized when there is an objective evidence of impairment. If financial assets have not been derecognized, accumulated impairment loss related to the financial assets that was previously recognized in other comprehensive income shall be reclassified to profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Any subsequent increases in fair value of an investment in an equity instrument are recognized in other comprehensive income. If the impairment loss of bond investments decreases with objective evidence indicating that an impairment loss has been incurred after the impairment is recognized, the impairment amount is reversed and recognized in current profit and loss.

Equity instruments with no quoted price in an active market are initially recognized at fair value plus acquisition or issuance cost. The fair value can be reasonably estimated when the following criteria are met at the balance sheet date: (a) the variability in the range of reasonable fair value estimate is not significant for that equity instrument; or (b) probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

(F) Other financial assets

Other financial assets include investments in debt instruments without active market, overdue receivables not from lending, bill of exchange negotiated and financial assets measured at cost.

a. Debt investments with no active market

Investments in debt instruments without active market are initially recognized at fair value on the trade date plus transaction costs of acquisition or issuance. Disposal gain or loss is recognized when such investments are derecognized. Bond investments without active market are measured at amortized cost using the effective interest method.

b. Equity investments carried at cost

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'equity investments carried at cost'.

B. Financial liabilities

Financial liabilities held by the Bank and subsidiaries comprise financial liabilities at fair value through profit or loss (including financial liabilities designated as at fair value through profit or loss on initial recognition) and financial liabilities measured at amortized cost.

(A) Financial liabilities at fair value through profit or loss

This category includes financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition.

A financial liability shall be classified as held for trading, if it is incurred principally for the purpose of repurchasing it in the near term; or on initial recognition, is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative is also classified as held for trading, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument. Financial liability held for trading also includes the obligations of delivery of financial assets borrowed by the seller. Above financial liability is shown as "financial liability at fair value through profit or loss" in the consolidated balance sheet.

At initial recognition, it is not revocable if a debt instrument is designated at fair value through profit and loss. When the fair value method is adopted, the main contract and the embedded derivative need not be recognized respectively.

Any changes in fair value of financial liabilities at fair value through profit or loss and financial liabilities designated as at fair value through profit or loss on initial recognition are recognized under the 'gain/loss on financial assets and liabilities at fair value through profit or loss' account in the consolidated statement of comprehensive income.

(B) Financial liabilities measured at amortized cost

All other financial liabilities that are not classified as financial liabilities at fair value through profit or loss are classified as financial liabilities measured at amortized cost.

C. Determination of fair value

Fair value and level information of financial instruments are provided in Note 7.

D. Derecognition of financial instruments

The Bank and subsidiaries derecognize a financial asset when one of the following conditions is met:

(A) The contractual rights to receive cash flows from the financial asset expire.
(B) The contractual rights to receive cash flows from the financial asset have been transferred and the Bank and subsidiaries have transferred substantially all risks and rewards of ownership of the financial asset.
(C) The contractual rights to receive cash flows from the financial asset have been transferred; however, it has not retained control of the financial asset.

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

In case of securities lending or borrowing by the Bank and subsidiaries or provision of bonds or stocks as security for repo trading, the Bank and subsidiaries does not derecognize the financial asset, because substantially all risks and rewards of ownership of the financial asset are still retained in the Bank and subsidiaries.

(8) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the consolidated balance sheet when (A) there is a legally enforceable right to offset the recognized amounts and (B) there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(9) Financial asset-evaluation, provision and reversal of impairment losses

A. The Bank and subsidiaries would presume that a financial asset or a group of financial assets is impaired and recognize the impairment losses only if there is objective evidence that a financial asset or a group of financial assets is impaired as a result of a loss event that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

B. The criteria that the Bank and subsidiaries use to determine whether there is objective evidence of an impairment loss is as follows:

(A) Significant financial difficulty of the issuer or debtor;

(B) A breach of contract, such as a default or delinquency in interest or principal payments;

(C) The Bank and subsidiaries, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(D) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(E) The disappearance of an active market for that financial asset because of financial difficulties;

(F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the Bank and subsidiaries, including adverse changes in the payment status of borrowers in the Bank and subsidiaries or national or local economic conditions that correlate with defaults on the assets in the Bank and subsidiaries;

(G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

(I) Others are implemented in accordance with the Bank and subsidiaries' internal policies.

C. The assessment methods of impairment on loans and receivables are based on two categories: individual and collective assessments. Individual assessments are classified as different groups based on whether there is objective evidence of significant impairment of the asset or whether the individual asset has to be specially supervised. If no objective evidence of impairment exists for an individually assessed financial asset, the asset will be classified into a group of financial assets with similar credit risk characteristics for collective assessments.

D. After assessed impairment of loans and receivables, the Bank and subsidiaries recognizes' impairment loss measured as the difference between the asset's carrying amount and the present value of estimated future cash flows of credit enhancement factors discounted at the asset's original effective interest rate. The credit enhancement factors include financial guarantee and net of collateral. If, in a subsequent period, the amount of the impairment loss decreased and such decrease is objectively related to an event occurred after the impairment was recognized, the amount of impairment loss recognized previously shall be reversed by adjusting the allowance for doubtful debts. The reversal shall not cause a carrying amount of the financial asset that exceeds the amortized cost of the period before recognition of the impairment loss. The amount of reversal shall be recognized in profit or loss.

E. Aforementioned assessment of loans and receivables were in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", Financial-Supervisory-Banks Letter. No. 10300329440 of the FSC related to strengthening domestic banks' tolerance of real estate mortgage risk on December 4, 2014 and Financial-Supervisory-Banks Letter. No.10410001840 of the FSC related to strengthening domestic banks' controls and tolerance of risk exposure in Mainland China on April 23, 2015.

F. Equity investments carried at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial assets, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset directly.

(10) Derivatives

Derivatives are initially recognized at fair value at the contract date and subsequently measured by fair value. The fair value includes the public quotation in an active market or the latest trade price (e.g., Exchange-traded options), and evaluation techniques such as cash flow discounting model or option pricing model (e.g., Swap contract and foreign exchange contracts). All derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

Hybrid contract refers to financial instruments of the embedded derivatives. Economic characteristics and risks of the embedded derivatives and the economic characteristics of the main contract should be examined for the embedded derivatives. If the two are not closely correlated and the main contract is not a financial asset or liability at fair value through profit and loss, the main contract and embedded derivatives should be respectively recognized unless the overall hybrid contract is designated as assets or liabilities at fair value through profit and loss. The embedded derivatives are the financial assets or liabilities at fair value through profit and loss.

(11) Investments accounted for under the equity method

A. Associates are all entities over which the Bank and subsidiaries have significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Bank and subsidiaries' share of its associates' post-acquisition profits or losses is recognized in profits or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Bank and subsidiaries' share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank and subsidiaries do not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. Unrealized gains on transactions between the Bank and subsidiaries and its associates are eliminated to the extent of the Bank and subsidiaries' interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Bank and subsidiaries.

D. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associates and such changes not affecting the Bank and subsidiaries' ownership percentage of the associate, the Bank and subsidiaries recognized the Bank and subsidiaries' share of change in equity of the associate in 'capital reserve' in proportion to its ownership.

E. When the Bank and subsidiaries disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized as other comprehensive income in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognized as other comprehensive income in relation to the associate are transferred to profit or loss proportionately.

(12) Property and equipment

The property and equipment of the Bank and subsidiaries are recognized on the basis of the historical cost less accumulated depreciation. Historical cost includes all costs directly attributable to the acquisition of the assets.

Such assets are subsequently measured using the cost model. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and subsidiaries and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not affected by depreciation. Depreciation for other assets is provided on a straight-line basis over the estimated useful lives of the assets till residual value. If each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Item	Year
Buildings and accessory equipment	1~60
Machinery and computer equipment	1~20
Transportation equipment	1~10
Other equipment	3~10

(13) Investment property

The properties held by the Bank and subsidiaries, with an intention to obtain long-term rental profit or capital increase or both and not being used by any other enterprises of the consolidated entities, are classified as investment property. Investment property includes the office building and land leased out in a form of operating lease.

Part of the property may be held by the Bank and subsidiaries and the remaining will be used to generate rental income or capital appreciation. If the property held by the Bank and subsidiaries can be sold individually, then the accounting treatment should be made respectively.

When the future economic benefit related to the investment property is highly likely to flow into the Bank and subsidiaries and the costs can be reliably measured, the investment property shall be recognized as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalized. All maintenance cost are recognized as incurred in the consolidated statement of comprehensive income.

An investment property is stated initially at its cost and measured subsequently using the cost model. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

(14) Foreclosed properties

Foreclosed properties are stated at the lower of carrying amount or fair value less selling cost on the financial reporting date.

(15) Impairment of non-financial assets

The Bank and subsidiaries assess at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(16) Provisions for liabilities, contingent liabilities and contingent assets

When all the following criteria are met, the Bank and subsidiaries shall recognize a provision:

A. A present obligation (legal or constructive) as a result of a past event;

B. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

C. The amount of the obligation can be reliably estimated.

If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Provisions for liabilities should be recognized when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits from any one of the obligation is remote.

Provisions are measured by the present value of expense which is required for settling the anticipated obligation. The pre-tax discount rate is used with timely adjustment that reflects the current market assessments on the time value of money and the risks specific to the obligation.

Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank and subsidiaries. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Bank and subsidiaries did not recognize any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

Contingent asset is a possible asset that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank and subsidiaries. The Bank and subsidiaries did not recognize any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

(17) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Bank and subsidiaries to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Bank and subsidiaries initially recognize financial guarantee contracts at fair value on the date of issuance. The Bank and subsidiaries charge a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognized in deferred accounts and amortized through straight-line method during the contract term.

Subsequently, the Bank and subsidiaries should measure the financial guarantee contract issued at the higher of:

A. The amount determined in accordance with IAS 37; and

B. The amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18, "Revenue".

The best estimate of the liability amount of a financial guarantee contract requires management to exercise their judgment combined with historical loss data based on the similar transaction experiences.

The increase in liabilities due to financial guarantee contract is recognized in "provision for loan losses and guarantee reserve".

Assessment of above guarantee reserve is in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans" announced by the FSC.

(18) Employee benefits

A. Short-term employee benefits

The Bank and subsidiaries should recognize the undiscounted amount of the short-term benefits expected to be paid in the future as expenses in the period when the employees render service.

B. Employee preferential savings

The Bank provides preferential interest rate for employees, including flat preferential savings for current employees and flat preferential savings for retired employees and current employees. The difference gap compared to market interest rate is deemed as employee benefits.

According to Regulation Governing the Preparation of Financial Statements by Public Banks, the preferential monthly interest paid to current employees is calculated based on accrual basis, and the difference between the preferential interest rate and the market interest rate is recognized under "employee benefit expense". According to Article 30 of "Regulation Governing the Preparation of Financial Statements by Public Banks", the excessive interest arising from the interest rate upon retirement agreed with the employees in excess of general market interest rate should be recognized in accordance with IAS 19, "Employee Benefits", as endorsed by the FSC. However, various parameters should be in compliance with competent authorities if indicated otherwise.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the decisions of the Bank and subsidiaries to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Bank and subsidiaries recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier.

Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Post-employment benefit

The pension plan of the Bank and subsidiaries includes both Defined Benefit Plan and Defined Contribution Plan. In addition, defined contribution plan is adopted for employees working overseas according to the local regulations.

(A) Defined Contribution Plan

The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined Benefit Plan

a. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Bank and subsidiaries in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Bank and subsidiaries uses interest rates of government bonds (at the balance sheet date) instead.

b. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

c. Past service costs are recognized immediately in profit or loss.

E. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Bank and subsidiaries calculate the number of shares based on the closing price at the previous day of the Board of Directors' resolution day.

(19) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(20) Revenue and expense

Income and expense of the Bank and subsidiaries are recognized as incurred. Expenses consist of employee benefit expense, depreciation and amortization expense and other business and administration expenses. Dividend revenues are recognized within 'Revenues other than interest, net' in the consolidated statement of comprehensive income when the right to receive dividends is assured.

A. Other than those classified as financial assets and liabilities at fair value through profit and loss, all the interest income and interest expense generated from interest-bearing financial assets are calculated by effective interest rate according to relevant regulations and recognized as "interest income" and "interest expense" in the consolidated statement of comprehensive income.

B. Service fee income and expense are recognized upon the completion of services of loans or other services; service fee earned from performing significant items shall be recognized upon the completion of the service, such as syndication loan service fee received from sponsor, service fee income and expense of subsequent services of loans are amortized or included in the calculation of effective interest rate of loans and receivables during the service period. When determining whether the agreed rate of interest should be adjusted to effective interest rate for interest-earning loans and receivables, the loans and receivables may be measured by the initial amounts if the effects on discount are insignificant according to the "Regulation Governing the Preparation of Financial Reports by Public Banks".

(21) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Bank and subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Bank and subsidiaries and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(22) Share capital and dividends

Dividends on ordinary shares are recognized in the financial statements in the period in which they are approved by the shareholders. Cash dividends are recorded as liabilities. Stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance; they are not recognized and only disclosed as subsequent event in the notes if the dividend declaration date is later than the consolidated balance sheet date.

(23) Operating segments

Information of operating segments of the Bank and subsidiaries is reported in the same method as the internal management report provided to the chief operating decision-maker (CODM). The CODM is the person or group in charge of allocating resources to operating segments and evaluating their performance. The CODM of the Bank and subsidiaries is the Board of Directors.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Bank and subsidiaries' accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors.

Management's critical judgements in applying the Bank and subsidiaries' accounting policies that have significant impact on the consolidated financial statements are outlined below:

(1) Financial instruments (including derivative instruments) valuation

If there is no quoted market price available in an active market for financial instruments, a valuation technique will be adopted to measure the fair value. If there are observable data of similar financial instruments in the market, then the fair value of the underlying financial instruments is estimated by reference to the observable data; otherwise, the fair value is estimated using the appropriate pricing models which are commonly used in the market. The assumptions used in the pricing models should refer to the observable data in the market. However, when those data are not observable from the market and/or the assumptions used in the pricing models are more subjective, the fair value of the financial instruments may be estimated based on historical data or other information. The pricing models used by the Bank and subsidiaries are all evaluated and tested periodically to ensure the outputs may reflect the actual data and market prices. The primary assumptions used in determining the fair values of financial instruments are provided in Note 7(3). The management believes the pricing models and assumptions used have appropriately determined the fair values of financial instruments.

(2) Loan impairment

The Bank and subsidiaries' impairment assessments are in compliance with the regulations of regulatory authorities. The Bank and subsidiaries evaluates cash flows and impairment amounts, through model analysis and individual case assessment, on a monthly basis based on several factors, such as nature of client risk and security coverage. The Bank and subsidiaries recognize impairment loss whenever there is observable evidence showing that impairment has occurred. This evidence includes repayment status of debtor, event that would cause delinquency in payments, and any significantly unfavorable changes in national or local economic circumstance. Future cash flows are estimated primarily based on the length of overdue time, the status of debtors, security coverage, guarantee of external institution and historical experiences. The incidence of impairment and subsequent collectability rate used in impairment evaluations are estimated based on the types of products and historical data. The Bank and subsidiaries review the assumptions and inputs used in impairment evaluations periodically to ensure they are all reasonable.

(3) Financial assets-impairment of equity investments

The Bank and subsidiaries follow the guidance of IAS 39 to determine whether a financial asset-equity investment is impaired. This determination requires significant judgement. In making this judgement, the Bank and subsidiaries evaluate, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Bank and subsidiaries would suffer a loss in its financial statements, being the transfer of the accumulated fair value adjustments recognized in other comprehensive income on the impaired available-for-sale financial assets to profit or loss or being the recognition of the impairment loss on the impaired equity investments carried at cost in profit or loss.

(4) Post-employment benefit

The present value of post-employment benefit obligations are estimated based on several assumptions. Any changes in those assumptions will affect the carrying amounts of post-employment benefit obligations.

The assumptions used to determine net pension cost (revenue) comprise discount rate. The Bank and subsidiaries determine the appropriate discount rate at the end of each year, and use the discount rate in calculating the present value of future cash outflow of post-employment benefit obligations. The discount rate is chosen by reference to the rate of government bonds where the currency and maturity date of government bonds are in agreement with those of post-employment benefit obligations. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Cash on hand and petty cash	$ 14,934,684	$ 503,733	$ 15,389,485
Checks for clearance	520,444	17,554	763,191
Due from banks	122,256,412	4,123,598	74,276,076
Subtotal	137,711,540	4,644,885	90,428,752
Less: allowance for doubtful accounts – due from banks	(1,293)	(44)	(2,206)
Total	$ 137,710,247	$ 4,644,841	$ 90,426,546

(2) Due from the Central Bank and call loans to banks

	December 31, 2017	
	NT$	US$
Reserve for deposits-category A	$ 11,516,365	$ 388,436
Reserve for deposits-category B	41,465,157	1,398,582
Reserve for deposits-general	281	9
Reserve for deposits-foreign currency	587,701	19,823
Deposits of overseas branches with foreign Central Banks	258,376,119	8,714,791
Interbank settlement fund of Fund Center	6,237,279	210,378
Call loans to banks and bank overdrafts	247,584,160	8,350,788
Import and export loans from banks	958,904	32,343
Participate in interbank financing with risk	2,042,800	68,902
Total	$ 568,768,766	$ 19,184,052

	December 31, 2016
	NT$
Reserve for deposits-category A	$ 25,765,381
Reserve for deposits-category B	37,590,523
Reserve for deposits-general	305
Reserve for deposits-foreign currency	585,654
Deposits of overseas branches with foreign Central Banks	275,864,933
Interbank settlement fund of Fund Center	4,895,305
Call loans to banks and bank overdrafts	188,357,264
Import and export loans from banks	140,799
Participate in interbank financing with risk	6,811,578
Total	$ 540,011,742

As required by relevant laws, the reserves for deposits are calculated at required reserve ratios based on the monthly average balances of various deposit accounts. Reserve for deposits - category B cannot be used except upon the monthly adjustment of the reserve.

(3) Financial assets at fair value through profit or loss, net

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Financial assets held for trading			
Stocks	$ 4,060,454	$ 136,955	$ 2,866,854
Derivative instruments	3,264,346	110,104	3,783,124
Corporate bonds	20,601,506	694,870	23,284,785
Financial bonds	12,508,766	421,909	15,381,890
Government bonds	1,181,390	39,847	-
Total	$ 41,616,462	$ 1,403,685	$ 45,316,653

A. Gain (loss) on financial assets and liabilities held for trading and gain (loss) on financial liabilities designated as at fair value through profit or loss recognized for the years ended December 31, 2017 and 2016 are provided in Note 6(27).

B. As of December 31, 2017 and 2016, the above financial assets were not pledged to other parties as collateral for business reserves and guarantees.

C. As of December 31, 2017 and 2016, the aforementioned bonds that were recognized as financial assets at fair value through profit or loss had not been sold under repurchase agreement.

(4) Receivables, net

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Factoring receivable	$ 33,152,887	$ 1,118,217	$ 36,988,054
Acceptances receivable	10,344,104	348,897	8,240,037
Accrued interest	5,962,835	201,121	5,110,512
Accounts receivable -Credit card	4,860,248	163,932	4,452,488
Accounts receivable -Usance L/C buyout	3,038,711	102,493	1,879,409
Earned revenue receivable	920,035	31,032	923,320
Other receivables	2,592,711	87,450	3,260,109
Total	60,871,531	2,053,142	60,853,929
Less: Allowance for bad debts	(1,664,722)	(56,150)	(1,428,738)
Receivables, net	$ 59,206,809	$ 1,996,992	$ 59,425,191

(5) Bills discounted and loans, net

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Bills and notes discounted	$ 9,660	$ 326	$ 14,859
Overdrafts	3,180,332	107,270	1,977,856
Short-term loans	509,194,785	17,174,675	389,317,574
Medium-term loans	690,056,078	23,274,962	773,175,872
Long-term loans	576,100,312	19,431,338	563,521,555
Import/export bills negotiated	9,895,964	333,782	12,512,002
Loans transferred to non-accrual loans	2,079,130	70,127	1,453,280
Total	1,790,516,261	60,392,480	1,741,972,998
Less: Allowance for bad debts	(8,355,505)	(956,405)	(26,694,232)
Bills discounted and loans, net	$ 1,762,160,756	$ 59,436,075	$ 1,715,278,766

A. As of December 31, 2017 and 2016, the amounts of reclassified non-performing loans (overdue for more than six months) were NT$2,079,130 thousand and NT$1,453,280 thousand, respectively, to 'overdue receivables' account. These amounts included interest receivable of NT$8,236 thousand and NT$7,916 thousand, respectively.

B. Movements in allowance for credit losses

Information as to the evaluations of impairment of the Bank and subsidiaries' loans and receivables as of December 31, 2017 and 2016 was as follows:

(A) Loans:

Item		December 31, 2017 Loans (NT$)	Loans (US$)	Allowance for credit losses (NT$)	Allowance for credit losses (US$)
With existing objective evidence of individual impairment	Individual assessment	$ 15,232,401	$ 513,775	$ 2,656,718	$ 89,608
	Collective assessment	969,486	32,700	142,804	4,817
Without existing objective evidence of individual impairment	Collective assessment	1,774,314,374	59,846,005	25,555,983	861,980

Item		December 31, 2016 Loans (NT$)	Allowance for credit losses (NT$)
With existing objective evidence of individual impairment	Individual assessment	$ 12,627,826	$ 2,938,804
	Collective assessment	751,171	105,651
Without existing objective evidence of individual impairment	Collective assessment	1,728,594,001	23,649,777

(B) Receivables:

Item		December 31, 2017 Receivables (NT$)	Receivables (US$)	Allowance for credit losses (NT$)	Allowance for credit losses (US$)
With existing objective evidence of individual impairment	Individual assessment	$ 1,107,222	$ 37,346	$ 917,911	$ 30,960
	Collective assessment	237,005	7,994	26,524	895
Without existing objective evidence of individual impairment	Collective assessment	59,527,304	2,007,802	720,287	24,295

Item		December 31, 2016 Receivables (NT$)	Allowance for credit losses (NT$)
With existing objective evidence of individual impairment	Individual assessment	$ 931,696	$ 685,852
	Collective assessment	257,952	26,785
Without existing objective evidence of individual impairment	Collective assessment	59,664,281	716,101

The Bank and subsidiaries has provided appropriate allowance for credit losses for bills discounted and loans, accounts receivables, non-accrual loans transferred from overdue receivables and remittance purchased. Movements in allowance for credit losses for the years ended December 31, 2017 and 2016 were shown below:

	2017 NT$				
	Receivables	Bills discounted and loans	Non-accrual loans transferred from overdue receivables	Remittance purchased	Total
Balance, January 1	$ 1,428,738	$ 26,694,232	$ 2,879	$ 155	$ 28,126,004
Provision (Reversal)	314,228	4,058,408	(1,501)	(139)	4,370,996
Write-off-net	(73,626)	(3,584,836)	(23,827)	-	(3,682,289)
Recovery of written-off credits	83,726	1,364,605	1,391	-	1,449,722
Effects of exchange rate changes and others	(88,344)	(176,904)	22,567	-	(242,681)
Balance, December 31	$ 1,664,722	$ 28,355,505	$ 1,509	$ 16	$ 30,021,752

	2017				
	US$				
	Receivables	Bills discounted and loans	Non-accrual loans transferred from overdue receivables	Remittance purchased	Total
Balance, January 1	$ 48,190	$ 900,372	$ 97	$ 5	$ 948,664
Provision (Reversal)	10,599	136,886	(52)	(4)	147,429
Write-off-net	(2,483)	(120,913)	(803)	-	(124,199)
Recovery of written-off credits	2,824	46,027	47	-	48,898
Effects of exchange rate changes and others	(2,980)	(5,967)	762	-	(8,185)
Balance, December 31	$ 56,150	$ 956,405	$ 51	$ 1	$ 1,012,607

	2016				
	NT$				
	Receivables	Bills discounted and loans	Non-accrual loans transferred from overdue receivables	Remittance purchased	Total
Balance, January 1	$ 1,973,545	$ 23,466,229	$ 2,879	$ 113	$ 25,442,766
(Reversal) Provision	(512,317)	3,680,095	-	42	3,167,820
Write-off-net	(103,837)	(1,749,761)	-	-	(1,853,598)
Recovery of written-off credits	85,156	1,263,580	-	-	1,348,736
Effects of exchange rate changes and others	(13,809)	34,089	-	-	20,280
Balance, December 31	$ 1,428,738	$ 26,694,232	$ 2,879	$ 155	$ 28,126,004

(6) Available-for-sale financial assets, net

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Stocks	$ 6,389,301	$ 215,505	$ 7,662,393
Commercial papers	39,171,853	1,321,231	24,631,119
Bonds	219,529,048	7,404,515	169,615,230
Beneficiary securities	-	-	555,833
Certificates of deposit	12,881,281	434,474	3,658,813
Treasury securities	-	-	997,756
Subtotal	277,971,483	9,375,725	207,121,144
Adjustments for change in value of investment	297,226	10,025	(508,694)
Accumulated impairment loss	(178,709)	(6,028)	(891,513)
Total	$ 278,090,000	$ 9,379,722	$ 205,720,937

A. As of December 31, 2017 and 2016, the aforementioned available-for-sale financial assets amounted to NT$7,917,224 thousand and NT$10,669,737 thousand, respectively, and were pledged to other parties as collateral for business reserves and guarantees.

B. As of December 31, 2017 and 2016, available-for-sale financial assets were sold under repurchase agreements with fair values of NT$828,726 thousand and NT$418,751 thousand, respectively.

C. The Bank and subsidiaries recognized gain of NT$2,093,917 thousand and NT$922,297 thousand in other comprehensive income for fair value change for the years ended December 31, 2017 and 2016, respectively.

D. The Bank and subsidiaries recognized impairment loss for the long-term operating losses of the investee for the years ended December 31, 2017 and 2016. Details are provided in Note 6(29).

E. The Bank and subsidiaries recognized interest income of NT$4,041,592 thousand and NT$3,628,125 thousand on holding debt instruments for the years ended December 31, 2017 and 2016, respectively.

F. For the years ended December 31, 2017 and 2016, amount realised and transferred from other equity in the statements of change in equity to current profit was NT$1,294,331 thousand and NT$1,295,542 thousand, respectively.

G. In consideration of increasing capital returns, the Bank and subsidiaries have invested in structured entities issued and managed by independent third parties-Residential Mortgage Backed Security, which are accounted for by the Bank and subsidiaries under available-for-sale financial assets-beneficiary securities. The above-mentioned asset securitization products have maturity dates within April, 2035 to December, 2035.

As of December 31, 2017 and 2016, the book value and the maximum credit risk exposure of structured entities is NT$0 thousand and NT$60,173 thousand, respectively. The Bank and subsidiaries recognized interest income of NT$54,421 thousand and NT$38,406 thousand on structured entities for the years ended December 31, 2017 and 2016, respectively.

(7) Held-to-maturity financial assets, net

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Central Bank's certificates of deposits	$ 251,900,000	$ 8,496,357	$ 246,125,000
Bank's certificates of deposits	11,199,845	377,760	12,937,145
Financial bonds	14,375,848	484,884	14,334,099
Government bonds	3,147,783	106,172	3,000,335
Corporate bonds	1,820,260	61,396	2,894,589
Total	$ 282,443,736	$ 9,526,569	$ 279,291,168

A. As of December 31, 2017 and 2016, the aforementioned held-to-maturity financial assets amounted to NT$5,262,900 thousand and NT$5,276,900 thousand, respectively, were pledged to other parties as collateral of business reserves and guarantees.

B. The Bank and subsidiaries recognized interest income of NT$2,213,346 thousand and NT$1,973,226 thousand on holding held-to-maturity financial assets for the years ended December 31, 2017 and 2016, respectively.

C. For held-to-maturity financial assets, as the credit rating of the issuer had been downgraded, the par value of disposed assets was USD 2 million and the loss on disposal was NT$189 thousand. The disposal of investment amount constituted 0.02% of total investment balance on balance sheet date.

(8) Investments accounted for under the equity method, net

	December 31, 2017		
Investee Company	NT$	US$	Percentage of Shareholding (%)
Cathay Investment & Development Corporation (Bahamas)	$ 58,808	$ 1,983	100.00
Cathay Investment & Warehousing Co., S.A.	51,135	1,725	100.00
Mega Management Consulting Co., Ltd.	79,160	2,670	100.00
Ramlett Finance Holdings Inc.	7,500	253	100.00
Yung-Shing Industries Co.	684,534	23,089	99.56
China Products Trading Company	27,048	912	68.27
Mega 1 Venture Capital Co., Ltd.	25,769	869	25.00
An Feng Enterprise Co., Ltd.	11,901	401	25.00
Taiwan Finance Corporation	1,646,941	55,550	24.55
Everstrong Iron & Steel Foundry & Mfg. Corporation	44,637	1,506	22.22
China Real Estate Management Co., Ltd.	182,814	6,166	20.00
Universal Venture Capital Investment Corporation	142,488	4,806	11.84
Mega Growth Venture Capital Co., Ltd.	145,589	4,911	11.81
Total	$ 3,108,324	$ 104,841	

	December 31, 2016	
Investee Company	NT$	Percentage of Shareholding (%)
Cathay Investment & Development Corporation (Bahamas)	$ 60,195	100.00
Cathay Investment & Warehousing Co., S.A.	55,941	100.00
Mega Management Consulting Co., Ltd.	66,316	100.00
Ramlett Finance Holdings Inc.	6,931	100.00
Yung-Shing Industries Co.	690,960	99.56
China Products Trading Company	27,661	68.27
Mega 1 Venture Capital Co., Ltd.	27,997	25.00
An Feng Enterprise Co., Ltd.	11,844	25.00
Taiwan Finance Corporation	1,574,082	24.55
Everstrong Iron & Steel Foundry & Mfg. Corporation	43,457	22.22
China Real Estate Management Co., Ltd.	183,507	20.00
Universal Venture Capital Investment Corporation	138,127	11.84
Mega Growth Venture Capital Co., Ltd.	146,735	11.81
Total	$ 3,033,753	

A. The carrying amount of the Bank and subsidiaries' interests in all individually immaterial associates and the Bank and subsidiaries' share of the operating results are summarized as follows:

	2017 NT$	2017 US$	2016 NT$
Profit for the year	$ 208,567	$ 7,035	$ 227,118
Other comprehensive income (loss) (after income tax)	21,125	713	(62,565)
Total comprehensive income	$ 229,692	$ 7,748	$ 164,553

B. The shares of associates and joint ventures that the Bank and subsidiaries own have no quoted market price available in an active market. There is no significant restriction on fund transfer from the associates to their shareholders, i.e. distribution of cash dividends, repayment of loans or money advanced.

C. As of December 31, 2017 and 2016, investments accounted for under the equity method were not pledged as collateral.

D. The Bank's investment in Mega Growth Venture Capital Co., Ltd. accounted for an ownership percentage of 11.81%. However, the combined ownership percentage of the Bank, the Bank's subsidiaries and the Bank's parent company was over 20%, thus the investment is accounted for under the equity method.

E. The ownership percentage of the Bank investment in Universal Venture Capital Investment Corporation is 11.84%. However, due to the Bank occupying 2 board seats of Universal Venture Capital Investment Corporation's total 11 board seats, and the Bank being elected as the chairman of the board, the Bank has influence over decision-making. Therefore, valuations are accounted for under the equity method.

(9) Other financial assets, net

	December 31, 2017 NT$	December 31, 2017 US$	December 31, 2016 NT$
Remittance purchased	$ 4,089	$ 138	$ 16,908
Equity investments carried at cost	10,214,744	344,534	10,692,246
Nonaccrual loans transferred from overdue receivables	4,830	163	5,608
Subtotal	10,223,663	344,835	10,714,762
Less: Allowance for bad debts – Remittance purchased	(16)	(1)	(155)
Less: Allowance for bad debts – Nonaccrual loans transferred from overdue receivables	(1,509)	(51)	(2,879)
Less: Accumulated impairment - Equity investments carried at cost	(884,452)	(29,831)	(1,040,931)
Total	$ 9,337,686	$ 314,952	$ 9,670,797

A. As unlisted shares the Bank owns have no quoted market price available in an active market and cannot be measured reliably, they are measured at cost.

B. For the years ended December 31, 2017 and 2016, the Bank and subsidiaries recognized the impairment loss due to investees operating at a loss over an extended period of time, please refer to Note 6(29).

C. For the years ended December 31, 2017 and 2016, gain or loss arising from disposal and dividend income received from shares of the investee was NT$619,151 thousand and NT$803,272 thousand, respectively.

