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2017

中華民國一〇六年年報 ANNUAL REPORT

臺灣中小企業銀行
Taiwan Business Bank

Notice to readers

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 Chinese version, the Chinese version shall prevail.

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Flotation at Overseas Stock Exchange and Information Inquiry: None

臺灣中小企業銀行

Taiwan Business Bank

深耕臺灣　連結亞太　布局全球

We can be the best !

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I Message from the Management

The global economy continued heating up in 2017, primarily because positive growth in the advanced economies of America and Europe supported consumer and investor confidence; despite the fact that structural readjustment in China put downward pressure on the speed of economic growth there, the global economy still grew at a high 3.2% for the year. With the support of all our shareholders and clients, along with the dedicated efforts of our entire staff, the TBB exerted itself to the expansion of business in 2017; because of increased provision for bad debt, however, the Bank's before-tax profit declined slightly in comparison with 2016.

Looking ahead to 2018, according to the latest "World Economic Outlook" report by the International Monetary Fund (IMF), following a period of weakness, the pace of global economic growth is expected to speed up in 2018 and 2019 in response to the strengthening of global growth momentum and the expected impact of the recently approved changes in U.S. tax policy. Because of these factors, global economic growth is expected to reach 3.9% in both 2018 and 2019. The IMF also indicates that the global economy is currently facing certain risks, including a possible turning inward of U.S. policy that would lead to a rising tide of protectionism; a potential tightening of financial conditions that exceeds expectations, causing weakness in the euro area and some emerging economies; and uncertainty about China's economic performance. These factors call for continued attention. According to forecasts by the Directorate General of Budget, Accounting and Statistics, and other domestic institutions, Taiwan's economy will grow at a rate of between 2.27% and 2.42% in 2018; the threats posted by the direction of American fiscal and monetary policy, and by its trade protectionism, continue to exist, however, and this will have an impact on global trade, economy, and financial markets, and the restructuring of China's economy, and its localization of industry, will influence Taiwan's domestic economic performance. In addition, the continued rise of geopolitical risk in Northeast Asia and other areas will have an impact on the global economy, and this too will influence Taiwan's economic performance. Despite the existence of such unfavorable factors as the increased difficulty of operations in the domestic and overseas investment markets caused by macro-environmental variables, and the added cost burden brought on by the reinforcement of information security and legal compliance activities, in general we can look forward to an improvement of the banking industry's performance and a small growth of profits in 2018.

In the future, the TBB will continue promoting businesses related to government policy and will continuously work vigorously to develop financial technology, and to reinforce information technology and the control of information security. We will establish a "learning and sharing" corporate culture so as to provide our customers with more professional financial consultation services, we will continuously strengthen loan-related risk controls, and we will promote a culture of legal compliance and carry through with internal controls by means of three lines of defense. In addition, we will constantly engage in charity and public-benefit activities to show our concern for disadvantaged groups, and we will fulfill our corporate social responsibility so as to establish the Bank's brand as a leader in small and medium enterprise financing and open a new page as the TBB enters its second century of sustainable development.

Chairman
Bor-Yi Huang

President
James Shih

II Bank Profile

Executive Vice President	Executive Vice President	Executive Vice President	Executive Vice President (Chief Compliance Officer)	Executive Vice President	Chief Auditor
Chang-Yi Chen	**Chih-Chien Chang**	**Gordon Y. Wang**	**Mei-Yeh Wu**	**Jun-Shen Tseng**	**Chiu-Yen Chen**

1. Establishment and History

The forerunners of the Taiwan Business Bank were two private cooperative savings institutions, one established in Taipei in June of 1915 and the other in Tainan the following month. The Taipei institution was merged into another company in 1920 and the Tainan institution was reorganized under a different name in 1926.

Following the restoration of Taiwan to China on Oct. 25, 1945, these two savings institutions, along with two others, were taken over by the Taiwan Provincial Government and, on Sep. 1, 1946 were combined and reorganized into the Taiwan Mutual Financial Co. On May 31 the following year, this new financial institution absorbed the Tokiwa Real Estate Co., bringing its capitalization to NT$10 million. Its name was changed to the Taiwan Provincial Loans and Savings Co. on June 1, 1947 and again to the Taiwan Mutual Loans and Savings Co. in January 1948.

The government moved to promote Taiwan's economic development and boost the growth of its small and medium enterprises (SMEs) in 1975 by revising the Banking Law and writing in an additional provision for a specialized SME bank. In line with this government policy, the Taiwan Mutual Loans and Savings Co. was reorganized into the Medium Business Bank of Taiwan (later to be known as the Taiwan Business Bank, or TBB) on July 1, 1976, whereupon it became a specialized bank charged with the provision of financial assistance and guidance to SMEs. It has been cultivating the SME financial services field now for more than 30 years. Later, to cope with the liberalized and internationalized financial environment, and to conform to the government's vision of promoting Taiwan to become Asia-Pacific Regional Operations Center, the TBB was transformed into a private bank on January 22, 1998 and entered into a whole new era.

At the time of the TBB's reorganization in 1976, it had a capitalization of NT$500 million, 50 branches, and 58 sub-branches. To build up the Bank's operating capital and strengthen its operating structure, repeated capital increases have brought total capitalization to NT$61,479.62 million today. The Bank's structural framework has also been readjusted constantly in response to changes in the financial environment and in business needs. An Auditing Depatment and a Secretarial Department were set up under the Board of Directors in the headquarters. Apart from Compliance and Legal Department, the Bank's management units include 18 departments under three major business groups and three major management centers. The Bank has 125 domestic business units (including the Banking Department) and an Offshore Banking Unit, and also operates eight overseas branches, including Los Angeles Branch and New York Branch in the U.S., Sydney Branch and Brisbane Branch in Australia, Hong Kong Branch, Shanghai Branch and Wuhan Branch in China, and Tokyo Branch in Japan, along with the Yangon

Representative Office in Myanmar. Regional Operation Centers were set up to handle business development and supervision, centralized business managemenet, operational services, and other business support functions in order to enhance business promotion capability and reinforce asset quality control. In addition, Domestic Processing Centers were established to upgrade operating performance through the centralized handling of domestic remittances, bills collection and withdrawal.

2. Bank M&A, reinvestment in related enterprises, and reorganization in 2017 and to the end of February 2018

The Bank carried out no M&A or reorganization during this period. Reinvestment was made in 100% ownership in four enterprises—the Taiwan Business Bank Life Insurance Agency Co., Ltd, Taiwan Business Bank Property Insurance Agency Co., Ltd, TBB International Leasing Co., Ltd and TBB (Cambodia) Microfinance Instituion PLC—and the TBB International Leasing Co., Ltd reinvested in 100% ownership in a firm, the Taiwan Business Bank International Leasing Co., Ltd.

3. Membership in a designated financial holding company: None.

4. Major exchanges or transfers of shares by directors, supervisors, and others required to report shareholding under Article 25, Paragraph 3 of the Banking Law in 2017 and to the end of February 2018: None

5. Major changes in operating rights, operating methods, or business content; other major events of sufficient import to affect shareholder rights; and their influence on the Bank: None.

III Organizational Framework

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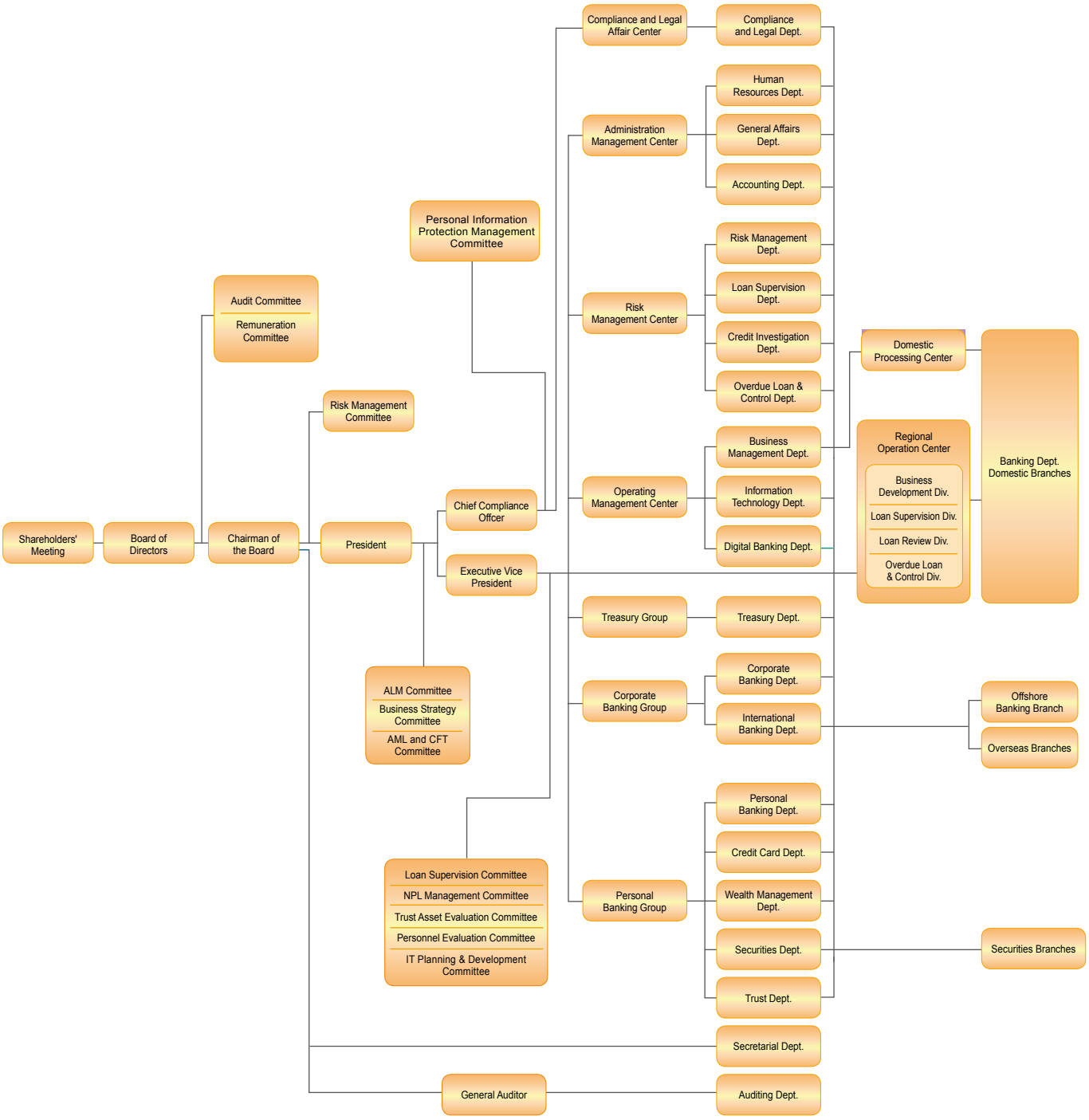
11 2. Directors Information

11 3. List of Major Shareholders

12 4. Operations of Major TBB Units

1. Organization Chart



As of Dec.31 2017

2. Directors Information

Dec.31 2017

Title	Name
Acting Chairman of the Board	Bor-Yi Huang
Managing Director & President	Tsan-Huang Chou
Managing Director	Shiu-Yen Lin
Managing Director	Hong-Chi Chang
Independent Managing Director	Chau-Chen Yang
Director	Wen-Chieh Wang
Director	Hung-Sheng Yu
Director	Li-Ling Lin
Director	Pei-Ming Huang
Director	Ying-Ming He
Director	Ming-Hua Shie
Director	Jong-Jyr Kau
Director	Che-Nan Wang
Independent Director	Chih-Yu Cheng
Independent Director	Yaw-Huei Huang

3. List of Major Shareholders

Dec.31 2017

Name	Shares	%
Bank of Taiwan	1,058,933,860	17.22%
Hua Nan Commercial Bank Trustee Account-Mega Financial Holding Company	738,604,841	12.01%
Kin Ming Investment Co., Ltd	162,231,435	2.64%
Land Bank of Taiwan	149,244,703	2.43%
Ministry of Finance	135,631,247	2.21%
Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds	88,656,441	1.44%
Chen Hai Lin	77,886,043	1.27%
Chun Jin Shi	63,774,871	1.04%
CitiBank Taiwan was commissioned and management investor account of Dimension emerging market estimate fund	59,649,705	0.97%
BES Engineering Corporation	58,298,000	0.95%

Note: The holding shares accord with the book records of last ex-dividend date. Hua Nan Commercial Bank Trustee Account is a trust property of Mega Financial Holding Company which was trusted on April 16, 2013. Mega Financial Holding Company remains the right of disposal.

4. Operations of Major TBB Units

(1) Corporate Banking Group

This unit handles financial services for corporate customers, including business planning, promotion, and improvement in respect to loan products, forex products, and corporate financial planning products. It understands customers' needs and proactively carries out marketing, and is responsible for development and service in regard to the Group's products and customers as well as for improvement of the Bank's asset quality, operating income, and profit. The Corporate Banking Dept. and International Banking Dept. operate under the Corporate Banking Group.

(2) Personal Banking Group

This unit handles planning, promotion, and improvement of the Bank's personal loan products, financial planning for customers, and marketing services for financial planning products. It carries out proactive marketing based on an understanding of customers' needs, is responsible for development and service in regard to the Group's products and customers, and maintains improvement of the Bank's asset quality, operating income, and profit. The Personal Banking Dept., Credit Card Dept., Wealth Management Dept., Securities Dept, and Trust Dept. operate under the Personal Banking Group.

(3) Treasury Group

The Treasury Group handles planning, promotion, and improvement of the Bank's financial businesses, and is responsible for development and service in regard to the Group's products and customers as well as for maintaining improvement of the Bank's asset quality, operating income, and profit. The Treasury Dept. operates under the Treasury Group.