(10) Property and equipment, net

December 31, 2017 (In NT Thousand Dollars)	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
Land and land improvements	$ 9,480,212	$ -	($ 53,395)	$ 9,426,817
Buildings and auxiliary equipment	10,398,402	(5,969,540)	(1,940)	4,426,922
Computers and peripheral equipment	3,446,970	(2,611,668)	-	835,302
Transportation and communication equipment	134,860	(113,512)	-	21,348
Miscellaneous equipment	1,524,567	(1,325,429)	-	199,138
	$ 24,985,011	($ 10,020,149)	($ 55,335)	$ 14,909,527

December 31, 2017 (In US Thousand Dollars)	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
Land and land improvements	$ 319,759	$ -	($ 1,801)	$ 317,958
Buildings and auxiliary equipment	350,729	(201,347)	(65)	149,317
Computers and peripheral equipment	116,263	(88,089)	-	28,174
Transportation and communication equipment	4,549	(3,829)	-	720
Miscellaneous equipment	51,422	(44,706)	-	6,716
	$ 842,722	($ 337,971)	($ 1,866)	$ 502,885

	December 31, 2016			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In NT Thousand Dollars)			
Land and land improvements	$ 9,291,941	$ -	($ 77,786)	$ 9,214,155
Buildings and auxiliary equipment	10,137,623	(5,819,537)	(2,158)	4,315,928
Computers and peripheral equipment	3,147,329	(2,585,763)	-	561,566
Transportation and communication equipment	147,616	(121,793)	-	25,823
Miscellaneous equipment	1,536,464	(1,331,502)	-	204,962
	$ 24,260,973	($ 9,858,595)	($ 79,944)	$ 14,322,434

	2017					
	Land and land improvements	Buildings and auxiliary equipment	Transportation and communication equipment	Computers and peripheral equipment	Miscellaneous equipment	Total
Cost	(In NT Thousand Dollars)					
Balance at January 1, 2017	$ 9,291,941	$ 10,137,623	$ 147,616	$ 3,147,329	$ 1,536,464	$ 24,260,973
Additions for the year	-	248,516	6,284	561,637	51,130	867,567
Disposals for the year	-	(65,797)	(13,577)	(238,763)	(46,233)	(364,370)
Transfers in the current period	190,185	151,649	(2,960)	(12,593)	(1,105)	325,176
Exchange adjustments	(1,914)	(73,589)	(2,503)	(10,640)	(15,689)	(104,335)
Balance at December 31, 2017	9,480,212	10,398,402	134,860	3,446,970	1,524,567	24,985,011
Accumulated depreciation						
Balance at January 1, 2017	-	(5,819,537)	(121,793)	(2,585,763)	(1,331,502)	(9,858,595)
Depreciation for the year	-	(206,931)	(8,985)	(264,847)	(53,101)	(533,864)
Disposals for the year	-	65,766	13,577	233,402	46,234	358,979
Transfers in the current period	-	(63,600)	1,963	(1,522)	(283)	(63,442)
Exchange adjustments	-	54,762	1,726	7,062	13,223	76,773
Balance at December 31, 2017	-	(5,969,540)	(113,512)	(2,611,668)	(1,325,429)	(10,020,149)
Accumulated impairment						
Balance at January 1, 2017	(77,786)	(2,158)	-	-	-	(79,944)
Gain on reversal of impairment loss	24,391	218	-	-	-	24,609
Balance at December 31, 2017	(53,395)	(1,940)	-	-	-	(55,335)
Net book value of December 31, 2017	$ 9,426,817	$ 4,426,922	$ 21,348	$ 835,302	$ 199,138	$ 14,909,527

	2017					
	Land and land improvements	Buildings and auxiliary equipment	Transportation and communication equipment	Computers and peripheral equipment	Miscellaneous equipment	Total
Cost	(In US Thousand Dollars)					
Balance at January 1, 2017	$ 313,409	$ 341,933	$ 4,979	$ 106,157	$ 51,824	$ 818,300
Additions for the year	-	8,382	212	18,943	1,725	29,262
Disposals for the year	-	(2,219)	(458)	(8,053)	(1,559)	(12,289)
Transfers in the current period	6,415	5,115	(100)	(425)	(37)	10,968
Exchange adjustments	(65)	(2,482)	(84)	(359)	(529)	(3,519)
Balance at December 31, 2017	319,759	350,729	4,549	116,263	51,422	842,722
Accumulated depreciation						
Balance at January 1, 2017	-	(196,288)	(4,108)	(87,215)	(44,910)	(332,521)
Depreciation for the year	-	(6,979)	(303)	(8,933)	(1,791)	(18,006)
Disposals for the year	-	2,218	458	7,873	1,559	12,108
Transfers in the current period	-	(2,145)	66	(51)	(10)	(2,140)
Exchange adjustments	-	1,847	58	238	446	2,589
Balance at December 31, 2017	-	(201,347)	(3,829)	(88,088)	(44,706)	(337,970)
Accumulated impairment						
Balance at January 1, 2017	(2,624)	(73)	-	-	-	(2,697)
Gain on reversal of impairment loss	823	7	-	-	-	830
Balance at December 31, 2017	(1,801)	(65)	-	-	-	(1,867)
Net book value of December 31, 2017	$ 317,958	$ 149,317	$ 720	$ 28,174	$ 6,717	$ 502,885

	2016					
Cost	Land and land improvements	Buildings and auxiliary equipment	Transportation and communication equipment	Computers and peripheral equipment	Miscellaneous equipment	Total
	(In NT Thousand Dollars)					
Balance at January 1, 2016	$ 9,282,673	$ 10,122,738	$ 155,890	$ 3,172,897	$ 1,525,297	$ 24,259,495
Additions for the year	10,635	123,635	6,196	278,546	47,845	466,857
Disposals for the year	-	(67,240)	(12,653)	(295,920)	(38,178)	(413,991)
Transfers in the current period	-	(57)	-	(30)	57	(30)
Exchange adjustments	(1,367)	(41,453)	(1,817)	(8,164)	1,443	(51,358)
Balance at December 31, 2016	9,291,941	10,137,623	147,616	3,147,329	1,536,464	24,260,973
Accumulated depreciation						
Balance at January 1, 2016	-	(5,714,212)	(124,408)	(2,681,254)	(1,303,474)	(9,823,348)
Depreciation for the year	-	(201,572)	(10,710)	(205,618)	(63,901)	(481,801)
Disposals for the year	-	67,240	12,019	295,805	38,017	413,081
Transfers in the current period	-	57	7	(7)	(57)	-
Exchange adjustments	-	28,950	1,299	5,311	(2,087)	33,473
Balance at December 31, 2016	-	(5,819,537)	(121,793)	(2,585,763)	(1,331,502)	(9,858,595)
Accumulated impairment						
Balance at January 1, 2016	(142,596)	(14,961)	-	-	-	(157,557)
Gain on reversal of impairment loss	64,810	12,803	-	-	-	77,613
Balance at December 31, 2016	(77,786)	(2,158)	-	-	-	(79,944)
Net book value of December 31, 2016	$ 9,214,155	$ 4,315,928	$ 25,823	$ 561,566	$ 204,962	$ 14,322,434

(11) Investment property, net

	December 31, 2017			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In NT Thousand Dollars)			
Land and land improvements	$ 574,770	$ -	$ -	$ 574,770
Buildings and auxiliary equipment	21,550	(11,674)	-	9,876
	$ 596,320	($ 11,674)	$ -	$ 584,646

	December 31, 2017			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In US Thousand Dollars)			
Land and land improvements	$ 19,386	$ -	$ -	$ 19,386
Buildings and auxiliary equipment	727	(394)	-	333
	$ 20,113	($ 394)	$ -	$ 19,719

	December 31, 2016			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In NT Thousand Dollars)			
Land and land improvements	$ 764,955	$ -	$ -	$ 764,955
Buildings and auxiliary equipment	174,134	(74,050)	-	100,084
	$ 939,089	($ 74,050)	$ -	$ 865,039

A. The fair value of the investment property held by the Bank and subsidiaries as of December 31, 2017 and 2016 was NT$2,940,545 thousand and NT$3,280,811 thousand, respectively according to the result of valuation by an independent valuation expert using the comparison method and land development analysis approach, which is considered to be Level 2 within the fair value hierarchy.

B. Rental income from the lease of the investment property for the years ended December 31, 2017 and 2016 was NT$16,985 thousand and NT$17,613 thousand, respectively; direct operating expenses incident to current rental income from investment property was NT$10,589 thousand and NT$11,969 thousand, respectively.

C. For the rental revenue from the lease of the investment property among related parties, please refer to Note 11(3).

D. None of the Bank's and its subsidiaries' investment property as at December 31, 2017 and 2016 have been pledged or provided as guarantees.

	2017		
	Land and land improvements	Buildings and auxiliary equipment	Total
		(In NT Thousand Dollars)	
Original cost			
Balance at January 1, 2017	$ 764,955	$ 174,134	$ 939,089
Transfers in the current period	(190,185)	(152,228)	(342,413)
Exchange adjustments	-	(356)	(356)
Balance at December 31, 2017	574,770	21,550	596,320
Accumulated depreciation			
Balance at January 1, 2017	-	(74,050)	(74,050)
Depreciation for the year	-	(1,817)	(1,817)
Transfers in the current period	-	63,989	63,989
Exchange adjustments	-	204	204
Balance at December 31, 2017	-	(11,674)	(11,674)
	$ 574,770	$ 9,876	$ 584,646

	2017		
	Land and land improvements	Buildings and auxiliary equipment	Total
		(In US Thousand Dollars)	
Original cost			
Balance at January 1, 2017	$ 25,801	$ 5,873	$ 31,674
Transfers in the current period	(6,415)	(5,134)	(11,549)
Exchange adjustments	-	(12)	(12)
Balance at December 31, 2017	19,386	727	20,113
Accumulated depreciation			
Balance at January 1, 2017	-	(2,498)	(2,498)
Depreciation for the year	-	(61)	(61)
Transfers in the current period	-	2,158	2,158
Exchange adjustments	-	7	7
Balance at December 31, 2017	-	(394)	(394)
	$ 19,386	$ 333	$ 19,719

	2016		
	Land and land improvements	Buildings and auxiliary equipment	Total
		(In NT Thousand Dollars)	
Original cost			
Balance at January 1, 2016	$ 764,955	$ 174,442	$ 939,397
Exchange adjustments	-	(308)	(308)
Balance at December 31, 2016	764,955	174,134	939,089
Accumulated depreciation			
Balance at January 1, 2016	-	(71,340)	(71,340)
Depreciation for the year	-	(2,883)	(2,883)
Exchange adjustments	-	173	173
Balance at December 31, 2016	-	(74,050)	(74,050)
	$ 764,955	$ 100,084	$ 865,039

(12) Other assets, net

	December 31, 2017	
	NT$	US$
Refundable deposits	$ 1,772,027	$ 59,769
Temporary payments	654,952	22,091
Computer software	240,621	8,116
Prepaid expenses	136,975	4,620
Others	86,192	2,907
Total	$ 2,890,767	$ 97,503

	December 31, 2016
	NT$
Refundable deposits	$ 424,942
Temporary payments	750,000
Computer software	150,984
Prepaid expenses	121,669
Others	174,090
Total	$ 1,621,685

(13) Due to the Central Bank and commercial banks

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Due to the Central Bank	$ 196,382,249	$ 6,623,794	$ 115,198,538
Call loans from the Central Bank and banks	122,785,767	4,141,452	216,850,548
Due to the financial institutions	45,003,496	1,517,927	44,551,667
Overdrafts from other banks	4,443,419	149,873	6,597,442
Transfer deposits from China Post Co.	2,374,693	80,096	2,818,812
Total	$ 370,989,624	$ 12,513,142	$ 386,017,007

(14) Borrowed funds

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Funds borrowed from other banks	$ 24,234,226	$ 817,398	$ 29,781,859
Refinancing to borrow funds from the Central Bank	5,398,742	182,095	5,909,170
Other funds borrowed from the Central Bank	3,824,592	129,000	4,283,398
Total	$ 33,457,560	$ 1,128,493	$ 39,974,427

(15) Financial liabilities at fair value through profit or loss

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Financial liabilities held for trading:			
Derivative instruments	$ 1,855,204	$ 62,574	$ 3,217,540
Financial liabilities designated as at fair value through profit or loss:			
Financial bonds	6,920,122	233,410	8,176,700
Total	$ 8,775,326	$ 295,984	$ 11,394,240

A. Gain (loss) on financial assets and liabilities held for trading and gain (loss) on financial liabilities designated as at fair value through profit or loss recognized for the years ended December 31, 2017 and 2016 are provided in Note 6(27).

B. Financial liabilities designated at fair value through profit or loss by the Bank is for the purpose of eliminating recognition inconsistency.

(16) Payables

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Accounts payable	$ 8,005,657	$ 270,023	$ 8,531,575
Bankers' acceptances	10,445,175	352,306	8,932,976
Dividends and bonus payable	5,679,263	191,556	5,679,263
Collections payable for customers	1,194,930	40,304	1,069,207
Accrued interest	2,994,849	101,014	2,375,143
Accrued expense	4,339,817	146,378	3,435,119
Accrued United Fed expense (Note)	859,792	29,000	-
Other payables	2,019,469	68,115	2,126,256
Total	$ 35,538,952	$ 1,198,696	$ 32,149,539

(NOTE) The further details of Penalty paid to United Fed are provided in Note 6(31).

(17) Deposits and remittances

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Time deposits	$ 933,282,553	$ 31,478,769	$ 750,665,209
Demand deposits	687,417,686	23,185,972	678,871,749
Demand savings deposits	469,471,766	15,834,855	429,888,906
Time savings deposits	258,313,661	8,712,684	268,289,550
Checking deposits	33,023,430	1,113,850	37,981,338
Remittances	6,394,345	215,675	6,374,813
Negotiable certificates of deposit	1,332,800	44,954	1,544,100
Total	$ 2,389,236,241	$ 80,586,759	$ 2,173,615,665

(18) Financial bonds payable

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Subordinated Bonds	$ 25,900,000	$ 873,583	$ 36,200,000

Financial bonds were as follows:

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31, 2017 NT$	December 31, 2017 US$	Remark
99-1 Development Financial bond	2010.12.24-2017.12.24	1.53%	$ 10,300,000	$ -	$ -	Interest is paid annually. The principal is repaid at maturity.
100-1 Development Financial bond	2011.04.15-2018.04.15	1.65%	4,700,000	4,700,000	158,527	Interest is paid annually. The principal is repaid at maturity.
100-2 Development Financial bond	2011.11.24-2018.11.24	1.62%	7,900,000	7,900,000	266,460	Interest is paid annually. The principal is repaid at maturity.
101-1 Development Financial bond	2012.05.18-2019.05.18	1.48%	1,300,000	1,300,000	43,848	Interest is paid annually. The principal is repaid at maturity.
103-1 Development Financial bond	2014.03.28-2021.03.28	1.70%	4,900,000	4,900,000	165,272	Interest is paid annually. The principal is repaid at maturity.
103-2 Development Financial bond	2014.06.24-2021.06.24	1.65%	7,100,000	7,100,000	239,476	Interest is paid annually. The principal is repaid at maturity.
Total				$ 25,900,000	$ 873,583	

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31, 2017 US$	Remark
103-4 Financial bond	2014.11.19-2034.11.19	0.00%	US$ 30,000	$ -	The principal is repaid at maturity.
103-5 Financial bond	2014.11.19-2034.11.19	0.00%	US$ 130,000	130,000	The principal is repaid at maturity.
103-7 Financial bond	2014.11.19-2034.11.19	0.00%	US$ 75,000	75,000	The principal is repaid at maturity.
Total				$ 205,000	

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31, 2016 NT$	Remark
99-1 Development Financial bond	2010.12.24-2017.12.24	1.53%	$ 10,300,000	$ 10,300,000	Interest is paid annually. The principal is repaid at maturity.
100-1 Development Financial bond	2011.04.15-2018.04.15	1.65%	4,700,000	4,700,000	Interest is paid annually. The principal is repaid at maturity.
100-2 Development Financial bond	2011.11.24-2018.11.24	1.62%	7,900,000	7,900,000	Interest is paid annually. The principal is repaid at maturity.
101-1 Development Financial bond	2012.05.18-2019.05.18	1.48%	1,300,000	1,300,000	Interest is paid annually. The principal is repaid at maturity.
103-1 Development Financial bond	2014.03.28-2021.03.28	1.70%	4,900,000	4,900,000	Interest is paid annually. The principal is repaid at maturity.
103-2 Development Financial bond	2014.06.24-2021.06.24	1.65%	7,100,000	7,100,000	Interest is paid annually. The principal is repaid at maturity.
Total				$ 36,200,000	

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31, 2016 US$	Remark
103-4 Financial bond	2014.11.19-2034.11.19	0.00%	US$ 30,000	$ 30,000	The principal is repaid at maturity.
103-5 Financial bond	2014.11.19-2034.11.19	0.00%	US$ 130,000	130,000	The principal is repaid at maturity.
103-7 Financial bond	2014.11.19-2044.11.19	0.00%	US$ 75,000	75,000	The principal is repaid at maturity.
Total				$ 235,000	

As of December 31, 2017 and 2016, the outstanding balances of the above mentioned financial bonds amounted to US$205 million and US$235 million, and NT$25.9 billion and NT$36.2 billion, respectively. In addition, among the above financial bonds, the senior financial bonds with face value of US$205 million and US$235 million were designated as financial liabilities at fair value through profit or loss and hedged by interest rate swap contracts. As such interest rate swap contracts were valued at fair value with changes in fair value recognized as profit or loss, the financial bonds stated above were designated as financial liabilities at fair value through profit or loss in order to eliminate or significantly reduce recognition inconsistency.

(19) Provisions

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Liabilities reserve for employee benefits	$ 11,161,036	$ 376,451	$ 9,262,357
Reserve for guarantee liabilities	3,659,834	123,443	3,691,076
Total	$ 14,820,870	$ 499,894	$ 12,953,433

Liabilities reserve for employee benefits are as follows:

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Recognized in consolidated balance sheet:			
-Defined benefit plans	$ 7,159,287	$ 241,476	$ 5,718,311
-Employee preferential savings plans	4,001,749	134,975	3,544,046
Total	$ 11,161,036	$ 376,451	$ 9,262,357

A. Defined benefit plans

(A) The Bank has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Bank and subsidiaries contribute monthly an amount equal to 9.622% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Bank would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Bank will make contributions to cover the deficit by next March.

(B) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Present value of funded obligations	$ 16,470,771	$ 555,544	$ 15,585,176
Fair value of plan assets	(9,311,484)	(314,068)	(9,866,865)
Net defined benefit liability	$ 7,159,287	$ 241,476	$ 5,718,311

(C) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
		(In NT Thousand Dollars)	
2017			
Balance at January 1	$ 15,585,176	($ 9,866,865)	$ 5,718,311
Current service cost	452,603	-	452,603
Interest expense (income)	152,236	(97,646)	54,590
	16,190,015	(9,964,511)	6,225,504
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,819	3,819
Change in financial assumptions	1,461,253	-	1,461,253
Experience adjustments	274,553	-	274,553
	1,735,806	3,819	1,739,625
Pension fund contribution	-	(805,842)	(805,842)
Paid Pension	(1,455,050)	1,455,050	-
Balance at December 31	$ 16,470,771	($ 9,311,484)	$ 7,159,287

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
		(In US Thousand Dollars)	
2017			
Balance at January 1	$ 525,674	($ 332,801)	$ 192,873
Current service cost	15,266	-	15,266
Interest expense (income)	5,135	(3,294)	1,841
	546,075	(336,095)	209,980
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	129	129
Change in financial assumptions	49,287	-	49,287
Experience adjustments	9,260	-	9,260
	58,547	129	58,676
Pension fund contribution	-	(27,180)	(27,180)
Paid Pension	(49,078)	49,078	-
Balance at December 31	$ 555,544	($ 314,068)	$ 241,476

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
		(In NT Thousand Dollars)	
2016			
Balance at January 1	$ 15,759,783	($ 10,180,066)	$ 5,579,717
Current service cost	451,430	-	451,430
Interest expense (income)	192,304	(125,818)	66,486
	16,403,517	(10,305,884)	6,097,633
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	55,644	55,644
Change in financial assumptions	396,082	-	396,082
Experience adjustments	82,611	-	82,611
	478,693	55,644	534,337
Pension fund contribution	-	(913,659)	(913,659)
Paid Pension	(1,297,034)	1,297,034	-
Balance at December 31	$ 15,585,176	($ 9,866,865)	$ 5,718,311

(D) The Bank of Taiwan was commissioned to manage the Fund of the Bank's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.), and the performance of fund utilization is supervised by the Labor Funds Supervisory Committee. With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Bank has no right to participate in managing and operating that fund and hence the Bank is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(E) The principal actuarial assumptions used were as follows:

	For the years ended December 31, 2017	2016
Discount rate	1.00%	1.00%
Rate of future salary increases	3.00%	2.00%

Assumptions regarding future mortality rate are set based on the 5th Chart of Life Span Estimate Used by the Taiwan Life Insurance Enterprises.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Rate of future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
	(In NT Thousand Dollars)			
December 31, 2017				
Effect on present value of defined benefit obligation	($ 389,470)	$ 404,438	$ 395,460	($ 382,958)

	Discount rate		Rate of future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
	(In US Thousand Dollars)			
December 31, 2017				
Effect on present value of defined benefit obligation	($ 13,136)	$ 13,641	$ 13,339	($ 12,917)

	Discount rate		Rate of future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
	(In NT Thousand Dollars)			
December 31, 2016				
Effect on present value of defined benefit obligation	($ 396,082)	$ 370,000	$ 365,391	($ 353,712)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(F) Expected contributions to the defined benefit pension plans of the Bank for the year ending December 31, 2018 amounts to NT$420,000 thousand.

(G) As of December 31, 2017, the weighted average duration of that retirement plan is 9 years.

B. Defined contribution plans

(A) Effective July 1, 2005, the Bank has established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. Under the New Plan, the Bank contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The payment of pension benefits is based on the employees' individual pension fund accounts and the cumulative profit in such accounts, and the employees can choose to receive such pension benefits monthly or in lump sum.

(B) The pension costs under the defined contribution pension plan for the years ended December 31, 2017 and 2016 were NT$97,181 thousand and NT$88,147 thousand, respectively. For employees working overseas, pension expenses under defined contribution plans are recognized according to the respective local regulations. For the years ended December 31, 2017 and 2016, pension expenses were NT$19,276 thousand and NT$23,093 thousand, respectively.

C. The Bank's payment obligations of fixed-amount preferential savings of retired employees and current employees after retirement are in compliance with the internal "Rules Governing Pension Preferential Savings of Staff of Mega International Commercial Banks". The excessive interest arising from the interest rate upon retirement agreed with the employees in excess of general market interest rate should be accounted for in accordance with IAS 19, "Employee Benefits".

(A) Adjustment of assets and liabilities recognized in the consolidated balance sheets, present value of defined benefit obligation, and fair value of plan assets:

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Present value of defined benefit obligation	$ 4,001,749	$ 134,975	$ 3,544,046
Less: Fair value of plan assets	-	-	-
	$ 4,001,749	$ 134,975	$ 3,544,046

(B) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
		(In NT Thousand Dollars)	
2017			
Balance at January 1	$ 3,544,046	$ -	$ 3,544,046
Interest expense	135,249	-	135,249
	3,679,295	-	3,679,295
Remeasurements:			
Change in demographic assumptions	581,719	-	581,719
Experience adjustments	458,528	-	458,528
	1,040,247	-	1,040,247
Pension fund contribution	-	(717,793)	(717,793)
Paid Pension	(717,793)	717,793	-
Balance at December 31	$ 4,001,749	$ -	$ 4,001,749

	Present value of defined benefit obligation	Fair value of plan assets (In US Thousand Dollars)	Net defined benefit liability
2017			
Balance at January 1	$ 119,537	$ -	$ 119,537
Interest expense	4,562	-	4,562
	124,099	-	124,099
Remeasurements:			
Change in demographic assumptions	19,621	-	19,621
Experience adjustments	15,466	-	15,466
	35,087	-	35,087
Pension fund contribution	-	(24,211)	(24,211)
Paid Pension	(24,211)	24,211	-
Balance at December 31	$ 134,975	$ -	$ 134,975

	Present value of defined benefit obligation	Fair value of plan assets (In NT Thousand Dollars)	Net defined benefit liability
2016			
Balance at January 1	$ 3,102,821	$ -	$ 3,102,821
Interest expense	118,458	-	118,458
	3,221,279	-	3,221,279
Remeasurements:			
Change in demographic assumptions	584,751	-	584,751
Experience adjustments	365,420	-	365,420
	950,171	-	950,171
Pension fund contribution	-	(627,404)	(627,404)
Paid Pension	(627,404)	627,404	-
Balance at December 31	$ 3,544,046	$ -	$ 3,544,046

(C) Actuarial assumptions are as follows:

	For the years ended December 31, 2017	2016
Discount rate for employee preferential interest savings	4.00%	4.00%
Return rate on capital deposited	2.00%	2.00%
Annual decreasing ratio for account balance	1.00%	1.00%
Probability of change in preferential savings system in the future	50.00%	50.00%

Because the main actuarial assumption changed, the present value of employee preferential interest savings obligation is affected. The analysis was as follows:

	Discount rate		Rate of deposit cost	
	Increase 0.25%	Decrease 0.25%	Increase 0.05%	Decrease 0.05%
	(In NT Thousand Dollars)			
December 31, 2017				
Effect on present value of defined benefit obligation	($ 81,596)	$ 84,691	($ 28,522)	$ 28,522

	Discount rate		Rate of deposit cost	
	Increase 0.25%	Decrease 0.25%	Increase 0.05%	Decrease 0.05%
	(In US Thousand Dollars)			
December 31, 2017				
Effect on present value of defined benefit obligation	($ 2,752)	$ 2,857	($ 962)	$ 962

	Discount rate		Rate of deposit cost	
	Increase 0.25%	Decrease 0.25%	Increase 0.05%	Decrease 0.05%
	(In NT Thousand Dollars)			
December 31, 2016				
Effect on present value of defined benefit obligation	($ 72,311)	$ 75,075	($ 17,003)	$ 17,003

(D) The Bank recognized employee benefit expenses of NT$1,376,912 thousand and NT$1,245,291 thousand for the years ended December 31, 2017 and 2016, respectively.

D. Reserve for guarantee liabilities

The Bank had provided appropriate reserve for guarantee liabilities based on the guarantee reserve assessed. The details and movements of reserve for guarantee liabilities for the years ended December 31, 2017 and 2016 are as follows:

	2017		2016
	NT$	US$	NT$
Balance at January 1	$ 3,691,076	$ 124,497	$ 3,240,886
Provision	(26,187)	(883)	452,003
Effects of exchange rate changes and others	(5,055)	(171)	(1,813)
Balance at December 31	$ 3,659,834	$ 123,443	$ 3,691,076

(20) Other financial liabilities

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Appropriation for loans	$ 1,307,089	$ 44,087	$ 1,529,903
Structured deposits	7,662,552	258,451	7,054,086
Total	$ 8,969,641	$ 302,538	$ 8,583,989

(21) Other liabilities

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Deposits received	$ 2,724,103	$ 91,882	$ 1,525,090
Advance receipt	1,623,079	54,745	1,823,612
Temporary credits	1,370,928	46,240	1,145,758
Other liabilities to be settled	402,773	13,585	431,815
Others	298,587	10,071	332,072
Total	$ 6,419,470	$ 216,523	$ 5,258,347

(22) Equity

A. Common stock

As of December 31, 2017 and 2016, the Bank's authorized and paid-in capital was NT$85,362,336 thousand and outstanding shares were 8,536,234 thousand, with a par value of NT$10 per share.

B. Capital reserve

(A) Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Bank has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(B) On December 31, 2017 and 2016, the details of the Bank's capital surplus are as follows:

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Capital increase by cash – additional paid-in capital	$ 31,495,952	$ 1,062,330	$ 31,495,952
Consolidation surplus arising from share conversion	30,109,277	1,015,558	30,109,277
Changes in additional paid-in capital of investees accounted for by the equity method	375,908	12,679	375,908
Share-based payment (Note)	238,403	8,041	238,403
Total	$ 62,219,540	$ 2,098,608	$ 62,219,540

Note: above-mentioned share-based payment includes the subsidiaries.

C. Legal reserve and Special reserve

(A) Legal reserve

Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Bank's paid-in capital. As of December 31, 2017 and 2016, the Bank's legal reserves are NT$79,690,847 thousand and NT$73,987,859 thousand, respectively.

(B) Special reserve

In accordance with Financial-Supervisory-Securities-Corporate No. 1010012865 of the FSC dated on April 6, 2012, upon the first-time adoption for IFRSs, equivalent amounts of special reserve with regard to the unrealized revaluation increment under the stockholders' equity and cumulative translation adjustment (gains) transferred to retained earnings should be set aside. For the said special reserve, reversal of distributed earnings shall be based on the proportion of the original ratio of special reserve provision in the subsequent use, disposal or reclassification for the related assets. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land. If the assets are investment property other than land, the amounts are reversed over the use period and should be reversed by amortized balance upon disposal. As of December 31, 2017 and 2016, the special reserve of the Bank were NT$4,000,055 thousand and NT$3,873,832 thousand, respectively.

In accordance with the regulations, the Bank shall set aside an equivalent amount of special reserve from earnings after tax of the current year and the undistributed earnings of the prior period based on the net decreased amount of other stockholders' equity in the current period before distributing earnings. If there is any reversal of decrease in other stockholders' equity, the earnings may be distributed based on the reversal proportion.

In accordance with Financial-Supervisory-Banks Letter No. 10510001510, as a response to the development of financial technology, and to ensure the rights of bank practitioners, the Bank shall, upon appropriating the earnings of 2016 to 2018, provision 0.5% to 1% of income after taxes as special reserve. Starting from the 2017 accounting year, public banks may reverse an amount of the aforementioned special reserve commensurate to employee termination or arrangement expenditures resulting from the development of financial technology.

(23) Retained earnings and dividend policies

A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating loss, and the remaining amount should then be set aside as legal reserve and special reserve in accordance with provisions under the applicable laws and regulations. The remaining earnings plus prior year's accumulated unappropriated earnings are subject to the Board of Directors' proposal for a distribution plan and approval by the stockholders at the Ordinary Stockholders' Meeting.

B. The legal reserve is to be used exclusively to offset any deficit or to increase capital by issuing new shares or distribute cash dividends according to original shareholders in proportion to the number of shares being held by each of them and is not to be used for any other purposes. For the legal reserve to be used for issuing new shares or distributing cash dividends, only the portion of the legal reserve exceeding 25% of paid-in capital may be capitalized or released.

C. Shareholders other than those not living in ROC have imputation tax credit for the distribution of earnings after (in) 1998 based on the creditable tax rate on the dividend declaration day.

As of December 31, 2017 and 2016, cumulative unappropriated retained earnings recorded in the books were all earnings generated in and after 1998.

D. The appropriations and distributions for 2016 and 2015 approved by the Bank's Board of Directors on the stockholders' behalf on May 5, 2017 and May 13, 2016, respectively, were as follows:

	For the years ened December 31,	
	2016	2015
	NT$	NT$
Legal reserve	$ 5,702,988	$ 7,712,534
Special reserve	126,223	28,478
Cash dividends (NT$1.50 dollar per share)	12,804,350	12,804,350
	$ 18,633,561	$ 20,545,362

Information on the appropriation of the Bank's earnings as approved by the Board of Directors and during the shareholders' meeting is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. The appropriation of 2017 earnings resolved by the Board of Directors on March 16, 2018 is set forth below:

	For the year ended December 31, 2017	
	NT$	US$
Legal reserve	$ 6,457,023	$ 217,790
Special reserve	535,745	18,070
Cash dividends (NT$1.50 dollar per share)	12,804,350	431,879
	$ 19,797,118	$ 667,739

F. For information related to employees' compensation, please refer to Note 6(32).

(24) Other equity

	Cumulative translation differences of foreign operations	Available-for-sale financial assets	Total
		NT$	
January 1, 2017	($ 926,233)	($ 535,566)	($ 1,461,799)
Available-for-sale financial assets			
Evaluation adjustment for the year	-	2,093,917	2,093,917
Realized gain and loss for the year	-	(1,294,331)	(1,294,331)
Cumulative translation differences of foreign operations	(1,777,256)	-	(1,777,256)
Share of other comprehensive income of associates and joint ventures accounted for under equity method	(9,881)	31,006	21,125
December 31, 2017	($ 2,713,370)	$ 295,026	($ 2,418,344)

	Cumulative translation differences of foreign operations	Available-for-sale financial assets	Total
		US$	
January 1, 2017	($ 31,241)	($ 18,064)	($ 49,305)
Available-for-sale financial assets			
Evaluation adjustment for the year	-	70,626	70,626
Realized gain and loss for the year	-	(43,657)	(43,657)
Cumulative translation differences of foreign operations	(59,945)	-	(59,945)
Share of other comprehensive income of associates and joint ventures accounted for under equity method	(333)	1,046	713
December 31, 2017	($ 91,519)	$ 9,951	($ 81,568)

	Cumulative translation differences of foreign operations	Available-for-sale financial assets	Total
		NT$	
January 1, 2016	$ 331,363	($ 102,347)	$ 229,016
Available-for-sale financial assets			
Evaluation adjustment for the year	-	922,297	922,297
Realized gain and loss for the year	-	(1,295,542)	(1,295,542)
Cumulative translation differences of foreign operations	(1,255,005)	-	(1,255,005)
Share of other comprehensive income of associates and joint ventures accounted for under equity method	(2,591)	(59,974)	(62,565)
December 31, 2016	($ 926,233)	($ 535,566)	($ 1,461,799)

(25) Net interest income

	For the years ended December 31		
	2017		2016
	NT$	US$	NT$
Interest income			
Discount and loan interest income	$ 38,535,880	$ 1,299,780	$ 38,730,900
Deposit and loan interest income of banks	8,388,370	282,932	5,030,123
Securities investment interest income	6,254,938	210,973	5,601,350
Interest income of factoring acceptances receivable	323,540	10,913	277,965
Credit card interest income	172,411	5,815	174,441
Interest income of forfeiting purchased	24,651	832	869,183
Other interest income	154,357	5,206	193,989
Subtotal	53,854,147	1,816,451	50,877,951
Interest expenses			
Deposit interest expense	(14,710,966)	(496,188)	(12,077,235)
The Central Bank and the bank deposit interest expense	(4,367,250)	(147,303)	(2,541,727)
Bond interest expense	(579,746)	(19,554)	(582,811)
Other interest expense	(112,082)	(3,780)	(92,538)
Subtotal	(19,770,044)	(666,825)	(15,294,311)
Total	$ 34,084,103	$ 1,149,626	$ 35,583,640

(26) Net service fee income

	For the years ended December 31		
	2017		2016
	NT$	US$	NT$
Service fee income			
Trust service fee income	$ 1,631,249	$ 55,021	$ 1,560,220
Loan service fee income	1,528,983	51,571	1,941,867
Remittance service fee income	858,168	28,945	975,766
Guarantee service fee income	833,606	28,117	913,124
Agent service fee income	905,066	30,527	1,185,458
Import and export service fee income	531,859	17,939	607,319
Credit card service fee income	523,998	17,674	504,421
Other fee income (Note)	1,036,457	34,959	1,082,687
Subtotal	7,849,386	264,753	8,770,862
Service fee charges			
Agent service fee	(695,730)	(23,466)	(641,953)
Custody fee	(55,906)	(1,886)	(51,674)
Other charges	(168,235)	(5,674)	(169,502)
Subtotal	(919,871)	(31,026)	(863,129)
Total	$ 6,929,515	$ 233,726	$ 7,907,733

The Bank and subsidiaries provide custody, trust, and investment management and consultation service to the third party, and therefore the Bank and subsidiaries are involved with the exercise of planning, managing and trading decision of financial instruments. In relation to the management and exercise of trust fund and portfolio for brokerage, the Bank and subsidiaries record and prepare the financial statements independently for internal management purposes, which are not included in the financial statements of the Bank and subsidiaries.

Note :

A. As of December 31, 2017 and 2016, the fee income generated by the Bank and subsidiaries concurrently in electronic payment business amounted to $4,170 thousand and $3,308 thousand, respectively.

B. Due to the Bank and subsidiaries concurrently in electronic payment business, as of December 31, 2017 and 2016, the interest earned from utilizing funds received from users amounted to $87 and $103, respectively, based on the calculation required in Article 4 of "Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions".

(27) Gain (Loss) on financial assets and liabilities at fair value through profit or loss

	For the year ended December 31		
	2017		2016
	NT$	US$	NT$
Realized gain or loss on financial assets and financial liabilities at fair value through profit or loss			
Bond	$ 25,125	$ 847	$ 33,873
Stock	287,656	9,702	105,716
Interest rate	62,252	2,100	271,726
Exchange rate	3,024,979	102,030	947,662
Options	99,516	3,357	141,250
Futures	(1,450)	(49)	1,347
Asset swap contracts	(1,710)	(58)	(16,269)
Credit default swap	284,751	9,604	488,939
Cross currency swap	-	-	(27,603)
Others	5,973	201	(16,135)
Subtotal	3,787,092	127,734	1,930,506
Unrealized gain or loss on financial assets and financial liabilities at fair value through profit or loss			
Bond	(93,880)	(3,166)	(33,862)
Stock	58,668	1,979	165,558
Interest rate	232,036	7,826	92,426
Exchange rate	571,763	19,285	229,056
Options	(29,498)	(995)	(32,634)
Futures	-	-	108
Asset swap contracts	(68,511)	(2,311)	13,016
Credit default swap	117,794	3,973	136,973
Cross currency swap	-	-	(9,364)
Subtotal	788,372	26,591	561,277
Dividend income on financial assets at fair value through profit or loss	155,381	5,241	120,832
Interest income on financial assets at fair value through profit or loss	1,002,066	33,799	1,051,727
Interest expense on financial liabilities at fair value through profit or loss	(310,071)	(10,458)	(654,745)
Total	$ 5,422,840	$ 182,907	($ 3,009,597)

Net income on the exchange rate instrument includes realized and unrealized gains and losses on forward exchange agreement, FX options, and exchange rate futures.

Interest-linked instruments include interest rate swap contracts, money market instruments, interest linked-options and other interest related instruments.

(28) Realized gains on available-for-sale financial assets

	For the year ended December 31		
	2017		2016
	NT$	US$	NT$
Dividend income	$ 190,116	$ 6,412	$ 301,174
Realized net gains or losses			
Fund	-	-	(812)
Short coupon	(87)	(3)	-
Bond	(18,126)	(611)	298,936
Stock	1,312,544	44,271	997,418
Total	$ 1,484,447	$ 50,069	$ 1,596,716

(29) Loss on asset impairment

	For the year ended December 31		
	2017		2016
	NT$	US$	NT$
Equity investments carried at cost	$ 92,028	$ 3,104	$ 308,670
Available-for-sale-financial assets	137,760	4,647	103,340
Gain on reversal of impairment loss on property and equipment	(24,609)	(830)	(77,613)
Total	$ 205,179	$ 6,920	$ 334,397

(30) Other revenue other than interest income

	For the year ended December 31		
	2017		2016
	NT$	US$	NT$
Net income from rent	$ 181,150	$ 6,110	$ 186,847
Gain on sale of non-performing loans	53,117	1,792	40,508
Gain on sales of property and equipment	1,262	42	1,142
Casualty loss	-	-	(82)
Loss on retirement of assets	(32)	(1)	(253)
Total	$ 235,497	$ 7,943	$ 228,162

(31) Net other miscellaneous loss (income)

	For the years ended December 31		
	2017		2016
	NT$	US$	NT$
Penalty paid to New York State Department of Financial Services (Note 1)	$ -	$ -	($ 5,797,854)
Penalty paid to United Fed (Note 2)	(878,506)	(29,631)	-
Other revenue	150,152	5,064	298,860
Total	($ 728,354)	($ 24,567)	($ 5,498,994)

Note 1: The New York State Department of Financial Services (NYDFS) fined the Bank and Mega New York Branch for failing to comply with Bank Secrecy Act (BSA) anti-money laundering laws (AML). The fine was part of a consent order entered into with the NYDFS pursuant to which the Bank and Mega New York Branch shall take immediate steps to correct the non-compliance. According to the consent order, the Bank and Mega New York Branch shall engage an independent compliance consultant of NYDFS' selection for six months to immediately consult about, oversee and address deficiencies in Mega New York Branch's compliance function, including compliance with BSA/AML requirements. In addition, the Bank and Mega New York Branch shall retain an independent monitor to conduct a comprehensive review of the effectiveness of the Branch's program for compliance with BSA/AML requirements, laws and regulations and prepare a written report of findings, conclusions, and recommendations. The independent monitor shall also conduct a review of Mega New York Branch's U.S. dollar clearing transaction activity from January 1, 2012 through December 31, 2014, to determine whether transactions are inconsistent with or in violation of the OFAC Regulations. As of the reporting date of these financial statements, the Bank and Mega New York Branch have been overseen and consulting with the compliance consultant during the stipulated term of six months. Currently, the Mega New York Branch is conducting a comprehensive review of effective compliance with BAS/AML requirements, laws and regulations by the independent monitor whereas a review of U.S. dollar clearing transaction activity has not commenced yet.

Subsequently, on May 22, 2017, a press release announced by the Taipei District Prosecutors Office (TDPO) with respect to the investigation result of the Bank's suspicious money laundering activities indicated no evidence was found that the Bank's related member and citizen is involved in any money laundering.

As for Jin-Guan-Jian-Kong-Zi Letter No.1060152046 on February 6, 2017, there was no evidence that is related to suspicious money laundering transaction.

As the Bank and Mega New York Branch adopted the improvement process, internal member and independent external third party found that some transactions might cause disputes over compliance issues and result in the payment of economic resources. As of the reporting date, the definite amount of penalty depends on the adjudicative body.

Note 2: Following the most recent examination of the Mega New York Branch, the Mega Chicago Branch and the Mega Silicon Valley Branch (collectively, the "Branches") of June 30, 2016, December 31, 2016, and September 30, 2016, the supervisory authorities disclosed deficiencies relating to the Branches' risk management and compliance with the BSA/AML requirements. Therefore, on January 17, 2018, the bank, the Branches, the Board of Governors of the Federal Reserve System (FED) and the Illinois Department of Financial and Professional Regulation (IDFPR), Division of Banking entered into a consent Order to Cease and Desist and Order of Assessment of a Civil Money Penalty. The FED and IDFPR fined a $29 million penalty against the U.S. operations of the Bank and the Branches. According to the Order, the Bank's Board of Directors and the respective management of each of the Branches shall jointly submit an individual written plan aiming to enhance the Bank's and the respective Branch's management's oversight of the respective Branch's compliance with the BSA/AML requirements and the OFAC regulations on a consolidated basis. Each plan shall provide for a sustainable governance framework that addresses an enhanced BSA/AML compliance program, a revised program for conducting appropriate levels of customer due diligence, an enhanced program reasonably designed for suspicious activity monitoring and reporting and a plan to ensure compliance with the OFAC regulations. Additionally, the Bank and Mega New York Branch shall engage an independent third party acceptable to the Federal Reserve Bank of New York to conduct a review of the Mega New York Branch's U.S. dollar clearing transaction activity from January 1, 2015 to June 30, 2015 to determine whether suspicious activity involving higher risk customers were properly identified and reported. The Order acknowledged that the Bank has undertaken enhancements to its corporate governance and is committed to continue to implement improvements in its oversight and compliance program. As of the reporting date of these financial statements, the written plan has been submitted whereas a review of U.S. dollar clearing transaction activity has not commenced yet.

In addition, the U.S. supervisory authorities has completed subsequent examination in branches across the U.S. and required the Bank and Mega New York Branch to take improvement measures to address deficiencies in risk management and compliance with BSA/AML requirements and OFAC regulations prior to the next examination to avoid further supervisory escalation. The Bank and Mega New York Branch endeavor to implement the measures stipulated in the written plan to address deficiencies in compliance.

(32) Employee benefits expenses

	For the years ended December 31					
	2017				2016	
	NT$		US$		NT$	
Payroll expenses	$	10,081,195	$	340,030	$	8,446,411
Preferential interest deposit for retired employees		1,376,912		46,442		1,245,291
Pension		623,650		21,035		629,156
Staff insurance		645,025		21,756		621,132
Other staff expenses		922,253		31,107		978,219
Total	$	13,649,035	$	460,370	$	11,920,209

A. Please refer to Note 1(5) for information on number of employee, the calculating basis was in agreement with employee benefit expense excluding preferential interest deposit for retired employees.

B. The Board of Directors of the Bank has approved the amended Articles of Incorporation of the Bank on October 20, 2017. According to the amended articles, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation. In case there are earnings at the end of each fiscal year, the employees' compensation of the Bank shall be 2~6% of the amount of net profit before income tax and employees' compensation, under the Board's discretion after taking into account the performance indicators and industry benchmark.

C. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at NT$1,275,582 thousand and NT$400,225 thousand, respectively. The above-mentioned amounts were recognized in salary expenses.

The employees' compensation resolved by the Board of Directors was NT$398,791 thousand, which resulted in a difference of NT($1,434) thousand as compared to the recognized amount of $400,255 in the 2016 financial statements. The difference is accounted for as a change in estimate and has been adjusted in the profit or loss of 2017.

Information about employees' compensation of the Bank as resolved by the Board of Directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(33) Depreciation and amortization

	For the year ended December 31					
	2017				2016	
	NT$		US$		NT$	
Depreciation	$	535,681	$	18,068	$	484,684
Amortization		6,039		204		5,695
Total	$	541,720	$	18,272	$	490,379

(34) Other general and administrative expenses

	For the year ended December 31					
	2017				2016	
	NT$		US$		NT$	
Taxes	$	2,005,752	$	67,652	$	2,241,019
Rental		771,136		26,010		777,716
Professional expenses		1,116,397		37,655		608,141
Computer software maintenance fees		496,004		16,730		476,756
Insurance charges		408,047		13,763		447,493
Donation expenses		220,070		7,423		102,560
Shipping expenses		196,279		6,620		196,785
Postage		212,256		7,159		212,203
Business development		268,922		9,070		297,439
Advertising and printing cost		210,145		7,088		151,769
Water and electricity		127,601		4,304		120,851
Employee training expenses		132,222		4,460		63,421
Traveling expenses		113,369		3,824		78,973
Others		859,797		29,000		713,823
Total	$	7,137,997	$	240,758	$	6,488,949

(35) Income tax

A. Income tax expense

(A) Components of income tax expenses:

	For the year ended December 31		
	2017		2016
	NT$	US$	NT$
Current income tax:			
Income tax from current income	$ 3,460,861	$ 116,732	$ 4,326,965
Tax on undistributed surplus earnings	-	-	403,060
Prior year income tax (over) under estimate	(557,613)	(18,808)	12,444
Total current tax	2,903,248	97,924	4,742,469
Deferred income tax:			
Origination and reversal of temporary differences	(123,616)	(4,170)	(637,062)
Income tax expense	$ 2,779,632	$ 93,754	$ 4,105,407

(B) The income tax relating to components of other comprehensive income is as follows:

	For the year ended December 31		
	2017		2016
	NT$	US$	NT$
Remeasuremnt on defined benefit plan	$ 295,736	$ 9,975	$ 90,837

B. Reconciliation between accounting income and income tax expense:

	For the year ended December 31		
	2017		2016
	NT$	US$	NT$
Income tax calculated based on pre-tax income using statutory tax rate enacted in the country where the branch operates	$ 4,366,878	$ 147,291	$ 4,740,081
Effects of items not recognised under relevant regulations	6,307	213	6,652
Additional 10% tax payment levied on undistributed earnings	-	-	403,060
Effect of income basic tax	815,009	27,489	957,082
Income tax adjustments in respect of prior years	(557,613)	(18,808)	12,444
Adjusted effects on income tax exemption and other adjustments	(1,850,949)	(62,431)	(2,013,912)
Income tax expense	$ 2,779,632	$ 93,754	$ 4,105,407

C. Deferred income tax assets or liabilities arising from the temporary differences are as follows:

	2017			
	NT$			
Temporary differences:	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Allowance for doubtful accounts in excess of limit	$ 2,580,441	$ 293,902	$ -	$ 2,874,343
Reserve of guarantees in excess of limit	199,597	-	-	199,597
Employee benefit liabilities reserve	1,249,033	(50,533)	295,736	1,494,236
Unrealized impairment loss	717,287	(4,448)	-	712,839
Others	342,446	(60,110)	-	282,336
	$ 5,088,804	$ 178,811	$ 295,736	$ 5,563,351
Deferred income tax liabilities				
Land value increment tax	($ 1,053,300)	$ -	$ -	($ 1,053,300)
Unrealized exchange gains	(466,918)	29,048	-	(437,870)
Investment income accounted for under the equity method	(600,384)	(733)	-	(601,117)
Others	(41,050)	(83,510)	-	(124,560)
	($ 2,161,652)	($ 55,195)	$ -	($ 2,216,847)

Temporary differences:	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
	2017 US$			
Deferred income tax assets				
Allowance for doubtful accounts in excess of limit	$ 87,036	$ 9,913	$ -	$ 96,949
Reserve of guarantees in excess of limit	6,732	-	-	6,732
Employee benefit liabilities reserve	42,128	(1,704)	9,975	50,399
Unrealized impairment loss	24,194	(150)	-	24,044
Others	11,550	(2,027)	-	9,523
	$ 171,640	$ 6,032	$ 9,975	$ 187,647
Deferred income tax liabilities				
Land value increment tax	($ 35,527)	$ -	$ -	($ 35,527)
Unrealized exchange gains	(15,749)	980	-	(14,769)
Investment income accounted for under the equity method	(20,250)	(25)	-	(20,275)
Others	(1,384)	(2,817)	-	(4,201)
	($ 72,910)	($ 1,862)	$ -	($ 74,772)

Temporary differences:	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
	2016 NT$			
Deferred income tax assets				
Allowance for doubtful accounts in excess of limit	$ 1,782,614	$ 797,827	$ -	$ 2,580,441
Reserve of guarantees in excess of limit	199,597	-	-	199,597
Employee benefit liabilities reserve	1,391,165	(232,969)	90,837	1,249,033
Unrealized impairment loss	603,109	114,178	-	717,287
Others	376,725	(34,279)	-	342,446
	$ 4,353,210	$ 644,757	$ 90,837	$ 5,088,804
Deferred income tax liabilities				
Land value increment tax	($ 1,053,300)	$ -	$ -	($ 1,053,300)
Unrealized exchange gains	(464,213)	(2,705)	-	(466,918)
Investment income accounted for under the equity method	(562,166)	(38,218)	-	(600,384)
Others	(74,278)	33,228	-	(41,050)
	($ 2,153,957)	($ 7,695)	$ -	($ 2,161,652)

D. The Bank's income tax returns up to 2011 have been assessed by the Tax Authority. The Bank does not agree with the assessment for 2009 and the Company has filed an appeal for reinvestigation of 2009 income tax returns on behalf of the bank.

E. With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed. As of December 31, 2016, the balance of the imputation tax credit account was $295,554 thousand. The creditable tax rate was 0.88% for the year ended December 31, 2016.

(36) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted-average number of ordinary shares in issue during the period.

	For the years ended December 31		
	2017		2016
	NT$	US$	NT$
Weighted-average number of shares outstanding common stock (Unit: Thousand)	8,536,234		8,536,234
Profit attributable to ordinary shareholders of the Bank and subsidiaries	$ 21,523,410	$ 725,965	$ 19,009,961
Basic earnings per share (in dollars)	$ 2.52	$ 0.08	$ 2.23

7. FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

(1) Overview

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments are recorded at fair value upon their initial recognition, where often fair value refers to the transaction price; for subsequent measurements, other than a portion of financial instruments being measured at amortized cost, fair value is elected for measurements. The best evidence for fair value is a public quote in an active market. If the market of a financial instrument is not active, the Bank elects valuation techniques or references Bloomberg or the quotes of counterparties to measure the fair value of the financial instrument. In addition, through the valuation process, information on the counterparty's and the Bank's credit risk is also considered.

(2) Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of certain financial instruments held by the Bank and subsidiaries (such as cash and cash equivalents, due from the Central Bank and call loans to banks, bills and bonds purchased under resale agreement, receivables, bills discounted and loans, held-to-maturity financial assets-Central Bank's certificates of deposits, due to the Central Bank and other banks, funds borrowed from the Central Bank and other banks, bills and bonds sold under repurchase agreements, accounts payable, deposits and remittances, financial bonds payable, and other financial liabilities) are approximate to their fair values (please refer to Note 7(5)). The fair value information of financial instruments measured at fair value is provided in Note 7(6).

	NT$	
	Book Value	Fair Value
December 31, 2017		
Held-to-maturity financial assets - investments in bonds	$ 19,343,891	$ 19,381,844

	US$	
	Book Value	Fair Value
December 31, 2017		
Held-to-maturity financial assets - investments in bonds	$ 652,452	$ 653,732

	NT$	
	Book Value	Fair Value
December 31, 2016		
Held-to-maturity financial assets - investments in bonds	$ 20,229,023	$ 20,215,485

The fair values of the above-mentioned held-to-maturity financial assets are classified as Level 1 and Level 2.

(3) Financial instruments measured at fair value

If the market quotation from the Taiwan Stock Exchange Corporation, brokers, underwriters, Industrial Trade Unions, pricing service agencies or competent authorities can be frequently obtained on time, and the price represents the actual and frequent transactions at arm's length, then a financial instrument is deemed to have an active market. If the above condition cannot be met, the market is deemed inactive. In general, significant price variance between the purchase price and selling price, significantly increasing price variance or extremely low trading volume are all indicators of an inactive market.

If the quoted market price of a financial instrument is available in an active market, the quoted price is the fair value, usually the fair value is measured using the market price, interest rate, foreign exchange central parity rate shown in Reuters quotation system, partially using the quoted prices from Bloomberg, OTC, and the basis for valuation is maintained consistently. If there is no quoted market price for reference, a valuation technique or quoted price offer by the counterparties will be adopted to measure the fair value. Fair value measured by a valuation technique is usually estimated by reference to the fair values of other financial instruments with similar terms and characteristics, or by using cash flows discounting method, or using model calculation based on the market information (such as yield rate curves from OTC, average interest rate of TAIBOR from Reuters) available on the balance sheet date.

When assessing non-standardized financial instruments with lower complexity, derivative financial instruments such as interest rate swap contracts, foreign exchange swap contracts, options, the Bank and subsidiaries use valuation techniques and models which are extensively used by the market to estimate their fair value. The parameters used in the valuation model for these kinds of financial instruments usually use the observable information as the input.

For more complicated financial instruments, such as debt instruments with embedded derivative instruments or securitization products, the Bank and subsidiaries develop its own valuation models to estimate fair value by reference to the valuation techniques and methods which are extensively used by the same trade. Parts of parameters used in these valuation models are not observable from the market; they must be estimated by using some assumptions.

A. NTD Central Government Bond: the yield rates across different contract length and one-hundred price bulletined by Over-The-Counter (hereinafter OTC) are used.

B. NTD corporate bonds, financial debentures, government bonds, bond-type beneficiary securities and designated financial debentures issued by the Bank and subsidiaries: the present value of future estimated cash flows is calculated by using the yield rate curve.

C. NTD short-term bills and NTD bill-type beneficiary securities: the present value of future estimated cash flows of NTD and USD short-term bills is calculated by using average interest rate of TAIBOR and TAIFX3 central parity rate from Reuters, respectively.

D. Foreign securities: quoted prices from Bloomberg are adopted.

E. Listed stock：the closing price being listed in TSE is adopted.

F. Emerging stock: If the objective recently has representative trading, its trading price might be the best estimate of its fair value. If the objective has comparable listed trades, its fair value can be estimated by using appropriate market method, such as P/E method, P/B method, EV/EBIT method or EBITDA×EV method, taking into account the operation condition of the comparable listed companies, most recent one month trading information and its liquidity. And if the objective has no comparable instruments or its fair value cannot be estimated using market method, other valuation technique, such as net assets method or income approach, is used to estimate its fair value.

G. Funds：net assets value is adopted.

H. Derivative financial instruments:

(A) Foreign exchange forward contract, currency swaps, forward rate agreement, interest rate swaps and cross currency swaps: the discounting future cash flow is adopted.

(B) Options: Black-Scholes model is mainly adopted for valuation.

(C) Some structured derivative financial instruments are valued by using Bloomberg.

(D) Some foreign-currency derivatives are valued by using the quoted prices from Bloomberg.

(4) Credit risk value adjustment

A. Credit risk value adjustments can be primarily classified as either credit value adjustments or debit value adjustments. The definitions are as follows:

(A) Credit value adjustments refer to adjustments through fair value, which reflect the possibility that a counterparty may default on repayments and that an entity may not be able to recover, in full, the market value, for transactions in non-centralized markets (i.e. valuation adjustments on derivative contracts traded over-the-counter).

(B) Debit value adjustments refer to adjustments through fair value, which reflect the possibility that the Bank may default on repayments and that the Bank may not be able to pay, in full, the market value, for transactions in non-centralized markets (i.e. valuation adjustments on derivative contracts traded over-the-counter).

B. The Bank and subsidiaries has incorporated credit risk value adjustments in the considerations for calculating the fair value of financial instruments in order to respectively reflect the counterparty's credit risk and the Bank's and its subsidiaries' credit quality.

(5) Financial instruments not measured at fair value through profit or loss

A. In relation to cash and cash equivalents, bills and bonds purchased under resale agreements, due from the Central Bank and call loans to banks, receivables, refundable deposits, due to the Central Bank and commercial banks, funds borrowed from the Central Bank and other banks, bills and bonds sold under repurchase agreements, payables and deposits received, the book value of the financial instruments which have a short maturity period will be considered as their fair value. While the maturities are quite closed or the future payment or receipt is closed to the carrying amount, the carrying amount at the consolidated balance sheet date is used to estimate the fair value.

B. Interest rates of the Bank and subsidiaries' bills discounted and loans (including non-performing loans) are generally based on the benchmark interest rate plus or minus certain adjustment to reflect the market interest rate. Thus, their fair values are based on the book value after adjustments of estimated recoverability. Fair values for long-term loans with fixed interest rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, book value was used to estimate the fair value.

C. When held-to-maturity financial assets have a quoted market price available in an active market, the fair value is determined using the market price. If there is no quoted market price for reference, a valuation technique or quoted price offer by the counterparties will be adopted to measure the fair value.

D. The fair value of deposits and remittances are represented by the book value.

E. The coupon rate of convertible bonds and bank debentures issued by the Bank and subsidiaries is equivalent to market interest rate; therefore, fair value estimated based on the present value of future cash flows is equivalent to book value.

F. For other financial assets, such as investments in debt instruments without active market and financial assets measured at cost, as they have no quoted price in active market and their valuation results by using different valuation methods are significantly different, their fair value cannot be measured reliably and is not disclosed here.

(6) Level information of financial instrument at fair value

A. Three definitions of the Bank and subsidiaries' financial instruments at fair value

(A) Level 1

Level 1 is quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market refers to a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Bank and subsidiaries' investment in listed stock, beneficiary certificates, popular Taiwan government bonds and the derivatives with a quoted price in an active market are deemed as Level 1.

(B) Level 2

Level 2 inputs are observable prices other than quoted prices included in Level 1, including observable direct (e.g. prices) or indirect (e.g. those inferred prom prices) inputs in an active market. The Bank and subsidiaries' investments in non-popular government bonds, corporate bonds, bank debentures, convertible bonds, derivative instruments and corporate bonds issued by the Bank and subsidiaries belong to this category.

(C) Level 3

Level 3 inputs are inputs for assets or liabilities that are unobservable in the market (unobservable inputs, e.g. option pricing model using history volatility rate, because history volatility rate cannot represent the expectation value of market participants for future volatility rate).

B. Information of fair value hierarchy of financial instruments

(In NT Thousand Dollars)

Recurring fair value measurements	December 31, 2017 Total	Level 1	Level 2	Level 3
Non-derivative financial assets and libilities				
Assets				
Financial assets at fair value through profit or loss				
Investment in stock	$ 4,060,454	$ 4,060,454	$ -	$ -
Investment in bonds	34,291,662	-	34,291,662	-
Available-for-sale financial assets				
Investment in stock	5,781,732	3,207,823	2,573,909	-
Investment in bonds	220,262,863	23,324,432	196,938,431	-
Commercial paper and certificate of deposit	52,045,405	-	52,045,405	-
Liabilities				
Financial liabilities at fair value through profit or loss	(6,920,122)	-	(6,920,122)	-
Derivative financial assets and liabilities				
Assets				
Financial assets at fair value through profit or loss	3,264,346	-	3,264,346	-
Liabilities				
Financial liabilities at fair value through profit or loss	(1,855,204)	-	(1,855,204)	-
Total	$ 310,931,136	$ 30,592,709	$ 280,338,427	$ -

(In US Thousand Dollars)

Recurring fair value measurements	December 31, 2017 Total	Level 1	Level 2	Level 3
Non-derivative financial assets and libilities				
Assets				
Financial assets at fair value through profit or loss				
Investment in stock	$ 136,955	$ 136,955	$ -	$ -
Investment in bonds	1,156,626	-	1,156,626	-
Available-for-sale financial assets				
Investment in stock	195,013	108,197	86,816	-
Investment in bonds	7,429,265	786,712	6,642,553	-
Commercial paper and certificate of deposit	1,755,444	-	1,755,444	-
Liabilities				
Financial liabilities at fair value through profit or loss	(233,410)	-	(233,410)	-
Derivative financial assets and liabilities				
Assets				
Financial assets at fair value through profit or loss	110,104	-	110,104	-
Liabilities				
Financial liabilities at fair value through profit or loss	(62,574)	-	(62,574)	-
Total	$ 10,487,423	$ 1,031,864	$ 9,455,559	$ -

(In NT Thousand Dollars)

Recurring fair value measurements	December 31, 2016 Total	Level 1	Level 2	Level 3
Non-derivative financial assets and libilities				
Assets				
Financial assets at fair value through profit or loss				
Investment in stock	$ 2,866,854	$ 2,866,854	$ -	$ -
Investment in bonds	38,666,675	805,495	37,861,180	-
Available-for-sale financial assets				
Investment in stock	7,028,972	5,187,044	1,841,928	-
Investment in bonds	169,351,914	23,708,634	145,643,280	-
Commercial paper and certificate of deposit	29,279,878	-	29,279,878	-
Other	60,173	-	60,173	-
Liabilities				
Financial liabilities at fair value through profit or loss	(8,176,700)	-	(8,176,700)	-
Derivative financial assets and liabilities				
Assets				
Financial assets at fair value through profit or loss	3,783,124	-	3,783,124	-
Liabilities				
Financial liabilities at fair value through profit or loss	(3,217,540)	-	(3,217,540)	-
Total	$ 239,643,350	$ 32,568,027	$ 207,075,323	$ -

C. Transfer between Level 1 and Level 2

On December 31, 2017, the balance of the Bank's held 2016 Fiscal Year Order 11 Category 1 Central Government Construction Bonds was $1,459,572. Due to the bonds becoming inactive securities in the Index, thus the bonds were transferred from Level 1 to Level 2.

On December 31, 2016, the balance of the Bank's held 2015 Fiscal Year Order 12 and Order 13 Category 1 Central Government Construction Bonds was $797,688 and $608,634, respectively. Due to the bonds becoming inactive securities in the Index, thus the bonds were transferred from Level 1 to Level 2.

D. Movements of financial instruments classified into Level 3 of fair value are as follows:

(A) Movements of financial assets classified into Level 3 of fair value are as follows:

For the year ended December 31, 2017 and 2016: No relevant balance.

(B) Movements of financial liabilities classified into Level 3 of fair value are as follows:

For the year ended December 31, 2017 and 2016: No relevant balance.

E. Fair value measurement to Level 3, and the sensitivity analysis of the substitutable appropriate assumption made on fair value.

The Bank and subsidiaries did not hold any Level 3 financial instruments at December 31, 2017 and 2016.

8. <u>MANAGEMENT OBJECTIVE AND POLICY FOR FINANCIAL RISK</u>

(1) Overview

The Bank and subsidiaries earn profits mainly from lending, financial instruments trading and investments. The Bank and subsidiaries are supposed to bear and manage any risks from these business activities. These risks include credit risk, market risk, operating risk and liquidity risk. Among those risks, credit risk, market risk and liquidity risk have greatest impact.

The Bank and subsidiaries regard any potential factors that might negatively affect earnings and reputation as risks. To maintain steady profits and good reputation and avoid losses from incidental events, the Bank and subsidiaries' risk management policies focus on prevention and reduction of anticipated business risks and increase of capital in response to future anticipated risks. In order to meet the solid operating requirements by the competent authorities, depositors and other stakeholders for management objectives for risks, business risks are controlled within the tolerable scope.

(2) The organisation framework of risk management

The Bank and subsidiaries established risk management policies and guidelines and whole risk tolerance of the Bank and subsidiaries. Subsidiaries therefore follow the Bank's instructions in setting risk management organisation, policies, objectives, procedures, internal control operation, risk monitor mechanism and risk limits, and report to the parent company on risk management issues.

The Board of Directors is the highest instruction unit of the Bank and subsidiaries' risk management organisation structure and is responsible for establishing risk management system, including risk management policies, organisation structure, risk preference, internal control system and management of significant business cases.

Under the head office, the Risk Management Committee is established. The Risk Management Committee is responsible for review and monitor of risk management. Under the management, several committees and other administrative units are established. They are responsible for assessing and monitoring the related risk of loans, investments, trading of financial products.

The Bank has the Risk Management Committee established beneath its management, which is responsible for supervising the establishment of risk management mechanism, risk limits setting, risk monitoring and reporting. Each business management unit is responsible for identifying possible risks that may be generated within their respective jurisdictions, establishing internal control procedures and regulations, periodically measuring risk degrees and adopting response measures for possible negative effects.

Business units follow operating procedures and report to the management units directly. Risk management unit is responsible for monitor of overall risk positions and concentration and reporting to the management or Board of Directors.

Auditing office examines the operations of business and administration units regularly or irregularly to ensure the three risk management defense lines operate normally.

The Bank has assigned personnel to sit on the Board of Directors of each subsidiary to monitor the governance of each subsidiary.

(3) Credit risk

A. The source and definition of credit risk

Credit risk pertains to the risk of loss that the borrowers, issuers or counterparties might default on contracts due to deterioration in their finance or other factors.

The Bank and subsidiaries are exposed to credit risk mainly on businesses of corporate and individual loans, guarantees, trade financing, interbank deposits and call loans and securities investments.

Credit risk is the primary risk of the Bank and subsidiaries' capital charge.

B. Credit risk management policies

The objectives of the Bank and subsidiaries' credit risk management are to maintain stable asset allocation strategy, careful loaning policy and excellent asset quality to secure assets and earnings.

The management mechanism of the Bank and subsidiaries for credit risk includes:

The establishment of Risk Management, Loan and Investment committees which adopt responding measures to market environment, changes in industry, and capital limits, and review relevant regulations and cases of significant lending and investments.

Setting careful prior review procedures for lending and criteria of handling subsequent matters, regular post-lending follow-up, understanding of clients' operation and capital outflows, and increase in the frequency of review on clients with higher risk.

Classifying credit ratings based on clients' probability of default or behavior scoring with management put in practice.

Controlling concentration of credit risk by setting credit limits for individuals, corporate groups, industries, areas, and different types of collaterals.

Setting credit risk limits by reference to external ratings and prospects with attention to changes in market credit spread and risk concentration of counterparties.

The establishment of credit pre-warning list and reporting system.

Assessing assets quality regularly and setting aside sufficient reserve for losses.

Setting creditor's rights management unit and advisory committee in charge of accelerating collection of non-performing loans.

The procedures for credit risk management of the Bank and subsidiaries and related measurement approaches are outlined below:

(A) Credit extensions

Classification of credit assets and internal risk ratings are as follows:

a. Classification of credit assets

Corporate credit risk is measured by using the borrower's default probability model with logistic regression analysis in which financial and non-financial factors are incorporated, which predicts the default probability of borrower within the next year. Besides, the extent of risk is measured by using credit rating table and taking into account the characteristics and scale of business. Lending examination and post management are dealt with based on clients' credit rating. Individual borrowers are grouped into different risk levels and managed by using application scoring and behavior scoring cards. Back-testing is conducted on internal models regularly; those models are subject to adjustments when necessary. Clients' credit ratings are reviewed annually and subject to adjustments when there is significant change in their credit ratings.

b. Internal risk rating

The internal rating for lending is classified as excellent, satisfactory, fair and weak, and corresponds to the Standard & Poor's rating as follows:

Internal risk rating	Excellent	Satisfactory	Fair	Weak
Corresponding to S&P	AAA~BBB-	BB+~ BB-	B+	B and below

(B) Interbank deposits and call loans

Before trading with other banks, the Bank and subsidiaries must assess the credit of the counterparty; generally referencing external rating agencies, assets and scale of equity of the counterparty, and the credit rating of the counterparty's country of origin in order to set different transaction limits, as well as periodically examining the ratings and changes in stock prices of the counterparty in order to monitor the risks of counterparty.

(C) Bonds and derivative instruments

The limits of bonds purchased by the Bank and subsidiaries are set by considering the credit rating of bond issuers or guarantors (ex. S&P, Moody's, Fitch, Taiwan ratings or Fitch Taiwan), which needs to meet the minimum rating set by the Board of (Managing) Directors, and country risk at the application, changes in CDS quoted prices and market condition.

The Bank and subsidiaries have set trading units and overall total risk limit for non-hedging derivative instruments, and use positive trading contract evaluation and the potential exposure as the basis for calculating credit risk and add the limit to the total credit risk limit for monitoring.

(D) Asset quality

The Bank and subsidiaries have set the minimum requirements and examination procedures for the quality of financial assets of each type, and controls risk concentration of assets portfolios of each type based on the risk limit of each type. The Bank and subsidiaries also monitor the changes in assets quality regularly during the duration of the assets and takes measures to maintain their quality. According to the policies and regulations, reserve for losses is provided adequately for those assets to actually reflect and safeguard the value of owners' equity.

(E) Impairment of financial assets and provision for reserves

The Bank and subsidiaries assess at each balance sheet date whether a financial asset is impaired. If there is objective evidence that an event that occurred after the initial recognition of the asset has an impact on the future cash flows of the financial asset, the impairment loss on the financial asset should be recognized.