(4) Risk Management Center

The Risk Management Center handles risk control, maintenance of the quality of the Bank's loan assets, and investigation and review of loan cases and products, middle-office risk control for financial planning, economic and financial research and industry investigation, and the collection of overdue loans. The Loan Supervision Dept., Credit Investigation Dept., Overdue Loan & Control Dept., and Risk Management Dept. operate under the Risk Management Center.

(5) Operating Management Center

The Operating Management Center is charged with bank-wide performance analysis, management and planning for operational management and information operations, provision of full and necessary support for business development, and simplification of the planning process, so as to achieve operational centralization and upgrade operational efficiency. The Center also handles planning and implementation of bank-wide operating strategy formulation, confidential matters, and public relations. The Business Management Dept. and Information Technology Dept. operate under the Center.

(6) Administration Management Center

This Center handles the planning and implementation of document administration, legal affairs, human resources, and accounting systems, as well as other matters not assigned to other units. The Human Resources Dept., Legal Affairs Dept., General Affairs Dept., and Accounting Dept. operate under the Center.

(7) Compliance and Legal Department

Compliance and Legal Department handles the planning, management and implementation of legal compliance system and legal affai

IV Business Performance in 2017

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1. The Domestic and Overseas Financial Environments

In 2017, the American labor market was strong and corporate investment vigorous, leading to growth in the economy. The continuing monetary easing policy in the Eurozone boosted economic expansion and the unemployment rate dropped, bolstering consumer confidence, and both the U.K. and Germany registered growth. Structural adjustment continued in China, where the removal of excess production capacity and the imposition of controls in the housing market restrained the speed of economic growth. Information released by IHS Markit indicates that the global economy grew at a rate of 3.2% that year, and that global performance was continuing to warm up.

According to statistics compiled by the Directorate General of Budget, Accounting and Statistics, Taiwan's economy grew by 2.86% in 2017. The steady recovery of the global economy in the first quarter of that year supported the momentum of domestic consumption, semiconductor demand continued strong, and the international prices of agricultural and industrial raw materials rose; these factors, plus a low base period, lead to an expansion of Taiwan's goods exports. To maintain their advantage in production processes and intelligent applications, domestic semiconductor and related supply-chain companies continued to increase their investment in high-level processes and, with continued government strengthening of infrastructure construction, Taiwan's economy grew 2.64% for the period. In the second quarter, domestic consumption increased, demand for basic metals and their products as well as machinery strengthened; commodity exports expanded, and the economy grew 2.28%. In the third quarter, with the pace of global recovery speeding up and the semiconductor market waxing strong, plus the effects of the peak buying season, deliveries of all kinds of consumer electronic products boomed; calculated in New Taiwan dollars and excluding price factors, and with service exports included, trade flourished and the economy grew by 3.18%. In the fourth quarter the economy benefited from stable global economic growth, the busy delivery season, and the rise in international prices of agricultural and industrial raw materials; trade momentum remained strong, stimulating exports. Further, an improvement in the domestic job market and lively trading on the stock market supported consumption momentum; domestic airlines continuously expanded their fleets, heightening investment in transportation equipment, and the third-quarter economy expanded 3.28%.

2. Changes in the Bank's Organization

(1) To accelerate the Bank's loan procedures and boost the efficiency of loan and credit investigation operations, the Appraisal Division of the Regional Operation Center has been abolished.

(2) In accordance with the regulations of the Financial Supervisory Commission, the Compliance Officer at the Bank's head office is allowed to serve concurrently as the officer in charge of matters related to anti-money laundering and combatting the financing of terrorism. Also, the IT security functions of the Information Technology Dept. are specified.

3. Implementation of Business Plans and Operating Strategies

(1) Profitability

After-tax net profit for 2017 amounted to NT$5.040 billion (before-tax net profit was NT$5.788 billion). The Bank carried out a capital increase via transferred earnings of NT$1.791 billion, and issued stock and cash dividends of NT$0.30 and NT$0.102 per share, respectively, for the previous year (2016).

(2) Corporate Governance

A. Reinforcement of information disclosure channels and upgrading of transparency in corporate governance

a. The Bank has long strived to enhance its corporate governance. It received the highest honors in the Securities & Futures Institute's Information Disclosure Evaluation for seven years in a row, from the sixth

to the twelfth evaluations, and ranked in the "Top 6%~20% of the Listed Companies Group" in the Fourth Annual Corporate Governance Evaluation held by the Taiwan Stock Exchange.

b. Each investor has immediate access to information on the Market Observation Post System, and can obtain the same information simultaneously on the official TBB website. The Bank also issues press releases on an irregular basis, giving investors multiple channels for acquiring TBB information.

B. Understanding the shareholder structure, strengthened communication with foreign investors, and coming on track with international trends

The ratio of foreign institutional shareholders in the Bank's shareholding structure is increasing steadily. High-level operating officers of the Bank travel overseas personally to visit institutional investors; this boosts two-way communication with foreign institutional investors, and gives them confidence in the Bank's corporate governance.

(3) Core Businesses

A. Corporate Banking

a. The Bank received an Outstanding Award from the Financial Supervisory Commission for the Program to Encourage Lending by Domestic Banks to Creative Enterprises (Division A).

b. In recognition of the Bank's outstanding performance in small and medium enterprise financing, it was presented with four Outstanding Bank for Small and Medium Enterprise Credit Guarantee Financing awards by the Ministry of Economic Affairs: the Credit Guarantee Partner Award, Direct Guarantee Performance Award, Young Entrepreneur Support Award, and Small and Medium Enterprise Innovation Development Support Award.

c. In the extension of small and medium enterprise loans, the Bank ranked No. 1 in Taiwan in both total amount and ratio of loans transferred for guarantees to the Small and Medium Enterprise Credit Guarantee Fund.

B. Foreign Exchange Operations

a. The Bank strengthened the absorption of foreign-currency deposit and expanded the scale of its deposits. The accumulated average balance of foreign-currency deposits in 2017 grew 8.27% over 2016.

b. The Bank worked vigorously to expand foreign-currency loans and boost interest margin income. Accumulated average loans outstanding in 2017 increased by 9.39% over 2016.

C. Wealth Management

a. The Bank focused on strengthening its wealth-management business by vigorously expanding fee income from the insurance and fund businesses, thereby boosting revenue, and establishing income as the priority goal.

b. With vigorous promotion of a special program aimed at the marketing of designated products, fee income from the wealth-management business totaled 1.87 billion in 2017.

(4) Innovative Products

A. Continuous Development of Innovative Digital Banking Businesses and Provision of Convenient Services

a. The Bank applied for various financial technology and utility model patents. Applications had been approved for 20 utility model patents and two invention patents by the end of 2017, and 17 invention patents were under review in January of 2018.

b. Cross-border Cash Out bound collection and payment services were inaugurated, allowing clients to pay for Taobao online purchases with TBB bank cards.

c. Customers were provided with the facility to use mobile banking to make debit payments for consumption, purchases or taxes, and business units were helped to introduce Taiwan Pay collection services.

d. Contactless bank cards were introduced, adding a contactless-payment function to existing cards. The new-card model was also redesigned, allowing customers to make contactless payments with their cards at contract stores.

e. A cardless cash withdrawal function has been added to TBB ATMs. Customers can apply for this service and set their withdrawal code using the TBB Security service on their mobile devices; then, they can withdraw cash from the Bank's automated service stations by setting up the withdrawal amount on their mobile devices.

f. The handling, through the Taiwan Clearing House, of electronic direct debit authorization (eDDA) and enhanced automated clearing house (eACH) functions of the automated clearing house (ACH) has been added.

B. Establishment of Smart Branches to Provide an Innovative Service Model

a. Teller operations have been simplified, the operating time for hand-written customer application forms has been eliminated, and a pre-arranged outward foreign-currency remittance function has been opened up for customers at smart branches.

b. Digital savings account (Type 1) operations have been provided, offering a digital service function.

c. In response to the ageing society, the Bank is vigorously promoting long-term care trust to care for elderly and handicapped persons, satisfy the needs of the elderly, and take advantage of opportunities offered by senior citizens.

(5) Expansion of the Scope of Channel Services

A. The TBB New York Branch opened on Feb. 27, 2017, expanding the Bank's U.S. network and providing for the enhancement of operating efficiency.

B. The TBB Tokyo Branch opened on Nov. 9, 2017. The Bank will promote the development of real estate financing, syndicated loans, and other businesses of the Tokyo Branch, thereby elevating the efficiency of operations in the Japan area.

C. In line with the New Southbound Policy, in the Southeast Asian area the Bank has established the Yangon Representative Office in Myanmar, the TBB (Cambodia) Microfinance Institution PLC, and, on Oct. 2, 2017, the Chamkar Mon (Cambodia) Microfinance Institution, expanding the Bank's service network to seven countries on four continents.

(6) Information Operations

A. Reinforcement of the information system security control mechanism at overseas branches

a. In response to regulatory updating carried out by the Hong Kong Monetary Authority, the Bank completed adding time-based one-time password card and transaction monitoring mechanisms to its high-risk global e-banking operations in October of 2017.

b. Self-assessment was carried out in accordance with SWIFT Customer Security Programme (CSP) specifications, and was approved by SWIFT in December 2017.

c. A professional consultant was commissioned to help carry out the Part 500 compliance program in accordance with the network security regulations of the New York State Department of Financial Services (NYDFS), and the consultant confirmed the process completed in December 2017.

B. Continued promotion of the e-banking business and broad development of customer groups

a. The Bank's ATMs were upgraded to accept EMV chip cards, and EMV certification was received from such organizations as MasterCard, VISA, and China UnionPay.

b. The addition of an accessible website function was completed for new webATMs and for Internet banking in general, and application for AA+ certification for this new function has been submitted to the National Communications Commission (NCC).

c. The Bank's Taiwan Pay QR Code acquiring and card-issuance services each received the Best Service Innovation Award for the Electronic Payment Flow Business from the Financial Information Service Company.

(7) Implementation of Legal Compliance and Anti-Money Laundering Operations

A. Full implementation of anti-money laundering and combatting the financing of terrorism in line with the regulations of the competent authority

a. The Anti-Money Laundering Section of the TBB's Compliance and Legal Department constantly oversees the Bank's implementation of matters regarding anti-money laundering and combatting the financing of terrorism.

b. In response to the upcoming fourth-quarter 2018 assessment by the Asia Pacific Group on Money Laundering (APG) and to the supervision needs of the competent authority in regard to anti-money laundering and combatting the financing of terrorism, the Bank completed the modification of its management mechanism for anti-money laundering and combatting of terrorism financing in accordance with the Money Laundering Control Act, Terrorism Financing Prevention Act, Regulations Governing Anti-Money Laundering of Financial Institutions, Guidance for Internal Control of Anti-Money Laundering and Counter Terrorism-Financing of Banks, Electronic Payment Institutions and Electronic Stored Value Card Issuers, Template of Directions Governing Anti-Money Laundering and Combating the Financing of Terrorism by Banks, and Guidelines Governing Money Laundering and Terrorist Financing Risks Assessment and Relevant Prevention Program Development by Banks.

B. Holding of regular Compliance training and continued reinforcement of overseas compliance operations.

a. A Compliance Officer Seminar was held in each the first and second halves of 2017, with the content covering the propagation of the TBB's compliance framework and major compliance regulations, explanations of compliance assessment, guidelines for handling self-assessments on compliance, and guidance on important recent laws and decrees. The aim is to assure the effective conveyance of laws and decrees and implementation of the compliance system by making sure that compliance officers have a continuing knowledge of laws and decrees related to their jobs and to compliance regulations.

b. In addition to strengthening liaison and supervision by headquarters with the handling of compliance by overseas branches, the Bank has also strengthened the appointment of dedicated compliance or anti-money laundering personnel to assure compliance by the branch's business and its personnel and its anti-money laundering operations. It has also reinforced the qualifications and the training of overseas branch personnel.

C. Strengthening of the monitoring mechanism for compliance follow-up

Law-related documents received from external sources and self-collected information on changes in laws requiring action by the Bank are listed as "Compliance Follow-up Cases" pursuant to the Control Mechanism for Compliance Follow-up Cases. The responsible units fill out monthly reports on the st atus of follow-up on these cases, and these reports are compiled and submitted to Chief Compliance Officer.

D. Carrying out annual project audits for personal information protection and anti-money laundering and combatting the financing of terrorism by accountants in accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries

An accounting firm was commissioned to carry out the "2016 Project Audit of the Internal Control System for Personal Information Protection" and "2017 First-half Project Audit of the Internal Control System for Anti-Money Laundering and Combatting the Financing of Terrorism."

(8) Corporate Social Responsibility

A. Active implementation of corporate social responsibility and realization of the value of sustainable operation

a. The "2016 CSR Report" passed two stages of verification by the British Standards Institution (BSI), which issued the Bank an Independent Assurance Opinion Statement. This shows that the Bank's CSR meets international standards and strengthens the credibility of its CSR Report.

b. The TBB's "2016 CSR Report" was entered for the first time in an external CSR report rating, and it won a bronze award in the banking and insurance industry report division of the Taiwan Corporate Sustainability Awards organized by the Taiwan Institute for Sustainable Energy, TAISE. This achievement helps upgrade the Bank's visibility and its corporate image for CSR implementation.

B. Continued contribution to disadvantaged groups and active participation in social benefit activities

a. The TBB has manifested its spirit of "sending warmth in the chill winter" for 7 years in a row, mobilizing branches throughout Taiwan to visit disadvantaged groups within their areas of operation. The Bank has made donations to 39 disadvantaged groups, and actively participated in social benefit activities.

b. The TBB exerted efforts toward the propagation of financial know-how on campuses and in communities in order to promote correct financial management concepts and provide education about the prevention of financial fraud, laying down a solid foundation for financial education. In recognition of these efforts, the Bank was awarded by the Financial Supervisory Commission for the "Promotion of Financial Literacy on Campus and in the Community."