The objective evidence of an impairment loss is as follows:

Significant financial difficulty of the issuer or debtor;

The issuer or debtor has breached the contract;

The Creditor, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession;

It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

The disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the Bank and subsidiaries, including:

Adverse changes are in the payment status of borrowers in the Bank and subsidiaries; or adverse changes in national or local economic conditions that correlate with defaults on the assets in the Bank and subsidiaries.

Financial assets that are not impaired are included in the Bank and subsidiaries of financial assets sharing similar credit risk characteristics for collective assessment. Financial assets that are assessed individually with impairment recognized need not be included in the collective assessment.

The amount of the impairment loss is the difference between the financial assets' book value and the estimated future cash flow discounted using the original effective interest rate. The present value of estimated future cash flows must reflect the cash flows that might generate from collaterals less acquisition or selling cost regarding the collateral.

Financial assets through collective assessment are grouped based on similar credit risk characteristics, such as types of assets, industry and collaterals. Such credit risk characteristics represent the ability of the debtors to pay all the amounts at maturities according to the contract term, which is related to future cash flows of group of financial assets. The future cash flows of group of financial assets for collective assessment are estimated based on historical impairment experience, reflecting the change in observable data for each period, and the estimation of the future cash flows should move in the same direction. The Bank and subsidiaries review the assumptions and methods for estimation of the future cash flows regularly.

For loan loss provision and guarantee reserve, the Bank and subsidiaries have established the regulations for assets assessment and loss reserve. According to the regulations of the Financial Supervisory Commission for banks, bills companies and insurance companies, all assets in balance sheets and off balance sheets are classified as five categories. For credit assets on balance sheets and off balance sheets, in addition to normal credit assets which shall be classified as "Category One", the remaining unsound credit assets that required special attention shall be evaluated based on the status of the creditor's the length of time overdue financial situation, and loan collaterals, and classified as "Category Two". Assets that are substandard shall be classified as "Category Three". Assets that are doubtful shall be classified as "Category Four", and assets for which there is loss shall be classified as "Category Five". "Category Two" to "Category Five" shall be assessed one by one for possible loss and set aside sufficient loss provision. And loss provision shall be also set aside for "Category One" proportionately in accordance with regulations of competent authorities.

C. Policies of hedging and mitigation of credit risk

To reduce credit risk, the Bank and subsidiaries adopt the following policies:

(A) Obtaining collaterals and guarantors

The Bank and subsidiaries have established policies on collateral management, mortgage loan line setting, scope of collaterals, collateral valuation, collateral management and disposal. Besides, protection of creditor's right, collateral terms and offsetting terms are all addressed in the credit extension contract in case of any occurrence of credit event, of which the amount may be deductible, loan repayment schedule may be shortened or deemed as matured, or the debtor's deposits can be used to offset its liabilities to mitigate credit risks.

(B) Loan limit control

To avoid extreme credit risk concentration, subsidiaries established policies for control of credit risk concentration and set up credit extension limit for a single individual, a single group, a single industry, a single area/country, and single collateral.

(C) Master netting arrangements

The Bank's and subsidiaries' transactions predominantly settle at gross amount. A portion of transactions have entered into master netting arrangements with counterparties or upon the event of a default may cease all transactions with the counterparties and settle by net amount in order to further reduce credit risk.

(D) Other credit enhancements

The Bank and subsidiaries have offsetting terms within their credit contracts, which clearly define that all deposits in the Bank and subsidiaries from debtors may be offset against their liabilities upon a credit event, and have guarantees from third parties or financial institutions, in order to decrease credit risk.

D. Maximum credit risk exposure

The maximum credit risk exposure of financial assets within the balance sheets is presented in book values. The maximum credit risk exposure of guarantees and irrevocable commitments off balance sheets is calculated based on their limits. Letters of credit and the guarantee refer to those issued but not used.

(A) The maximum credit risk exposure of financial assets of the Bank and subsidiaries excluding collaterals or other credit enhancement instruments is approximately equal to book value. The maximum exposure to credit risk of items off balance sheet is listed below:

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Credit risk exposure of items off balance sheet:			
Irrevocable commitments	$ 168,797,259	$ 5,693,378	$ 171,787,313
Guarantee and letters of credit	243,153,847	8,201,357	257,027,894
Total	$ 411,951,106	$ 13,894,735	$ 428,815,207

(B) Assets of the Bank and subsidiaries with credit risk are analyzed as follows:

Unit: In NT Thousand Dollars

	December 31, 2017							
	Cash and cash equivalents, due from the Central Bank and call loans to banks	Bills discounted and loans	Receivables	Bills and bonds purchased under resale agreement and debt instruments	Derivative financial instruments	Other items included in balance sheet	Credit commitments	Total
Government organization	$ 333,644,271	$ 9,986,629	$ 547,504	$ 59,162,635	$ 45	$ 24,069	$ 85,422,512	$ 488,787,665
Financial institution, investment and insurance	372,836,035	186,336,651	6,500,716	457,341,745	2,538,097	2	17,823,331	1,043,376,577
Enterprise and commerce	-	1,174,996,432	45,325,943	73,883,422	432,451	2,238,281	245,373,373	1,542,249,902
Individuals	-	408,737,114	5,193,819	-	25,425	304,848	61,148,036	475,409,242
Others	-	10,459,435	3,303,549	353,450	268,328	38,503	2,183,854	16,607,119
Total	706,480,306	1,790,516,261	60,871,531	590,741,252	3,264,346	2,605,703	411,951,106	3,566,430,505
Less: Allowance for probable losses	(1,293)	(28,355,505)	(1,664,722)	-	-	(1,525)	-	(30,023,045)
Net	$ 706,479,013	$ 1,762,160,756	$ 59,206,809	$ 590,741,252	$ 3,264,346	$ 2,604,178	$ 411,951,106	$ 3,536,407,460

Trade finance to enterprises accounted for10.82%, totaling NT$127,089,636 thousand. Housing mortgage loans to individuals accounted for 75.32%, totaling NT$307,847,048 thousand.

Unit: In US Thousand Dollars

	December 31, 2017							
	Cash and cash equivalents, due from the Central Bank and call loans to banks	Bills discounted and loans	Receivables	Bills and bonds purchased under resale agreement and debt instruments	Derivative financial instruments	Other items included in balance sheet	Credit commitments	Total
Government organization	$ 11,253,517	$ 336,840	$ 18,467	$ 1,995,501	$ 2	$ 812	$ 2,881,223	$ 16,486,362
Financial institution, investment and insurance	12,575,420	6,284,965	219,263	15,425,720	85,608	-	601,165	35,192,141
Enterprise and commerce	-	39,631,558	1,528,803	2,492,020	14,586	75,495	8,276,220	52,018,682
Individuals	-	13,786,330	175,183	-	858	10,282	2,062,468	16,035,121
Others	-	352,787	111,426	11,921	9,050	1,299	73,659	560,142
Total	23,828,937	60,392,480	2,053,142	19,925,162	110,104	87,888	13,894,735	120,292,448
Less: Allowance for probable losses	(44)	(956,405)	(56,150)	-	-	(52)	-	(1,012,651)
Net	$ 23,828,893	$ 59,436,075	$ 1,996,992	$ 19,925,162	$ 110,104	$ 87,836	$ 13,894,735	$ 119,279,797

Trade finance to enterprises accounted for 10.82%%, totaling US$4,286,618 thousand. Housing mortgage loans to individuals accounted for 75.32%, totaling US$10,383,400 thousand.

Unit: In NT Thousand Dollars

	December 31, 2016							
	Cash and cash equivalents, due from the Central Bank and call loans to banks	Bills discounted and loans	Receivables	Bills and bonds purchased under resale agreement and debt instruments	Derivative financial instruments	Other items included in balance sheet	Credit commitments	Total
Government organization	$ 360,860,952	$ 8,467,889	$ 374,127	$ 34,652,853	$ -	$ 17,378	$ 84,705,196	$ 489,078,395
Financial institution, investment and insurance	269,579,542	161,889,924	7,001,905	420,575,817	2,270,646	58	15,874,010	877,191,902
Enterprise and commerce	-	1,166,873,194	48,085,489	65,393,120	867,531	952,480	269,879,135	1,552,050,949
Individuals	-	394,633,931	4,767,526	-	45,515	312,976	56,710,159	456,470,107
Others	-	10,108,060	624,882	283,986	599,432	65,479	1,646,707	13,328,546
Total	630,440,494	1,741,972,998	60,853,929	520,905,776	3,783,124	1,348,371	428,815,207	3,388,119,899
Less: Allowance for probable losses	(2,206)	(26,694,232)	(1,428,738)	-	-	(3,034)	-	(28,128,210)
Net	$ 630,438,288	$ 1,715,278,766	$ 59,425,191	$ 520,905,776	$ 3,783,124	$ 1,345,337	$ 428,815,207	$ 3,359,991,689

Trade finance to enterprises accounted for 8.08%, totaling NT$94,290,515 thousand. Housing mortgage loans to individuals accounted for 76.34%, totaling NT$301,249,912 thousand.

(C) Relevant financial information on effect of the Bank's and subsidiaries' assets exposed to credit risk, net settlement master netting arrangements and other credit improvements is as follows:

Unit: In NT Thousand Dollars

December 31, 2017	Collateral	Net settlement master netting arrangements	Other credit improvements	Total
On-Balance-Sheet Items				
Financial assets at fair value through profit or loss				
- debt instrument	$ -	$ -	$ 8,404,988	$ 8,404,988
- derivative instrument	944,738	365,186	-	1,309,924
Bills and bonds purchased under resale agreements	1,697,586	-	-	1,697,586
Bills discounted and loans	1,145,290,237	-	52,161,524	1,197,451,761
Available-for-sale financial assets - debt instrument	-	-	32,001,024	32,001,024
Held-to-maturity financial assets - debt instrument	-	-	2,824,775	2,824,775
Off-Balance-Sheet Items				
Irrevocable commitments	84,307,140	-	1,030,909	85,338,049
Guarantees and letters of credit	48,168,107	-	1,559,811	49,727,918

Unit: In US Thousand Dollars

December 31, 2017	Collateral	Net settlement master netting arrangements	Other credit improvements	Total
On-Balance-Sheet Items				
Financial assets at fair value through profit or loss				
- debt instrument	$ -	$ -	$ 283,493	$ 283,493
- derivative instrument	31,865	12,317	-	44,182
Bills and bonds purchased under resale agreements	57,258	-	-	57,258
Bills discounted and loans	38,629,595	-	1,759,361	40,388,956
Available-for-sale financial assets - debt instrument	-	-	1,079,365	1,079,365
Held-to-maturity financial assets - debt instrument	-	-	95,277	95,277
Off-Balance-Sheet Items				
Irrevocable commitments	2,843,603	-	34,772	2,878,375
Guarantees and letters of credit	1,624,666	-	52,611	1,677,277

Unit: In NT Thousand Dollars

December 31, 2016	Collateral	Net settlement master netting arrangements	Other credit improvements	Total
On-Balance-Sheet Items				
Financial assets at fair value through profit or loss				
- debt instrument	$ -	$ -	$ 12,237,232	$ 12,237,232
- derivative instrument	908,272	1,140,092	-	2,048,364
Bills and bonds purchased under resale agreements	4,091,532	-	-	4,091,532
Bills discounted and loans	1,107,932,816	-	54,229,707	1,162,162,523
Available-for-sale financial assets - debt instrument	-	-	16,630,445	16,630,445
Held-to-maturity financial assets - debt instrument	-	-	3,652,812	3,652,812
Off-Balance-Sheet Items				
Irrevocable commitments	82,161,825	-	1,206,122	83,367,947
Guarantees and letters of credit	50,000,626	-	1,852,236	51,852,862

Note 1: Collaterals include property, movable property, certification of authorization, securities, certificates of deposits, letter of credit and rights in property.

(1)Value of collaterals pledged for assets that arise from lending is the lower of collateral value/ market value and maximum exposure amount. If the collateral value cannot be obtained, value of collaterals must be assessed.

(2)Value of collaterals pledged for assets that do not arise from lending is the lower of market value and maximum exposure amount.

Note 2: Details of improvement to net settlement master netting arrangements and other credits are provided in Note 8(3) C. (C) and C. (D).

E. Credit risk concentration

Extreme credit risk concentration will enhance risk degree, such as large amount of risk exposure concentrated on one credit product, one client, or minor clients, or a group of clients in the same industry or with similar business or in the same area or with the same risk characteristics. When adverse economic changes occur, a financial institution may incur a significant loss.

To avoid extreme credit risk concentration, the Bank and subsidiaries have regulated credit limit and management rules for single client, single business group and large amount of risk exposure. The Bank and subsidiaries have to monitor and control the credit risk concentration within the limit. Status of credit risk concentration must be shown in the regular risk report by industry, area/country, collateral and other forms.

(A) Loans and credit commitments of the Bank and subsidiaries are shown below by industry:

		Loans and credit commitments				
		December 31, 2017			December 31, 2016	
		Amount		Percentage	Amount	Percentage
		NT$	US$	(%)	NT$	(%)
Individuals	Individuals	$ 469,885,151	$ 15,848,798	21.33%	$ 451,344,091	20.79%
Corporation	Government organization	95,409,141	3,218,063	4.33%	93,173,084	4.29%
	Financial institution, investment and insurance	204,159,982	6,886,130	9.27%	177,763,933	8.19%
	Enterprise and commerce					
	- Manufacturing	547,622,336	18,470,802	24.86%	525,117,015	24.19%
	- Electricity and gas supply	85,344,980	2,878,608	3.88%	98,779,752	4.55%
	- Wholesale and retail	159,440,903	5,377,796	7.24%	162,134,935	7.47%
	- Transportation and storage	163,154,325	5,503,047	7.41%	170,853,727	7.87%
	- Real estate	281,822,024	9,505,600	12.80%	286,623,859	13.21%
	- Others	182,985,237	6,171,925	8.31%	193,243,041	8.90%
	Others	12,643,288	426,446	0.57%	11,754,768	0.54%
Total		$ 2,202,467,367	$ 74,287,215	100.00%	$ 2,170,788,205	100.00%

(B) Loans and credit commitments of the Bank and subsidiaries are shown below by location:

	Loans and credit commitments				
	December 31, 2017			December 31, 2016	
	Amount		Percentage	Amount	Percentage
	NT$	US$	(%)	NT$	(%)
ROC	$ 1,719,348,004	$ 57,992,039	78.06%	$ 1,653,439,909	76.17%
Asia	303,204,321	10,226,806	13.77%	296,208,761	13.65%
North America	82,687,000	2,788,957	3.75%	105,347,987	4.85%
Others	97,228,042	3,279,413	4.41%	115,791,548	5.33%
Total	$ 2,202,467,367	$ 74,287,215	100.00%	$ 2,170,788,205	100.00%

(C) Loans and credit commitments of the Bank and subsidiaries are shown below by collaterals:

	Loans and credit commitments				
	December 31, 2017			December 31, 2016	
	Amount		Percentage	Amount	Percentage
	NT$	US$	(%)	NT$	(%)
Unsecured	$ 869,949,638	$ 29,342,608	39.50%	$ 873,404,872	40.23%
Secured					
- Secured by stocks	143,631,758	4,844,568	6.52%	133,034,971	6.13%
- Secured by bonds	82,855,860	2,794,653	3.76%	50,562,799	2.33%
- Secured by real estate	842,144,756	28,404,774	38.24%	818,537,443	37.71%
- Secured by chattel	96,494,268	3,254,664	4.38%	109,674,057	5.05%
- Secured by letter of guarantee	54,752,245	1,846,743	2.49%	57,288,066	2.64%
- Others	112,638,842	3,799,205	5.11%	128,285,997	5.91%
Total	$ 2,202,467,367	$ 74,287,215	100.00%	$ 2,170,788,205	100.00%

(Blank below)

F. Financial assets credit quality and analysis of past due and impairment

(A) The Bank and subsidiaries' financial assets credit quality and analysis of past due and impairment

Unit: In NT Thousand Dollars

December 31, 2017	Neither past due nor impaired						Past due but not impaired								
	Excellent	Satisfactory	Fair	Weak	No rating	Subtotal	Excellent	Satisfactory	Fair	Weak	No rating	Subtotal	Impaired	Reserve for losses	Net amount
Maximum credit risk exposure of financial assets in balance sheet:															
Cash and cash equivalents	$ 135,365,175	$ 1,727,405	$ 38,424	$ 6,105	$ 574,431	$ 137,711,540	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,293	$ 137,710,247
Due from the Central Bank and call loans to banks	559,952,989	2,941,969	1,801,911	4,071,897	-	568,768,766	-	-	-	-	-	-	-	-	568,768,766
Financial assets at fair value through profit or loss															
- Debt instruments	32,591,741	1,378,921	-	-	321,000	34,291,662	-	-	-	-	-	-	-	-	34,291,662
- Derivative financial instruments	2,470,354	193	-	-	793,799	3,264,346	-	-	-	-	-	-	-	-	3,264,346
Bills and bonds purchased under resale agreements	1,697,586	-	-	-	-	1,697,586	-	-	-	-	-	-	-	-	1,697,586
Receivables	27,124,392	13,393,893	6,477,979	4,196,801	8,313,078	59,506,143	1,764	505	321	580	17,991	21,161	1,344,227	1,664,722	59,206,809
Bills discounted and loans	731,391,266	434,747,626	245,350,596	81,794,353	278,753,442	1,772,037,283	1,526,617	242,386	169,487	234,891	103,710	2,277,091	16,201,887	28,355,505	1,762,160,756
Available-for-sale financial assets-Debt instruments	272,308,268	-	-	-	-	272,308,268	-	-	-	-	-	-	-	-	272,308,268
Held-to-maturity financial assets-Debt instruments	282,425,087	-	-	-	18,649	282,443,736	-	-	-	-	-	-	-	-	282,443,736
Other assets	61,420	730,431	-	-	1,809,022	2,600,873	-	-	-	-	-	-	4,830	1,525	2,604,178
Total	$ 2,045,388,278	$ 454,920,438	$ 253,668,910	$ 90,069,156	$ 290,583,421	$ 3,134,630,203	$ 1,528,381	$ 242,891	$ 169,808	$ 235,471	$ 121,701	$ 2,298,252	$ 17,550,944	$ 30,023,045	$ 3,124,456,354

Unit: In US Thousand Dollars

December 31, 2017	Neither past due nor impaired						Past due but not impaired								
	Excellent	Satisfactory	Fair	Weak	No rating	Subtotal	Excellent	Satisfactory	Fair	Weak	No rating	Subtotal	Impaired	Reserve for losses	Net amount
Maximum credit risk exposure of financial assets in balance sheet:															
Cash and cash equivalents	$ 4,565,744	$ 58,264	$ 1,296	$ 206	$ 19,375	$ 4,644,885	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 44	$ 4,644,841
Due from the Central Bank and call loans to banks	18,886,704	99,230	60,777	137,341	-	19,184,052	-	-	-	-	-	-	-	-	19,184,052
Financial assets at fair value through profit or loss															
- Debt instruments	1,099,289	46,510	-	-	10,827	1,156,626	-	-	-	-	-	-	-	-	1,156,626
- Derivative financial instruments	83,323	7	-	-	26,774	110,104	-	-	-	-	-	-	-	-	110,104
Bills and bonds purchased under resale agreements	57,258	-	-	-	-	57,258	-	-	-	-	-	-	-	-	57,258
Receivables	914,881	451,764	218,496	141,554	280,393	2,007,088	59	17	11	20	607	714	45,340	56,150	1,996,992
Bills discounted and loans	24,669,160	14,663,641	8,275,452	2,758,849	9,402,099	59,769,201	51,491	8,175	5,717	7,923	3,498	76,804	546,475	956,405	59,436,075
Available-for-sale financial assets-Debt instruments	9,184,709	-	-	-	-	9,184,709	-	-	-	-	-	-	-	-	9,184,709
Held-to-maturity financial assets-Debt instruments	9,525,940	-	-	-	629	9,526,569	-	-	-	-	-	-	-	-	9,526,569
Other assets	2,071	24,637	-	-	61,017	87,725	-	-	-	-	-	-	163	52	87,836
Total	$ 68,989,079	$ 15,344,053	$ 8,556,021	$ 3,037,950	$ 9,801,114	$ 105,728,217	$ 51,550	$ 8,192	$ 5,728	$ 7,943	$ 4,105	$ 77,518	$ 591,978	$ 1,012,651	$ 105,385,062

Unit: In NT Thousand Dollars

December 31, 2016	Neither past due nor impaired						Past due but not impaired						Impaired	Reserve for losses	Net amount
	Excellent	Satisfactory	Fair	Weak	No rating	Subtotal	Excellent	Satisfactory	Fair	Weak	No rating	Subtotal			
Maximum credit risk exposure of financial assets in balance sheet:															
Cash and cash equivalents	$ 87,838,654	$ 1,874,076	$ 12,955	$ 10,259	$ 692,808	$ 90,428,752	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,206	$ 90,426,546
Due from the Central Bank and call loans to banks	535,423,829	2,169,137	644,120	1,311,797	462,859	540,011,742	-	-	-	-	-	-	-	-	540,011,742
Financial assets at fair value through profit or loss															
- Debt instruments	34,151,375	4,415,420	99,880	-	-	38,666,675	-	-	-	-	-	-	-	-	38,666,675
- Derivative financial instruments	2,124,733	4,250	-	-	1,654,141	3,783,124	-	-	-	-	-	-	-	-	3,783,124
Bills and bonds purchased under resale agreements	4,255,968	-	-	-	-	4,255,968	-	-	-	-	-	-	-	-	4,255,968
Receivables	12,261,511	9,157,438	17,153,080	3,349,734	17,714,301	59,636,064	4,861	330	924	512	21,590	28,217	1,189,648	1,428,738	59,425,191
Bills discounted and loans	754,413,557	347,880,410	213,107,288	110,221,176	301,460,958	1,727,083,389	747,750	150,011	360,168	204,050	48,633	1,510,612	13,378,997	26,694,232	1,715,278,766
Available-for-sale financial assets-Debt instruments	198,432,234	199,558	-	60,173	-	198,691,965	-	-	-	-	-	-	-	-	198,691,965
Held-to-maturity financial assets-Debt instruments	279,246,571	25,667	-	-	18,930	279,291,168	-	-	-	-	-	-	-	-	279,291,168
Other assets	84,130	795,526	-	-	463,107	1,342,763	-	-	-	-	-	-	5,608	3,034	1,345,337
Total	$ 1,908,232,562	$ 366,521,482	$ 231,017,323	$ 114,953,139	$ 322,467,104	$ 2,943,191,610	$ 752,611	$ 150,341	$ 361,092	$ 204,562	$ 70,223	$ 1,538,829	$ 14,574,253	$ 28,128,210	$ 2,931,176,482

a. As of December 31, 2017 and 2016, according to the internal requirements of assets internal rating, the rate of liabilities instruments belonging to excellent level were 99.71% and 99.07%, respectively.

b. As of December 31, 2017 and 2016, the rate of due from commercial banks and call loans to bank belonging to excellent level were 98.45% and 99.15%, respectively.

c. As of December 31, 2017 and 2016, the rate of loans belonging to excellent level were 41.27% and 43.68%, respectively.

d. Bills discounted and loans of the Bank and its subsidiaries were all in accordance with requirements of credit extensions and the relevant regulations, and classified by internal rating table.

e. Bills discounted and loans of the Bank and its subsidiaries were all in accordance with requirements of credit extensions and the relevant regulations, and classified by internal rating model or table, the internal rating is classified as excellent, satisfactory, fair and weak, the probability of default can corresponds to the Standard & Poor's rating; Besides, those without credit ratings are risk exposures classified by credit rating (score) table, corresponding credit default rates are yet to be confirmed, mainly as a sovereign state, banks and overseas branches customers. The Bank adopted qualified external rating as the quality control tools for sovereign states and banks, and classified by rating table for overseas branches

(B) The Bank and subsidiaries' aging analysis of financial assets that were past due but not impaired

Financial assets might be past due but not impaired due to borrower's processing delay or other administrative reasons. According to subsidiaries' internal management rules for assets assessment, financial assets which are past due within 90 days are not regarded as impaired unless there is objective evidence that the financial assets are impaired. There are very few conditions where financial assets are past due over 90 days but not impaired.

Unit: In NT Thousand Dollars

	December 31, 2017				
	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for 3~6 months	Overdue for more than 6 months	Total
Account receivable	$ 14,227	$ 6,934	$ -	$ -	$ 21,161
Bills discounted and loans					
- Government	44,049	-	-	-	44,049
- Enterprise and commerce	48,662	97,015	-	-	145,677
- Individuals	2,087,365	-	-	-	2,087,365
Total	$ 2,194,303	$ 103,949	$ -	$ -	$ 2,298,252

Unit: In US Thousand Dollars

	December 31, 2017				
	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for 3~6 months	Overdue for more than 6 months	Total
Account receivable	$ 480	$ 234	$ -	$ -	$ 714
Bills discounted and loans					
- Government	1,486	-	-	-	1,486
- Enterprise and commerce	1,641	3,272	-	-	4,913
- Individuals	70,405	-	-	-	70,405
Total	$ 74,012	$ 3,506	$ -	$ -	$ 77,518

Unit: In NT Thousand Dollars

	December 31, 2016				
	Overdue for less than 1 month	Overdue for 1~3 months	Overdue for 3~6 months	Overdue for more than 6 months	Total
Account receivable	$ 20,126	$ 8,091	$ -	$ -	$ 28,217
Bills discounted and loans					
- Enterprise and commerce	314,767	45,004	-	-	359,771
- Individuals	1,150,070	771	-	-	1,150,841
Total	$ 1,484,963	$ 53,866	$ -	$ -	$ 1,538,829

(C) The Bank and subsidiaries' provisions for doubtful accounts analysis of impaired loans

Unit: In NT Thousand Dollars

	December 31, 2017									
	Loans					Allowance for probable losses				
	Not impaired		Impaired							
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Total	Individual assessment	Collective assessment	Total	Loans net amount	Provisions for doubtful accounts/ impaired loans %
ROC	$ -	$ 1,332,698,395	$ 9,848,528	$ 786,023	$ 1,343,332,946	$ 1,650,536	$ 19,323,124	$ 20,973,660	$ 1,322,359,286	197.22
Asia	-	285,696,724	1,386,692	6,520	287,089,936	331,413	4,117,269	4,448,682	282,641,254	319.31
North America	-	67,656,193	273,114	-	67,929,307	46,001	976,859	1,022,860	66,906,447	374.52
Others	-	88,263,062	3,724,067	176,943	92,164,072	628,768	1,281,535	1,910,303	90,253,769	48.97
Total	$ -	$ 1,774,314,374	$ 15,232,401	$ 969,486	$ 1,790,516,261	$ 2,656,718	$ 25,698,787	$ 28,355,505	$ 1,762,160,756	

Unit: In US Thousand Dollars

	December 31, 2017									
	Loans					Allowance for probable losses				
	Not impaired		Impaired							
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Total	Individual assessment	Collective assessment	Total	Loans net amount	Provisions for doubtful accounts/ impaired loans %
ROC	$ -	$ 44,950,701	$ 332,182	$ 26,512	$ 45,309,395	$ 55,670	$ 651,751	$ 707,421	$ 44,601,974	197.22
Asia	-	9,636,290	46,772	220	9,683,282	11,178	138,872	150,050	9,533,232	319.31
North America	-	2,281,982	9,212	-	2,291,194	1,552	32,949	34,501	2,256,693	374.52
Others	-	2,977,032	125,609	5,968	3,108,609	21,208	43,225	64,433	3,044,176	48.97
Total	$ -	$ 59,846,005	$ 513,775	$ 32,700	$ 60,392,480	$ 89,608	$ 866,797	$ 956,405	$ 59,436,075	

Unit: In NT Thousand Dollars

	December 31, 2016									
	Loans					Allowance for probable losses				
	Not impaired		Impaired							
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Total	Individual assessment	Collective assessment	Total	Loans net amount	Provisions for doubtful accounts/ impaired loans %
ROC	$ -	$ 1,261,478,161	$ 10,588,311	$ 728,542	$ 1,272,795,014	$ 2,383,636	$ 17,338,574	$ 19,722,210	$ 1,253,072,804	174.27
Asia	-	275,312,574	900,184	8,259	276,221,017	295,756	3,781,923	4,077,679	272,143,338	448.86
North America	-	85,663,604	45,974	-	85,709,578	13,276	1,176,723	1,189,999	84,519,579	2,588.42
Others	-	106,139,662	1,093,357	14,370	107,247,389	246,136	1,458,208	1,704,344	105,543,045	153.86
Total	$ -	$ 1,728,594,001	$ 12,627,826	$ 751,171	$ 1,741,972,998	$ 2,938,804	$ 23,755,428	$ 26,694,232	$ 1,715,278,766	

G. Foreclosed properties management policy

As of December 31, 2017 and 2016, other assets in the consolidated balance sheet include foreclosed properties' book value of the Bank and subsidiaries both totaling NT$0 thousand. According to the R.O.C. Banking Law, foreclosed properties of the Bank shall be sold within four years.

H. Supplementary information in accordance with "Regulations Governing the Preparation of Financial Reports by Public Banks"

(A) Asset quality of non-performing loans and overdue accounts

Unit: In NT Thousand Dollars, %

Month/Year			December 31, 2017				
Business/Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate Banking	Secured loans		$ 1,128,319	$ 645,095,746	0.17%	$ 9,782,286	866.98%
	Unsecured loans		536,519	736,683,401	0.07%	12,510,566	2331.80%
Consumer banking	Residential mortgage loans (Note 4)		472,705	307,978,041	0.15%	4,579,914	968.87%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		307	11,654,683	0.00%	169,328	55155.70%
	Others (Note 6)	Secured loans	132,076	88,979,017	0.15%	1,311,503	992.99%
		Unsecured loans	468	125,373	0.37%	1,908	407.69%
Gross loan business			$ 2,270,394	$ 1,790,516,261	0.13%	$ 28,355,505	1248.92%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			$ 9,460	$ 4,840,142	0.20%	$ 47,226	499.22%
Without recourse factoring (Note 7)			$ -	$ 33,152,887	-	$ 497,293	-

Unit: In US Thousand Dollars, %

Month/Year			December 31, 2017				
Business/Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate Banking	Secured loans		$ 38,057	$ 21,758,491	0.17%	$ 329,948	866.98%
	Unsecured loans		18,096	24,847,659	0.07%	421,970	2331.80%
Consumer banking	Residential mortgage loans (Note 4)		15,944	10,387,818	0.15%	154,476	968.87%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		10	393,102	0.00%	5,711	55155.70%
	Others (Note 6)	Secured loans	4,455	3,001,181	0.15%	44,236	992.99%
		Unsecured loans	16	4,229	0.37%	64	407.69%
Gross loan business			$ 76,578	$ 60,392,480	0.13%	$ 956,405	1248.92%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			$ 319	$ 163,254	0.20%	$ 1,593	499.22%
Without recourse factoring (Note 7)			$ -	$ 1,118,217	-	$ 16,773	-

Unit: In NT Thousand Dollars, %

Month/Year			December 31, 2016				
Business/Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate Banking	Secured loans		$ 653,250	$ 662,796,704	0.10%	$ 9,911,426	1517.25%
	Unsecured loans		741,285	684,542,363	0.11%	11,256,953	1518.57%
Consumer banking	Residential mortgage loans (Note 4)		360,832	301,248,288	0.12%	4,232,784	1173.06%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		453	9,683,356	0.00%	133,531	29477.04%
	Others (Note 6)	Secured loans	93,991	83,537,591	0.11%	1,157,260	1231.25%
		Unsecured loans	553	164,696	0.34%	2,278	411.93%
Gross loan business			$ 1,850,364	$ 1,741,972,998	0.11%	$ 26,694,232	1442.65%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			$ 8,354	$ 4,431,609	0.19%	$ 47,486	568.42%
Without recourse factoring (Note 7)			$ -	$ 36,988,054	-	$ 555,759	-

Notes:

1. The amount recognized as non-performing loans is in accordance with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans". The amount included in overdue accounts for credit cards is in accordance with the Financial-Supervisory-Banks (4) Letter No.0944000378 dated July 6, 2005.
2. Non-performing loan ratio = non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.
3. Coverage ratio for loans = allowance for doubtful accounts of loans/non-performing loans. Coverage ratio for accounts receivable of credit cards = allowance for doubtful accounts for accounts receivable of credit cards/overdue accounts.
4. For residential mortgage loans, the borrower provides his/her (or spouses or minor) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.
5. Small amount of credit loans apply to the norms of the Financial-Supervisory-Banks (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.
6. Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loan, cash card services and small amount of credit loans, and excluding credit card services.
7. Pursuant to the Financial-Supervisory-Banks (5) Letter No. 094000494 dated July 19, 2005, the amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

(B) Non-performing loans and overdue receivables exempted from reporting to the competent authority

Unit: In NT Thousand Dollars

	December 31, 2017	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	$ -	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	350	2,728
	$ 350	$ 2,728

Unit: In US Thousand Dollars

	December 31, 2017	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	$ -	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	12	92
	$ 12	$ 92

Unit: In NT Thousand Dollars

	December 31, 2016	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	$ -	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	377	3,017
	$ 377	$ 3,017

Note 1: The Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt negotiation in accordance with Financial-Supervisory-Banks (1) Letter No. 09510001270 dated April 25, 2006.

Note 2: The Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt liquidation program and restructuring program in accordance with Financial-Supervisory-Banks (1) Letter No. 09700318940 dated September 15, 2008 and Financial-Supervisory-Banks Letter No. 10500134790 dated September 20, 2016.

(C) The Bank and subsidiaries contract amounts of significant credit risk concentration are as follows：

Unit: In NT Thousand Dollars, In US Thousand Dollars %

Year	December 31, 2017			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)		Total outstanding loan amount / net worth of the current year (%)
		NT$	US$	
1	A Company - Transport via Railways	$ 51,663,696	$ 1,742,569	19.58%
2	B Group - Real Estate Development Activities	37,925,144	1,279,181	14.37%
3	C Group - Other Financial Serve Activities Not Elsewhere Classified	35,881,823	1,210,261	13.60%
4	D Group - Other Financial Serve Activities Not Elsewhere Classified	25,120,360	847,287	9.52%
5	E Group - Air Transport	22,840,187	770,379	8.66%
6	F Group - Rolling and Extruding of Iron and Steel	18,748,581	632,373	7.10%
7	G Group - Other Financial Serve Activities Not Elsewhere Classified	16,338,253	551,074	6.19%
8	H Group - Woolen textile	15,559,273	524,800	5.90%
9	I Group - Ocean Freight Transportation Forwarding Services	14,966,084	504,792	5.67%
10	J Group - Real Estate Development Activities	11,612,591	391,682	4.40%

Unit: In NT Thousand Dollars, %

Year	December 31, 2016		
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / net worth of the current year (%)
		NT$	
1	A Company - Transport via Railways	$ 59,062,727	22.93%
2	B Group - Manufacture of Petroleum and Coal Products	43,746,385	16.98%
3	C Group - Air Transport	21,405,880	8.31%
4	D Group - Other Financial Service Activities Not Elsewhere Classified	20,626,772	8.01%
5	E Group - Rolling and Extruding of Iron and Steel	19,074,465	7.41%
6	F Group - Other Financial Service Activities Not Elsewhere Classified	17,930,597	6.96%
7	G Group –Other Retail Sale in Non-specialized Stores	17,355,326	6.74%
8	H Group - Investment Advisory Services	17,296,179	6.72%
9	I Group - Real Estate Development Activities	15,888,845	6.17%
10	J Group - Ocean Freight Transportation Forwarding Services	15,184,618	5.90%

Note 1: Ranking the top ten enterprise groups other than government and government enterprise according to their total amounts of outstanding loans. If an outstanding loan belongs to an enterprise group, the outstanding loan of the enterprise group should be categorized and listed in total, and disclosed by “code” plus “industry type” (for example, company (or group) A - Liquid Crystal Panel and Components Manufacturing). If it is an enterprise group, industry type of maximum exposure of the enterprise group would be disclosed. Industry type should be filled in accordance with “Standard Industrial Classification System” of Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Note 2: Definition of enterprise group is based on Article 6 of Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

Note 3: Total outstanding loan amount is the sum of balances of all types of loans (including import negotiation, export negotiation, bills discounted, overdraft, short-term loan, short-term secured loan, margin loans receivable, medium-term unsecured loan, medium-term secured loan, long-term unsecured loan, long-term secured loan and overdue loan), bills purchased, without recourse factoring, acceptance receivable and guarantees.

(4) Liquidity risk

A. Definition and sources of liquidity risk

The Bank and subsidiaries define liquidity risk as the risk of financial loss to the Bank and subsidiaries arising from default by any companies of financial instruments on the payment obligations. For example, the companies are default on payment obligations, such as withdrawals paid to depositors and loans repayment. Or, the company is unable to obtain funds within a certain period at reasonable cost in response to increased demand for assets.

B. Procedures for liquidity risk management and measurement of liquidity risk

The Bank and subsidiaries are mainly engaged in industry related to finance. Therefore, the management for capital liquidity is very important to the Bank and subsidiaries. The objectives for liquidity risk management are (a) Meet the liquidity index regulation (b) Maintain reasonable liquidity based on business development plans, ensure capability of daily payment obligations and meet business growth requirements with adequate highly-liquid assets and capability of raising funds from others in case of emergency.

The financial department of the Bank and subsidiaries is responsible for daily capital liquidity management. According to the limits authorized by the Board of (Managing) Directors, the Bank and subsidiaries monitor the indexes of liquidity risk, execute capital procurement trading and report the conditions of capital liquidity to the management. The Bank and subsidiaries also reports the liquidity risk control to the Fund Management Committee, Risk Management Committee and the Board of (Managing) Directors regularly, and performs regular liquidity stress-testing to ensure sufficient capital to meet the funding requirements for increase in assets and payment obligations.

The Bank and subsidiaries daily perform intensive control over capital sources and the period for fund gaps and liquidity risk management. Future cash flows are estimated based on the financial liability contracts due date and expected cash collection date of financial assets. The Bank and subsidiaries also take into account the extent of practical utilization of capital in contingent liabilities such as use of loan limits, guarantees and commitments.

Assets used to pay obligations and loan commitments including cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, bills and bonds purchased under resale agreement, receivables, bills discounted and loans, available-for-sale financial assets, held-to-maturity financial assets, and other financial assets are held in response to unexpected cash outflows.

The liquidity management policies of the Bank and subsidiaries include:

(A) Maintain the ability to perform all payment obligations immediately.

(B) Maintain solid assets/liabilities structure to ensure medium and long-term liquidity safety.

(C) Diversify capital sources and absorb stable core depositors to avoid depending on certain large-sum depositors.

(D) Avoid potential unknown loss risk which will increase capital cost and capital procurement pressure.

(E) Conduct due date management to ensure that cash inflow is greater than cash outflow in short term.

(F) Keep liquidity ratio.

(G) Keep legal ratio for high-quality, high-liquidity assets.

(H) Be aware of the liquidity, safety and diversity of financial instruments.

(I) The Bank and subsidiaries have capital emergency plans, which are reviewed regularly.

(J) The overseas branches of the Bank and subsidiaries must obey the regulations of R.O.C. and the local supervisory authorities. Otherwise, they will be penalized for violation of these regulations.

C. Maturity date analysis for non-derivative financial assets and liabilities

The table below lists analysis for cash inflow and outflow of the non-derivative financial assets and liabilities held by the Bank and subsidiaries for liquidity risk management based on the remaining period at the financial reporting date to the contractual maturity date.

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The Bank and subsidiaries' analysis for capital maturity gaps

UNIT：In NT Thousand Dollars

	December 31, 2017						
	1-30 days	31-90 days	91-180 days	181 days -1 year	1 year -5 years	Over 5 years	Total
Primary funds inflow upon maturity							
Cash and cash equivalents	$ 91,177,364	$ 34,611,153	$ 8,870,415	$ 3,342,635	$ -	$ -	$ 138,001,567
Due from the Central Bank and call loans to banks	498,655,666	67,103,158	2,658,663	1,113,651	-	-	569,531,138
Financial assets at fair value through profit or loss	1,261,128	1,352,128	1,980,436	6,516,993	23,815,089	5,193,600	40,119,374
Bills and bonds purchased under resale agreements	1,698,567	-	-	-	-	-	1,698,567
Receivables	55,147,588	21,596,208	6,312,004	10,553,413	222,402	354	93,831,969
Bills discounted and loans	109,589,387	173,098,023	227,833,193	211,185,138	691,639,343	484,928,145	1,898,273,229
Available-for-sale financial assets	69,215,384	17,995,955	13,777,486	19,913,276	144,193,287	95,885,314	360,980,702
Held-to-maturity financial assets	137,155,603	48,257,467	58,352,020	21,100,795	17,972,478	307,184	283,145,547
Other financial assets	341	681	681	2,385	-	4,830	8,918
Total	963,901,028	364,014,773	319,784,898	273,728,286	877,842,599	586,319,427	3,385,591,011
Primary funds outflow upon maturity							
Due to the Central Bank and commercial bank	325,266,681	4,192,524	3,453,710	5,846,754	31,623,119	672,832	371,055,620
Borrowed funds	29,651,125	3,640,270	168,901	-	-	-	33,460,296
Financial liabilities at fair value through profit or loss	6,885,190	1,188	-	2,313	16,062	8,125	6,912,878
Bills and bonds sold under repurchased agreements	589,237	259,115	-	-	-	-	848,352
Payables	54,975,325	3,692,390	1,450,748	4,290,638	206,344	5,679,276	70,294,721
Deposits and remittances	502,451,168	355,176,501	230,807,062	405,504,291	893,424,724	18,535,697	2,405,899,443
Financial bonds payable	-	83,300	4,913,940	8,027,980	13,920,590	-	26,945,810
Other financial liabilities	6,216,352	1,765,124	19,376	5,747	252,629	720,819	8,980,047
Other liabilities	227,009	454,017	454,017	1,589,060	-	-	2,724,103
Total	926,262,087	369,264,429	241,267,754	425,266,783	939,443,468	25,616,749	2,927,121,270
Gap	$ 37,638,941	($ 5,249,656)	$ 78,517,144	($ 151,538,497)	($ 61,600,869)	$ 560,702,678	$ 458,469,741

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UNIT：In US Thousand Dollars

	December 31, 2017						
	1-30 days	31-90 days	91-180 days	181 days -1 year	1 year -5 years	Over 5 years	Total
Primary funds inflow upon maturity							
Cash and cash equivalents	$ 3,075,329	$ 1,167,403	$ 299,191	$ 112,744	$ -	$ -	$ 4,654,667
Due from the Central Bank and call loans to banks	16,819,201	2,263,328	89,675	37,562	-	-	19,209,766
Financial assets at fair value through profit or loss	42,537	45,606	66,798	219,812	803,261	175,176	1,353,190
Bills and bonds purchased under resale agreements	57,291	-	-	-	-	-	57,291
Receivables	1,860,078	728,420	212,898	355,957	7,502	12	3,164,867
Bills discounted and loans	3,696,350	5,838,439	7,684,606	7,123,082	23,328,364	16,356,184	64,027,025
Available-for-sale financial assets	2,334,572	606,987	464,702	671,657	4,863,508	3,234,124	12,175,550
Held-to-maturity financial assets	4,626,133	1,627,680	1,968,160	711,711	606,195	10,361	9,550,240
Other financial assets	12	23	23	80	-	163	301
Total	32,511,503	12,277,886	10,786,053	9,232,605	29,608,830	19,776,020	114,192,897
Primary funds outflow upon maturity							
Due to the Central Bank and commercial bank	10,970,949	141,410	116,490	197,206	1,066,619	22,694	12,515,368
Borrowed funds	1,000,105	122,783	5,697	-	-	-	1,128,585
Financial liabilities at fair value through profit or loss	232,231	40	-	78	542	274	233,165
Bills and bonds sold under repurchased agreements	19,874	8,740	-	-	-	-	28,614
Payables	1,854,268	124,541	48,932	144,719	6,960	191,557	2,370,977
Deposits and remittances	16,947,220	11,979,779	7,784,912	13,677,290	30,134,401	625,192	81,148,794
Financial bonds payable	-	2,810	165,743	270,776	469,529	-	908,858
Other financial liabilities	209,672	59,536	653	194	8,521	24,313	302,889
Other liabilities	7,657	15,313	15,314	53,597	-	-	91,881
Total	31,241,976	12,454,952	8,137,741	14,343,860	31,686,572	864,030	98,729,131
Gap	$ 1,269,527	($ 177,066)	$ 2,648,312	($ 5,111,255)	($ 2,077,742)	$ 18,911,990	$ 15,463,766

UNIT：In NT Thousand Dollars

	December 31, 2016						
	1-30 days	31-90 days	91-180 days	181 days -1 year	1 year -5 years	Over 5 years	Total
Primary funds inflow upon maturity							
Cash and cash equivalents	$ 45,378,115	$ 35,001,901	$ 8,024,994	$ 2,123,915	$ -	$ -	$ 90,528,925
Due from the Central Bank and call loans to banks	475,112,300	53,732,255	9,009,059	2,638,166	-	-	540,491,780
Financial assets at fair value through profit or loss	5,647,992	1,203,373	550,142	2,750,877	29,881,502	3,071,449	43,105,335
Bills and bonds purchased under resale agreements	4,256,613	-	-	-	-	-	4,256,613
Receivables	56,280,422	23,534,494	5,932,201	8,506,613	344,659	325	94,598,714
Bills discounted and loans	78,899,118	119,537,352	209,351,303	195,420,919	757,684,688	488,975,036	1,849,868,416
Available-for-sale financial assets	38,609,557	15,239,037	9,589,614	15,620,227	141,720,173	76,434,077	297,212,685
Held-to-maturity financial assets	127,391,787	34,719,381	24,655,088	68,974,861	24,181,450	6,690	279,929,257
Other financial assets	1,409	2,818	2,818	9,863	-	5,608	22,516
Total	831,577,313	282,970,611	267,115,219	296,045,441	953,812,472	568,493,185	3,200,014,241
Primary funds outflow upon maturity							
Due to the Central Bank and commercial bank	336,305,752	6,623,886	5,733,263	6,239,878	30,516,426	649,286	386,068,491
Borrowed funds	27,677,843	7,304,654	4,991,930	-	-	-	39,974,427
Financial liabilities at fair value through profit or loss	8,237,292	1,187	-	3,313	16,875	12,500	8,271,167
Bills and bonds sold under repurchased agreements	170,716	274,172	-	-	-	-	444,888
Payables	54,266,812	4,018,201	1,703,901	3,467,386	305,167	5,679,352	69,440,819
Deposits and remittances	394,197,787	317,587,266	195,869,354	401,713,594	862,895,914	17,860,493	2,190,124,408
Financial bonds payable	-	83,300	213,940	10,585,570	26,945,810	-	37,828,620
Other financial liabilities	6,190,044	1,875,248	6,792	2,152	291,443	226,940	8,592,619
Other liabilities	127,091	254,181	254,182	889,636	-	-	1,525,090
Total	827,173,337	338,022,095	208,773,362	422,901,529	920,971,635	24,428,571	2,742,270,529
Gap	$ 4,403,976	($ 55,051,484)	$ 58,341,857	($ 126,856,088)	$ 32,840,837	$ 544,064,614	$ 457,743,712

D. Structure analysis for maturity of derivative financial assets and liabilities

(A) Derivatives settled on a net basis

Derivatives of the Bank and subsidiaries settled on a net basis include:

a. Foreign exchange derivatives: currency option, non-delivery forward

b. Interest derivatives: forward rate agreement, interest rate swap, assets swap, interest rate option, bond option, interest rate futures.

c. Credit derivatives: credit default swaps (CDS).

d. Equity derivative: stock option

e. Others: combined commodity

UNIT：In NT Thousand Dollars

	December 31, 2017						
	1-30 days	31-90 days	91-180 days	181 days -1 year	1 year -5 years	Over 5 years	Total
Foreign exchange derivative instruments							
Inflow	$ 157,614	$ 18,477	$ 19,054	$ 13,752	$ -	$ -	$ 208,897
Outflow	146,250	14,708	16,044	12,668	-	-	189,670
Interest rate derivative instruments							
Inflow	40,982	125,089	210,593	630,380	3,184,282	5,250,370	9,441,696
Outflow	94,266	124,275	206,707	278,617	2,309,459	3,411,216	6,424,540
Credit derivative instruments							
Inflow	-	50,626	47,985	80,514	276,682	-	455,807
Outflow	-	-	-	-	-	-	-
Total inflows	$ 198,596	$ 194,192	$ 277,632	$ 724,646	$ 3,460,964	$ 5,250,370	$ 10,106,400
Total outflows	$ 240,516	$ 138,983	$ 222,751	$ 291,285	$ 2,309,459	$ 3,411,216	$ 6,614,210

UNIT：In US Thousand Dollars

	December 31, 2017						
	1-30 days	31-90 days	91-180 days	181 days -1 year	1 year -5 years	Over 5 years	Total
Foreign exchange derivative instruments							
Inflow	$ 5,316	$ 623	$ 643	$ 464	$ -	$ -	$ 7,046
Outflow	4,933	496	541	427	-	-	6,397
Interest rate derivative instruments							
Inflow	1,382	4,219	7,103	21,262	107,403	177,090	318,460
Outflow	3,179	4,192	6,972	9,398	77,896	115,057	216,694
Credit derivative instruments							
Inflow	-	1,708	1,619	2,716	9,332	-	15,375
Outflow	-	-	-	-	-	-	-
Total inflows	$ 6,698	$ 6,550	$ 9,365	$ 24,442	$ 116,735	$ 177,090	$ 340,880
Total outflows	$ 8,112	$ 4,688	$ 7,513	$ 9,825	$ 77,896	$ 115,057	$ 223,091

UNIT：In NT Thousand Dollars

	December 31, 2016						
	1-30 days	31-90 days	91-180 days	181 days -1 year	1 year -5 years	Over 5 years	Total
Foreign exchange derivative instruments							
Inflow	$ 278,109	$ 21,204	$ 217,171	$ 193,270	$ 607	$ -	$ 710,361
Outflow	275,216	16,688	204,314	178,911	-	-	675,129
Interest rate derivative instruments							
Inflow	104,140	157,958	230,830	783,552	3,556,882	4,957,305	9,790,667
Outflow	119,528	134,626	221,583	520,088	2,955,843	21,449,704	25,401,372
Credit derivative instruments							
Inflow	-	74,301	75,025	137,014	514,761	-	801,101
Outflow	-	-	-	-	-	-	-
Total inflows	$ 382,249	$ 253,463	$ 523,026	$ 1,113,836	$ 4,072,250	$ 4,957,305	$ 11,302,129
Total outflows	$ 394,744	$ 151,314	$ 425,897	$ 698,999	$ 2,955,843	$ 21,449,704	$ 26,076,501

(B) Derivatives settled on a gross basis

Derivatives of the Bank and subsidiaries settled on a gross basis include:

a. Foreign exchange derivatives: forward exchange

b. Interest derivatives: cross currency swaps and currency swaps

UNIT：In NT Thousand Dollars

	December 31, 2017						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivative instruments							
Inflow	$ 27,223,858	$ 12,766,317	$ 6,696,367	$ 2,581,317	$ 1,371,641	$ -	$ 50,639,500
Outflow	27,159,553	12,700,082	6,622,980	2,567,709	1,341,572	-	50,391,896
Interest rate derivative instruments							
Inflow	371,875,856	162,999,593	78,682,742	20,305,658	1,367,068	-	635,230,917
Outflow	372,274,968	162,200,579	78,277,632	19,946,846	1,358,461	-	634,058,486
Total inflows	$ 399,099,714	$ 175,765,910	$ 85,379,109	$ 22,886,975	$ 2,738,709	$ -	$ 685,870,417
Total outflows	$ 399,434,521	$ 174,900,661	$ 84,900,612	$ 22,514,555	$ 2,700,033	$ -	$ 684,450,382

UNIT：In US Thousand Dollars

	December 31, 2017						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivative instruments							
Inflow	$ 918,236	$ 430,596	$ 225,863	$ 87,065	$ 46,264	$ -	$ 1,708,024
Outflow	916,067	428,362	223,387	86,606	45,250	-	1,699,672
Interest rate derivative instruments							
Inflow	12,543,033	5,497,828	2,653,897	684,892	46,110	-	21,425,760
Outflow	12,556,495	5,470,878	2,640,233	672,789	45,819	-	21,386,214
Total inflows	$ 13,461,269	$ 5,928,424	$ 2,879,760	$ 771,957	$ 92,374	$ -	$ 23,133,784
Total outflows	$ 13,472,562	$ 5,899,240	$ 2,863,620	$ 759,395	$ 91,069	$ -	$ 23,085,886

UNIT：In NT Thousand Dollars

	December 31, 2016						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivative instruments							
Inflow	$ 30,197,850	$ 18,201,973	$ 7,524,575	$ 2,406,361	$ 511,877	$ -	$ 58,842,636
Outflow	30,211,238	18,192,363	7,553,978	2,422,939	515,424	-	58,895,942
Interest rate derivative instruments							
Inflow	284,272,580	162,606,566	73,320,045	34,026,932	32,427	-	554,258,550
Outflow	282,968,234	162,045,158	73,151,435	33,799,850	29,688	-	551,994,365
Total inflows	$ 314,470,430	$ 180,808,539	$ 80,844,620	$ 36,433,293	$ 544,304	$ -	$ 613,101,186
Total outflows	$ 313,179,472	$ 180,237,521	$ 80,705,413	$ 36,222,789	$ 545,112	$ -	$ 610,890,307

E. Analysis for off-balance sheet contractual commitments

UNIT：In NT Thousand Dollars

	December 31, 2017						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Irrevocable commitments	$ 1,778,198	$ 132,777	$ 64,358,929	$ 4,927,631	$ 19,987,704	$ 77,612,020	$ 168,797,259
Financial guarantee contracts	51,862,977	60,001,331	33,697,291	77,828,638	19,169,582	594,028	243,153,847
Total	$ 53,641,175	$ 60,134,108	$ 98,056,220	$ 82,756,269	$ 39,157,286	$ 78,206,048	$ 411,951,106

UNIT：In US Thousand Dollars

	December 31, 2017						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Irrevocable commitments	$ 59,977	$ 4,479	$ 2,170,768	$ 166,204	$ 674,167	$ 2,617,783	$ 5,693,378
Financial guarantee contracts	1,749,291	2,023,790	1,136,579	2,625,089	646,572	20,036	8,201,357
Total	$ 1,809,268	$ 2,028,269	$ 3,307,347	$ 2,791,293	$ 1,320,739	$ 2,637,819	$ 13,894,735

UNIT：In NT Thousand Dollars

	December 31, 2016						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Irrevocable commitments	$ 559,687	$ 969,790	$ 58,619,353	$ 8,386,759	$ 25,266,226	$ 77,985,498	$ 171,787,313
Financial guarantee contracts	48,952,334	58,435,802	40,052,670	88,858,404	20,169,882	558,802	257,027,894
Total	$ 49,512,021	$ 59,405,592	$ 98,672,023	$ 97,245,163	$ 45,436,108	$ 78,544,300	$ 428,815,207

a. Off-balance sheet items include irrevocable commitments and financial guarantee contracts

b. Irrevocable commitments include irrevocable arranged financing limit and credit card line commitments

c. Financial guarantee contracts refer to guarantees and letters of credit issued

F. Analysis for maturity leasing contractual commitments

UNIT：In NT Thousand Dollars

	December 31, 2017			
	Not later than one year	1 year-5 years	Over 5 years	Total
Leasing contractual commitments				
Non-cancellable aggregate minimum lease payments	$ 510,292	$ 810,916	$ 590,893	$ 1,912,101
Non-cancellable aggregate minimum lease income	164,583	146,398	-	310,981
Net payment	$ 345,709	$ 664,518	$ 590,893	$ 1,601,120

UNIT：In US Thousand Dollars

	December 31, 2017			
	Not later than one year	1 year-5 years	Over 5 years	Total
Leasing contractual commitments				
Non-cancellable aggregate minimum lease payments	$ 17,212	$ 27,351	$ 19,930	$ 64,493
Non-cancellable aggregate minimum lease income	5,551	4,938	-	10,489
Net payment	$ 11,661	$ 22,413	$ 19,930	$ 54,004

UNIT：In NT Thousand Dollars

	December 31, 2016			
	Not later than one year	1 year-5 years	Over 5 years	Total
Leasing contractual commitments				
Non-cancellable aggregate minimum lease payments	$ 460,271	$ 775,081	$ 627,779	$ 1,863,131
Non-cancellable aggregate minimum lease income	159,920	205,063	6,705	371,688
Net payment	$ 300,351	$ 570,018	$ 621,074	$ 1,491,443

G. Disclosure requirements in the "Regulations Governing the Preparation of Financial Reports by Public Banks"

(A) Maturity analysis of NTD financial instruments of the Bank

UNIT: In NT Thousand Dollars

	December 31, 2017						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 1,884,008,321	$ 187,833,304	$ 208,337,785	$ 237,385,104	$ 248,521,534	$ 177,816,984	$ 824,113,610
Primary funds outflow upon maturity	2,474,105,713	128,173,756	235,794,465	311,681,705	283,744,919	429,264,908	1,085,445,960
Gap	($ 590,097,392)	$ 59,659,548	($ 27,456,680)	($ 74,296,601)	($ 35,223,385)	($ 251,447,924)	($ 261,332,350)

UNIT: In US Thousand Dollars

	December 31, 2017						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 63,545,882	$ 6,335,446	$ 7,027,043	$ 8,006,783	$ 8,382,405	$ 5,997,605	$ 27,796,600
Primary funds outflow upon maturity	83,449,329	4,323,184	7,953,132	10,512,740	9,570,457	14,478,714	36,611,102
Gap	($ 19,903,447)	$ 2,012,262	($ 926,089)	($ 2,505,957)	($ 1,188,052)	($ 8,481,109)	($ 8,814,502)

UNIT: In NT Thousand Dollars

	December 31, 2016						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 1,755,269,500	$ 168,414,595	$ 180,071,201	$ 191,975,919	$ 198,777,659	$ 202,400,836	$ 813,629,290
Primary funds outflow upon maturity	2,437,483,830	109,575,849	173,464,798	298,729,968	275,651,699	481,489,585	1,098,571,931
Gap	($ 682,214,330)	$ 58,838,746	$ 6,606,403	($ 106,754,049)	($ 76,874,040)	($ 279,088,749)	($ 284,942,641)

(B) Maturity analysis of USD financial instruments of the Bank

UNIT: In US Thousand Dollars

	December 31, 2017					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 56,886,477	$ 26,657,714	$ 8,343,873	$ 3,766,739	$ 2,154,972	$ 15,963,179
Primary funds outflow upon maturity	66,821,302	26,582,615	9,076,199	5,419,476	6,325,843	19,417,169
Gap	($ 9,934,825)	$ 75,099	($ 732,326)	($ 1,652,737)	($ 4,170,871)	($ 3,453,990)

	December 31, 2016					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 49,616,397	$ 19,875,115	$ 7,124,975	$ 3,407,806	$ 2,521,586	$ 16,686,915
Primary funds outflow upon maturity	61,855,679	22,461,490	8,469,306	5,147,899	6,649,376	19,127,608
Gap	($ 12,239,282)	($ 2,586,375)	($ 1,344,331)	($ 1,740,093)	($ 4,127,790)	($ 2,440,693)

Note 1: The funds denominated in US dollars means the amount of all US dollars of the Bank.

Note 2: If overseas assets exceed 10% of total assets, supplementary information shall be disclosed.

(C) Maturity analysis of USD financial instruments of the foreign branches

UNIT：In US Thousand Dollars

	December 31, 2017					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 20,412,248	$ 11,517,700	$ 2,516,467	$ 753,350	$ 1,009,933	$ 4,614,798
Primary funds outflow upon maturity	21,991,414	10,855,576	1,066,824	727,380	666,492	8,675,142
Gap	($ 1,579,166)	$ 662,124	$ 1,449,643	$ 25,970	$ 343,441	($ 4,060,344)

	December 31, 2016					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 19,234,224	$ 10,148,675	$ 2,547,692	$ 790,346	$ 825,862	$ 4,921,649
Primary funds outflow upon maturity	21,533,211	10,478,428	1,219,097	844,573	818,041	8,173,072
Gap	($ 2,298,987)	($ 329,753)	$ 1,328,595	($ 54,227)	$ 7,821	($ 3,251,423)

(5) Market risk

A. Definition of market risk

Market risk refers the potential losses of the Bank's and subsidiaries' on-balance-sheet and off-balance-sheet positions due to the Bank and subsidiaries enduring fluctuations of market prices (for example: fluctuations of market interest, exchange rates, stock prices and price of products).

B. Objective of market risk management

The objective of the Bank's and subsidiaries' market risk management is to confine risks within a tolerable scope to avoid the fluctuations of financial product prices impacting future returns and the values of assets and liabilities.

C. Market risk management policies and procedures

The Board of (Managing) Directors decided the risk tolerant limits, position limits, and loss limits. Market risk management comprises trading book control and banking book control. Trading book operation mainly pertains to the positions held by bills and securities firms due to market making. Policies for financial instrument trading of bank are based on back-to-back operation principle. Banking book is based on held-to-maturity principle and adopts hedging measures.

D. Procedures for market risk management

(A) The Bank's objectives of market risk management are respectively proposed by The Treasury Department and Risk Management Department, and then Risk Management Department summarizes and reports these objectives to Risk Management Committee of Mega Financial Holdings and the Bank's Board of Directors for assessment.

(B) Risk Management Department not only prepares statement of market risk position and profit and loss of various financial instruments but regularly compiles securities investment performance evaluation and reports to the Board of (Managing) Directors for the Board's knowledge of the Bank's risk control over securities investment. Risk Management Department summarizes and analyzes information on a daily basis. Besides, Risk Management Department monthly summarizes and analyzes data collected from positions of various financial instruments, profit and loss assessment, analysis on risk-sensitive factors, and stress testing for senior management's knowledge of the Bank's market risk exposure profile.

E. Market risk measurement and control principle

(A) The Bank’s market risk report contains interest rate, exchange rate, positions of equity securities, credit default swap (CDS) and profit and loss assessment. Every transaction has limit and stop-loss provisions, which shall be submitted to approval management in accordance with the Bank’s regulations. Stop-loss limit shall be implemented as soon as a transaction reaches the threshold. If no stop-loss limit will be implemented, trading units shall immediately make statement about reasons to not implement stop-loss limit and coping plan, which shall be submitted to senior management for approval and reported to the Board of (Managing) Directors regularly.

(B) Non-hedging trading positions of derivative financial instruments are daily assessed based on the market value, whereas hedging trading positions of futures are daily assessed and others are assessed twice a month.

(C) SUMMIT information system and DW information system for market risk provides functions in relation to risk management such as real-time limits, profit and loss assessment, analysis on risk-sensitive factors, stress testing, etc.

F. Policies and procedures of trading-book risk management

The Bank and subsidiaries daily monitor trading-book positions, changes in risk exposures, and various risk limits, including trading rooms, traders and product line risk limits.

If trading-book financial instruments have market price, the valuation of those instruments is conducted at least one time daily using the independent source and available information. If using mathematical model valuation, the assumptions and parameters used in the model are reviewed regularly.

The method of risk measurement is sensitivity analysis.

The Bank and subsidiaries conduct stress test on the positions of its interest rate, equity securities, foreign exchange rate products and credit default swap (CDS) on the assumptions of the monthly change in interest rate, securities market index, foreign exchange rate and CDS by 1%, 15%, 3% and 100 base points, respectively, and reports to the Risk Management Committee.

G. Trading-book interest rate risk management

Trading-book interest rate risk refers to the financial loss of the decline in values of interest rate products held due to unfavorable changes in interest rates, including securities and derivatives with interest.

The Bank and subsidiaries interest rate products are traded mainly for hedging.

The trading group screens the credits and financial positions of issuers and selects investment objectives by judging interest rate trend and a variety of country risks and based on the authorized minimum investment criteria. The Bank and subsidiaries set trading-book trading limits and stop-loss limits (including trading rooms, traders, trading products, counterparties, and daily and overnight limits) based on business strategies and market conditions, and measure monthly the extent of impact of interest rate risk on investment portfolios using DV01 value.

H. Banking book interest rate risk management

Banking book interest rate risk mainly comes from the unmatched maturity dates of assets and liabilities or price resetting dates, and inconsistent changes in base interest rates for assets and liabilities. The Bank and subsidiaries’ interest rate risk mainly comes from the unmatched periods of interest-rate sensitive assets and liabilities of the Bank and subsidiaries.

As the Bank and subsidiaries have interest-rate sensitive gaps, market interest rate fluctuations have good or bad impacts on the Bank and subsidiaries’ earnings and cash flows.

The Bank and subsidiaries manage Banking book interest rate risk by using repricing gap analysis. The interest-rate repricing gap analysis is to estimate the difference between the assets and liabilities with interest bearing that are to be due near or repriced within a certain period and measure the impact of interest rate change on net interest revenue. The analysis assumes assets and liabilities structure remain unchanged and there are parallel movements of interest rate curves, and excludes the customer behavior, basis risk, option characteristics of early repayment of bonds. The Bank and subsidiaries calculate the change in net interest revenue for this year and also monitor the percentage of change in net interest revenue to the projection of net interest revenue for this year.

The Bank and subsidiaries monthly analyze and monitor interest rate risk positions limits and various interest rate risk management indexes. If any risk management index exceeds limit, the Bank and subsidiaries will adopt responding measures and report the analysis and monitoring results to the Fund Management Committee, the Risk Management Committee and the Board of Directors.

I. Foreign exchange risk management

Foreign exchange risk refers to the losses caused by the exchange of two different currencies at different times. The Bank and subsidiaries’ foreign exchange risk mainly comes from its derivative instruments business such as spot foreign exchange, forward foreign exchange and foreign exchange options. The foreign exchange trading of the Bank and subsidiaries are mainly for offsetting customers’ positions on the same day; therefore, foreign exchange risk is relatively low.

To control trading-book foreign exchange risk, subsidiaries have set trading limits and stop-loss limits for trading rooms and traders and also set the annual maximum loss limits to control the losses within the tolerable scopes.

J. The Bank and subsidiaries' foreign exchange risk gaps

UNIT：In NT Thousand Dollars

	December 31, 2017				
	USD	AUD	RMB	EUR	JPY
Assets					
Cash and cash equivalents	$ 78,035,329	$ 524,540	$ 21,568,006	$ 3,641,671	$ 19,664,594
Due from the Central Bank and call loans to banks	464,400,136	1,848,048	6,408,555	633,202	22,644,647
Financial assets at fair value through profit or loss	30,939,076	3,184,769	258	4,157	1,368
Receivables	31,881,245	7,686,002	1,582,258	378,176	1,928,689
Bills discounted and loans	470,566,619	46,818,900	15,803,835	21,447,658	28,518,461
Available-for-sale financial assets	52,570,567	68,676,711	17,242,410	4,158,860	-
Held-to-maturity financial assets	22,412,975	1,513,814	3,923,593	512,581	263,368
Other assets	2,263,405	32,530	85,385	57,535	61,145
Total assets	1,153,069,352	130,285,314	66,614,300	30,833,840	73,082,272
Liabilities					
Due to the Central Bank and commercial bank	324,204,355	2,007,669	4,894,036	1,818,821	26,335,065
Borrowed funds	33,457,560	-	-	-	-
Financial liabilities at fair value through profit or loss	7,841,121	8,739	285	2,123	1,461
Bills & Bonds Sold under Repurchase Agreements	-	461,983	-	-	-
Payables	16,751,875	277,300	807,331	756,222	1,810,574
Tax liabilities	199,276	-	43,713	48,696	127,550
Deposits and remittances	866,530,769	37,581,977	95,858,190	31,147,010	28,192,669
Other liabilities	6,544,922	1,889,487	975,266	779,480	315,718
Total liabilities	1,255,529,878	42,227,155	102,578,821	34,552,352	56,783,037
On-balance sheet foreign exchange gap	($ 102,460,526)	$ 88,058,159	($ 35,964,521)	($ 3,718,512)	$ 16,299,235
Off-balance sheet commitments	$ 62,735,767	$ 915,439	$ 1,774,825	$ 11,643,677	$ 3,102,882
NTD exchange rate	29.6480	23.0988	4.5382	35.4056	0.2629

UNIT：In NT Thousand Dollars

	December 31, 2016				
	USD	AUD	RMB	EUR	JPY
Assets					
Cash and cash equivalents	$ 49,703,544	$ 310,135	$ 10,445,992	$ 3,678,163	$ 12,041,669
Due from the Central Bank and call loans to banks	424,434,194	756,861	13,878,641	1,700,832	22,568,162
Financial assets at fair value through profit or loss	37,811,904	2,240,329	409	9,930	2,252
Receivables	32,920,147	5,151,369	1,303,214	1,010,405	1,840,866
Bills discounted and loans	485,835,591	40,866,161	12,683,762	20,649,860	33,179,147
Available-for-sale financial assets	52,314,756	49,517,024	15,183,326	4,441,860	-
Held-to-maturity financial assets	22,064,690	1,527,971	4,109,819	679,202	276,970
Other assets	970,839	32,160	80,774	61,968	54,255
Total assets	1,106,055,665	100,402,010	57,685,937	32,232,220	69,963,321
Liabilities					
Due to the Central Bank and commercial bank	320,340,353	3,462,822	5,652,241	2,408,881	22,514,259
Borrowed funds	39,974,427	-	-	-	-
Financial liabilities at fair value through profit or loss	10,363,477	13,022	428	6,402	3,222
Payables	13,873,248	242,784	787,605	580,837	1,905,729
Tax liabilities	212,916	-	41,114	64,832	125,276
Deposits and remittances	776,913,967	29,935,501	82,258,183	28,837,557	29,034,895
Other liabilities	5,923,470	1,225,396	1,387,315	758,040	373,582
Total liabilities	1,167,601,858	34,879,525	90,126,886	32,656,549	53,956,963
On-balance sheet foreign exchange gap	($ 61,546,193)	$ 65,522,485	($ 32,440,949)	($ 424,329)	$ 16,006,358
Off-balance sheet commitments	$ 75,718,179	$ 1,400,585	$ 2,278,564	$ 11,527,929	$ 3,337,466
NTD exchange rate	32.2060	23.3236	4.6253	33.9612	0.2769

K. Risk management for equity securities

Due to needs of proprietary, make market and tactic, etc., the Bank held equity securities within the regulations of the law. That market risk comprises the risk of individual equity security arising from the security's market price changes and the general market risk arising from overall equity securities market price changes.