C. Fulfilling responsibility for environmental protection and continued energy conservation and carbon reduction efforts

a. The Environmental Protection Administration of the Executive Yuan and the Department of Environment Protection of the Taipei City Government cited the TBB six years in a row for outstanding performance in green procurement.

b. The Taipei City Government publicly cited the TBB for receiving ISO 50001 Energy Management Systems certification and the designation of its headquarters as an energy-saving-label building.

c. The Bank implemented its "Energy Policies" and "Measures for Water and Electricity Conservation" with scheduled follow-up on the status of water and electricity conservation by different units and inclusion of the results in business performance assessments. Various energy conservation improvement programs were forcefully carried out in order to enhance the energy efficiency of equipment and save on electricity costs.

D. Provision of a friendly working environment and upgrading of employee well-being

The TBB promotes occupational safety and health management along with a friendly working environment. It carries out programs for the prevention of diseases caused by abnormal workloads, ergonomic risks, and illegal harassment in the workplace, as well as a maternal health protection program. In 2017 the Bank offered healthy weight management and free flu vaccinations. For these efforts, the Bank was awarded 2017 healthy workplace initiation certification by the Health Promotion Administration of the Ministry of Health and Welfare.

4. Budget Implementation

(1) The annual average balance of deposits was NT$1,310.328 billion, for an achievement rate of 102.71%.

(2) The annual average balance of loans outstanding was NT$1,063.179 billion, for an achievement rate of 100.17%.

(3) The foreign exchange business amounted to US$70.845 billion, for an achievement rate of 107.59%.

(4) The securities brokerage business amounted to NT$255.495 billion, for an achievement rate of 115.61%.

(5) Domestic and overseas fund business undertaken amounted to NT$32.893 billion, for an achievement rate of 119.14%.

5. Revenues, Expenditures, and Profitability

(1) Net income for 2017 amounted to NT$20.583 billion; bad debt expenses and provision for guarantee liabilities totaled NT$3.009 billion; operating expenses were NT$11.786 billion; before-tax net income from continuing operations was NT$5.788 billion; net profit after tax was NT$5.040 billion; return on assets ratio (after tax) amounted to 0.33%; return on equity ratio (after tax) amounted to 6.87%; net profit margin (after tax) was 24.49%; and earnings per share (after tax) was NT$0.82.

(2) Net income before taxes (excluding provisions) in 2017 amounted to NT$8.797 billion, an increase of NT$10 million over 2016. NT$3.009 billion was allocated as allowance for bad debts in order to strengthen risk appetite. Before-tax net profit for 2017 totaled NT$5.788 billion; this was down NT$535 million from the previous year, primarily because of increased allowances for bad debts.

(3) The non-performing loan ratio at the end of 2017 stood at 0.33%, a reduction of 0.10% compared with the end of 2017; and the bad-debt coverage ratio was 327.57%, an increase of 49.94% over the end of 2016.

6. Research and Development

(1) Establishment of an Exclusive Unit for Industry Research

A. A total of 174 industry analysis reports were written and published in the Bank's E-Library in 2017 for colleagues to peruse.

B. Elite professionals from industry, government, and academe are invited to speak on an irregular basis to help the Bank's employees understand the latest trends in industrial development.

(2) Encouragement of Innovation and Professionalism in Line with Business Development Needs

A. Employees are encouraged to take the initiative in carrying out innovation and suggesting new financial products and methods of business improvement that will enhance the Bank's business competitiveness. A total of 41 employee suggestions were accepted in 2017.

B. Business lectures are held on a scheduled basis and a rich variety of digital learning courses are offered to encourage employees to engage in further on-the-job studies and absorb new knowledge that will strengthen their competitiveness and enhance their professional know-how.

V Business Plans for 2018

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1. Operating Directions and Policies

(1) Compliance with Government Policy in the Promotion of Related Businesses

A. Fulfillment of the SME specialized bank function with equal emphasis on financing and guidance, and consolidation of the unique position of a specialized bank.

B. Promotion of urban renewal, green energy financing, senior financing and culture/creation financing.

C. Investment in venture capital companies so as to boost the Bank's competitiveness and value through the nurturing of cultural/creative and start-up enterprises.

(2) Upgrading of Information System and Information Security Defensive Functions, and Promotion of Inclusive Financing

A. Reinforcement of the IT infrastructure, improvement of the overall effectiveness of information systems, and deep implantation of the information base.

B. Provision of customized electronic payment flow services to support various business development.

(3) Reinforcement of Profitability and Risk Control

A. Deep cultivation of core small and medium enterprise businesses and improvement of the profit base under the precondition of equal emphasis on risk and profit.

B. Strengthening of overseas channel management to diversify profit sources.

C. Reinforcement of the quality of loan risk management and post-loan management.

(4) Promotion of a Compliance Culture and Implementation of Internal Control with Three Lines of Defense

A. Strengthening of anti-money laundering and anti-terrorism financing management.

B. Fine-tuning of the internal organization in compliance with the Financial Supervisory Commission's oversight demands.

C. Reinforcement of the overseas branch management mechanism.

(5) Emphasis on Employee Training and the Transfer of Work Experience

A. Strengthening of professional training and implementation of the employee transition plan.

B. Invigoration of organizational capability and optimization of human resources.

(6) Fulfillment of Corporate Social Responsibility and Manifestation of an Outstanding Corporate Image

A. Reinforcement of corporate governance and upgrading of the Bank's positive corporate image.

B. Implementation of social care and fulfillment of social responsibility.

2. Business Targets

To give equal weight to the protection of shareholder interests, improvement of the capital structure, and enhancement of asset quality, the Bank has set the following targets in consideration of the economic growth forecast of the Directorate General of Budget, Accounting and Statistics for 2018 and the reduction in the life insurance commission rate:

(1) Annual average deposit balance: NT$1,352.593 billion.

(2) Annual average balance of loans outstanding: NT$1,117.442 billion.

(3) Total foreign exchange transactions: US$73.004 billion.

3. Future Development Strategies

(1) Reinforcement of the role of a specialized bank to comply with the policy function, continuously promotion of the dual-track SME credit guarantee system with equal emphasis on financing and guidance, and deep cultivation of the SME business field.

(2) Grasping of social trends in the development of business, provision of specialized financial products and services with a customer orientation, and strengthening of customer confidence through an emphasis on succession of generation.

(3) Combining of social care with public benefit in the fulfillment of corporate social responsibility.

(4) Consolidation of business through organizational restructuring so as to manifest the executive ability of the different business groups.

(5) Continuous reinforcement of e-banking services and information system upgrading, and optimization of internal processes, to support business development.

(6) Training of digitization and internationalization professionals to optimize the structure of human resources, and strengthening of employee loyalty through training linkages and the “learning and sharing” corporate culture.

(7) Activation of assets and optimization of asset allocation, improvement of the share price undervalued issue, and execution of a cash capital increase to reinforce the Bank’s capital structure.

(8) Continuous promotion of a bank-wide compliance culture and reinforcement of risk control to upgrade asset quality, and strengthening of the three internal-control lines of defense.

4. Impact of the External Competition Environment, Regulatory Environment, and Overall Operating Environment

(1) Adoption of the following strategies in response to the international anti-money laundering and counter terrorism financing trends:

A. Review and amendment of the TBB’s operating specifications, in line with the promulgation and revision of anti-money laundering and counter terrorism financing laws and regulations, to facilitate compliance by the Bank’s different units.

B. Continuous promotion of a compliance culture and encouragement of staff to participate in international Certified Anti-Money Laundering Specialist (CAMS) exams, reinforcement of bank-wide awareness of anti-money laundering and counter terrorism financing concepts, and carrying out of training so as to effectively implement anti-money laundering and counter terrorism financing operations.

(2) Adoption of the following strategies in response to the passage of the Act Governing Electronic Payment Institutions and the impact of the Bank3.0 development trend, and to the challenge posed by the entry of non-financial institutions into cash-flow services and the issue of banking transition:

A. Establishment of electronic payments for linkage with the TBB’s SME customers, and strengthening of competitiveness by bringing in inward cash flow through alliances with third-party operators and businesses with a need for collections and payments.

B. Vigorous development of digital branches and opening up of digital banking services to simplify existing business processes.

C. Expansion of mobile payments and, in line with regulatory and new technology trends, installation of various types of security mechanisms with a high degree of security and convenience of use; and, with the TBB playing a cash-flow role, boosting demand deposit and fee income while heightening customer loyalty.

5. Results of Latest Credit Rating

Date of Rating	Rating Institution	Ratings		Outlook
		Long-term Credit	Short-term Credit	
Jan. 17, 2018	Taiwan Ratings	twAA-	twA-1+	Stable
Jan. 17, 2018	Standard & Poors	BBB+	A-2	Stable

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Representation Letter

The entities that are required to be included in the combined financial statements of TAIWAN BUSINESS BANK, LTD. as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Spearate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TAIWAN BUSINESS BANK, LTD. and its Subsidiaries do not prepare a separate set of combined financial statments.

Company name: TAIWAN BUSINESS BANK, LTD.

Chairman: Bor-Yi Huang

Date: March 21, 2018

Independent Auditors' Report

To the Board of Directors of Taiwan Business Bank, Ltd.:

Opinion

We have audited the consolidated financial statements of Taiwan Business Bank, Ltd. "the Bank" and its subsidiaries which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, 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 of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Held Banks, and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IAS"), interpretations as well as related guidance endorsed by Fiancial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. 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 Certified Public Accountants Code of Professional Ethics in 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 of 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, and we do not provide a separate opinion on these matters.

1. The assessment of loans impairment

Please refer to Note(4) (F) "Financial Instruments" for related accounting policy, Note 5 (A) for accounting assumptions and estimates, and Note 6 (F) "Discount and loans–net" and Note 6 (AL) "Financial Risk Information" for details of loans impairment, respectively.

The management of the Bank and its subsidiaries assess the impairment of loans by determining if there is any observable evidence indicating impairment, and dividing them into collective assessment and individual assessment based on the materiality levels to measure by different impairment method. For the individual assessment with objective evidence of impairment, the measurement is based on expected future cash flow. For the collective assessment with objective evidence of impairment, the Bank and its subsidairies need to calculate the recovery rate of each group to measure the impairment amount. For the collectively assessed loans without objective evidence of impairment, the impairment is calculated by establishing an impairment model using the pass loss experience on assets with similiar credit risk characteristic to form basic estimation. Besides the methods mentioned above, the management of the Bank and its subsidairies should inspect weather the amount of impairment is in compliance with the minimum level made by the authority. Both the evaluation of impairment evidences and its methods, as well as the uses of assumptions, such as the expected recovery rates and default rates, which are applied to determine the future cash flow, involved significant judgements and estimations. Therefore, the assessment on the impairment of loans has been identified as a key audit matter in our audit.

How the matter was addressed in our audit

Our principal audit procedures included : understanding the methodology and related control procedure about how the management asseses and measures the impairment amount of loans. For individual assessment, we used

sampling test to evaluate the use of the original effective interest rate, the appropriateness of the estimation of future recoverable amounts and value of collateral. For collective assessment, we assessed the impairment model adopted by the management and reviewed the appropriated of the calculation of the impairment parameters and verified the completeness of the loans portfolio via sampling. Meanwile, we assessed whether allowance for the loans meets the requirements.

2. The valuation of employee benefit obligation

Please refer to Note(4) (M) "Employee benefit" for related accounting poicy, Note(5) (B) "Retirement benefit" for accounting assumptions and estimates, and Note(6) (X) "Provision for liabilities" for details of the valuation of employee benefit obligation.

The management of the Bank and its subsidiaries evaluates parameters of employees benefit obligation not only include discount rate and the rate of increase in future pay levels but also consider the current market conditons. Those parameters which involved the excercise of professional judgements will affect the amount recognized as employee liabilities. Therefore the valuation of employee benefit obligation has been identified as a key audit mater in our ardit.

How the matter was addressed in our audit

The primary audit process of key audit matter mentioned above included: acquiring the actuary report of liabilities and deposit with favorable rates, as well as the pension from external actuary expert to inspect professional qualification and independence of external expert; sampling and testing the accuracy and completeness of employees' information and financial information that the management offer to actuary export while analyzing variation of employee benefit liability which includes understanding the market and the reasonableness of assumption parameter.

Other Matters

We have also audited the financial report which was prepared separately as of and for the years ended December 31 of 2017 and 2016 of Taiwan Business Bank Ltd. and expressed an unqualified opinion.

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 Held Banks, and with the IFRSs, IASs, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 Group 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we detemined 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are CHUNG, TAN TAN and LEE, FENG HUI.