The investment operating group mainly selects blue chip stocks which have high liquidity and sets the investment price according to fundamentals and market transactions. After the investment has been approved by the investment deliberation committee, the operational personnel purchase the stock within the maximum percentage of the approved price, as the case may be.

Daily trading records, details of investment portfolios and overview of profit or loss shall report to the management and measurement of the extent of the impact of systematic risk on investment portfolios using β value monthly. The Bank and subsidiaries generally set a stop loss, stop interest, pre-warning and exception handling requirements, and limit control to held individual stock and industry concentration.

L. Sensitivity analysis

Sensitivity analysis of the Bank and subsidiaries' financial instruments (including trading book and non-trading book):

December 31, 2017 UNIT：In NT Thousand Dollars

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 1%	($ 51,576)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	51,576	-
Interest rate risk	Major increases in interest rates 1BPS	3,293	(58,801)
Interest rate risk	Major declines in interest rates 1BPS	(3,293)	58,801
Equity securities risk	TAIEX declined by 1%	(43,918)	(30,452)
Equity securities risk	TAIEX increased by 1%	43,918	30,452

December 31, 2017 UNIT：In US Thousand Dollars

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 1%	($ 1,740)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	1,740	-
Interest rate risk	Major increases in interest rates 1BPS	111	(1,983)
Interest rate risk	Major declines in interest rates 1BPS	(111)	1,983
Equity securities risk	TAIEX declined by 1%	(1,481)	(1,027)
Equity securities risk	TAIEX increased by 1%	1,481	1,027

December 31, 2016 UNIT：In NT Thousand Dollars

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 1%	($ 33,095)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	33,095	-
Interest rate risk	Major increases in interest rates 1BPS	5,912	(34,424)
Interest rate risk	Major declines in interest rates 1BPS	(5,912)	34,424
Equity securities risk	TAIEX declined by 1%	(28,860)	(51,504)
Equity securities risk	TAIEX increased by 1%	28,860	51,504

M. Disclosure requirements in the "Regulations Governing the Preparation of Financial Reports by Public Banks"

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)
December 31, 2017

UNIT：In NT Thousand Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 529,230,345	$ 940,173,141	$ 19,231,002	$ 93,939,541	$ 1,582,574,029
Interest rate sensitive liabilities	498,686,298	689,370,550	90,374,554	19,925,814	1,298,357,216
Interest rate sensitive gap	$ 30,544,047	$ 250,802,591	($ 71,143,552)	$ 74,013,727	$ 284,216,813
Net worth					$ 251,183,190
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					121.89%
Ratio of interest rate sensitivity gap to net worth					113.15%

Interest rate sensitivity analysis on assets and liabilities (US Dollars)
December 31, 2017

UNIT：In US Thousand Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 17,850,457	$ 31,711,183	$ 648,644	$ 3,168,495	$ 53,378,779
Interest rate sensitive liabilities	16,820,234	23,251,840	3,048,251	672,080	43,792,405
Interest rate sensitive gap	$ 1,030,223	$ 8,459,343	($ 2,399,607)	$ 2,496,415	$ 9,586,374
Net worth					$ 8,472,180
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					121.89%
Ratio of interest rate sensitivity gap to net worth					113.15%

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)
December 31, 2016

UNIT：In NT Thousand Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 481,743,022	$ 853,830,915	$ 61,943,233	$ 65,793,060	$ 1,463,310,230
Interest rate sensitive liabilities	441,612,902	647,580,419	92,376,140	36,414,974	1,217,984,435
Interest rate sensitive gap	$ 40,130,120	$ 206,250,496	($ 30,432,907)	$ 29,378,086	$ 245,325,795
Net worth					$ 248,401,446
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					120.14%
Ratio of interest rate sensitivity gap to net worth					98.76%

Notes:

1. The above amounts included only New Taiwan dollar amounts by the onshore branches of the Bank (i.e. excluding foreign currency).
2. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.
3. Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities
4. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in New Taiwan dollars)

Interest rate sensitivity analysis on assets and liabilities (US Dollars)
December 31, 2017

UNIT：In US Thousand Dollars, %

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 36,339,034	$ 1,048,181	$ 424,577	$ 341,939	$ 38,153,731
Interest rate sensitive liabilities	37,432,085	2,088,035	1,361,413	-	40,881,533
Interest rate sensitive gap	($ 1,093,051)	($ 1,039,854)	($ 936,836)	$ 341,939	($ 2,727,802)
Net worth					$ 534,498
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					93.33%
Ratio of interest rate sensitivity gap to net worth					(510.35%)

Interest rate sensitivity analysis on assets and liabilities (US Dollars)
December 31, 2016

UNIT：In US Thousand Dollars, %

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 31,753,246	$ 917,397	$ 448,358	$ 347,507	$ 33,466,508
Interest rate sensitive liabilities	32,214,405	1,506,710	1,201,384	-	34,922,499
Interest rate sensitive gap	($ 461,159)	($ 589,313)	($ 753,026)	$ 347,507	($ 1,455,991)
Net worth					$ 389,768
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					95.83%
Ratio of interest rate sensitivity gap to net worth					(373.55%)

Note:

1. The above amounts included only US dollars denominated assets and liabilities of head office, domestic and foreign branches, and the OBU branch. Contingent assets and liabilities are excluded.
2. Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities.
3. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in US dollars).

(6) Offsetting financial assets and financial liabilities

The Bank and subsidiaries have engaged in financial instrument transactions that apply the offsetting requirements in Paragraph 42 of IAS 32 as endorsed by the FSC. Financial assets and financial liabilities related to these transactions are reported at net amount on the balance sheet.

The Bank and subsidiaries have also engaged in offsetting terms that do not conform to the IFRSs. However, they have entered into enforceable master netting arrangements or similar agreements with counterparties. For example: global master repurchase agreements or similar repurchase or reverse repurchase agreements. When the above-mentioned enforceable master netting arrangements or similar agreements are elected by both parties to be settled by net amount, settlements may be made by using the net amount after the offsetting of financial assets and financial liabilities. Conversely if no such arrangements are made, settlements are made using the gross amount. However, upon the event of a default of a party, the counterparty may choose settle by net amount.

The following table lists information related to the above-mentioned offsetting of financial assets and financial liabilities:

December 31, 2017

Financial assets that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements

UNIT：In NT Thousand Dollars

Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet(d) Financial instruments (Note)	Not offset in the balance sheet(d) Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	$ 3,264,346	$ -	$ 3,264,346	$ 1,243,274	$ 66,650	$ 1,954,422

Financial liabilities that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet(d) Financial instruments (Note)	Not offset in the balance sheet(d) Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative instruments	$ 1,855,204	$ -	$ 1,855,204	$ 365,186	$ 13,556	$ 1,476,462

December 31, 2017

Financial assets that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements

UNIT：In US Thousand Dollars

Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet(d) Financial instruments (Note)	Not offset in the balance sheet(d) Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	$ 110,104	$ -	$ 110,104	$ 41,935	$ 2,248	$ 65,921

Financial liabilities that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet(d) Financial instruments (Note)	Not offset in the balance sheet(d) Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative instruments	$ 62,574	$ -	$ 62,574	$ 12,317	$ 457	$ 49,800

December 31, 2016

Financial assets that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements

UNIT：In NT Thousand Dollars

Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet(d) Financial instruments (Note)	Not offset in the balance sheet(d) Cash collateral received	Net amount (e)=(c)-(d)
Derivative instruments	$ 3,783,124	$ -	$ 3,783,124	$ 1,181,638	$ 866,726	$ 1,734,760

Financial liabilities that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet(d) Financial instruments (Note)	Not offset in the balance sheet(d) Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative instruments	$ 3,217,540	$ -	$ 3,217,540	$ 1,140,092	$ 9,250	$ 2,068,198

(Note) Including net settlement master netting arrangements and non-cash collaterals.

9. CAPITAL MANAGEMENT

(1) Objective of capital management

A. The Bank and subsidiaries' qualifying self-owned capital should meet the regulatory requirements and meet the minimum regulated capital adequacy ratio. This is the basic objective of capital management of the Bank and subsidiaries. The calculation and provision of qualifying self-owned capital and regulated capital shall follow the regulations of the competent authority.

B. In order to have adequate capital to take various risks, the Bank and subsidiaries shall assess the required capital with consideration of the risk portfolio it faces and the risk characteristics, and manages risk through capital allocation to realize optimum utilization of capital allocation.

(2) Capital management procedures

A. Following the "Regulations Governing the Capital Adequacy Ratio of Banks" of the Financial Supervisory Commission, the Bank calculates capital adequacy ratio on a consolidated basis and reports this information regularly.

B. The calculation of capital adequacy ratio of subsidiaries shall follow the regulations of regulatory authorities; if without regulations, capital adequacy ratio is computed as net of qualifying self-own capital divided by regulated capital.

(3) Capital adequacy ratio

Capital adequacy shown in the following table was calculated in accordance with "Regulations Governing the Capital Adequacy Ratio of Banks" effective on December 31, 2017 and 2016.

UNIT：In NT Thousand Dollars, %

Items \ Annual			December 31, 2017	December 31, 2016
Self-owned capital	Capital of Common equity		$ 255,953,520	$ 249,538,884
	Other Tier 1 Capital		-	-
	Tier 2 Capital, net		33,131,246	37,575,805
	Self-owned capital, net		289,084,766	287,114,689
Total risk-weighted assets (Note 1)	Credit risk	Standardized Approach	1,858,660,700	1,851,031,943
		Internal Ratings-Based Approach	-	-
		Asset securitization	-	752,163
	Operation risk	Basic Indicator Approach	93,247,425	93,518,150
		Standardized Approach / Alternative Standardized Approach	-	-
		Advanced Measurement Approaches	-	-
	Market risk	Standardized Approach	44,747,263	35,868,088
		Internal Models Approach	-	-
	Total risk-weighted assets		1,996,655,388	1,981,170,344
Capital adequacy ratio (Note 2)			14.48%	14.49%
Total risk assets based Capital of Common equity, net Ratio			12.82%	12.60%
Total risk assets based Tier 1 Capital, net Ratio			12.82%	12.60%
Leverage ratio			7.34%	7.49%

Note 1: The self-owned capital, risk-weighted assets and exposures amount in the table above should be filled in accordance with "Regulations Governing the Capital Adequacy Ratio of Banks" and "calculation method and table of self-owned capital and risk-weighted assets".

Note 2: Current and prior year's capital adequacy ratio should be disclosed in the annual reports. In addition to current and prior year's capital adequacy, capital adequacy ratio at the end of prior year should be disclosed in the semi-annual reports.

Note 3: The relevant formulas are as follows:

1. Self-owned capital = Tier 1 Capital of Common equity, net + Other Tier 1 Capital, net＋ Tier 2 Capital, net
2. Total risk-weighted assets = credit risk-weighted assets + (operation risk + market risk) * 12.5
3. Capital adequacy ratio = Self-owned capital / Total risk-weighted assets
4. Total risk assets based Tier 1 Capital of Common equity, net Ratio = Tier 1 Capital of Common equity, net / Total risk-weighted assets
5. Total risk assets based Tier 1 Capital, net Ratio = (Tier 1 Capital of Common equity, net + Other Tier 1 Capital, net) / Total risk-weighted assets
6. Gearing ratio = Tier 1 capital/ exposures amount

Note 4: For 1st quarter and 3rd quarter financial reports, the table of capital adequacy ratio is not required to be disclosed.

10. OPERATING SEGMENTS INFORMATION

(1) General information

The Bank and subsidiaries use reported information to the Chief Operating Decision-Maker (CODM) to identify segments and geographic information. The Bank and subsidiaries mainly focus on the businesses in Asia and North America. The disclosed operating segment by the Bank and subsidiaries is stipulated in Article 3 of the Banking Law, and the generated income is the main source of income.

(2) Information of segment profit or loss, assets and liabilities

The Bank and subsidiaries' management mainly focuses on the operating results of the whole bank, which is consistent with that of the consolidated statements of comprehensive income.

(3) Information of major customers

The Bank and subsidiaries' source of income is not concentrated on transactions with a single customer or single trading.

(4) Information by products and services

All operating segments' operating results of the Bank and subsidiaries mainly come from interest income from external clients and is measured on a consistent basis compared with the statement of comprehensive income. The segmental income also consist of internal profit and loss appropriated by the terms agreed amongst segments other than external revenue. Please refer to the information by geography for relevant components of income balances.

(5) Financial Information By Geographic Area

For the year ended December 31, 2017

UNIT: In NT Thousand Dollars

	Domestic Department	Asia (Note)	North America	Other Overseas Operating Department	Adjustment and Write-off	Total
Revenue from customers outside the Bank	$ 40,513,249	$ 6,238,035	$ 1,525,499	$ 1,985,862	($ 286,042)	$ 49,976,603
Revenue from departments within the Bank	1,318,493	(528,725)	(170,373)	(637,225)	17,830	-
Total revenue	$ 41,831,742	$ 5,709,310	$ 1,355,126	$ 1,348,637	($ 268,212)	$ 49,976,603
Profit or loss	$ 20,201,317	$ 4,322,298	($ 103,001)	$ 146,169	($ 263,741)	$ 24,303,042
Assets attributable to specific departments	$ 2,573,944,419	$ 251,044,085	$ 276,082,931	$ 77,015,604	($ 9,898,944)	$ 3,168,188,095

For the year ended December 31, 2017

UNIT: In US Thousand Dollars

	Domestic Department	Asia (Note)	North America	Other Overseas Operating Department	Adjustment and Write-off	Total
Revenue from customers outside the Bank	$ 1,366,475	$ 210,403	$ 51,454	$ 66,981	($ 9,648)	$ 1,685,665
Revenue from departments within the Bank	44,472	(17,833)	(5,747)	(21,493)	601	-
Total revenue	$ 1,410,947	$ 192,570	$ 45,707	$ 45,488	($ 9,047)	$ 1,685,665
Profit or loss	$ 681,372	$ 145,787	($ 3,474)	$ 4,930	($ 8,896)	$ 819,719
Assets attributable to specific departments	$ 86,816,798	$ 8,467,488	$ 9,312,025	$ 2,597,666	($ 333,882)	$ 106,860,095

For the year ended December 31, 2016

UNIT: In NT Thousand Dollars

	Domestic Department	Asia (Note)	North America	Other Overseas Operating Department	Adjustment and Write-off	Total
Revenue from customers outside the Bank	$ 41,257,735	$ 5,447,673	($ 2,735,172)	$ 1,971,192	($ 306,700)	$ 45,634,728
Revenue from departments within the Bank	880,321	(362,773)	(66,100)	(440,463)	(10,985)	-
Total revenue	$ 42,138,056	$ 5,084,900	($ 2,801,272)	$ 1,530,729	($ 317,685)	$ 45,634,728
Profit or loss	$ 23,659,414	$ 3,658,798	($ 4,065,506)	$ 95,076	($ 232,414)	$ 23,115,368
Assets attributable to specific departments	$ 2,381,099,632	$ 234,193,015	$ 294,029,798	$ 74,456,329	($ 9,327,183)	$ 2,974,451,591

Note: amounts in Asia do not include those originating from the Republic of China.

11. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Bank and subsidiaries are controlled by Mega Financial Holding Co., Ltd, which owns 100% of the Bank's shares. The ultimate controlling party of the Bank and subsidiaries is Mega Financial Holding Co., Ltd.

(2) Names of the related parties and their relationship with the Bank

Names of related parties	Short name of related parties	Relationship with the Bank
Mega Bills Finance Co., Ltd.	Mega Bills	Jointly controlled by Mega Financial Holdings
Mega Securities Co., Ltd.	Mega Securities	Jointly controlled by Mega Financial Holdings
Mega Investment Trust Co., Ltd.	Mega Investment Trust	Jointly controlled by Mega Financial Holdings
Chung Kuo Insurance Co., Ltd.	Chung Kuo Insurance	Jointly controlled by Mega Financial Holdings
Mega Asset Management Co., Ltd.	Mega Asset	Jointly controlled by Mega Financial Holdings
Mega CTB Venture Capital Co., Ltd.	Mega Venture	Jointly controlled by Mega Financial Holdings
Mega Life Insurance Agency Co., Ltd.	Mega Life Insurance Agency	Jointly controlled by Mega Financial Holdings
Mega International Investment Service Corp.	Mega International Investment Service	Jointly controlled by Mega Financial Holdings
Mega Futures Co., Ltd.	Mega Futures	Jointly controlled by Mega Financial Holdings
Chunghwa Post Corporation Limited	Chungwha Post	Director of Mega Financial Holdings
Bank of Taiwan Corp.	Bank of Taiwan	Director of Mega Financial Holdings
Yung-Shing Industries Co.	Yung-Shing Industries	Subsidiary of the Bank
China Products Trading Company	China Products	Subsidiary of the Bank
Mega Management Consulting Co., Ltd.	Mega Management Consulting	Subsidiary of the Bank
Cathay Investment & Development Corporation (Bahamas)	Cathay Investment (Bahamas)	Subsidiary of the Bank
Cathay Investment & Warehousing Co., S.A.	Cathay Investment & Warehousing (Panama)	Subsidiary of the Bank
Win Card Co., Ltd.	Win Card	Indirect subsidiary of the Bank
ICBC Assets Management & Consulting Co., Ltd.	ICBC Consulting	Indirect subsidiary of the Bank
Mega 1 Venture Capital Co., Ltd.	Mega 1 Venture	Equity investees
Everstrong Iron & Steel Foundry & Mfg Corp.	Everstrong Iron Steel	Equity investees
China Real Estate Management Co., Ltd.	China Real Estate	Equity investees
Taiwan Finance Co., Ltd.	Taiwan Finance	Equity investees
An Feng Enterprise Co., Ltd.	An Fang	Equity investees
Ramlett Finance Holdings Inc.	Ramlett	Equity investees
Mega Growth Venture Capital Co., Ltd.	Mega Growth Venture Capital	Equity investees
Universal Venture Capital Investment Corporation	Universal Venture Capital	Equity investees
Others		Certain directors, supervisors, managers and relatives of the Bank's chairman and general manager

(3) Major transactions and balances with related parties

A. Due from and due to banks

	For the year ended December 31, 2017			
	Balance as of December 31	Highest Outstanding Balance	Interest Rate (%)	Total Interest Income (Expense)
	(In NT Thousand Dollars)			
Due from banks				
Fellow subsidiary:				
Mega Bills	$ 1,566,832	$ 5,761,713	0.33%~3.10% (Note1)	$ 24,752
Other related parties:				
Bank of Taiwan	20,025,740	32,849,722	0.04%~16.00%	447
Due to banks				
Other related parties:				
China Post	$ 2,374,693	$ 2,954,934	1.06%~1.16%	($ 31,342)
Bank of Taiwan	2,402,086	21,290,124	0.17%~6.05%	(348)

	For the year ended December 31, 2017			
	Balance as of December 31	Highest Outstanding Balance	Interest Rate (%)	Total Interest Income (Expense)
		(In US Thousand Dollars)		
Due from banks				
Fellow subsidiary:				
Mega Bills	$ 52,848	$ 194,337	0.33%~3.10% (Note1)	$ 835
Other related parties:				
Bank of Taiwan	675,450	1,107,991	0.04%~16.00%	15
Due to banks				
Other related parties:				
China Post	$ 80,096	$ 99,667	1.06%~1.16%	($ 1,057)
Bank of Taiwan	81,020	718,096	0.17%~6.05%	(12)

Note 1: The range of NTD interest rate is 0.33% ~ 0.43% and the range of foreign currency interest rate is 1.05% ~3.10%.

	For the year ended December 31, 2016			
	Balance as of December 31	Highest Outstanding Balance	Interest Rate (%)	Total Interest Income (Expense)
		(In NT Thousand Dollars)		
Due from banks				
Fellow subsidiary:				
Mega Bills	$ -	$ 6,392,878	0.28%~1.40% (Note2)	$ 14,987
Other related parties:				
Bank of Taiwan	9,330,096	27,831,099	-0.18%~14.00%	448
Due to banks				
Other related parties:				
China Post	$ 2,818,812	$ 2,918,323	0.01%~1.30%	($ 33,038)
Bank of Taiwan	199,789	9,348,133	0.29%~12.00%	(247)

Note 2: The range of NTD interest rate is 0.28% ~ 0.50% and the range of foreign currency interest rate is 0.70% ~1.40%.

B. Loans and deposits

			December 31, 2017					
	Item	Counterparty	NT$	US$	% of Total	Total Interest Income (Expense)	% of Total	Interest Rate (%)
For the year ended December 31, 2017	Deposits	All related parties	$ 7,354,911	$ 248,074	0.31%	($ 48,923)	0.25%	0.00%~13.00%
	Loans	All related parties	65,890	2,222	0.00%	2,021	0.00%	1.00%~5.00%

			December 31, 2016				
	Item	Counterparty	NT$	% of Total	Total Interest Income (Expense)	% of Total	Interest Rate (%)
For the year ended December 31, 2016	Deposits	All related parties	$ 6,302,446	0.29%	($ 114,861)	0.75%	0.00%~13.00%
	Loans	All related parties	105,809	0.01%	2,738	0.01%	0.01%~3.63%

The interest rates shown above are similar, or approximate, to those offered to third parties. But the interest rates for savings deposits of Bank managers within the prescribed amounts are the same as for savings deposits of employees.

In compliance with the Articles 32 and 33 of Banking Law, except for consumer loans and government loans, credits extended by the Bank to any related party are fully secured, and the terms of credits extended to related parties are similar to those for third parties.

The Bank presents its transactions or account balances with related parties, in the aggregate, except for those which the amount represents over 10% of the account balance.

C. Lease agreements

Lessor

For the year ended December 31, 2017

Related Party	Lease Period	Lease Receipt Method	Rental Revenue (NT$)	Rental Revenue (US$)
The parent:				
Mega Financial Holdings	2014.08-2019.11	Monthly	$ 408	$ 14
Fellow subsidiary:				
Mega Securities	2013.03-2022.10	Monthly	19,643	663
Mega Bills	2016.01-2018.12	Monthly	32,598	1,100
Chung Kuo Insurance	2015.05-2019.07	Quarterly/ Semi-Annually	2,018	68
Mega Asset	2016.01-2018.12	Monthly	7,060	238
Mega Investment Trust	2016.01-2018.12	Monthly	12,134	409
The subsidiary:				
Yung-Shing Industries	2015.10-2020.06	Quarterly/Annually	2,861	96
Mega Management Consulting	2016.01-2018.12	Monthly	1,561	53
The indirect subsidiary:				
Win Card	2014.06-2019.05	Quarterly	4,637	156
ICBC Consulting	2017.07-2020.06	Annually	97	3

For the year ended December 31, 2016

Related Party	Lease Period	Lease Receipt Method	Rental Revenue (NT$)
The parent:			
Mega Financial Holdings	2014.08-2018.07	Monthly	$ 223
Fellow subsidiary:			
Mega Securities	2012.11-2021.02	Monthly	20,458
Mega Bills	2016.01-2019.11	Monthly	32,579
Chung Kuo Insurance	2015.05-2019.07	Quarterly/ Semi-Annually	2,018
Mega Asset	2016.01-2018.12	Monthly	7,060
Mega Investment Trust	2016.01-2018.12	Monthly	12,139
Mega Life Insurance Agency	2014.07-2017.06	Monthly	1,119
The subsidiary:			
Yung-Shing Industries	2014.07-2018.09	Quarterly/Annually	2,861
Mega Management Consulting	2016.01-2018.12	Monthly	1,561
The indirect subsidiary:			
Win Card	2014.06-2019.05	Quarterly	4,652
ICBC Consulting	2015.08-2018.07	Monthly	178

Lessee

For the year ended December 31, 2017

Related Party	Lease Period	Lease Payment Method	Rental Expense (NT$)	Rental Expense (US$)
The parent:				
Mega Financial Holdings	2016.11-2018.12	Monthly	$ 4,612	$ 156
Fellow subsidiary:				
Mega Securities	Note1	Note1	3,076	104
Mega Bills	2016.01-2018.12	Monthly	79,925	2,696
Chung Kuo Insurance	2006.12-2022.07	Monthly	22,230	750
Subsidiary:				
Yung-Shing Industries	2014.12-2044.11	Monthly	21,600	729
China Products	2015.06-2018.05(Note2)	Monthly	84	3
Equity investees:				
Ramlett	2014.06-2019.05	Monthly	6,180	208

For the year ended December 31, 2016

Related Party	Lease Period	Lease Payment Method	Rental Expense (NT$)
The parent:			
Mega Financial Holdings	2016.11-2018.12	Monthly	$ 136
Fellow subsidiary:			
Mega Securities	Note1	Note1	29,842
Mega Bills	2016.01-2018.12	Monthly	79,947
Chung Kuo Insurance	2006.12-2017.07	Monthly	22,283
Subsidiary:			
Yung-Shing Industries	2014.12-2044.11	Monthly	21,600
China Products	2015.06-2018.05(Note2)	Monthly	1,003
Equity investees:			6,571
Ramlett	2014.06-2019.05	Monthly	

Note1: The Bank sets up offices for collection / payment of securities trading for customers in all operating bases of Mega Securities. There are neither formal contracts nor actual lease terms. The rental fees are paid according to a certain percentage of deposit balance of each operating base.

Note2: The lease of Bank and China Products has been terminated on January 31, 2017.

D. Bills and bonds under resale agreements

	For the year ended December 31, 2017		
	NT$		
	Amount	Ending balance	Interest revenue
Fellow subsidiary:			
Mega Bills	$ 3,393,024	$ -	$ 808
Mega Securities	46,623,497	-	4,851
	$ 50,016,521	$ -	$ 5,659

	For the year ended December 31, 2017		
	US$		
	Amount	Ending balance	Interest revenue
Fellow subsidiary:			
Mega Bills	$ 114,444	$ -	$ 27
Mega Securities	1,572,568	-	164
	$ 1,687,012	$ -	$ 191

	For the year ended December 31, 2016		
	NT$		
	Amount	Ending balance	Interest revenue
Fellow subsidiary:			
Mega Bills	$ 141,010,835	$ -	$ 9,860
Mega Securities	116,240,184	1,400,083	8,958
	$ 257,251,019	$ 1,400,083	$ 18,818

E. Current tax liabilities

	December 31, 2017		December 31, 2016
	NT$ Amount	US$ Amount	NT$ Amount
Parent company:			
Mega Financial Holdings	$ 3,044,228	$ 102,679	$ 2,433,546

The above-mentioned payables to the parent company are net payables due to the Bank electing to jointly file profit-seeking enterprise income tax returns with its parent company as of 2003.

F. Service fees revenues

	For the year ended December 31,		
	2017		2016
	NT$	US$	NT$
Fellow subsidiary:			
Mega Life Insurance Agency (Note 1)	$ 681,418	$ 22,984	$ 978,170
Mega Investment Trust (Note 2)	45,109	1,521	28,520
Chung Kuo Insurance (Note 1)	17,306	584	9,534
	$ 743,833	$ 25,089	$ 1,016,224

Note 1: The above amount represents service fee revenues earned from acting as an agent for Mega Life Insurance Agency and Chung Kuo Insurance.

Note 2: The above amount represents service fee of sale funds revenues earned from Mega Investment Trust.

G. Insurance expense

	For the year ended December 31,		
	2017		2016
	NT$	US$	NT$
Fellow subsidiary:			
Chung Kuo Insurance	$ 4,368	$ 147	$ 39,329

H. The Bank's processes of printing, packaging documents and labor outsourcing have been outsourced to Yung-Shing Industries Co. Under this arrangement, the Bank paid operating expenses and labor outsourcing of NT$138,456 thousand and NT$119,930 thousand for the years ended December 31, 2017 and 2016, respectively.

I. As of 2001, a portion of the Bank's credit card business and car loan collection business have been commissioned to its second-tier subsidiary, Win Card Co., Ltd, for operation. For the years ended December 31, 2017 and 2016, operating expenses payable in accordance with agreements were NT$173,272 thousand and NT$166,884 thousand, respectively.

J. Loans

December 31, 2017

(Unit: In NT Thousand dollars)

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default possibility		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans for employees	7	$ 3,165	$ 2,639	V		None	None
Home mortgage loans	80	560,330	514,268	V		Real estate	None
Other loans	3	66,680	56,291	V		Real estate	None

December 31, 2017

(Unit: In US Thousand dollars)

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default possibility		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans for employees	7	$ 107	$ 89	V		None	None
Home mortgage loans	80	18,899	17,346	V		Real estate	None
Other loans	3	2,249	1,899	V		Real estate	None

December 31, 2016

(Unit: In NT Thousand dollars)

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default possibility		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans for employees	11	$ 11,383	$ 3,933	V		None	None
Home mortgage loans	77	564,202	509,838	V		Real estate	None
Other loans	2	95,211	55,716	V		Real estate	None

K. Financial guarantees for related parties:

(Unit: In NT Thousand dollars)

Date	Names of related party	Highest balance	Ending balance	Provision for guarantee reserve	Rate	Collateral
December 31, 2017	Chung Kuo Insurance	$ 9,066	$ 8,840	$ 126	1%	The bank's deposits

(Unit: In US Thousand dollars)

Date	Names of related party	Highest balance	Ending balance	Provision for guarantee reserve	Rate	Collateral
December 31, 2017	Chung Kuo Insurance	$ 306	$ 298	$ 4	1%	The bank's deposits

(Unit: In NT Thousand dollars)

Date	Names of related party	Highest balance	Ending balance	Provision for guarantee reserve	Rate	Collateral
December 31, 2016	Chung Kuo Insurance	$ 9,626	$ 9,603	$ 128	1%	The bank's deposits

L. Information on remunerations to the Bank's directors, supervisors, general managers and vice general manager:

	For the year ended December 31		
	2017		2016
	NT$	US$	NT$
Salaries and other short-term employee benefits	$ 77,421	$ 2,612	$ 78,102
Post-employment benefits	1,759	59	1,975
Total	$ 79,180	$ 2,671	$ 80,077

12. PLEDGED ASSETS

The Bank's assets as of December 31, 2017 and 2016 have not been pledged.

13. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1)Information about the Mega New York Branch's contingent liabilities on OFAC's regulation compliance is described in Note 6(31).

(2)As of December 31, 2017 and 2016, the Bank and subsidiaries had the following commitments and contingent liabilities not reflected in the above mentioned financial statements:

	December 31, 2017		December 31, 2016
	NT$	US$	NT$
Irrevocable loan commitments	$ 107,752,677	$ 3,634,400	$ 115,408,871
Securities sold under repurchase agreement	848,352	28,614	444,888
Securities purchased under resale agreement	1,698,567	57,291	4,256,613
Credit card line commitments	61,044,582	2,058,978	56,378,442
Guarantees issued	182,968,272	6,171,353	195,512,459
Contra guarantees	-	-	60,644
Letters of credit	60,185,575	2,030,004	61,515,435
Customers' securities under custody	221,738,214	7,479,028	193,861,943
Properties under custody	3,228,472	108,893	3,323,676
Guarantee effects	212,814,538	7,178,040	136,273,654
Collections for customers	91,916,408	3,100,257	102,094,722
Agency loans payable	763,880	25,765	977,405
Travelers' checks consigned-in	1,288,056	43,445	1,525,830
Gold coins consigned-in	404	14	433
Payables on consignments-in	698	24	-
Goods and tickets consignments-in	2,433	82	2,459
Agent for government bonds	156,997,800	5,295,393	144,109,400
Short-dated securities under custody	64,572,117	2,177,959	89,610,128
Trust liability	492,615,177	16,615,461	522,980,128
Certified notes paid	5,775,950	194,818	6,256,579
Risk tolerance amount	9,343	315	322,060

14. SIGNIFICANT DISASTER LOSS

None.

15. SIGNIFICANT SUBSEQUENT EVENT

Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Company's deferred tax assets and deferred tax liabilities by $913,182 and $202,228, respectively, which will be adjusted in the first quarter of 2018.

16. OTHERS

(1) Information for financial assets transfers and liabilities extinguishing

None.

(2) Significant adjustment in the organisation and significant changes in the management system

The following reorganisation plans became effective on May 3, 2017 as resolved at the 22nd of the 15th Board of Directors meeting on March 24, 2017:

A. Establish the "Credit Products & Marketing Department" supervised by Vice President under the General Administration Division.

B. "Offshore Banking Department" is renamed "Offshore Banking Branch" and relocated at the same level with domestic branches.

The following reorganisation plan became effective on June 2, 2017 as resolved at the 23rd of the 15th Board of Directors meeting on May 5, 2017:

"The Anti-Money Laundering Center" is renamed "Anti-Money Laundering & Financial Crime Compliance Department" with the same role and function. To stay current with global trends in combating money laundering and financial crimes, its roles include anti-money laundry measures against, inter alia, bribery, corruption, tax evasion, cybercrime, fraud and misconduct.