KPMG

Taipei, Taiwan (Republic of China)

March 21, 2018

TAIWAN BUSINESS BANK, LTD.
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

(Expressed In Thousands of New Taiwan Dollars)

Assets	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 6(A) and 7)	$ 51,292,359	3	49,564,948	3
Due from the Central Bank and call loans to banks (Notes 6(B) and 7)	101,342,356	7	90,619,262	6
Financial assets at fair value through profit or loss (Note 6(C))	1,061,789	-	1,443,693	-
Securities purchased under resell agreements (Note 6(D))	3,998,104	-	619,201	-
Receivables－net (Note 6(E))	23,951,301	2	24,000,980	2
Current Income tax assets	129,455	-	116,062	-
Discounts and loans－net (Notes 6(F) and 7)	1,111,559,969	70	1,045,014,647	70
Available-for-sale financial assets－net (Notes 6(G) and (O))	66,233,836	4	73,330,688	5
Held-to-maturity financial assets－net (Note 6(H))	202,967,083	13	192,523,259	13
Other financial assets－net (Note 6(I))	2,159,191	-	2,132,723	-
Premises and equipment－net (Note 6(J))	14,226,866	1	14,120,706	1
Intangible assets－net	274,349	-	183,061	-
Deferred income tax assets－net (Note 6(W))	1,222,464	-	1,240,678	-
Other assets－net (Note 6(K))	3,674,849	-	3,819,074	-
Total assets	$ 1,584,093,971	100	1,498,728,982	100

Liabilities and equity	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Liabilities				
Deposits from the Central Bank and other banks (Notes 6(L) and 7)	$93,529,770	6	75,817,857	5
Due to the Central Bank and other banks (Note 6(M))	31,464	-	-	-
Financial liabilities at fair value through profit or loss (Note 6(N) and (R))	3,732,481	-	214,259	-
Securities sold under repurchase agreements (Note 6(O))	1,105,596	-	2,758,905	-
Payables (Note 6(P))	36,630,052	2	35,412,594	2
Current income tax liabilities	62,495	-	310,077	-
Deposits and remittances (Notes 6(Q) and 7)	1,316,023,711	83	1,253,804,477	84
Financial debentures (Note 6(R))	41,000,000	3	42,750,000	3
Other financial liabilities (Note 6(S))	10,120,545	1	10,819,145	1
Provision for liabilities (Note 6(T))	3,515,351	-	3,606,753	-
Deferred income tax liabilities (Note 6(W))	881,318	-	884,569	-
Other liabilities (Note 6(U))	1,643,515	-	1,480,006	-
Total liabilities	1,508,276,298	95	1,427,858,642	95
Equity parent company				
Common stock (Note 6(V))	61,479,617	4	59,688,949	4
Retained earnings:				
Legal reserve (Note 6(V))	8,569,864	1	7,088,772	1
Special reserve (Note 6(V))	1,240,588	-	185,128	-
Undistributed earnings (accumulated deficit) (Note 6(V))	4,833,832	-	4,936,973	-
Other items in equity	(306,228)	-	(1,029,482)	-
Total equity	75,817,673	5	70,870,340	5
Total liabilities and equity	$ 1,584,093,971	100	1,498,728,982	100

TAIWAN BUSINESS BANK, LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed In Thousands of New Taiwan Dollars)

	For the years ended December 31,				
	2017		2016		Percent Change%
	Amount	%	Amount	%	
Interest revenue (Notes 6(AA) and 7)	$ 24,782,215	119	24,191,265	117	2
Less: Interest expenses(Notes 6(AA) and 7)	(9,356,793)	(45)	(9,195,062)	(44)	2
Net interest income	15,425,422	74	14,996,203	73	3
Non-interest income					
Service fee and commission income(Notes 6(AB) and 13)	3,690,537	18	3,866,295	19	(5)
Gains on financial assets or liabilities at fair value through profit or loss - net(Note 6(AC))	1,036,512	5	596,551	3	74
Realized gains on available-for-sale financial assets - net(Note 6(AD))	109,753	-	103,019	-	7
Foreign exchange gains	376,069	2	35,767	-	951
Reversal of impairment loss on assets	-	-	6,782	-	(100)
Net other non-interest income(Note 6(AE))	(120,657)	(1)	96,009	-	(226)
Net profit on financial assets measured at cost	141,240	1	174,670	1	(19)
Securities brokerage income - net	203,819	1	137,765	1	48
Other miscellaneous gains(Note 6(AF))	-	-	643,973	3	(100)
Net revenue	20,862,695	100	20,657,034	100	1
Bad debt expenses and guarantee liability provisions (miscellaneous provision) (Note 6(AG))	(3,028,711)	(15)	(2,504,194)	(12)	21
Operating expenses					
Employee benefit expenses(Notes 6(AH) and 12)	(7,460,684)	(36)	(7,414,913)	(36)	1
Depreciation and amortization expenses(Notes 6(AI) and 12)	(417,760)	(2)	(387,602)	(2)	8
Other general and administrative expenses(Note 6(AJ))	(4,084,439)	(19)	(3,990,909)	(19)	2
Total operating expenses	(11,962,883)	(57)	(11,793,424)	(57)	1
Income from continuing operations before income tax	5,871,101	28	6,359,416	31	(8)
Income tax expenses (Note 6(W))	(831,177)	(4)	(1,163,717)	(6)	(29)
Net income	5,039,924	24	5,195,699	25	(3)
Other comprehensive income:					
Items not to be reclassified into profit or loss					
Remeasurements of defined benefit plans	(249,419)	(1)	(312,761)	(2)	20
Income tax of items not to be reclassified	42,401	-	53,169	-	(20)
Total items not to be reclassified into profit or loss	(207,018)	(1)	(259,592)	(2)	20
Items that are or may be reclassified subsequently to profit or loss					
Difference of foreign exchange in translating financial statements of foreign operating units	(982,775)	(5)	(286,061)	(1)	(244)
Unrealized gains (losses) on available-for-sale financial assets-net	1,540,838	8	(915,842)	(4)	268
Income tax related to items that are or may be reclassified to profit or loss	165,191	1	45,473	-	263
Total items that are or may be reclassified subsequently to profit or loss	723,254	4	(1,156,430)	(5)	163
Other comprehensive income (net amount after tax)	516,236	3	(1,416,022)	(7)	136
Total comprehensive income	$ 5,556,160	27	3,779,677	18	47
Earnings per share (in NT dollar)(Note 6 (Y))					
Basic earnings per share (in NT dollar)	$	0.82		0.85	
Diluted earnings per share (in NT dollar)	$	0.82		0.84	

TAIWAN BUSINESS BANK, LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed In Thousands of New Taiwan Dollars)

	Equity attributed to the parent company							
						Other item in equity		
		Retained earnings				Difference of foreign exchange in translating financial statements of foreign operating units	Unrealized gains and losses on available for sale financial assets	Total
	Common stock	Legal reserve	Special reserve	Undistributed earnings	Total			
Balance — January 1, 2016	$56,846,618	5,626,631	185,128	4,873,804	10,685,563	221,642	(94,694)	67,659,129
Net Income for the year ended December 31, 2016	-	-	-	5,195,699	5,195,699	-	-	5,195,699
Other comprehensive income (losses) for the year ended December 31, 2016	-	-	-	(259,592)	(259,592)	(241,279)	(915,151)	(1,416,022)
Total comprehensive income for the year ended December 31, 2016	-	-	-	4,936,107	4,936,107	(241,279)	(915,151)	3,779,677
Earnings appropriation and distribution								
Legal reserve appropriated	-	1,462,141	-	(1,462,141)	-	-	-	-
Common stock dividend	2,842,331	-	-	(2,842,331)	(2,842,331)	-	-	-
Common cash dividend	-	-	-	(568,466)	(568,466)	-	-	(568,466)
Balance —December 31, 2016	59,688,949	7,088,772	185,128	4,936,973	12,210,873	(19,637)	(1,009,845)	70,870,340
Net Income for the year ended December 31, 2017	-	-	-	5,039,924	5,039,924	-	-	5,039,924
Other comprehensive income (losses) for the year ended December 31, 2017	-	-	-	(207,018)	(207,018)	(815,703)	1,538,957	516,236
Total comprehensive income for the year ended December 31, 2017	-	-	-	4,832,906	4,832,906	(815,703)	1,538,957	5,556,160
Earnings appropriation and distribution								
Legal reserve appropriated	-	1,481,092	-	(1,481,092)	-	-	-	-
Special reserve appropriated	-	-	1,055,460	(1,055,460)	-	-	-	-
Common stock dividend	1,790,668	-	-	(1,790,668)	(1,790,668)	-	-	-
Common cash dividend	-	-	-	(608,827)	(608,827)	-	-	(608,827)
Balance —December 31, 2017	$61,479,617	8,569,864	1,240,588	4,833,832	14,644,284	(835,340)	529,112	75,817,673

TAIWAN BUSINESS BANK, LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed In Thousands of New Taiwan Dollars)

	For the years ended December 31,	
	2017	2016
Cash flows from operating activities:		
Net income before tax	$ 5,871,101	6,359,416
Adjustments:		
Accounts that do not affect cash flow		
Depreciation expenses	337,771	311,826
Amortization expenses	79,989	75,776
Provision of bad debt expenses	3,019,425	2,454,355
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	120,502	(38,075)
Interest expenses	9,356,793	9,195,062
Interest revenues	(24,782,215)	(24,191,265)
Net change of provision for guarantee liabilities	9,286	49,839
Net change of other miscellaneous provision for liabilities	109,273	-
Losses on disposal and retirement of premises and equipment	1,972	2,044
Reversal of impairment loss on non-financial assets	-	(6,782)
Other	(276,880)	(111,693)
Total	(12,024,084)	(12,258,913)
Change in assets and liabilities related to operating activities:		
Net change in assets related to operating activities:		
(Increase) decrease in due from the Central Bank and call loans to banks	(10,723,869)	28,262,722
Decrease in financial assets at fair value through profit or loss	284,263	672,520
(Increase) decrease in securities purchased under resell agreements	(3,378,903)	26,165,314
Decrease in receivables	36,157	1,177,326
Increase in discounts and loans	(69,501,470)	(39,936,798)
Increase in other financial assets	(59,822)	(95,038)
(Increase) decrease in other assets	(971,840)	151,408
Total	(84,315,484)	16,397,454
Net change in liabilities related to operating activities:		
Increase (decrease) in deposits from the Central Bank and other banks	17,711,913	(2,039,680)
Increase (decrease) in financial liabilities at fair value through profit or loss	3,495,360	(1,267)
Decrease in provisions for lawsuit	(466,884)	(51,118)
Decrease in securities sold under repurchase agreements	(1,653,309)	(1,404,242)

	For the years ended December 31,	
	2017	2016
Increase in payables	1,020,580	4,659,942
Increase in deposits and remittances	62,219,234	21,483,792
Increase in other financial liabilities	(690,408)	(1,370,057)
Increase in provision for employee benefits	39,039	42,279
Total	81,675,525	21,319,649
Total change in assets and liabilities related to operating activities	(2,639,959)	37,717,103
Total adjustments	(14,664,043)	25,458,190
Cash (used in) provided by operating activities	(8,792,942)	31,817,606
Interest collected	24,808,273	23,642,414
Interest paid	(9,159,915)	(9,366,841)
Income tax paid	(800,310)	(328,614)
Net cash provided by operating activities	6,055,106	45,764,565
Cash flows from investing activities:		
Proceeds from disposition of available-for-sale financial assets	8,635,810	-
Purchase of available-for-sale financial assets	-	(48,577,054)
Purchase of hold-to-maturity financial assets	(10,443,824)	-
Proceeds from repayments of hold-to-maturity financial assets	-	13,754,220
Purchase of premises and equipment	(469,381)	(342,304)
Proceeds from disposition of premises and equipment	66	219
Increase in guarantee deposits paid	-	(412,409)
Decrease in guarantee deposits paid	300,272	-
Purchase of intangible assets	(146,591)	(109,187)
Net cash used in investing activities	(2,123,648)	(35,686,515)
Cash flows from financing activities:		
Increase in due to the Central Bank and other banks	31,464	-
Issuance of financial debentures	5,300,000	10,700,000
Redemption of financial debentures	(7,050,000)	(13,550,000)
Increase in guarantee deposits received	185,129	34,286
Decrease in lease payable	(8,192)	(7,915)
(Decrease) increase in other liabilities	(21,620)	1,844,788
Cash dividends	(608,827)	(568,466)
Net cash used in financing activities	(2,172,046)	(1,547,307)
Foreign exchange effect	(32,001)	(27,605)
Net increase in cash and cash equivalents	1,727,411	8,503,138
Cash and cash equivalents, at the beginning of the period	49,564,948	41,061,810
Cash and cash equivalents, at the end of the period	$ 51,292,359	49,564,948

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

TAIWAN BUSINESS BANK, LTD.AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. COMPANY HISTORY

TAIWAN BUSINESS BANK, LTD. (the "Bank") was formerly a general savings union known as "Taiwan Mutual Financing Bank" or "Tai-Shio Mutual Financing Bank" when it was established in 1915. After several mergers and acquisitions, it was renamed as Taiwan Business Bank, Ltd. in order to finance and provide banking assistance to small and medium-size businesses on July 1, 1976. The Bank's major lines of business are the following:

(A) As prescribed by the Banking Law, provides professional services tailored to the needs of small and medium-size businesses;

(B) Trust and securities brokerage businesses as approved by the relevant authority;

(C) International banking business; and

(D) Other relevant businesses as authorized by the relevant authority in-charge.

As of December 31, 2017, the Bank not only set up the banking dept., international dept., securities dept. and trust dept. under head office but also has 124 domestic branches, 1 offshore banking unit, 8 overseas branches, 1 oversea representative office and 17 securities brokerage locations.

The Bank became listed on the Taiwan Stock Exchange on January 3, 1998.

Under the "Statute for Privatization of State Enterprises" and upon the approval of Taiwan Province Government, the shares of the Bank owned by the provincial government were sold to the public. In line with privatization of the three other major Taiwan province government owned run commercial banks, the Bank had completed its own privatization on January 22, 1998.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issuance by the board of directors on March 21, 2018.

3. New standards, amendments and interpretations adopted:

(A) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

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

The Bank and its subsidiaries assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

(B) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017 :

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of 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
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Bank and its subsidiaries believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(a) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

(1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, available for sale financial assets, financial assets carried at cost and debt instrument with no active market. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

The Bank and its subsidiaries will follow IFRS 9 aforementioned, the financial assets will be reclassified, the Bank and its subsidiaries has estimated the application of IFRS 9's classfication requirements on January 1, 2018 resulting in an increase of $2,532,166 thousand in other equity.

(2) Impairment-Financial assets and contact assets

IFRS 9 replaces the ‘incurred loss' model in IAS 39 with a forward-looking ‘expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, lease receivables, contract assets and the financial guatantee contracts.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Bank and its subsidiaries believes that impairment losses are likely to increase in the scope of the IFRS 9 impairment model. The Bank and its subsidiaries has estimated the application of IFRS 9's impairment requirements on January 1, 2018 resulting in the increase of $25,191 thousand in other equity and the decrease of $98,187 thousand in retained earnings, respectively.

(3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit losses. The Bank and its subsidiaries's assessment included an analysis to identify data gaps against current

processes and the Bank and its subsidiaries's plan to implement the system and control changes that it believes will be necessary to capture the required data.

(4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Bank and its subsidiaries plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at 1 January 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

Please refer to Note 4(O) for the accounting policy of "Revenue Recognition".The Bank and its subsidiaries has performed a preliminary assessment of the current contracts and transactions, and changes the accounting policies, it doesn't have expected significant effect on consolidted financial report.

The actual impacts of adopting the standards may change depending on the economics conditions and events which may occur in the future.

(C) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to the Bank and its subsidiaries are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: ・For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. ・A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
October 12, 2017	Amendments to IAS 28 "Long-term interests in associates and joint ventures"	The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or ‘LTI'). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.

The Bank and its subsidiaries is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Bank and its subsidiaries completes its evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies presented in the consolidated financial statements are summarized below:

(A) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Held Banks (hereinafter reffered to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC.

(B) Basis of preparation

(a) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

(1) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative instruments);

(2) Available-for-sale financial assets are measured at fair value; and

(3) The net defined benefit liability (asset) is recognized as fair value of plan assets, less present value of defined benefit obligation and the effect of the asset ceiling in Note 4(M).

(b) Consolidation of financial statement

The consolidation financial statements include the headquarter and all the domestic branches, foreign branches and its subsidiaries. The internal transactions within the headquarter, the domestic branches and the foreign branches are offset when preparing the consolidated financial statement.

(c) Functional and presentation currency

The functional currency of each entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Bank's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(C) Basis of consolidation

(a) Subsidiary

A subsidiary is an enterprise controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Gains or losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(b) Elimination of inter-group transaction

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The unrealized profits arising from the transactions with the investments under the equity method are eliminated to the extent of the percentage of shares possessed by the group over the investee. The unrealized losses are eliminated in the same way as the unrealized profit, but only under the circumstances that there are no evidences of impairment.

List of subsidiaries in the consolidated financial statements

	Established location	Main business scope	Shareholding (Holding %)	
			December 31, 2017	December 31, 2016
Taiwan Business Bank Insurance Agency Co., Ltd.	Taiwan	Agent of personal insurance	100	100
Taiwan Business Bank Property Insurance Agency Co., Ltd.	Taiwan	Agent of property insurance	100	100
Taiwan Business Bank International Leasing Co., Ltd.	Taiwan	Leasing business	100	100
Taiwan Business Bank International Financing Leasing Co., Ltd.	China	Leasing business	100	100
TBB (Cambodia) Microfinance Institution Plc	Cambodia	Financial company	100	100

(D) Foreign currency

(a) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency at the exchange rate of Bank of Taiwan at 10 AM. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation. Foreign currency differences arising on retranslation are recognized in profit or loss, except for the available-for-sale equity investment which are recognized in other comprehensive income arising on the retranslation.

(b) Foreign operations

The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Bank and its subsidiaries' functional currency(not the currency under highly inflation economy) by the following procedures:

(1) Assets and liabilities are translated at the date of the statement of financial position;

(2) Profit and loss are translated at the average rate (unless the exchange rate of the period fluctuates intensively, then it applies the exchange rate on the trade date);

(3) Foreign currency differences are recognized in other comprehensive income.

All the translation differences arising from above procedures are presented in the foreign currency translation reserve in equity. The exchange difference from translating net investments in foreign operations is recognized in other comprehensive income. When a foreign operation is wholly or partially disposed, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(E) Cash and cash equivalent

Cash and cash equivalent comprise cash on hand, petty cash, foreign currency on hand and cash in banks, but excludes those items which are designated for specific purposes or restricted by contracts and law.

(F) Financial Instruments

(a) Financial assets and liabilities at fair value through profit or loss

Financial instruments in this category includes financial assets and liabilities classified as held-for-trading and financial assets and liabilities designated as at fair value through profit or loss on initial recognition. Financial instrument is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting. The derivative financial instruments held by the Bank and its subsidiaries, except for those designated as hedging instruments, are classified under this account. In addition, the Bank and its subsidiaries designates financial assets, other than ones classified as held-for-trading, as at fair value through profit or loss at initial recognition under one of the following situations:

(1) A hybrid instrument contains one or more embedded derivatives;

(2) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; and

(3) In accordance with the Bank and its subsidiaries' risk control policy or investment strategy, a set of financial assets or liabilities and its components managed are also designated at fair value.

(b) Available for sale financial assets

Financial assets are measured at fair value and unrealized gains and losses thereon are recognized as an adjustment item of equity. Financial instruments held by the Bank and its subsidiary are recorded on the trade dates. Financial instruments are initially recognized at fair value plus transaction costs. The impairment loss is recognized if there is evidence indicating that a decline in the value of an investment is other than temporary. If the impairment loss in the following period is reduced, reversal of loss for equity

investments is adjusted to equity, and reversal of loss for debt instrument is credited to current income if the reduction of impairment loss resulted from a subsequent event.

(c) Held-to-maturity financial assets

Financial assets are measured at amortized cost and its interest income via effective rate. Financial assets held by the Bank and its subsidiary are recorded on the trade dates and are initially recognized at fair value plus transaction costs. The impairment loss is recognized if there is evidence indicating that a decline in the value of an investment is other than temporary. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit or loss. The carrying value after the reversal should not exceed the amortized balance of the assets assuming no impairment loss was recognized.

(d) Financial assets measured at cost

Equity instruments with no quoted market price and whose fair value cannot be reliably measured are stated at cost. The impairment loss is recognized if there is evidence indicating that a decline in the value of an investment is other than temporary, and the impairment loss is irreversible.

(e) Debt instrument with no active market

These are debt instruments with no active market quote and measured at amortized cost. The impairment loss is recognized if there is evidence indicating that a decline in the value of an investment is other than temporary. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit or loss .The carrying value after the reverse should not exceed the amortized balance of the assets assuming no impairment loss was recognized.

(f) Derecognition of financial assets and liabilities

The Bank and its subsidiaries shall derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Bank and its subsidiaries transfer substantially all the risks and rewards of ownership of the financial assets. A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. If the bonds or stocks are taken as collateral, shall not be derecognized because the Bank and its subsidiaries have retained substantially all the risks and rewards of ownership.

(g) Financial instruments offsetting

A financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(h) Loans and advances

Loans and advances are recorded as initial fair value (including direct transaction cost), and the subsequent measurement recognizes interest income via effective interest rate method (if there is not much difference then it can adopt straight line method) and is booked as per amortized cost deducted by impairment loss.

Interest accrual on loans and advances is suspended if either of the following occurs:

(1) Payment of principal or interest is very likely not to be redeemed as per contracts.

(2) Non-performing loans are categorized as overdue loans in six months after the settlement period ends.

(i) Allowance for bad debts and provision for guarantee liabilities

Adequate allowance for bad debts is provided for loans and receivables by assessing whether there is evidence indicating that a single financial asset or a group of financial assets are impaired per the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans," and the "Regulations Governing Institutions Engaging in Credit Card Business".

For loans and receivables, the objective evidence should be identified first to reveal any impairment existing for financial assets that are individually significant, and individual or collective impairment for financial assets that are not individually significant. If no objective evidence of impairment exists in an individually assessed financial asset, it should be included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. For assets which have recognized impairment losses or continue to recognize impairment losses, the aforementioned assessment method is not required.

If there is an objective evidence that an impairment loss on a financial asset has occurred, the amount of the loss is recognized and measured via the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate; the amount of the loss should be recognized as bad debt expenses in profit or loss of the current period. The estimate of future cash flows includes the recoverable amount of collaterals and related insurances when determining the amount of the loss.

Above evidences of impairment loss usually include the following:

(1) Significant financial difficulty occurs to the issuer or the debtor.

(2) There are already default circumstances occur to the issuer or debtor, for example: default or overdue payment of interest or principal.

(3) The creditor give in to the debtor due to commercial or legal concern.

(4) The debtor is likely to bankrupt or execute certain financial reorganization.

(5) The issuer has financial difficulty and the financial assets cannot be traded in the active market.

(6) The payment status of the debtor worsens.

(7) The national and regional situation related to the default of the asset changes.

The Bank and its subsidiaries should recognize bad debt expenses when there is an impairment loss on the financial assets measured at amortized cost.

The impaired amount is the difference between the book value of the financial asset and the sum of estimated future cash flows discounted by the original effective rate. The book value of the financial assets is reduced by the allowance account and the amount of impairment losses shall be recognized as current gains and losses. When deciding the amount of the impairment loss, the estimate of future cash flows should include the collaterals and the recoverable amount of relevant insurances.

According to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans ", the Bank shall provide the sum of the following to be the allowance for bad debts:

(1) 1% of the first class credit assets deducted by the amount of credit assets from the government.

(2) 2% of the second class credit assets.

(3) 10% of the third class credit assets.

(4) 50% of the fourth class credit assets.

(5) 100% of the fifth class credit assets.

The allowance for bad debts assessed by the previously stated method shall not be less than the amount regulated by "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans ".

The Bank and its subsidiaries provide reserve for guarantee liabilities for off-balance-sheet non-credit assets taking into account the regulation of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans".

Unrecoverable overdue loans and bad debts, which are not able to be recovered after the overdue collection process, are written-off after deducting the recoverable portion. Upon approval by the board of directors and notification to supervisors, the excess amount of written off loans over such allowance or reserve is reflected as a current loss.

Above amounts provided are booked under the account of bad debt expenses.

(G) Impairment loss on non-financial assets

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(H) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

Land has an unlimited useful life and therefore is not depreciated. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(a) Buildings	35-50 years
(b) Equipment and machine	3-8 years
(c) Lease asset	5 years

The Bank and its subsidiaries reviews and adjusts the residual value and the useful lives of assets at the end of each fiscal year. Whenever there is evidence indicating that the carrying amount is unable to be recovered

due to environmental activities or changes, the Bank and its subsidiaries evaluate the impairment loss of assets.

If the carrying amount is higher than the recoverable amount, the carrying amount is adjusted to the recoverable amount. The recoverable amount is the fair value or the use value deducted by the disposition expense.

The gain or loss on disposal is the difference between the carrying amount and net disposal proceeds, and gain or loss on disposal shall be recognized as net gain or loss on non-other interest of consolidated comprehensive income.

When purchasing machinery equipment and computer software, the education fee implied in the contract is not recognized as the cost of machinery equipment and is recognized as expense.

For the lease contracts which regulate the Bank and its subsidiaries to restore the property to the original status, the Group reviews the terms of each contract and calculated the present value of the restoration expenses when signing the contracts. The decommissioning liability reserve is provided based on the calculation and the discount rate is determined based on the Bank's policy.

(I) Leasehold

Leases contract can be divided into operating lease contracts and financing (capital) lease contracts. If a lease contract transfers almost all the risk and reward comes with the leasehold, the leasehold is considered financing (capital) lease. If a lease contract does not transfers almost all the risk and reward comes with the leasehold, the leasehold is considered operating lease.

Depreciation is calculated per the regulation of IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets". If there is no reason to be sure that the lessee will obtain the ownership of the assets at the end of the lease period for financing leasehold, the assets shall be depreciated within the lease period or the durable service time, whichever is shorter. The lease contracts of the Bank and its subsidiaries include operating lease and financing lease.

(J) Deferred assets

The costs of installation for utilities, including electricity and water, as well as security facilities, are capitalized and amortized equally over 5 years.

(K) Collateral assumed

Collaterals assumed are stated at the lower of net book value or net realizable value; i.e., the amount the Bank receives when creditors cannot meet obligations and the collaterals and salvages are auctioned off. Under FSC Letter Ruling (2)0948010856 on July 11, 2005, collateral assumed must be disposed before December 31, 2005. If the Bank is unable to dispose the collateral assumed before December 31, 2005, it reserves a provision for loss equal to the carrying value of the collateral assumed. On disposition of collateral, the related provision is reversed. The selling price deducts the original book value of collateral assumed is recognized as gain on sale of collateral assumed.

(L) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Amortization of the discount is recognized as interest expense. Future operating loss cannot be recognized as liability reserve.

Contingent liability refers to the possible obligation results from past events. The existence of contingent liability can only be proved by whether one or more uncertain events which can not be controlled by the Bank and its subsidiaries occurs or not. Contingent liability also refers to the current obligation results from a past event, but not likely to cause outflow of economic resource to redeem the obligation or the amount of the obligation cannot be measured reliably. The Bank and its subsidiaries do not recognized contingent liability and disclose it per related regulations.

(M) Employee benefit

(a) Short term employee benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Retirement benefit

The pension provision of the Bank and its subsidiaries includes defined contribution plan and defined benefit plan. For the personnel of foreign offices, the Bank provides pension fund per the regulations of the local authorities.

Defined contribution plan refers to the plan that the Bank and its subsidiaries annually provide certain amount of money to funds to fulfill the obligation. The Bank and its subsidiaries provide pension based on compulsory obligation, contracts or voluntary will to public or private managed pension funds. If certain pension fund fail to pay the employees the benefit which they deserve for the service they provided, the Bank and its subsidiary do not hold legal or constructive obligation to pay additional provision. The Bank and its subsidiaries recognize the pension fund provided as current pension cost on accrual basis.

The Bank's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Bank's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Bank, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Bank and its subsidiaries. An economic benefit is available to the Bank and its subsidiaries if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the expense, the portion of the increased benefit relating to past service by employees, is recognized immediately in profit or loss to the extent that the benefits vest immediately.

The remeasurements of defined benefit liability (asset) include:

(1) Actuarial gains and losses;

(2) Return on plan assets, excluding net interest on the net defined benefit liability (asset); and

(3) The effect of the asset ceiling, excluding net interest on the net defined benefit liability (asset).

The remeasurements of defined benefit liability (asset) are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur.

The Bank recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation.

(c) Deposits with favorable rate

The Bank provides deposits with favorable rate to employees, which include current employee fix amount deposits with favorable rate and retired employee fix amount deposits with favorable rate. The rate difference between the favorable rate and the market rate belongs to the category of employee benefit.

According to article 28 of "Regulations Governing the Preparation of Financial Report by Public Banks", the additional interests result from the difference between deposit with favorable rate and the deposits with market interest rate shall be calculated by actuary per the regulations related to defined benefit plan in IAS 19 . The parameters of actuarial assumptions shall follow the regulations of the competent authority.