(3) Significant impact arising from changes in government laws and regulations

None.

(4) Information for Company's share held by subsidiaries

None.

(5) Information for private placement securities

None.

(6) Information for discontinued operations

None.

(7) Major operating assets or liabilities transferred from (or to) other financial institutions

None.

(8) Profitability of the Bank and subsidiaries

Units：%

Items		December 31, 2017	December 31, 2016
Return on total assets (%)	Before tax	0.79	0.76
	After tax	0.70	0.63
Return on stockholders' equity (%)	Before tax	9.32	9.05
	After tax	8.26	7.44
Net profit margin ratio (%)		43.07	41.66

Note 1: Return on total assets = Income before (after) income tax/average total assets.

Note 2: Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.

Note 3: Net profit margin ratio = Income after income tax / total operating income.

Note 4: The term "Income before (after) income tax" represents net income from January 1 to the balance sheet date of the reporting period.

(9) In accordance with Article 17 of the Trust Enterprise Law, the disclosures of the trust balance sheet, trust income statement and trust property list are as follows:

A. Trust Balance Sheet

(In NT Thousand Dollars)

Trust Balance Sheet
December 31, 2017

Trust assets			Trust liabilities		
Bank deposits	$	17,792,462	Capital borrowed	$	4,500,525
Receivables		5,899	Payables		14,831
Bonds		15,535,206	Account collected in advance		36,039
Stocks		41,303,161	Tax payable		30,184
Mutual funds		115,635,091	Accounts withholding		1,025
Structured products		25,067,890	Customers' securities under custody		151,313,982
Properties, net		22,414	Other liabilities		1,475,340
Real estate			Trust capital		331,082,582
Land		96,246,473	Accumulated profit or loss for reserves		
Buildings and Structures, net		14,559,373	Net income for current period		2,190,373
Construction in Process		12,163,861	Accumulated profit		1,970,297
Customers' securities under custody		151,313,982			
Other assets		2,969,366			
Total trust assets	$	492,615,178		$	492,615,178

(In US Thousand Dollars)

Trust Balance Sheet
December 31, 2017

Trust assets			Trust liabilities		
Bank deposits	$	600,124	Capital borrowed	$	151,799
Receivables		199	Payables		500
Bonds		523,988	Account collected in advance		1,216
Stocks		1,393,118	Tax payable		1,018
Mutual funds		3,900,266	Accounts withholding		35
Structured products		845,517	Customers' securities under custody		5,103,683
Properties, net		756	Other liabilities		49,762
Real estate			Trust capital		11,167,113
Land		3,246,306	Accumulated profit or loss for reserves		
Buildings and Structures, net		491,074	Net income for current period		73,879
Construction in Process		410,276	Accumulated profit		66,456
Customers' securities under custody		5,103,683			
Other assets		100,154			
Total trust assets	$	16,615,461		$	16,615,461

(In NT Thousand Dollars)

Trust Balance Sheet
December 31, 2016

Trust assets			Trust liabilities		
Bank deposits	$	20,182,915	Capital borrowed	$	4,500,525
Receivables		5,642	Payables		15,159
Bonds		15,807,444	Account collected in advance		34,618
Stocks		46,703,729	Tax payable		30,657
Mutual funds		126,533,444	Accounts withholding		957
Structured products		28,563,600	Customers' securities under custody		158,100,512
Properties, net		19,788	Other liabilities		1,520,923
Real estate			Trust capital		353,195,595
Land		100,977,308	Accumulated profit or loss for reserves		
Buildings and Structures, net		10,692,335	Net income for current period		2,130,189
Construction in Process		13,153,605	Accumulated profit		3,450,993
Customers' securities under custody		158,100,512			
Other assets		2,239,806			
Total trust assets	$	522,980,128		$	522,980,128

B. Trust Income Statement

	For the years ended December 31, 2017 NT$	2017 US$	2016 NT$
Trust income:			
Interest income	$ 51,943	$ 1,752	$ 170,246
Rental income	1,163,290	39,237	1,130,859
Dividend income	1,375,850	46,406	1,147,096
Realized capital gain-Stock	334,715	11,290	424,325
Realized capital gain-Funds	7,064	238	2,659
Other income	40,161	1,354	38,401
Total trust income	2,973,023	100,277	2,913,586
Trust expenses:			
Management expenses	(87,473)	(2,950)	(86,803)
Repairing expenses	(56,872)	(1,918)	(50,438)
Insurance	(12,706)	(429)	(13,053)
Depreciation expense	(2,269)	(77)	(1,502)
Land and housing tax	(141,429)	(4,770)	(142,533)
Interest expense	(72,555)	(2,447)	(78,725)
Service charge abstract	(116,313)	(3,923)	(137,330)
Accoutant fees	(1,440)	(49)	(1,452)
Lawyer fees	(96)	(3)	(56)
Realized capital loss-Stock	(199,601)	(6,732)	(179,934)
Realized capital loss-Funds	(27)	(1)	(1)
Other expenses	(91,869)	(3,099)	(91,573)
Total trust expense	(782,650)	(26,398)	(783,400)
Net income before income tax (Net investment income)	2,190,373	73,879	2,130,186
Income tax expense	-	-	-
Net income after income tax(Note)	$ 2,190,373	$ 73,879	$ 2,130,186

C. Trust Property List

	December 31, 2017 NT$	December 31, 2017 US$	December 31, 2016 NT$
Bank deposits	$ 17,792,462	$ 600,124	$ 20,182,915
Bonds	15,535,206	523,988	15,807,444
Stock	41,303,161	1,393,118	46,703,729
Mutual funds	115,635,091	3,900,266	126,533,444
Structured products	25,067,890	845,517	28,563,600
Properties, net	22,414	756	19,788
Real estate			
Land	96,246,473	3,246,306	100,977,308
Buildings and structures, net	14,559,373	491,074	10,692,335
Construction in Process	12,163,861	410,276	13,153,605
Customers' securities under custody	151,313,982	5,103,683	158,100,512
Other assets	2,969,366	100,154	2,239,806
Total	$ 492,609,279	$ 16,615,262	$ 522,974,486

Note: The amount of designated investment trust on foreign equity of OBU branch is NT$31,462,740 thousand and NT$36,030,159 thousand as of December 31, 2017 and 2016, respectively.

(10) Information for cross-sales between the Bank and subsidiaries and subsidiaries

A. Transactions between the Bank and subsidiaries: Please refer to Note 11.

B. Joint promotion of businesses:

In order to create synergies within the Bank and subsidiaries and provide customers financial services in all aspects, the Bank has continuously established other financial consulting service centers (including banking services, securities trading services, and insurance services) in its subsidiaries and simultaneously promoted service business in banking, securities and insurances areas.

C. Sharing of information or operating facilities or premises

Under the Financial Holding Company Act, Computer Process of Personal Data Protection Law, and the related regulations stipulated by MOF, when customers' information of a financial holding company's subsidiary is disclosed to the other subsidiaries under the Bank and subsidiaries or exchanged between the subsidiaries for the purpose of cross selling of products, the subsidiaries receiving, utilizing, managing or maintaining the information are restricted to use the information for the joint promotion purposes only. In addition, the Bank is required to disclose its "Measures for Protection of Customers' Information" in its website. Customers also reserve the right to have their information withdrawn from the information sharing mechanism.

17. SUPPLEMENTARY DISCLOSURES

(1) Related information on material transaction items of the Bank and subsidiaries:

A. Information regarding stock of short-term equity investment for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Bank's paid-in capital:

(In NT Thousand Dollars)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the Bank	January 1, 2017 Number of shares (in thousands)	January 1, 2017 Amount	Addition Number of shares (in thousands)	Addition Amount	Disposal Number of shares (in thousands)	Disposal Amount	Disposal Gain (Loss) on disposal	December 31, 2017 Number of shares (in thousands)	December 31, 2017 Amount
The Bank	Foxconn Technology Group	Financial assets at fair value through profit or loss-net	-	-	1,910	$ 154,470	10,595	$ 1,107,529	10,655	$ 1,122,661	$ 39,942	1,850	$ 179,280
The Bank	TSMC	Financial assets at fair value through profit or loss-net	-		2,770	447,668	6,930	1,495,210	6,370	1,359,363	115,045	3,330	698,560
The Bank	Taiwan Top 50 Tracker Fund	Financial assets at fair value through profit or loss-net	-	-	3,680	250,499	3,189	238,210	6,869	542,853	54,144	-	-
The Bank	APTG	Available-for-sale financial assets - net	-	-	104,700	628,200	-	-	61,269	592,906	225,292	43,431	260,586
The Bank	China Development Financial Holding Corporation	Available-for-sale financial assets - net	-	-	79,758	380,289	-	-	79,638	644,558	264,684	120	415
The Bank	Taiwan Cogeneration Corporation	Available-for-sale financial assets - net	-	-	15,857	111,582	-	-	15,825	357,608	246,200	32	174

B. Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

C. Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

D. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: None.

E. Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

F. Information regarding selling non-performing loans

(A) Summary of selling non-performing loans

The information regarding selling non-performing loans for the year ended December 31, 2017 are as follows:

(In NT Thousand Dollars)

Transaction date	Counterparty	Contents of right of claim	Carrying value	Sale price	Gain or loss from disposal	Attached conditions	Relationship with the Company	Note
2017.03.10	SC LOWY PRIMARY INVESTMENTS LTD	Corporate banking loans	$ -	$ 30,899	$ 30,899	None	None	Note 1
2017.04.14	SOUTHERN DEBT TRADING JOINSTOCK COMPANY	Corporate banking loans	-	22,218	22,218	None	None	Note 2

Note 1: The book value and sales price of the loan transaction were US$0 thousand and US$1,020 thousand, respectively. The currency exchange rate of the Bank was 1:30.2933.

Note 2: The book value and sales price of the loan transaction were USD0 thousand and USD733.44 thousand, respectively. The currency exchange rate of the Bank was 1:30.2933.

(B) Sale of non-performing loans exceeding NT$1 billion (excluding sale to related parties): None.

G. Information on and categories of securitized assets which are approved by the authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act: None.

H. Other material transaction items which were significant to the users of the financial statements: None.

(2) Supplementary disclosure regarding investee companies:

A. Supplementary disclosure regarding investee companies as of December 31, 2017:

(In NT Thousand Dollars)

						Share-holdings of the Bank and related enterprises				
							Proforma information on number of stock held	Total		
Investee companies	Address	Main service	Percentage of ownership %	Book value	Investment income (loss)	Share (in thousands)		Share (in thousands)	Percentage of ownership (%)	Note
Cathay Investment & Development Corporation (Bahamas)	Post Office Box 3937 Nassau, Bahamas	International investment and exploration	100.00%	$ 58,808	$ 3,544	5	None	5	100.00%	
Cathay Investment & Warehousing Co., S.A.	Calle 16 Colon Free Zone Local NO.4 Edificio NO.49 P. O. Box 4036 Colon Free Zone, Colon, Republic of Panama	1. Storage and warehousing of imported commodities 2. Manage and make the investment for the business in foreign trade business 3. Office rental	100.00%	51,135	(370)	1	None	1	100.00%	
Mega Management Consulting Co., Ltd.	7F., No.91, Hengyang Rd., Taipei City	Venture capital and management consulting etc.	100.00%	79,160	46,841	1,000	None	1,000	100.00%	
Ramlett Finance Holdings Inc.	Calle 50 y Esquina Margarita A de Vallarino Entrada Nuevo Campo Alegre Edificio ICBC, Panama	Real estate investment industry	100.00%	7,500	1,144	2	None	2	100.00%	
Yung-Shing Industries Co.	7F., No.100, Jilin Rd., Taipei City	Packaging, printing and agency of manpower service	99.56%	684,534	44,587	299	None	299	99.56%	
China Products Trading Company	7F., No.100, Jilin Rd., Taipei City	Investments in products businesses, storage businesses and other businesses	68.27%	27,048	(233)	68	None	68	68.27%	
Mega 1 Venture Capital Co., Ltd.	7F., No.91, Hengyang Rd., Taipei City	Investment industry	25.00%	25,769	(2,228)	8,438	None	8,438	25.00%	
An Feng Enterprise Co., Ltd.	3F., No.139, Jhengjhou Rd., Taipei City	Automatic Teller Machine rental, configure and maintain	25.00%	11,901	807	900	None	900	30.00%	
Taiwan Finance Co., Ltd.	3F., No.123, Sec. 2, Nanjing E. Rd., Taipei City	Brokerage underwriting attestation guarantee and endorsement of commercial papers, proprietary trading of government bonds and corporate bonds	24.55%	1,646,941	102,427	126,714	None	126,714	24.55%	
Everstrong Iron & Steel Foundry & Mfg Corp.	NO.1 Shiquan Rd., Xiaogang Dist., Kaohsiung City	Iron and steel making	22.22%	44,637	3,116	1,760	None	1,760	22.22%	

(In NT Thousand Dollars)

Investee companies	Address	Main service	Percentage of ownership %	Book value	Investment income (loss)	Share-holdings of the Bank and related enterprises: Share (in thousands)	Proforma information on number of stock held	Total: Share (in thousands)	Total: Percentage of ownership (%)	Note
China Real Estate Management Co., Ltd.	11F., No.35, Guangfu S. Rd., Taipei City	Real estate and property selling	20.00%	$ 182,814	$ 3,807	9,000	None	9,000	20.00%	
Universal Venture Capital Investment Corporation	7F., No.91, Hengyang Rd., Taipei City	Venture capital	11.84%	142,488	3,437	14,250	None	14,250	11.84%	
Mega Growth Venture Capital Co., Ltd.	7F., No.91, Hengyang Rd., Taipei City	Venture capital	11.81%	145,589	1,689	15,000	None	15,000	11.81%	
Win Card Co., Ltd.	4F., No.99, Sec. 3, Chongyang Rd., Sanchong Dist., New Taipei City	Corporate management consulting, data processing business and general advertising services	100.00%	37,844	6,418	200	None	200	100.00%	Indirect subsidiary of the Bank
ICBC Asset Management & Consulting Co., Ltd	No.100, Jilin Rd., Taipei City	Investment consulting, corporate management consulting and venture investment management consulting	100.00%	21,881	1,140	2,000	None	2,000	100.00%	Indirect subsidiary of the Bank

B. For those investee companies that the Bank has direct or indirect control interest over, further disclosures are as follows:

(A) Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

(B) Information on the disposal of the real estate for which the sale amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

(C) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: None.

(D) Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

(E) Information regarding selling non-performing loans: None.

(F) Information on and categories of securitized assets which are approved by the authority pursuant to the Financial Asset Securitization Act or the Real Estate Securitization Act: None.

(G) Lending to other parties: None.

(H) Guarantees and endorsements for other parties: None.

(I) Information regarding securities held as of December 31, 2017:

(Expressed in NT Thousand Dollars)

Name of Holding Company	Type and Name of Marketable Securities	Relationship with the Securities Issuer	At year-end					Note
			Account	Share / Units (in thousands)	Book value	Ownership Percentage (%)	Market value	
Yung-Shing Industries Co.	Stocks							
Yung-Shing Industries Co.	SysJust Corporation	None	Financial assets carried at cost	671	$ 6,878	2.60%	$ 6,878	
Yung-Shing Industries Co.	Hi-Scene World Enterprise Co., Ltd.	None	Financial assets carried at cost	2,370	5,272	1.54%	5,272	
Yung-Shing Industries Co.	Hua-sheng Venture Capital Investment Corp.	None	Financial assets carried at cost	1,069	7,695	1.67%	7,695	
Yung-Shing Industries Co.	Win Card Co., Ltd.	Equity investees	Investments accounted for by the equity method	200	37,844	100.00%	37,844	
Yung-Shing Industries Co.	ICBC Assets Management & Consulting Co., Ltd.	Equity investees	Investments accounted for by the equity method	2,000	21,881	100.00%	21,881	
Yung-Shing Industries Co.	An Feng Enterprise Co., Ltd.	Equity investees	Investments accounted for by the equity method	150	2,208	5.00%	2,208	
	Total				$ 81,778			
Cathay Investment & Development Corporation (Bahamas)	Funds							
Cathay Investment & Development Corporation (Bahamas)	Tai An Technologies Corp.	None	Financial assets carried at cost	-	$ 1,947	-	$ 1,947	
	Accumulated impairment				(145)			
	Total				$ 1,802			

(J) Information regarding securities for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

(K) Information regarding trading in derivative financial instruments: None.

(L) Other material transaction items which were significant to the users of the financial statements: None.

(3) Investments in People's Republic of China:

Unit：In NT Thousand Dollars

Name of Investee Company in Mainland China	Main Business	Paid-in Capital	Investment method	Accumulated amount of investment as of January 1, 2017	For the year ended December 31, 2017		Accumulated amount of investments as of December 31, 2017	Net income of investee as of December 31, 2017	The Company's Direct/ Indirect Percentage of Ownership (%)	Investment Income (Loss) for the period (Note 2)	Carrying amount of investment as of December 31, 2017	Investment income remitted as of December 31, 2017
					Reinvestment	Withdrawal						
Mega International Commercial Bank Suzhou Branch (Including Wujiang Sub-Branch and Kunshan Sub-Branch)	Banking businesses approved by the local government	$ 4,796,000 (Note 3)	Branch	$ 4,796,000 (Note 3)	$ -	$ -	$ 4,796,000 (Note 3)	$ 327,560	None	$ 327,560	$ -	$ -
Mega International Commercial Bank Ningbo Branch	Banking businesses approved by the local government	$ 5,122,458 (Note 4)	Branch	$ 5,122,458 (Note 4)	$ -	$ -	$ 5,122,458 (Note 4)	$ 232,624	None	$ 232,125	$ -	$ -

Accumulated investment amounts in Mainland China as of December 31, 2017	Investment amount approved by the investment audit committee of the Ministry of Economic Affairs	Limits on investment amounts established by the investment audit committee of the Ministry of Economic Affairs (Note 1)
$ 9,918,458(Note 3)(Note 4)	$ 9,918,458(Note 3)(Note 4)	$ 158,329,724

Note 1: Limit calculation is as follows (The Bank's net worth is $263,882,873 thousand) $263,882,873 thousand x 60% = $158,329,724 thousand.

Note 2: Relevant operating income and expense of the subsidiary, Mega International Commercial Bank Suzhou(Including Wujiang Sub-Branch and Kunshan Sub-Branck) and Ningbo Branch have been included the gains and losses of the Bank.

Note 3: Based on the approved investment amount (RMB$1 billion, approximately US$160,000 thousand) pursuant to Jing-Shen-II-Zi Letter No. 10000045990 issued by the Investment Commission of the Ministry of Economic Affairs on March 31, 2011. The actual remitted amount, converted using the exchange rate at the date of remittance, was approximately US$157,347 thousand, which converted to NTD was 4,796,000 thousand.

Note 4: Based on the approved investment amount (RMB$1 billion, approximately US$167,000 thousand) pursuant to Jing-Shen-II-Zi Letter No. 10300306930 issued by the Investment Commission of the Ministry of Economic Affairs on December 9, 2014. The actual remitted amount, converted using the exchange rate at the date of remittance, was approximately US$162,411 thousand, which converted to NTD was 5,122,458 thousand.

Note5: Unit: NT thousand dollars (unless otherwise noted).

(4) Significant transactions between parent company and subsidiaries

Unit: In NT Thousand Dollars

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of total consolidated net revenues or assets (Note 3)
0	Mega International Commercial Bank Co., Ltd.	Mega ICBC (Canada)	1	Due from Commercial Banks	$ 117,479	No significant difference from general customers	0.00%
0	〃	〃	1	Call Loans to Banks	129,776	〃	0.00%
0	〃	〃	1	Due to Other Banks	143,781	〃	0.00%
0	〃	〃	1	Receivables	5	〃	0.00%
0	〃	〃	1	Interest Revenue	505	〃	0.00%
0	〃	〃	1	Interest Expenses	361	〃	0.00%
0	〃	Mega ICBC (Thailand)	1	Due from Commercial Banks	17,030	〃	0.00%
0	〃	〃	1	Call Loans to Banks	-	〃	0.00%
0	〃	〃	1	Due to Other Banks	483,146	〃	0.02%
0	〃	〃	1	Call Loans from other banks	40,738	〃	0.00%
0	〃	〃	1	Interest Revenue	2,887	〃	0.01%
0	〃	〃	1	Interest Expenses	2,136	〃	0.00%
1	Mega ICBC (Canada)	Mega International Commercial Bank Co., Ltd.	2	Due from Commercial Banks	143,781	〃	0.00%
1	〃	〃	2	Due to Other Banks	117,479	〃	0.00%
1	〃	〃	2	Call Loans from other banks	129,776	〃	0.00%
1	〃	〃	2	Payables	5	〃	0.00%
1	〃	〃	2	Interest Revenue	361	〃	0.00%
1	〃	〃	2	Interest Expenses	505	〃	0.00%
1	〃	Mega ICBC (Thailand)	3	Due to Other Banks	475	〃	0.00%
2	Mega ICBC (Thailand)	Mega International Commercial Bank Co., Ltd.	2	Due from Commercial Banks	483,146	〃	0.02%
2	〃	〃	2	Call Loans to Banks	40,738	〃	0.00%
2	〃	〃	2	Due to Other Banks	17,030	〃	0.00%
2	〃	〃	2	Call loans from other banks	-	〃	0.00%
2	〃	〃	2	Interest Revenue	2,136	〃	0.00%
2	〃	〃	2	Interest Expenses	2,887	〃	0.01%
2	〃	Mega ICBC (Canada)	3	Due from Commercial Banks	475	〃	0.00%

(Note 1) The numbers in the No. column represent as follows:

1. 0 for the parent company
2. According to the sequential order, subsidiaries are numbered from 1.

(Note 2) Relationship between transaction company and counterparty is classified into the following three categories;

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

(Note 3) Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF DOLLARS)

Assets	December 31, 2017 NT$	December 31, 2017 US$ (Unaudited)	December 31, 2016 NT$
Assets			
Cash and cash equivalents	$ 134,573,043	$ 4,539,026	$ 86,952,288
Due from the Central Bank and call loans to banks	568,191,492	19,164,581	540,639,263
Financial assets at fair value through profit or loss	41,615,571	1,403,655	45,311,254
Securities purchased under resale agreements	1,697,586	57,258	4,255,968
Receivables, net	59,097,182	1,993,294	59,342,642
Current tax assets	99,432	3,354	122,108
Bills discounted and loans, net	1,746,168,423	58,896,669	1,699,285,739
Available-for-sale financial assets, net	278,090,000	9,379,722	205,720,937
Held-to-maturity financial assets, net	280,013,940	9,444,615	276,724,781
Investments accounted for under the equity method, net	9,025,778	304,431	8,851,388
Other financial assets, net	9,336,419	314,909	9,669,542
Property and equipment, net	14,859,167	501,186	14,278,800
Investment property, net	584,646	19,719	865,039
Deferred tax assets	5,525,907	186,384	5,049,996
Other assets, net	2,882,935	97,239	1,614,016
Total assets	$ 3,151,761,521	$ 106,306,042	$ 2,958,683,761
Liabilities and equity			
Liabilities			
Due to the Central Bank and commercial banks	$ 369,280,814	$ 12,455,505	$ 384,930,934
Borrowed funds	33,049,531	1,114,731	39,974,427
Financial liabilities at fair value through profit or loss	8,774,635	295,960	11,393,071
Securities sold under repurchase agreements	848,125	28,607	444,678
Payables	35,363,073	1,192,764	32,010,867
Current tax liabilities	7,100,532	239,495	8,106,031
Deposits and remittances	2,375,199,023	80,113,297	2,159,117,253
Financial bonds payable	25,900,000	873,583	36,200,000
Other financial liabilities	8,969,641	302,538	8,583,989
Provisions	14,819,979	499,864	12,952,174
Deferred tax liabilities	2,216,847	74,772	2,161,652
Other liabilities	6,356,448	214,397	5,244,438
Total liabilities	2,887,878,648	97,405,513	2,701,119,514
Equity			
Share capital			
Common stock	85,362,336	2,879,194	85,362,336
Capital reserve	62,219,540	2,098,608	62,219,540
Retained earnings			
Legal reserve	79,690,847	2,687,900	73,987,859
Special reserve	4,000,055	134,918	3,873,832
Undistributed earnings	35,028,439	1,181,477	33,582,479
Other equity	(2,418,344)	(81,568)	(1,461,799)
Total equity	263,882,873	8,900,529	257,564,247
Total liabilities and equity	$ 3,151,761,521	$ 106,306,042	$ 2,958,683,761

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

	For the years ended December 31,		
	2017		2016
	NT$	US$ (Unaudited)	NT$
Interest revenue	$ 53,202,794	$ 1,794,482	$ 50,236,766
Less: interest expense	(19,650,049)	(662,778)	(15,191,706)
Net interest income	33,552,745	1,131,704	35,045,060
Non-interest income			
Net service fee income	6,870,359	231,731	7,840,059
Gains (loss) on financial assets and liabilities at fair value through profit or loss	5,425,632	183,002	3,009,229
Realized gains on available-for-sale financial assets	1,484,447	50,069	1,596,716
Realized loss on held-to maturity financial assets	-	-	(189)
Foreign exchange gain	1,853,603	62,520	2,046,115
Loss on asset impairment	(205,179)	(6,920)	(334,397)
Investment income recognized by the equity method	471,613	15,907	451,001
Net other non-interest income	235,497	7,943	227,825
Gain on financial assets carried at cost	619,151	20,883	803,272
Net other miscellaneous loss	(725,800)	(24,481)	(5,504,048)
Net operating income	49,582,068	1,672,358	45,180,643
Provision for loan losses and guarantee reserve	(4,371,190)	(147,436)	(3,593,348)
Operating expenses			
Employee benefits expenses	(13,451,289)	(453,700)	(11,715,001)
Depreciation and amortization	(529,635)	(17,864)	(477,486)
Other general and administrative expenses	(6,992,465)	(235,850)	(6,336,881)
Income from continuing operations before income tax	24,237,489	817,508	23,057,927
Income tax expense	(2,714,079)	(91,543)	(4,047,966)
Net income	21,523,410	725,965	19,009,961
Other comprehensive income			
Non-reclassifiable to profit or loss subsequently			
Remeasurement of defined benefit plan	(1,739,625)	(58,676)	(534,337)
Income tax relating to the components of other comprehensive income	295,736	9,975	90,837
Potentially reclassifiable to profit or loss subsequently			
Cumulative translation differences of foreign operations	(1,803,685)	(60,836)	(1,190,886)
Unrealized loss on valuation of available-for-sale financial assets	799,586	26,969	(373,245)
Share of other comprehensive loss of associates and joint ventures accounted for under the equity method	47,554	1,604	(126,684)
Total other comprehensive loss (after income tax)	(2,400,434)	(80,964)	(2,134,315)
Total comprehensive income	$ 19,122,976	$ 645,001	$ 16,875,646
Earnings per share			
Basic and diluted earnings per share (in dollars)	$ 2.52	$ 0.08	$ 2.23

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF DOLLARS)

			Retained earnings			Other equity		
	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Differences of Foreign Operations	Unrealized Gain or Loss on Available-For-Sale Financial Assets	Total
For the year ended December 31, 2017 (NT Dollars)								
Balance, January 1, 2017	$ 85,362,336	$ 62,219,540	$ 73,987,859	$ 3,873,832	$ 33,582,479	($ 926,233)	($ 535,566)	$ 257,564,247
Earnings distribution for 2016								
Cash dividends	-	-	-	-	(12,804,350)	-	-	(12,804,350)
Legal reserve	-	-	5,702,988	-	(5,702,988)	-	-	-
Special reserve	-	-	-	126,223	(126,223)	-	-	-
Net income for the year of 2017	-	-	-	-	21,523,410	-	-	21,523,410
Other comprehensive loss for the year of 2017	-	-	-	-	(1,443,889)	(1,787,137)	830,592	(2,400,434)
Balance, December 31, 2017	$ 85,362,336	$ 62,219,540	$ 79,690,847	$ 4,000,055	$ 35,028,439	($ 2,713,370)	$ 295,026	$ 263,882,873
For the year ended December 31, 2017 (US Dollars - Unaudited)								
Balance, January 1, 2017	$ 2,879,194	$ 2,098,608	$ 2,495,543	$ 130,661	$ 1,132,706	($ 31,241)	($ 18,064)	$ 8,687,407
Earnings distribution for 2016								
Cash dividends	-	-	-	-	(431,879)	-	-	(431,879)
Legal reserve	-	-	192,357	-	(192,357)	-	-	-
Special reserve	-	-	-	4,257	(4,257)	-	-	-
Net income for the year of 2017	-	-	-	-	725,965	-	-	725,965
Other comprehensive loss for the year of 2017	-	-	-	-	(48,701)	(60,278)	28,015	(80,964)
Balance, December 31, 2017	$ 2,879,194	$ 2,098,608	$ 2,687,900	$ 134,918	$ 1,181,477	($ 91,519)	$ 9,951	$ 8,900,529

(Continued)

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF DOLLARS)

			Retained earnings			Other equity		
	Capital Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Differences of Foreign Operations	Unrealized Gain or Loss on Available-For-Sale Financial Assets	Total
For the year ended December 31, 2016 (NT Dollars)								
Balance, January 1, 2016	$ 85,362,336	$ 62,219,540	$ 66,275,325	$ 3,845,354	$ 35,561,380	$ 331,363	($ 102,347)	$ 253,492,951
Earnings distribution for 2015								
Cash dividends	-	-	-	-	(12,804,350)	-	-	(12,804,350)
Legal reserve	-	-	7,712,534	-	(7,712,534)	-	-	-
Special reserve	-	-	-	28,478	(28,478)	-	-	-
Net income for the year of 2016	-	-	-	-	19,009,961	-	-	19,009,961
Other comprehensive loss for the year of 2016	-	-	-	-	(443,500)	(1,257,596)	(433,219)	(2,134,315)
Balance, December 31, 2016	$ 85,362,336	$ 62,219,540	$ 73,987,859	$ 3,873,832	$ 33,582,479	($ 926,233)	($ 535,566)	$ 257,564,247

(Blank below)

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF DOLLARS)

	For the years ended December 31,		
	2017		2016
	NT$	US$ (Unaudited)	NT$
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	$ 24,237,489	$ 817,508	$ 23,057,927
Adjustments to reconcile income before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Provision for loan losses and guarantee reserve	4,371,190	147,436	3,593,348
Depreciation	523,596	17,660	471,791
Amortization	6,039	204	5,695
Interest income	(53,202,794)	(1,794,482)	(50,236,766)
Dividend income	(962,590)	(32,467)	(1,102,239)
Interest expense	19,650,049	662,778	15,191,706
Investment income recognized under the equity method	(471,613)	(15,907)	(451,001)
Gain on disposal of property and equipment	(1,262)	(43)	(723)
Loss on asset impairment	205,179	6,920	334,397
Loss on retirement of property and equipment	32	1	253
Changes in assets/liabilities relating to operating activities			
Decrease in due from the Central Bank and call loans to banks	34,950,178	1,178,838	6,827,796
Decrease in financial assets at fair value through profit or loss	3,695,683	124,652	1,712,868
Decrease in receivables	785,631	26,499	83,681,216
(Increase) decrease in bills discounted and loans	(50,966,689)	(1,719,060)	53,574,085
(Increase) decrease in available-for-sale financial assets	(71,282,208)	(2,404,284)	25,309,572
Increase in held-to-maturity financial assets	(3,289,159)	(110,940)	(79,073,379)
Increase in other financial assets	(569,350)	(19,204)	(125,896)
Increase in other assets	(1,258,268)	(42,440)	(184,590)
Decrease in due to the Central Bank and commercial banks	(15,650,120)	(527,864)	(32,751,574)
Decrease in financial liabilities at fair value through profit or loss	(2,618,436)	(88,317)	(10,543,422)
Increase (decrease) in securities sold under repurchase agreements	403,447	13,608	(103,120)
Increase (decrease) in payables	2,739,396	92,397	(3,465,766)
Increase (decrease) in deposits and remittances	216,081,770	7,288,241	(62,904,625)
Decrease in other financial liabilities	385,652	13,008	(89,234)
Increase in reserve for employee benefit liabilities	159,054	5,365	45,482
Decrease in other liabilities	(38,645)	(1,304)	(3,085,411)
Interest received	52,347,611	1,765,637	50,017,566
Dividend received	1,307,367	44,096	1,498,304
Interest paid	(19,037,239)	(642,109)	(15,399,015)
Income tax paid	(3,821,882)	(128,909)	(4,426,774)
Net cash provided by operating activities	138,679,108	4,677,518	1,378,471
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments under the equity method	-	-	2,747
Proceeds from capital reduction of financial assets carried at cost	387,056	13,055	193
Acquisitions of property and equipment	(848,802)	(28,629)	(460,718)
Proceeds from disposal of property and equipment	6,621	223	1,379
Net cash used in investing activities	(455,125)	(15,351)	(456,399)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in borrowed funds	(6,924,896)	(233,570)	(4,759,539)
Decrease in financial bonds payable	(10,300,000)	(347,410)	-
Increase (decrease) in deposits received	1,150,655	38,810	(534,303)
Payments of cash dividends	(12,804,350)	(431,879)	(12,804,350)
Net cash (used in) provided by financing activities	(28,878,591)	(974,049)	(18,098,192)
EFFECT OF EXCHANGE RATE CHANGES	(1,780,612)	(60,056)	(1,174,871)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	107,564,780	3,628,062	(18,350,991)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	420,189,855	14,172,621	438,540,846
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 527,754,635	$ 17,800,683	$ 420,189,855
CASH AND CASH EQUIVALENTS COMPOSITION:			
Cash and cash equivalents shown in balance sheet	$ 134,573,043	$ 4,539,026	$ 86,952,288
Due from the Central Bank and call loans to bank meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	391,484,006	13,204,399	328,981,599
Securities purchased under resale agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements"	1,697,586	57,258	4,255,968
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 527,754,635	$ 17,800,683	$ 420,189,855

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As of May 21, 2018

Management Team

Chao-Shun Chang, Chairman of the Board
Yong-Yi Tsai, President
Shiow Lin, Senior Executive Vice President & General Manager
Yuan-Hsi Lin, Senior Executive Vice President
Ruey-Yuan Fu, Senior Executive Vice President
Chen-Shan Lee, Senior Executive Vice President
Yu-Mei Hsiao, Senior Executive Vice President
Kuo-Pao Chen, Senior Executive Vice President
Hui-Lin Wu, Chief Compliance Officer
Fu-Yung Chen, Chief Auditor