In accordance with the regulation of "Discussion of the employee benefit actuarial assumption related matter for adopting IAS 19 with respect to the additional interest of employee deposits with favorable rate" issued by the Banking Bureau, the difference between the actual payment and the estimated retirement benefit obligation is deemed as changes in accounting estimate and is recognized in profit or loss.

(d) Termination benefits

Termination benefits are recognized as an obligation when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Bank and its subsidiaries recognize liabilities when a formal irrevocable termination project is undertaken or when benefit is provided for encouraging voluntary resignation. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(N) Income tax

Income tax expenses refer to current and deferred income taxes. Current and deferred income taxes shall be recognized as profit or loss except for the items related to corporate merger or recognized under the equity and other comprehensive income. Current income tax includes expected tax payable or tax refundable calculated based on the taxable income (loss) multiplied by the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and the adjustments of tax payables from prior years.

Deferred income tax is measured and recognized based on the temporary difference between the carrying amount of the assets and liabilities for financial reporting purpose and the amount served as the taxable basis. It is measured by the tax rate which the assets expected to be realized or liabilities to be settled and is based on tax rates that have been enacted or substantively enacted on the balance sheet date.

The land incremental tax results from the revaluation per relevant regulations is categorized as taxable temporary difference and is recognized as deferred tax liabilities.

Deferred tax assets are recognized for loss carried forward, unused tax credit and deductible temporary differences to the extent that the future taxable income is likely to be available to apply against the deferred tax assets. The carrying amount of deferred tax assets should be reviewed at the end of each reporting period and the amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of partial or entire deferred tax asset to be utilized.

The 10% surtax on undistributed earnings is recognized as current expense on the date when the stockholders decide not to distribute the earnings in the annual meeting.

(O) Revenue recognition

Interest is recognized according to interest method. Interest accrual is suspended from the date when the loan is reclassified to non-performing loan and only when the Bank and its subsidiaries receive cash, the revenue is recognized.

The revenue of handling fee is recognized when cash collected or when the process of the profit are mostly completed. In addition, for the individual loan which does not belong to labor service and the handling fee is over 1% of the principal, the interest rate shall be adjusted from the original agreed interest rate to the effective interest rate. For the individual loan which does not belong to the service and the handling fee is less that 1% of the principal, the recognition of the revenue should be deferred and be recognized as revenue during the loan period.

(P) Earnings per share (EPS)

EPS is based on the weighted-average number of shares outstanding. In the event of capital increase through capitalization of retained earnings, capital surplus, or employee bonuses, EPS is retroactively adjusted based on the percentage of capital increase, regardless of the period when the incremental shares are outstanding.

The employee bonuses of the Bank and its subsidiaries issued by stocks were dilutive potential common shares. If the potential common shares have a non-dilutive effect, the Bank and its subsidiaries should only disclose the basic earnings per share. On the contrary, if the potential common shares have a dilutive effect, the Bank and its subsidiaries should disclose both the basic and diluted earnings per share. In calculating the diluted earnings per share, it is based on the assumption that all dilutive potential common shares are outstanding, and therefore the net income and the shares outstanding shall be adjusted in accordance with the calculation.

(Q) Operating segments

Operating segment is the component of the Bank and its subsidiaries that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank and its subsidiaries). The segment's operating results are reviewed regularly by the Bank's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess the performance for which discrete financial information is available.

5. SIGNIFICANT ACCOUNTING ASSUMPTIONS AND JUDGMENTS, AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management inspects estimates and basic assumptions continuously, changes in accounting estimate will be recognized in the periods which the change occurred and future periods effected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is as following :

(A) Impairment losses on loans

The Bank and its subsidiaries review loan portfolios quarterly to evaluate impairment losses. When deciding whether to recognize impairment or not, the Bank and its subsidiaries observe evidences indicating the possibilities of impairment. The observable evidence may include the unfavorable changes of payment status

or the economic conditions of the countries or areas related to the default loan. The management applies past loss experience of assets with similar credit risk characteristic to analyze the expected cash flows. The Bank and its subsidiary regularly review the methods and assumptions applied for calculating the amount and timing of the expected cash flows in order to diminish the difference between the estimated amount and the actual amount.

(B) Retirement benefit

The present value of the retirement benefit obligation is the actuarial result based on several assumptions. Any change of the assumptions may influence the carrying amount of the retirement benefit obligation.

The assumptions applied to determine net pension cost (revenue) include the discount rate. The Bank and its subsidiaries determine the appropriate discount rate at the end of each year and apply it to calculate the present value of the future cash outflows which are to be paid to the retirement benefit obligation. To determine the appropriate discount rate, the Bank and its subsidiaries should consider the interest rate of high quality corporate bonds and government bonds. The currency of the retirement benefit shall be the same as that of the high quality corporate bond or government bonds and the duration till maturity date shall comply with the duration of the related pension obligation. Other significant assumptions of retirement benefit obligation are based on the current market situation.

6. EXPLANATION OF SIGNIFICANT ACCOUNTS

(A) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Petty cash and revolving fund	$ 9,129,276	8,693,045
Foreign currencies on hand	944,558	981,889
Checks for clearing	13,350,478	12,020,489
Due from other banks	27,868,047	27,869,525
Total	$ 51,292,359	49,564,948

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

	December 31, 2017	December 31, 2016
Due from the Central Bank	$ 56,328,785	52,131,770
Deposits transferred to the Central Bank	76,720	172,915
Call loans to banks	44,936,851	38,314,577
Trust fund indemnity reserve deposited	70,000	70,000
Securities served as trust fund indemnity reserve deposited	(70,000)	(70,000)
Total	$ 101,342,356	90,619,262

As of December 31, 2017 and 2016, in accordance with the Banking Law and the Central Bank Law, the required reserve deposited by the Bank with the Central Bank amounted to $56,131,096 and $51,994,051, of which $34,812,779 and $35,822,502 respectively, were restricted and such restriction may only be lifted when the required reserve is adjusted to a lower amount.

Effective December 2000, in accordance with the amended "Rules Governing Adjustments to and Review of Deposits in Financial Institutions and Reserve for Other Liabilities", the Bank provides the required additional reserve on foreign currency deposits. As of December 31, 2017 and 2016, the required reserve with the Central Bank amounted to $197,689 and $137,719 respectively, and its use was unrestricted.

As of December 31, 2017 and 2016, deposits collected on behalf of the armed forces, prisons, and other national deposits were restricted.

Effective January 20, 2001, in accordance with the requirement of the Central Bank of China, the Bank complies with Clause 34 of the Trust Law to treat the discretionary trust of investments in overseas marketable securities as a default loss reserve. As of December 31, 2017 and 2016, the Bank deposited marketable securities of both $70,000 as trust fund reserves.

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

	December 31, 2017	December 31, 2016
Financial assets held for trading:		
Commercial paper	$ 499,459	939,345
Listed and OTC stocks	-	22,473
Beneficiary certificates	10,150	15,660
Foreign exchange forward contracts	63,784	105,172
Currency swap contracts	241,588	301,114
Foreign currency options-call	8,621	47,345
Structured product options-call	81	2
Stock index futures	454	12,582
Sub-total	824,137	1,443,693
Financial assets designated at fair value through profit or loss:		
Overseas bonds	237,652	-
Total	$ 1,061,789	1,443,693

As of December 31, 2017 and 2016, the nominal amounts of unsettled financial derivative instrument contracts were as follows:

	December 31, 2017	December 31, 2016
Foreign exchange forward contracts	$ 4,150,449	4,019,898
Currency swap contracts	112,709,538	75,681,956
Interest swap contracts	3,561,600	-
Option contracts-call	1,381,870	4,246,411
Option contracts-put	1,381,870	4,246,411

(D) Securities purchased under resell agreements

	December 31, 2017	December 31, 2016
Securities under resell agreements	$ 3,998,104	619,201
Face amount	4,000,000	620,000
Resell period	107.1.3~107.1.12	106.1.4~106.1.13
Range of resell interest rate	0.38%~0.42%	0.4%~0.55%
Resell price	$ $3,998,530	619,327

(E) Receivables–net

	December 31, 2017	December 31, 2016
Interest receivable	$ 2,953,720	2,947,889
Acceptances receivable	1,694,044	1,213,733
Accrued incomes	86,075	159,554
Accounts receivable	577,647	256,744

	December 31, 2017	December 31, 2016
Accounts receivable factoring without recourse	512,299	319,040
Spot exchange receivable-foreign currencies	15,317,678	16,322,243
Refinancing guaranty deposits	-	1,132
Guaranteed proceeds receivable from refinancing	-	1,190
Receivable from credit card	1,261,322	1,292,977
Receivable from security brokerage	90,981	76,324
Settlement fund	61,723	254,063
Installment receivables and leases	1,186,271	936,813
Receivable from fail derivative intrument contracts	9,119	-
Notes receivables	802	-
Other receivables	307,380	332,013
Sub-total	24,059,061	24,113,715
Less: Allowance for bad debts	(107,760)	(112,735)
Net	$ 23,951,301	24,000,980

The change in allowance for bad debts was as follows:

Receivables	For the years ended December 31,	
	2017	2016
Beginning balance	$ 112,735	89,635
Provision	20,243	24,340
Transfer in	-	35,580
Write off	(24,328)	(35,864)
Foreign exchange	(890)	(956)
Ending balance	$ 107,760	112,735

(F) Discounts and loans–net

	December 31, 2017	December 31, 2016
Import/export bills negotiated	$ 251,330	397,578
Bills and notes discounted	1,831,622	1,202,635
Overdrafts	8,401	40,485
Secured overdrafts	1,433,386	1,980,738
Short-term loans	265,965,882	265,430,634
Short-term secured loans	183,379,076	164,465,443
Margin loans receivable	2,341,425	1,708,746
Medium-term loans	118,666,041	102,042,620
Medium-term secured loans	151,462,973	146,321,825
Long-term loans	14,229,721	17,243,249
Long-term secured loans	380,822,519	352,502,256
Account receivable financing	554,290	596,752
Overdue loans	3,029,112	3,857,556
Sub-total	1,123,975,778	1,057,790,517
Less: Adjustment of discount and premium	(257,796)	(225,907)
Less: Allowance for bad debts	(12,158,013)	(12,549,963)
Net	$ 1,111,559,969	1,045,014,647

The change in allowance for bad debts is as follows:

Loan	For the years ended December 31,	
	2017	2016
Beginning balance	$ 12,549,963	11,341,593
Provision	3,549,074	2,606,874
Transfer out	(584,242)	(264,507)
Write-off	(3,906,067)	(2,841,380)
Foreign exchange	(40,573)	(12,575)
Written-off recovered	589,858	1,719,958
Ending balance	$ 12,158,013	12,549,963

(G) Available-for-sale financial assets–net

	December 31, 2017	December 31, 2016
Government bonds	$ 37,660,906	43,523,682
Corporate bonds	18,500,141	19,096,625
Overseas bonds	7,447,231	8,151,648
Listed and OTC stocks	2,625,558	2,558,733
Total	$ 66,233,836	73,330,688

Please refer to Note 6(O) for the information with regard to repurchase conditions for available-for-sale financial assets shown above.

(H) Held-to-maturity financial assets–net

	December 31, 2017	December 31, 2016
Certificates of deposit with the Central Bank	$ 124,330,000	125,475,000
Government bonds	32,958,891	26,293,871
Corporate bonds	16,215,509	13,300,376
Overseas bonds	29,400,355	27,386,350
Negotiable certificates of deposit	62,328	67,662
Total	$ 202,967,083	192,523,259

As of December 31, 2017 and 2016, held-to-maturity financial assets provided and deposited as reserve for provisional seizure by the court, international card payment reserve, trust claim reserve and operating guaranty funds amounted to $715,700 and $681,500, respectively. As of December 31, 2017 and 2016, the overseas branches have provided $62,328 and $67,662, respectively, for the reserve of overdraft guarantee.

In order to comply with the immediate tax settlements mechanism of Central Bank and the interbank funds transfer system, the Bank provided time deposits with the Central Bank all amounting to $8,200,000 as overdraft guarantee as of December 31, 2017 and 2016, respectively. The amount of the guarantee could be modified anytime and the remaining amount could be served as liquid reserves.

As of December 31, 2017 and 2016, in compliance with the item 16 of "Guidelines Governing Financial Institution in Conducting Treasury Affairs Authorized by Central Bank", the Bank provided secured central bank certificates of deposit with face value of $1,505,000 to the Central Bank. When certain conditions are satisfied, the Bank will be returned the certificates without interest from Central Bank.

As of December 31, 2017 and 2016, the Bank provided Central bank certificates of deposit with face value of $17,000,000 to serve as a guarantee for borrowing US dollars from Central bank.

(I) Other financial assets–net

	December 31, 2017	December 31, 2016
Non-accrual loans transferred from non-loan financial assets	$ 208,339	157,421
Less: Allowance for bad debts－non-accrual loans transferred from non-loan financial assets	(84,410)	(60,198)
Non-accrual loans transferred from non-loan financial assets－net	123,929	97,223
Exchange bills negotiated	142	383
Less: Allowance for bad debt－exchange bills negotiated	(1)	(4)
Exchange bills negotiated－net	141	379
Financial assets carried at cost	2,035,121	2,035,121
Total	$ 2,159,191	2,132,723

(a) Financial assets carried at cost were as follows:

Investee	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Taiwan Power Company	$ 11,427	-	11,427	-
Taiwan Sugar Corporation	58,294	0.30	58,294	0.30
Sunysino Development Associated Inc.	17,440	3.12	17,440	3.12
Taiwan Small & Medium Enterprises Devel. Co., Ltd.	29,000	4.84	29,000	4.84
Taipei Forex Incorporation	7,000	3.53	7,000	3.53
Financial Information Service Co., Ltd.	45,500	1.14	45,500	1.14
Evernight Investment Co., Ltd	500,000	4.95	500,000	4.95
Taiwan Stock Exchange Corp.	198,012	0.95	198,012	0.95
Taiwan Futures Exchange Co., Ltd.	20,000	1.00	20,000	1.00
Taiwan Asset Management Corp	750,000	5.68	750,000	5.68
Taiwan Finance Asset Service Corp	50,000	2.94	50,000	2.94
Financial E-Solution Co., Ltd.	9,245	4.12	9,245	4.12
Taiwan Depository and Clearing Corp.	4,639	0.08	4,639	0.08
Yand Guang Asset Management Corp.	460	0.77	460	0.77
Taiwan Trusted Service Manager Co., Ltd.	6,000	1.00	6,000	1.00
Taipei Financial Center Corp.	328,104	0.80	328,104	0.80
Total	$ 2,035,121		2,035,121	

(b) The change in allowance for bad debts was as follows:

Other financial assets	For the years ended December 31,	
	2017	2016
Beginning balance	$ 60,202	20,300
Reversal	(550,888)	(179,646)
Transfer in	584,242	228,927
Write-off	(34,107)	(36,593)
Written-off recovered	24,962	27,214
Ending balance	$ 84,411	60,202

(J) Premises and equipment–net

December 31, 2017	Cost	Revaluation appreciation	Accumulated depreciation	Accumulated impairment	Total
Land	$ 6,678,952	2,986,161	-	14,031	9,651,082
Buildings	7,699,394	31,184	3,849,763	14,754	3,866,061
Machinery	2,072,355	-	1,760,891	-	311,464
Transportation equipment	280,450	-	243,860	-	36,590
Miscellaneous equipment	590,195	-	504,628	-	85,567
Leasehold improvement	104,639	-	33,406	-	71,233
Construction in progress	17,726	-	-	-	17,726
Prepayment for equipment	56,593	-	-	-	56,593
Prepayment for real estate	98,799	-	-	-	98,799
Leased assets	74,596	-	42,845	-	31,751
Total	$ 17,673,699	3,017,345	6,435,393	28,785	14,226,866

December 31, 2016	Cost	Revaluation appreciation	Accumulated depreciation	Accumulated impairment	Total
Land	$ 6,678,952	2,986,161	-	14,031	9,651,082
Buildings	7,486,854	31,184	3,682,819	14,754	3,820,465
Machinery	1,966,592	-	1,733,509	-	233,083
Transportation equipment	286,164	-	244,838	-	41,326
Miscellaneous equipment	580,418	-	509,879	-	70,539
Leasehold improvement	69,916	-	22,725	-	47,191
Construction in progress	153,162	-	-	-	153,162
Prepayment for equipment	62,933	-	-	-	62,933
Leased assets	72,495	-	31,570	-	40,925
Total	$ 17,357,486	3,017,345	6,225,340	28,785	14,120,706

Change of cost

	January 1, 2017	Increase	Decrease	Foreign Exchange	December 31, 2017
Land	$ 9,665,113	-	-	-	9,665,113
Buildings	7,518,038	212,540	-	-	7,730,578
Machinery	1,966,592	184,111	82,939	4,591	2,072,355
Transportation equipment	286,164	8,192	14,213	307	280,450
Miscellaneous equipment	580,418	35,885	25,304	(804)	590,195
Leasehold improvement	69,916	41,142	3,799	(2,620)	104,639
Construction in progress	153,162	32,147	167,583	-	17,726
Prepayment for equipment	62,933	26,271	31,107	(1,504)	56,593
Prepayment for real estate	-	98,799	-	-	98,799
Leased assets	72,495	2,101	-	-	74,596
Total	$ 20,374,831	641,188	324,945	(30)	20,691,044

	January 1, 2016	Increase	Decrease	Foreign Exchange	December 31, 2016
Land	$ 9,665,113	-	-	-	9,665,113
Buildings	7,470,764	47,274	-	-	7,518,038
Machinery	1,967,149	147,687	148,546	302	1,966,592
Transportation equipment	290,326	12,394	16,794	238	286,164
Miscellaneous equipment	586,357	24,748	30,907	220	580,418
Leasehold improvement	71,008	30,649	31,335	(406)	69,916
Construction in progress	101,726	51,436	-	-	153,162
Prepayment for equipment	58,325	37,025	32,417	-	62,933
Leased assets	70,577	1,918	-	-	72,495
Total	$ 20,281,345	353,131	259,999	354	20,374,831

Change of depreciation

	January 1, 2017	Increase	Decrease	Foreign Exchange	December 31, 2017
Buildings	$ 3,682,819	166,944	-	-	3,849,763
Machinery	1,733,509	110,338	79,299	(3,657)	1,760,891
Transportation equipment	244,838	13,334	14,146	(166)	243,860
Miscellaneous equipment	509,879	20,832	25,204	(879)	504,628
Leasehold improvement	22,725	14,987	3,799	(507)	33,406
Leased assets	31,570	11,336	-	(61)	42,845
Total	$ 6,225,340	337,771	122,448	(5,270)	6,435,393

	January 1, 2016	Increase	Decrease	Foreign Exchange	December 31, 2016
Buildings	$ 3,520,394	162,425	-	-	3,682,819
Machinery	1,790,698	91,136	147,636	(689)	1,733,509
Transportation equipment	248,268	13,190	16,550	(70)	244,838
Miscellaneous equipment	522,051	18,785	30,529	(428)	509,879
Leasehold improvement	38,373	15,128	30,604	(172)	22,725
Leased assets	20,616	11,162	-	(208)	31,570
Total	$ 6,140,400	311,826	225,319	(1,567)	6,225,340

Accumulated impairment

	January 1, 2017	Increase	Decrease	Foreign Exchange	December 31, 2017
Land	$ 14,031	-	-	-	14,031
Buildings	14,754	-	-	-	14,754
Total	$ 28,785	-	-	-	28,785

	January 1, 2016	Increase	Decrease	Foreign Exchange	December 31, 2016
Land	$ 14,156	-	125	-	14,031
Buildings	21,411	-	6,657	-	14,754
Total	$ 35,567	-	6,782	-	28,785

When the Bank and its subsidiaries first adopted IFRSs, it elected to apply the revaluation amount calculated per the regulation of GAAP of R.O.C as the original cost on the transition date.

As of December 31, 2017 and 2016, the appreciation from revaluation of properties all amounted to $3,017,345. Reserve for land incremental tax all amounted to $879,056 (Recognized under deferred tax liabilities).

As of December 31, 2017 and 2016, land which was illegally occupied amounted to $5,496, respectively. Part of the illegally occupied land would be disposed after the Bank received the certificate of legal costs and the rest would be auctioned at appropriate time.

(K) Other assets-net

	December 31, 2017	December 31, 2016
Office supplies	$ 27,997	27,554
Prepayments	3,269,987	3,134,882
Operating guaranty deposits and settlement fund	30,608	32,721
Guarantee deposits paid	321,496	621,768
Deferred assets	40	117
Proceeds of settlement and credit transaction	24,721	2,032
Total	$ 3,674,849	3,819,074

(L) Deposits from the Central Bank and other banks

	December 31, 2017	December 31, 2016
Deposits from the Central Bank	$ 304,431	155,958
Call loans from the Central Bank	16,234,960	9,827,100
Deposits from banks	100,305	80,933
Call loans from banks	18,439,863	27,354,665
Overdrafts on banks	1,680,993	1,187,819
Deposits transferred from Chunghwa Post Co., Ltd.	56,769,218	37,211,382
Total	$ 93,529,770	75,817,857

(M) Due to the Central Bank and other banks

	December 31, 2017	December 31, 2016
Due to banks	$ 31,464	-

Due to banks:

Chang Hwa Commercial Bank, Ltd. (SH)

	December 31, 2017	December 31, 2016
Interbanks borrowing (CNY)	$ 6,917	-
Interest rate	4.99%	
Maturity date	August 30, 2020	

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

	December 31, 2017	December 31, 2016
Financial liabilities held for trading		
Foreign exchange forward contracts	$ 8,420	28,543
Currency swap contracts	150,009	138,273
Foreign currency option-put	8,633	47,441
Structured product option-put	82	2
Subtotal	167,144	214,259
Financial liabilities designated at fair value through profit or loss		
Financial debentures	3,565,337	-
Total	$ 3,732,481	214,259

Please refer to 6(R) for the information of financial liabilities designated at fair value through profit and loss.

Please refer to 6(C) for the nominal amount of unsettled financial derivatives instrument contracts of December 31, 2017 and 2016.

(O) Securities sold under repurchase agreements

	December 31, 2017			
Assets	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Available-for-sale financial assets	$ 1,001,200	1,105,596	1,106,770	Prior to June 27, 2018

	December 31, 2016			
Assets	Par value	Selling Price (Recognized in securities sold under repurchase agreements)	Designated repurchase amount	Designated repurchase date
Available-for-sale financial assets	$ 2,631,300	2,758,905	2,760,319	Prior to August 31, 2017

(P) Payables

	December 31, 2017	December 31, 2016
Interest payable	$ 1,702,701	1,505,823
Accounts payable	13,363,952	12,022,274
Acceptances	1,724,173	1,258,085
Accrued expenses	2,522,471	2,251,579
Collection payable	590,876	576,282
Deposits received from securities borrowers	95,470	91,888
Guaranteed price deposits received from securities borrowers	111,668	117,170
Accounts payable factoring	153,704	87,050
Spot exchange payable－ foreign currencies	15,315,863	16,313,119
Other payables	864,379	836,438
Trusted security payable	147,945	326,830
Others	36,850	26,056
Total	$ 36,630,052	35,412,594

(Q) Deposits and remittances

	December 31, 2017	December 31, 2016
Savings deposits	$ 607,119,560	597,431,556
Time deposits	329,695,922	283,317,117
Demand deposits	350,247,717	343,623,036
Checking account deposits	28,358,099	29,065,712
Remittances	602,413	367,056
Total	$ 1,316,023,711	1,253,804,477

(R) Financial debentures

Bonds	Terms of Transactions			Bond Issued		
	Issue date	Maturity date	Interest Rate & repayment	Type	Amount	
					December 31, 2017	December 31, 2016
2010-1	03/05/2010	03/05/2017	The debentures bear an annual interest rate of 2.32%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	$ -	1,050,000
2010-2	09/02/2010	09/02/2017	The debentures bear an annual interest rate of 1.92%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	〃	-	6,000,000
2010-1P A	09/23/2010	None	The debentures bear annual interest rate which is the Chunghwa post's board average interest rate for 1-year time deposit plus 1.34% for the ten years after the issue date. The interest rate will be the Chunghwa post's board interest rate for 1-year time deposit plus 2.34% from the eleventh year. The debentures is redeemable per face value plus accrued interest at the interest payment date after ten years from the issue date under the consent of the competent authority.	Perpetual non-accumulated subordinated financial debentures	3,200,000	3,200,000

Bonds	Terms of Transactions			Bond Issued		
	Issue date	Maturity date	Interest Rate & repayment	Type	Amount	
					December 31, 2017	December 31, 2016
2010-1P B	09/23/2010	None	The debentures bear an interest rate of 3.05% for the first ten years after the issue date. The interest rate will be 4.05% from the eleventh year. The debentures is redeemable per face value plus accrued interest at the interest payment date after ten years from the issue date under the consent of the competent authority.	Perpetual non-accumulated subordinated financial debentures	$ 800,000	800,000
2013-1	03/25/2013	03/25/2020	The debentures bear an annual interest rate of 1.68%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	$5,000,000	5,000,000
2013-2A	11/25/2013	11/25/2020	(A) The debentures bear annual interest rate, which is the index rate plus 0.52%. The index rate is the average offer of 90-days CP which is indicated in Reuter's page 6165 at 11 A.M Taipei time, 2 operation days prior to the interest commencement date. (B) Since January 1, 2015 according to various indicators of interest rate changes during the value date two business days before the pricing (FIXING) Bank of the Republic of China Business Association National Union RCAs website "Taipei fixing the financial sector call loan rate (TAIBOR)" three-month interest rate fixing. Simple interest rate is accrued four times a year and paid annually. The principal will be repaid in full at maturity.	"	3,100,000	3,100,000
2013-2B	11/25/2013	11/25/2020	The debentures bear an annual interest rate of 1.92%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	〃	2,900,000	2,900,000
2015-1P	06/18/2015	None	The debenture bear an annual interest rate of 3.9%. Simple interest is accrued and paid annually. The debentures is redeemable per face value plus accrued interest at interest payment date after five years from the issued date under the consent of the competent authority.	Perpetual non-accumulated subordinated financial debentures	5,000,000	5,000,000
2015-2A	08/31/2015	08/31/2023	The debenture bear an annual interest rate of 2.05%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	4,700,000	4,700,000
2015-2B	08/31/2015	08/31/2025	The debenture bear an annual interest rate of 2.10%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	〃	300,000	300,000
2016-1P	09/20/2016	None	The debenture bear an annual interest rate of 3.2%. Simple interest is accrued and paid annually. The debentures is redeemable per face value plus accrued interest at interest payment date after five years and three months from the issued date under the consent of the competent authority.	Perpetual non-accumulated subordinated financial debentures	8,000,000	8,000,000

Bonds	Terms of Transactions			Bond Issued		
	Issue date	Maturity date	Interest Rate & repayment	Type	Amount	
					December 31, 2017	December 31, 2016
2016-2	12/20/2016	12/20/2023	The debentures bear an annual interest rate of 1.40%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	Unsecured subordinated long-term financial debentures	$ 2,700,000	2,700,000
2017-1A	03/28/2017	03/28/2024	The debentures bear an annual interest rate of 1.50%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	〃	390,000	-
2017-1B	03/28/2017	03/28/2025	The debentures bear an annual interest rate of 1.60%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	〃	250,000	-
2017-1C	03/28/2017	03/28/2027	The debentures bear an annual interest rate of 1.85%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	〃	3,360,000	-
2017-2	05/23/2017	05/23/2027	The debentures bear an annual interest rate of 1.85%. Simple interest is accrued and paid annually. The principal will be repaid in full at maturity.	〃	1,300,000	-
					$ 41,000,000	42,750,000

The Bank issued $120,000 thousand dollar-denominated debentures with call option that can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity. In order to avoid interest risk, the Bank buys interest rate swap contracts that are classfied as financial assets at fair value through profit or loss. To eliminate the measurement or recognition inconsistency between IRSs and debentures, the Bank classified the debentures into financial liabilities at fair value through profit or loss. The debentures are as follows:

Bonds	Terms of Transactions			Bond Issued		
	Issue date	Maturity date	Interest Rate & repayment	Type	Amount	
					December 31, 2017	December 31, 2016
2017-3	10/27/2017	10/27/2047	The zero-coupon debentures with call options can be executed on strike price after five years from the issued date. Without executing call options during the periods of debentures, the principal will be repaid in full at maturity.	Unsecured dollar-denominated senior financial debentures	$ 3,561,600	-
				Valuation adjustment	3,737	-
					$ 3,565,337	-

(S) Other financial liabilities

	December 31, 2017	December 31, 2016
Appropriated loans funds	$ 10,090,135	10,780,543
Lease payable	30,410	38,602
Total	$ 10,120,545	10,819,145

Cumulative earnings on appropriated loan fund is the project contract signed by National Development Council, Small and Medium Enterprise Administration, Ministry of Economic Affairs, and the Bank. The Bank appropriates the fund to the companies which meet the conditions for loans. The fund is classified as principal account, interest yielding account, loaned account and un-loaned account. The interests paid to the government are calculated respectively.