Department	Manager & Title	Fax Number
Auditing Department	Fu-Yung Chen Chief Auditor	+886-2-23569801
Planning Department	Tzu-Yuan Yang Vice President & General Manager	+886-2-25633122
Anti-Money Laundering & Financial Crime Compliance Dept.	Lih-Hwang Chiou Senior Vice President & General Manager	+886-2-25230081
Compliance Department	Hung Tseng Vice President & Acting General Manager	+886-2-25632004
Legal Affairs Office	Ling-Chiun Lin Vice President & General Manager	+886-2-25317230
Overseas Branches Administration Department	Cheng-Chian Tsao Senior Vice President & General Manager	+886-2-23569169
Business Administration Department	Wen-Guan Chen Senior Vice President & General Manager	+886-2-23935116
General Affairs and Occupational Safety & Health Department	Chia-Ying Chi Senior Vice President & General Manager	+886-2-23568936
Human Resources Department	Chorng-Hwa Lan Senior Vice President & General Manager	+886-2-23569531
Data Processing & Information Department	Kao-Hui Hsu Senior Vice President & General Manager	+886-2-23416430
Controller’s Department	Ching-Yi Li Senior Vice President & Controller	+886-2-23568601
Credit Analysis Department	Hui-Ling Yu Vice President & General Manager	+886-2-25711352
Overdue Loan & Control Department	Chi-Ho Chen Vice President & General Manager	+886-2-23560580
Credit Products & Marketing Department	Jian-Pyng Lee Vice President & General Manager	+886-2-25625669
Credit Control Department	Shaw-Hwa Su Senior Vice President & General Manager	+886-2-25310691
Risk Management Department	Ta-Sheng Chen Senior Vice President & General Manager	+886-2-23568506
Digital Banking Department	Hsiu-Ho Hsu Senior Vice President & General Manager	+886-2-25633267
Wealth Management Department	Josephine Chao-Jung Chen Senior Vice President & General Manager	+886-2-25631601
Direct Investment Department	Yu-Chuan Lu Senior Vice President & General Manager	+886-2-25630950
Trust Department	Yu-Mei Chiu Vice President & General Manager	+886-2-25235002
Treasury Department	Yau-Fuh Chou Senior Vice President & General Manager	+886-2-25613395
Foreign Department	Yung-Chen Huang Senior Vice President & General Manager	+886-2-25632614

Domestic Branches

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Heng Yang Branch	Wei-Shing Fan Vice President & General Manager	No.91, Heng-yang Rd., Chung-cheng Dist., Taipei 10009, Taiwan	+886-2-23888668	+886-2-23885000
Cheng Chung Branch	Dah-Jyh Wang Senior Vice President & General Manager	No.42, Hsu-chang St., Chung-cheng Dist., Taipei 10047, Taiwan	+886-2-23122222	+886-2-23111645
Ministry of Foreign Affairs Branch	Hsiu-Junj Kan Vice President & General Manager	Room 129, No.2, Kaitakelan Blvd., Chung-cheng Dist., Taipei 10048, Taiwan	+886-2-23482065	+886-2-23811858
Central Branch	Tung-Lung Wu Senior Vice President & General Manager	No.123, Sec.2, Jhong-siao E. Rd., Chung-cheng Dist., Taipei 10058, Taiwan	+886-2-25633156	+886-2-23569750
South Taipei Branch	Hseigh-Fang Chuang Vice President & General Manager	No.9-1, Sec.2, Roosevelt Rd., Chung-cheng Dist., Taipei 10093, Taiwan	+886-2-23568700	+886-2-23922533
Ta Tao Cheng Branch	Wen-Yann Wang Vice President & General Manager	No.62-5, Hsi-ning N. Rd., Dah-tong Dist., Taipei 10343, Taiwan	+886-2-25523216	+886-2-25525627
Dah Tong Branch	Chun-Ju Lin Vice President & General Manager	No.113, Nan-king W. Rd., Dah-tong Dist., Taipei 10355, Taiwan	+886-2-25567515	+886-2-25580154
Yuan Shan Branch	Choun-Chau Tsai Vice President & General Manager	No.133, Sec.2, Zhong-shan N. Rd., Zhong-shan Dist., Taipei 10448, Taiwan	+886-2-25671488	+886-2-25817690
Chung Shan Branch	Lian-Yuh Tsai Vice President & General Manager	No.15, Sec.2, Chung-shan N. Rd., Chung-shan Dist., Taipei 10450, Taiwan	+886-2-25119231	+886-2-25635554
Nanking East Road Branch	Tsuey-Ping Chang Vice President & General Manager	No.53, Sec.2, Nan-king E. Rd., Chung-shan Dist., Taipei 10457, Taiwan	+886-2-25712568	+886-2-25427152
North Taipei Branch	Yu-Sheng Cheng Vice President & General Manager	No.156-1, Sung-chiang Rd., Chung-shan Dist., Taipei 10459, Taiwan	+886-2-25683658	+886-2-25682494
Taipei Fusing Branch	Shiou-Mei Lin Senior Vice President & General Manager	No.198, Sec.3, Nan-king E. Rd., Chung-shan Dist., Taipei 10488, Taiwan	+886-2-27516041	+886-2-27511704
Taipei Airport Branch	Shu-Ching Tung Vice President & General Manager	Taipei Sungshan Airport Building, No.340-9, Tun-hua N. Rd., Sung-shan Dist., Taipei 10548, Taiwan	+886-2-27152385	+886-2-27135420
Dun Hua Branch	Tsuyung Ni Vice President & General Manager	No.88-1, Dun-hua N. Rd., Sung-shan Dist., Taipei 10551, Taiwan	+886-2-87716355	+886-2-87738655
Sung Nan Branch	Chin-Kun Kuo Vice President & General Manager	No.234, Sec.5, Nan-king E. Rd., Sung-shan Dist., Taipei 10570, Taiwan	+886-2-27535856	+886-2-27467271
East Taipei Branch	Hsun-Chin Chan Vice President & General Manager	No.52, Sec.4, Min-sheng E. Rd., Sung-shan Dist., Taipei 10574, Taiwan	+886-2-27196128	+886-2-27196261
Ming Sheng Branch	Su-Ting Cheng Vice President & General Manager	No.128, Sec.3, Ming-sheng E. Rd., Sung-shan Dist., Taipei 10596, Taiwan	+886-2-27190690	+886-2-27190688

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Ta An Branch	Ping-Sen Liang Vice President & General Manager	No.182, Sec.3, Hsin-yi Rd., Ta-an Dist., Taipei 10658, Taiwan	+886-2-27037576	+886-2-27006352
An Ho Branch	Jen-Jhi Chen Vice President & General Manager	No.62, Sec.2, An-ho Rd., Ta-an Dist., Taipei 10680, Taiwan	+886-2-27042141	+886-2-27042075
Tun Nan Branch	Sui-Huang Lee Vice President & General Manager	No.62, Sec.2, Tun-hua S. Rd., Ta-an Dist., Taipei 10683, Taiwan	+886-2-27050136	+886-2-27050682
Chung Hsiao Branch	Ming-Huei Lee Vice President & General Manager	No.233, Sec.4, Chung-hsiao E. Rd., Ta-an Dist., Taipei 10692, Taiwan	+886-2-27711877	+886-2-27711486
World Trade Center Branch	Hui-Ru Kang Vice President & General Manager	1F, No.333, Sec.1, Keelung Rd., Hsin-yi Dist., Taipei 11012, Taiwan	+886-2-27203566	+886-2-27576144
Hsin Yi Branch	Shih-Tsung Hsu Vice President & General Manager	No.65, Sec.2, Keelung Rd., Hsin-yi Dist., Taipei 11052, Taiwan	+886-2-23788188	+886-2-23772515
Taipei Branch	Ray-Lin Liao Senior Vice President & General Manager	No.550, Sec.4, Chung-hsiao E. Rd., Hsin-yi Dist., Taipei 11071, Taiwan	+886-2-27587590	+886-2-27581265
Lan Ya Branch	Teh-Ming Wang Senior Vice President & General Manager	No.126, Sec.6, Chung-shan N. Rd., Shih-lin Dist., Taipei 11155, Taiwan	+886-2-28385225	+886-2-28341483
Tien Mou Branch	Kuo-Liang Sun Vice President & General Manager	No.193, Sec.7, Chung-shan N. Rd., Shih-lin Dist., Taipei 11156, Taiwan	+886-2-28714125	+886-2-28714374
Nei Hu Branch	Hong-Yeh Lee Vice President & General Manager	No.68, Sec.4, Cheng-kung Rd., Nei-hu Dist., Taipei 11489, Taiwan	+886-2-27932050	+886-2-27932048
Nei Hu Science Park Branch	Meng-Hsia Tsai Vice President & General Manager	No.472, Jui-kuang Rd., Nei-hu Dist., Taipei 11492, Taiwan	+886-2-87983588	+886-2-87983536
East Nei Hu Branch	Chun-Yi Hou Vice President & General Manager	No.202, Kang-chien Rd., Nei-hu Dist., Taipei 11494, Taiwan	+886-2-26275699	+886-2-26272988
Nan Gang Branch	Hsiu-Yuan Lu Vice President & General Manager	No.21-1, Sec.6, Jhong-siao E. Rd., Nan-gang Dist., Taipei 11575, Taiwan	+886-2-27827588	+886-2-27826685
Keelung Branch	Chuen-Yeou Yeh Vice President & General Manager	No.24, Nan-jung Rd., Ren-ai Dist., Keelung 20045, Taiwan	+886-2-24228558	+886-2-24294089
Ban Qiao Branch	Ming-Feng Lee Vice President & General Manager	No.51, Sec.1, Wen-hua Rd., Banqiao Dist., New Taipei City 22050, Taiwan	+886-2-29608989	+886-2-29608687
South Banqiao Branch	Hsiu-Chin Hsin Vice President & General Manager	No.148, Sec.2, Nan-ya S. Rd., Banqiao Dist., New Taipei City 22060, Taiwan	+886-2-89663303	+886-2-89661421
Xin Dian Branch	Pei-Hong Wu Vice President & General Manager	No.173, Sec.2, Bei-xin Rd., Xindian Dist., New Taipei City 23143, Taiwan	+886-2-29182988	+886-2-29126480
Shuang He Branch	Chi-Huang Wu Vice President & General Manager	No.67, Sec.1, Yong-he Rd., Yonghe Dist., New Taipei City 23445, Taiwan	+886-2-22314567	+886-2-22315288

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Yong He Branch	Ming-Kai Chao Vice President & General Manager	No.201, Fuhe Rd., Yong-he Dist., New Taipei City 23450, Taiwan	+886-2-29240086	+886-2-29240074
Zhong He Branch	Heh-Yeau Wu Senior Vice President & General Manager	No.124, Sec.2, Zhong-shan Rd., Zhonghe Dist., New Taipei City 23555, Taiwan	+886-2-22433567	+886-2-22433568
Tu Cheng Branch	Hsiu-Chu Wu Vice President & General Manager	No.276, Sec.2, Zhong-yang Rd., Tucheng Dist., New Taipei City 23669, Taiwan	+886-2-22666866	+886-2-22668368
South San Chong Branch	Wei-Chen Lee Vice President & General Manager	No.12, Sec.4, Chong-xin Rd., Sanchong Dist., New Taipei City 24144, Taiwan	+886-2-29748811	+886-2-29724901
San Chong Branch	Shoei-Bin Lin Vice President & General Manager	No.99, Sec.3, Chong-yang Rd., Sanchong Dist., New Taipei City 24145, Taiwan	+886-2-29884455	+886-2-29837225
Xin Zhuang Branch	An-Chang Chen Vice President & General Manager	No.421, Si-yuan Rd., Xinzhuang Dist., New Taipei City 24250, Taiwan	+886-2-22772888	+886-2-22772881
Si Yuan Branch	Shu-Hua Chung Vice President & General Manager	No.169, Si-yuan Rd., Xinzhuang Dist., New Taipei City 24250, Taiwan	+886-2-29986661	+886-2-29985973
Yi Lan Branch	Tien-Shun Chang Vice President & General Manager	No.338, Min-zu Rd., Yilan City, Yilan County 26048, Taiwan	+886-3-9310666	+886-3-9311167
Lo Tung Branch	Chyi-Yee Chen Senior Vice President & General Manager	No.195, Sec.2, Chun-ching Rd., Lo-tung Town, Ilan County 26549, Taiwan	+886-3-9611262	+886-3-9611260
Chung Li Branch	Shu-Te Hsu Vice President & General Manager	No.46, Fu-hsing Rd., Chung-li Dist.,, Tao-yuan City 32041, Taiwan	+886-3-4228469	+886-3-4228455
North Chung Li Branch	Lien-Kuei Kuo Vice President & General Manager	No.406, Huan-bei Rd., Chung-li Dist., Tao-yuan City 32070, Taiwan	+886-3-4262366	+886-3-4262135
Tao Yuan Branch	Fu-San Lin Vice President & General Manager	No.2, Sec.2, Cheng-kung Rd., Tao-yuan Dist., Tao-yuan City 33047, Taiwan	+886-3-3376611	+886-3-3351257
Tao Hsin Branch	Tsung-Che Liang Vice President & General Manager	No.180, Fu-hsin Rd., Tao-yuan Dist., Tao-yuan City 33066, Taiwan	+886-3-3327126	+886-3-3339434
Pa Teh Branch	Ling-Hua Lin Vice President & General Manager	No.19, Da-jhih Rd., Pa-teh Dist., Tao-yuan City 33450, Taiwan	+886-3-3665211	+886-3-3764012
Tao Yuan International Airport Branch	Alice Yia-Shu Lin Senior Vice President & General Manager	No.15, Hang-jan S. Rd., Da-yuan Dist., Tao-yuan City 33758, Taiwan	+886-3-3982200	+886-3-3834315
Nan Kan Branch	Su-Min Liu Vice President & General Manager	No.33, Zhong-zheng Rd., Luzhu Dist., Tao-yuan City 33861, Taiwan	+886-3-3525288	+886-3-3525290
Hsinchu Branch	Chu-Po Chou Senior Vice President & General Manager	1F, 2F, No.417-419, Sec.2, Gongdao 5th Rd., Hsinchu City 30069, Taiwan	+886-3-5733399	+886-3-5733311

Branch Name	Manager & Title	Address	Phone Number	Fax Number
North Hsinchu Branch	Tzu-Chen Kung Senior Vice President & General Manager	No.129, Chung-cheng Rd., Hsinchu City 30051, Taiwan	+886-3-5217171	+886-3-5262642
Hsinchu Science Park Chu-tsuen Branch	Chien-Chih Kuo Vice President & General Manager	No.21, Chu-tsuen 7th Rd., Hsinchu Science Park, Hsinchu City 30075, Taiwan	+886-3-5773155	+886-3-5778794
Hsinchu Science Park Hsin-an Branch	Yung-Cheng Yeh Vice President & General Manager	No.1, Hsin-an Rd., Hsinchu Science Park, Hsinchu City 30076, Taiwan	+886-3-5775151	+886-3-5774044
Jhu Bei Branch	Yu-Ling Lee Vice President & General Manager	No.155, Guang-ming 1st Rd., Jhu-bei City, Hsinchu County 30259, Taiwan	+886-3-5589968	+886-3-5589998
Zhunan Science Park Branch	Deng-Quey Liu Vice President & General Manager	Rm.105, 1F No.36, Ke-yan Rd., Zhunan Township, Miaoli County 35053, Taiwan	+886-37-682288	+886-37-682416
Tou Fen Branch	Tsan-Yu Yang Vice President & General Manager	No.916, Chung-hwa Rd., Tou-fen City, Miao-li County 35159, Taiwan	+886-37-688168	+886-37-688118
Taichung Branch	Rei-Chan Tsai Senior Vice President & General Manager	No.216, Ming-chuan Rd., Central Dist., Taichung 40041, Taiwan	+886-4-22281171	+886-4-22241855
Central Taichung Branch	Chung-Yang Liao Vice President & General Manager	No.194, Sec.1, San-min Rd., West Dist., Taichung 40343, Taiwan	+886-4-22234021	+886-4-22246812
South Taichung Branch	Ming-Kuang Lee Senior Vice President & General Manager	No.257, Sec.1, Wu-chuan W. Rd., West Dist., Taichung 40347, Taiwan	+886-4-23752529	+886-4-23761670
East Taichung Branch	Yow-Der Wang Vice President & General Manager	No.330, Chin-hwa N. Rd., North Dist., Taichung 40457, Taiwan	+886-4-22321111	+886-4-22368621
North Taichung Branch	Shu-Er Huang Senior Vice President & General Manager	No.96, Sec.3, Taiwan Blvd., Xitun Dist., Taichung 40756, Taiwan	+886-4-23115119	+886-4-23118743
Pouchen Branch	De-Chung Liao Vice President & General Manager	No.600, Sec.4, Taiwan Blvd., Xitun Dist., Taichung 40764, Taiwan	+886-4-24619000	+886-4-24613300
Rung Tzung Branch	Ching-Shien Li Vice President & General Manager	No.1650, Sec.4, Taiwan Blvd., Xitun Dist., Taichung 40705, Taiwan	+886-4-23500190	+886-4-23591281
Tai Ping Branch	Hung-Fuh Wu Vice President & General Manager	No.152, Zhong-xing E. Rd., Taiping Dist., Taichung 41167, Taiwan	+886-4-22789111	+886-4-22777546
Da Li Branch	Ya-Ling Chen Vice President & General Manager	No.600, Shuang-wen Rd., Dali Dist., Taichung 41283, Taiwan	+886-4-24180929	+886-4-24180629
Feng Yuan Branch	Hsueh-Chu Hsieh Vice President & General Manager	No.519, Zhong-zheng Rd., Fengyuan Dist., Taichung 42056, Taiwan	+886-4-25285566	+886-4-25274580
Hou Li Branch	Su-Li Lai Vice President & General Manager	No.666, Sec.1, Jia-hou Rd., Houli Dist., Taichung 42144, Taiwan	+886-4-25588855	+886-4-25580166
Tan Zi Branch	Chien-Ping Wu Vice President & General Manager	No.3, Nan 2nd Rd., T.E.P.Z., Tanzi Dist., Taichung 42760, Taiwan	+886-4-25335111	+886-4-25335110

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Central Taiwan Science Park Branch	Ching-Ho Tu Vice President & General Manager	2F., No.28, Ke-ya Rd., Daya Dist., Taichung 42881, Taiwan	+886-4-25658108	+886-4-25609230
Sha Lu Branch	Hsu-Kuang Hsu Vice President & General Manager	No.533, Zhong-shan Rd., Shalu Dist., Taichung 43344, Taiwan	+886-4-26656778	+886-4-26656399
Da Jia Branch	Teih-Tsang Liang Vice President & General Manager	No.1033, Sec.1, Zhong-shan Rd., Dajia Dist., Taichung 43744, Taiwan	+886-4-26867777	+886-4-26868333
North Changhua Branch	Wen-Yeong Hsieh Senior Vice President & General Manager	No.39, Kuang-fuh Rd., Changhua City, Changhua County 50045, Taiwan	+886-4-7232111	+886-4-7243958
South Changhwa Branch	Kuo-Chih Hsu Vice President & General Manager	No.401, Sec.1, Chung-shan Rd., Changhwa City, Changhwa County 50058, Taiwan	+886-4-7613111	+886-4-7622656
Lu Gang Branch	Kuan-Yu Wu Vice President & General Manager	No.254, Zhong-shan Rd., Lu-gang Town, Changhua County 50564, Taiwan	+886-4-7788111	+886-4-7788600
Yuan Lin Branch	Fu-Kuei Wu Vice President & General Manager	No.338, Sec.1, Da-tong Rd., Yuan-lin City, Changhua County 51056, Taiwan	+886-4-8332561	+886-4-8359359
Nan Tou Branch	Chia-Ming Dia Vice President & General Manager	No.45, Wen-chang St., Nan-tou City, Nan-tou County 54048, Taiwan	+886-49-2232223	+886-49-2232758
Dou Liu Branch	Chui-Ping Chiang Vice President & General Manager	No.1, Shang-hai Rd., Dou-liu City, Yun-lin County 64048, Taiwan	+886-5-5361779	+886-5-5337830
Chia Yi Branch	Shu-Kwei Chang Vice President & General Manager	No.259, Wen-hua Rd., Chia-yi City 60044, Taiwan	+886-5-2241166	+886-5-2255025
Chia Hsin Branch	Shoh-Chi Doong Vice President & General Manager	No.379, Wu-fong N. Rd., Chia-yi City 60045, Taiwan	+886-5-2780148	+886-5-2769252
Tainan Branch	Hsuan-Shu Chen Senior Vice President & General Manager	No.14, Sec.2, Chung-yi Rd., Tainan 70041, Taiwan	+886-6-2292131	+886-6-2224826
Tainan Fucheng Branch	Chun-Fu Chen Senior Vice President & General Manager	No.90, Chung-shan Rd., Tainan 70043, Taiwan	+886-6-2231231	+886-6-2203771
East Tainan Branch	Yi-Ren Hwang Vice President & General Manager	No.225, Sec.1, Chang-jung Rd., Tainan 70143, Taiwan	+886-6-2381611	+886-6-2378008
Yong Kang Branch	Suen-Pann Chen Vice President & General Manager	No.180, Zhong-shan Rd., Yongkang Dist., Tainan 71090, Taiwan	+886-6-2019389	+886-6-2016251
Tainan Science Park Branch	Ya-Li Tseng Vice President & General Manager	No.13, Nan-ke 3rd Rd., Xinshi Dist., Tainan 74147, Taiwan	+886-6-5052828	+886-6-5051791
Cheng Gong Branch	Charng-Er Kuo Vice President & General Manager	No.88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung 80661, Taiwan.	+886-7-5352000	+886-7-3312866
Wu Fu Branch	Wen-Jiaw Hung Vice President & General Manager	No.82, Wu-fu 2nd Rd., Hsin-hsing Dist., Kaohsiung 80043, Taiwan	+886-7-2265181	+886-7-2260919
Hsin Hsing Branch	Guang-Huei Lu Vice President & General Manager	No.308, Chung-shan 1st Rd., Hsin-hsing Dist., Kaohsiung 80049, Taiwan	+886-7-2353001	+886-7-2350962

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Kaohsiung Branch	Tsair-Quey Chang Vice President & General Manager	No.235, Chung-cheng 4th Rd., Qian-jin Dist., Kaohsiung 80147, Taiwan	+886-7-2515111	+886-7-2212554
Kaohsiung Metropolitan Branch	Chien-Chung Chen Senior Vice President & General Manager	No.253, Chung-cheng 4th Rd., Qian-jin Dist., Kaohsiung 80147, Taiwan	+886-7-2510141	+886-7-2811426
Ling Ya Branch	Her-Song Pan Vice President & General Manager	No.8, Sze-wei 4th Rd., Ling-ya Dist., Kaohsiung 80247, Taiwan	+886-7-3355595	+886-7-3355695
San Tuo Branch	Chong-Yin Lee Vice President & General Manager	No.93, San-tuo 2nd Rd., Ling-ya Dist., Kaohsiung 80266, Taiwan	+886-7-7250688	+886-7-7211012
San Min Branch	Ching-Feng Chung Vice President & General Manager	No.225, Chung-hua 1st Rd., Gu-shan Dist., Kaohsiung 80455, Taiwan	+886-7-5536511	+886-7-5224202
Kaohsiung Fishing Port Branch	Chun-Nan Chen Vice President & General Manager	Room 107, No.3, Yu-kang E. 2nd Rd., Kaohsiung 80672, Taiwan	+886-7-8219630	+886-7-8117912
Kaohsiung Export Processing Zone Branch	Jia-Feng Liu Vice President & General Manager	No.2, Chung 4th Rd., Kaohsiung Export Processing Zone, Kaohsiung 80681, Taiwan	+886-7-8316131	+886-7-8314393
North Kaohsiung Branch	Feng-Wen Chen Vice President & General Manager	No.532, Chiu-ju 2nd Rd., Kaohsiung 80745, Taiwan	+886-7-3157777	+886-7-3155506
East Kaohsiung Branch	Yaw-Ching Tseng Vice President & General Manager	No.419, Ta-shun 2nd Rd., Kaohsiung 80787, Taiwan	+886-7-3806456	+886-7-3806608
Nan Tze Branch	Chen-Hui Chen Vice President & General Manager	No.600-1, Chia-chang Rd., Nantze Export Processing Zone, Kaohsiung 81170, Taiwan	+886-7-3615131	+886-7-3633043
Chung Kang Branch	Yu-Chuan Chu Vice President & General Manager	No.1, Chung-kang Rd., Kaohsiung 81233, Taiwan	+886-7-8021111	+886-7-8034911
Kaohsiung International Airport Branch	Chun-Hsia Chien Vice President & General Manager	Kaohsiung International Airport, No.2, Chung-shan 4th Rd., Kaohsiung 81252, Taiwan	+886-7-8067866	+886-7-8068841
Ren Wu Branch	Ying-Liang Jhu Vice President & General Manager	No.2, Zhong-zheng Rd., Renwu Dist., Kaohsiung 81451, Taiwan	+886-7-3711144	+886-7-3740764
Gang Shan Branch	Chyi-Fure Jiang Vice President & General Manager	No.138, Zhong-shan N. Rd., Gangshan Dist., Kaohsiung 82065, Taiwan	+886-7-6230300	+886-7-6230608
Feng Shan Branch	Hsiao-Chin Ma Vice President & General Manager	No.248, Zhong-shan W. Rd., Fengshan Dist., Kaohsiung 83068, Taiwan	+886-7-7473566	+886-7-7477566
Ping Tung Branch	Huey-Ru Chao Vice President & General Manager	No.213, Ming-tsu Rd., Ping-tung City, Ping-tung County 90078, Taiwan	+886-8-7323586	+886-8-7321651
Hua Lien Branch	Chih-Haw Liu Vice President & General Manager	No.26, Kung-yuan Rd., Hua-lien City, Hua-lien County 97048, Taiwan	+886-3-8350191	+886-3-8360443
Kin Men Branch	Hung-Chi Lai Vice President & General Manager	No.37-5, Min-sheng Rd., Jin-cheng Town, Kin-men County 89345, Taiwan	+886-82-375800	+886-82-375900

Offshore Banking Branch, Overseas Branches & Representative Offices

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Offshore Banking Branch	Chien-Chuang Chien Vice President & General Manager	No.100, Chi-lin Rd., Chung-shan Dist., Taipei 10424, Taiwan	+886-2-25633156	+886-2-25637138
New York Branch	Shiow Lin Senior Executive Vice President & General Manager	65 Liberty Street, New York, NY 10005, U.S.A.	+1-212-6084222	+1-212-6084943
Los Angeles Branch	Yi-Ming Ko Senior Vice President & General Manager	445 South Figueroa Street, Suite 1900, Los Angeles, CA 90071, U.S.A.	+1-213-4893000	+1-213-4891183
Chicago Branch	Hung-Hui Chen Senior Vice President & General Manager	2 North La Salle Street, Suite 1803, Chicago, IL 60602, U.S.A.	+1-312-7829900	+1-312-7822402
Silicon Valley Branch	Nian-Tzy Yeh Senior Vice President & General Manager	333 West San Carlos Street, Suite 100, Box 8, San Jose, CA 95110, U.S.A.	+1-408-2831888	+1-408-2831678
Toronto Branch	Chung-Shin Loo Senior Vice President & General Manager	4950 Yonge Street, Suite 1002, Toronto, Ontario, M2N 6K1, Canada	+1-416-9472800	+1-416-9479964
Vancouver Branch	Ming-Shan Wu Vice President & General Manager	1095 West Pender Street, Suite 1250, Vancouver, British Columbia, V6E 2M6, Canada	+1-604-6895650	+1-604-6895625
Panama Branch	Fan-Tsan Kon Vice President & General Manager	Calle 50 Y Esquina Margarita A, de Vallarino, Entrada Nuevo Campo Alegre, Edificio MEGAICBC No.74, P.O. Box 0832-01598, Panama City, Republic of Panama	+507-2638108	+507-2638392
Paris Branch	Jing-Fong Chiou Vice President & General Manager	133 Rue de Tolbiac, 75013 Paris, France	+33-1-44230868	+33-1-45821844
Amsterdam Branch	Shiow-Ling Wu Vice President & General Manager	World Trade Center, Strawinskylaan 1203, 1077XX, Amsterdam, The Netherlands	+31-20-6621566	+31-20-6649599
London Branch	Li-Wen Kao Vice President & General Manager	4th Floor, Michael House, 35 Chiswell Street, London, EC1Y 4SE, United Kingdom	+44-20-75627350	+44-20-75627369
Sydney Branch	Bi-Huei Jin Senior Vice President & General Manager	Level 8, 10 Spring Street, Sydney NSW 2000, Australia	+61-2-92301300	+61-2-92335859
Brisbane Branch	Chun-Yu Kuo Vice President & General Manager	Suite 1-3, 3 Zamia Street, Sunnybank, QLD 4109, Australia	+61-7-32195300	+61-7-32195200
Melbourne Branch	Yu-Song Chen Vice President & General Manager	Level 20, 459 Collins Street, Melbourne VIC 3000, Australia	+61-3-86108500	+61-3-96200600
Tokyo Branch	Chih-Liang Chen Senior Vice President & General Manager	7F, Kishimoto Bldg. No.2-1, Marunouchi 2-Chome, Chiyoda-Ku, Tokyo 100-0005, Japan	+81-3-32116688	+81-3-32165686
Osaka Branch	Hwa-Yueh Lin Vice President & General Manager	4-11, 3-chome, Doshomachi, Chuo-ku, Osaka 541-0045, Japan	+81-6-62028575	+81-6-62023127
Manila Branch	Rong-Hwa Lin Senior Vice President & General Manager	3rd Floor, Pacific Star Bldg., Makati Avenue, Makati City, Philippines	+63-2-8115807	+63-2-8115815

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Ho Chi Minh City Branch	Mao-Jung Chu Vice President & General Manager	Ground Floor, Landmark Building, 5B Ton Duc Thang, Dist 1, Ho Chi Minh City, Vietnam	+84-28-38225697	+84-28-38229191
Singapore Branch	Wen-Sheng Chiang Senior Vice President & General Manager	80 Raffles Place#23-20 UOB Plaza 2 Singapore 048624	+65-62277667	+65-62271858
Labuan Branch	Ching-Tsung Wang Vice President & General Manager	Level 7 (E2), Main Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000 F. T. Labuan, Malaysia	+60-87-581688	+60-87-581668
Kuala Lumpur Marketing Office	Ching-Tsung Wang Vice President & General Manager	Suite 12-04, Level 12, Wisma Goldhill 67, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	+60-3-20266966	+60-3-20266799
Hong Kong Branch	Chien-Hung Chen Vice President & General Manager	Suite 2201&2205, 22/F, Prudential Tower, The Gateway, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong	+852-25259687	+852-25259014
Phnom Penh Branch	Jiunn-Horgn Shyu Vice President & General Manager	No.139, St.274 Independent Monument, BKK I, Chamkarmorn, Phnom Penh, Cambodia	+855-23-988101	+855-23-217982
Phnom Penh Airport Sub-Branch	Yao-Tsung Huang Vice President & General Manager	No.601, Confederation De La Russie Blvd., Phum Porbrork Khangchoeung, Sangkat Karkab, Khan Porsenchey, Phnom Penh, Cambodia	+855-23-969656	+855-23-969661
Olympic Sub-Branch	Pei-Wuu Hsieh Vice President & General Manager	No.38B, Preah Monireth Blvd. (Street 217), Phum 10, Sangkat Toul Svay Prey 2, Khan Chamkarmorn, Phnom Penh, Cambodia	+855-23-988130	+855-23-988134
Tuol Kouk Sub-Branch	Chin-Lung Chou Vice President & General Manager	No.2A-2B, Street 315, Phum 8, Sangkat Boeng Kak 1, Khan Tuol Kouk, Phnom Penh, Cambodia	+855-23-988156	+855-23-988155
Suzhou Branch	Jing-Fu Yang Senior Vice President & General Manager	RM 104,1F, Jianwu Building, No.188, Wangdun Rd., Suzhou Industrial Park, Jiangsu, China	+86-512-62966568	+86-512-62966698
Wujiang Sub-Branch	Ting-Hau Chang Vice President & General Manager	NO.768, Yundong Road, Wujiang Economic and Technological Development Zone, Suzhou, Jiangsu, China	+86-512-66086088	+86-512-66086006
Kunshan Sub-Branch	Chien-Ting Liu Vice President & General Manager	1F, No.180, Qianjin Middle Road, Kunshan, Suzhou, Jiangsu, China	+86-512-50376166	+86-512-50376169
Ningbo Branch	Ying-Chin Hsu Vice President & General Manager	No.1880 Zhongshan East Road, Jiangdong District, Ningbo, Zhejiang Province, China	+86-574-87283939	+86-574-87283737
Representative Office in Mumbai	Cheng-Chou Hsieh Vice President & Representative	203, Fl. 2, Accord, Opp. Bus Depot, Station Road., Goregoan (E) Mumbai 400 063, India	+91-22- 64646162	+91- 22-64646162
Representative Office in Abu Dhabi	Chou-Wen Pan Vice President & Representative	3002, 30th FL, Shining Towers, Khalidiya, P.O.Box 42782, Abu Dhabi, U.A.E.	+971-2-6671846	+971-2-4488263
Representative Office in Yangon	Lien-Chang Lin Vice President & Representative	Room 110, Prime Hill Business Square, No.60, Shwe Dagon Pagoda Road, Dagon Township, Yangon, Myanmar	+95-1-382-710 Ext. 11010	

Subsidiaries

Mega International Commercial Bank Public Co., Ltd.				
Branch Name	**Manager & Title**	**Address**	**Phone Number**	**Fax Number**
Head Office	Juei-Heng Chia President & Chief Executive Officer	36/12 P.S. Tower, Asoke, Sukhumvit 21 Road, Klongtoey-nua, Wattana, Bangkok 10110, Thailand	+66-2-2592000	+66-2-2591330
Chonburi Branch	Tong-Hai Her Vice President & General Manager	88/89 Moo 1, Sukhumvit Road, Huaykapi Sub-District, Muang District, Chonburi Province 20000, Thailand	+66-38-192158	+66-38-192117
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