(T) Provision for liabilities

	December 31, 2017	December 31, 2016
Provision for guarantee liabilities	$ 156,523	147,491
Provision for lawsuit	-	346,491
Provision for employee benefit	3,358,828	3,112,771
Total	$ 3,515,351	3,606,753

Change of provision

	January 1, 2017	Increase	Decrease	Use	Foreign exchange	December 31, 2017
Provision for guarantee liabilities	$ 147,491	9,286	-	-	(254)	156,523
Provision for lawsuit	346,491	109,273	-	466,884	11,120	-
Provision for employee benefit	3,112,771	504,152	208,775	49,320	-	3,358,828
Total	$ 3,606,753	622,711	208,775	516,204	10,866	3,515,351
	January 1, 2016	**Increase**	**Decrease**	**Use**	**Foreign exchange**	**December 31, 2016**
Provision for guarantee liabilities	$ 97,708	49,839	-	-	(56)	147,491
Provision for lawsuit	413,129	-	-	51,118	(15,520)	346,491
Provision for employee benefit	2,810,900	598,310	214,113	82,326	-	3,112,771
Total	$ 3,321,737	648,149	214,113	133,444	(15,576)	3,606,753

Please refer to Note 6(X) for the information with regard to provision for employee benefit shown above.

(U) Other liabilities

	December 31, 2017	December 31, 2016
Advance interest receipts	$ 10,284	5,364
Unearned revenue	109,386	115,673
Other advances receipts	101,006	70,705
Guarantee deposits received	768,517	583,388
Temporary receipts and suspense accounts	648,221	698,698
Other	6,101	6,178
Total	$ 1,643,515	1,480,006

(V) Equity

(a) Common stock

As of December 31, 2017 and 2016, the Bank's authorized capital were $80,000,000 and $60,000,000, respectively and the paid-in capital for common shares of the Bank were $61,479,617 and $59,688,949 and the face value of each share is NTD $10. The outstanding shares were 6,147,962 and $5,968,895 thousand shares, respectively.

Pursuant to the resolution approved by the stockholders' meeting of the Bank on June 16, 2017, the Bank increased its capital from the retained earnings by $1,790,668 and issued 179,067 thousand shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on July 7, 2017. The base date of the capital increase is set on August 7, 2017. The Bank has completed the registration of change in paid-in capital on August 23, 2017.

Pursuant to the resolution approved by the stockholders' meeting of the Bank on June 24, 2016, the Bank increased its capital from the retained earnings by $2,842,331 and issued 284,233 thousand shares. The capital increase has been approved by Financial Supervisory Commission and came into effect on August 17, 2016. The base date of the capital increase is set on September 10, 2016. The Bank has completed the registration of change in paid-in capital on September 26, 2016.

(b) Capital surplus

Pursuant to the amendment of the Company Act which was published in January 2012, the Company can only transfer realized capital surplus into capital or distribute cash dividends after the capital surplus be used to offset a deficient. In compliance with the resolution, realized capital surplus includes the income derived from the issuance of new shares at a premium and the income from endowments received by the company. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital surplus to be used to increase capital shall not exceed 10% of total paid-in capital.

(c) Earnings distribution and dividend policy

Under the Bank's Articles of Incorporation, earnings are used initially to pay for income taxes and restore cumulative losses, and 30% of the remaining earnings is set aside as legal reserve. Special reserve is appropriated from or reversed to earnings per other regulations. Add accumulated retained earnings from previous years as distributable dividends and the amount of dividends is resolved by the annual stockholders' meeting according to the proposal submitted by the Board of Directors.

In order to continuously expand scale and increase profitability, the Bank, based on the future capital budget plan, adopts residual dividend policy and primarily distributes stock dividend to ensure the capital is sufficient. When there is surplus of capital, the remaining capital can be distributed by cash dividend. Cash dividend shall not be lower than 10% of the total dividend distributed. If the cash dividend distributed per share is lower than NTD$ 0.1, except for otherwise resolved by the shareholder's meeting, it is not distributed. If there is any situation conforms to that is regulated in article 44 item 1 of the Banking Act of The Republic of China, the Bank is not allowed to distribute earnings by cash or purchase shares outstanding. The maximum cash earning distribution is not allowed to be over 15% of the total paid in capital unless the legal reserve reaches the total paid-in capital.

In compliance with the amendment of Company Act published in January 2012, if the Company incurs no loss, under the consent of the shareholder's meeting, the Company is allowed to distribute new shares or cash dividends from legal reserve to the extent that the legal reserve issued is the surplus exceeding 25% of the paid in capital.

Under the Ruling No. 1010012865 issued on April 6, 2012 by the FSC, special reserve is appropriated from retained earnings based on the equivalent amounts of the contra accounts in equity. This special reserve may not be distributed as dividends to stockholders until the balances of these contra accounts in equity are reversed.

The Bank resolved the earning distribution for the earnings of 2016 and 2015 in the shareholder's meeting on June 16, 2017 and June 24, 2016, respectively. The dividends distributed were as follows:

	2016		2015	
	Distribution rate (NT dollar)	Amount	Distribution rate (NT dollar)	Amount
Dividends to common share holders				
Share	$ 0.30	1,790,668	0.50	2,842,331
Cash	0.102	608,827	0.10	568,466
Total		2,399,495		3,410,797

(d) Other equity items

	Unrealized losses of available-for-sale financial assets	Difference of foreign exchange in translating financial statements of foreign operating unit	Total
January 1, 2017	$ (1,009,845)	(19,637)	(1,029,482)
Available-for-sale financial assets			
-Valuation adjustment	1,565,125	-	1,565,125
-Realized amount	(26,168)	-	(26,168)
Currency translation difference -Current exchange difference	-	(815,703)	(815,703)
December 31, 2017	$ 529,112	(835,340)	(306,228)
January 1, 2016	$ (94,694)	221,642	126,948
Available-for-sale financial assets			
-Valuation adjustment	(875,586)	-	(875,586)
-Realized amount	(39,565)	-	(39,565)
Currency translation difference -Current exchange difference	-	(241,279)	(241,279)
December 31, 2016	$ (1,009,845)	(19,637)	(1,029,482)

(W) Income taxes

(a) The income tax expenses were as follows:

	For the years ended December 31,	
	2017	2016
Current tax expense		
Current period	$ 800,310	871,699
Adjustment for prior periods	(191,665)	32,704
Additional 10% surtax on undistributed retained earnings	5	-
	608,650	904,403
Deferred tax expense		
Origination and reversal of temporary different	222,527	259,314
Income tax expenses	$ 831,177	1,163,717

(b) The income tax (expenses) benefits recognized under other comprehensive income were as follows:

	For the years ended December 31,	
	2017	2016
Items that will not reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plans	$ 42,401	53,169

	For the years ended December 31,	
	2017	2016
Items that may be reclassified:		
Foreign exchange difference in translating financial statements of foreign operations	$ 167,072	44,782
Unrealized valuation gains on available-for-sale financial assets	(1,881)	691
	$ 165,191	45,473

The reconciliation between the income tax expense (income) and net income before tax of the Bank and its subsidiaries for 2017 and 2016 is as follows:

	For the years ended December 31	
	2017	2016
Income tax computed on net income before tax	$ 1,002,844	1,083,114
Permanent differences:		
- Cessation tax of gains derived from the securicies transactions	(3,818)	5,979
- Net income from offshore banking unit	(193,088)	(214,284)
- Recognized loss from financial assets and liabilities measured at fair value through profit or loss	7,032	9,828
- Cash Dividend	(38,311)	(41,556)
- Reversal of impairment gain on assets	-	(1,153)
- Non-deductible expense	257	52
Temporary differences:		
- Reversal loss of litigation	(75,446)	-
- Difference between the actual allowance for bad debts and the statutory allowance for bad debts amount regulated in the Tax Law	(162,657)	188,410
- Difference between the actual pension and the statutory pension amount regulated in the Tax Law	12,156	(1,772)
- Loss on other assets impairment	-	(6,034)
- Other	97	(133)
Taxable income	549,066	1,022,451
Increase (decrease) in loss carryforward	3,324	(439,785)
Income tax payable	552,390	582,666
Decrease in deferred income tax assets	222,526	259,134
Overseas branch income tax expenses	247,867	284,153
Additional 10% tax from undistributed earnings	5	-
(Overestimate) underestimate prior income tax expense	(191,648)	32,704
Other	37	5,060
Income tax expense	$ 831,177	1,163,717

(c) Changes in deferred tax assets and liabilities of the Bank and its subsidiaries are as follows:

	For the years ended December 31, 2017				
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Others	Ending balance
Temporary difference					
Deferred tax assets resulted from allowance for bad debts exceeding the limit regulated in Tax Law	$ 546,478	(162,657)	-	(28)	383,793
Loss on assets impairment	40,593	-	-	-	40,593
Indemnity reserve	75,446	(75,446)	-	-	-
Reserve for employee benefit liabilities	402,079	12,156	-	-	414,235
Land value increment tax	(879,056)	-	-	-	(879,056)
Exchange differences from the translation of financial statements of foreign operations	4,021	-	167,072	-	171,093
Unrealized valuation profit or loss on available-for-sale financial assets	(381)	-	(1,881)	-	(2,262)
Actuarial gains and losses	166,780	-	42,401	-	209,181
Other	149	97	-	(1)	245
Subtotal	356,109	(225,850)	207,592	(29)	337,822
Losses carried forward	-	3,324	-	-	3,324
Net deferred tax assets (liabilities)	$ 356,109	(222,526)	207,592	(29)	341,146
The information stated on the balance sheet is as follows:					
Deferred tax assets	$ 1,240,678				1,222,464
Deferred tax liabilities	$ 884,569				881,318

	For the years ended December 31, 2016				
	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Others	Ending balance
Temporary difference					
Deferred tax assets resulted from allowance for bad debts exceeding the limit regulated in Tax Law	$ 358,236	188,410	-	(168)	546,478
Loss on assets impairment	46,627	(6,034)	-	-	40,593
Indemnity reserve	75,446	-	-	-	75,446
Reserve for employee benefit liabilities	403,851	(1,772)			402,079
Land value increment tax	(879,056)	-	-	-	(879,056)
Exchange differences from the translation of financial statements of foreign operations	(40,761)	-	44,782	-	4,021
Unrealized valuation profit or loss on available-for-sale financial assets	(1,072)	-	691	-	(381)
Actuarial gains and losses	113,611	-	53,169	-	166,780
Other	114	47	-	(12)	149
Subtotal	76,996	180,651	98,642	(180)	356,109
Losses carried forward	439,785	(439,785)	-	-	-
Net deferred tax assets (liabilities)	$ 516,781	(259,134)	98,642	(180)	356,109
The information stated on the balance sheet is as follows:					
Deferred tax assets	$ 1,437,671				1,240,678
Deferred tax liabilities	$ 920,890				884,569

(d) The Bank's income tax returns for years up to 2014 have been approved by the Tax Authority.

The income tax returns of the subsidiaries Taiwan Business Bank International Leasing Co., Ltd. has been approved until 2015 by the Tax authority. The income tax returns of the subsidiaries Taiwan Business Bank Insurance Agency Co., Ltd. and Taiwan Business Bank Property Insurance Agency Co., Ltd. have been approved until 2016 by the Tax authority.

(e) Imputation Credit Account and Tax Deductible Ratio were summarized below:

	December 31, 2017(Note)	December 31, 2016
Balance of imputation credit account	$ 336,031	243,221

	2017 (estimated) (Note)	2016 (actual)
Creditable ratio for earnings distribution to ROC residents	6.95%	6.62%

As of December 31, 2017 and 2016, all of the ending balance of undistributed retained earnings arose from earnings in 1998 and thereafter. The above imputation information is calculated based on the Decree No.10204562810 issued by the Ministry of Finance, R.O.C on October 17, 2013.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, the Bank and its subsidiaries will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(X) Provision for employee benefit

As of December 31, 2017 and 2016, the balance of provision for employee benefit of the Bank and its subsidiaries were as follows:

	December 31, 2017	December 31, 2016
Defined benefit plan	$ 2,535,720	2,313,473
Employee deposit with favorable rate	823,108	799,298
	$ 3,358,828	3,112,771

(a) Defined benefit plan

Composition of plan assets:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligation	$ 7,260,197	7,241,938
Less: Fair value of defined benefit plan assets	(4,724,477)	(4,928,465)
Net defined benefit liability	$ 2,535,720	2,313,473

The Bank makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labour Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

(1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labour Pension Fund Supervisory Committee. With regard to the utilization of the funds, 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 interest rates offered by local banks.

The Bank of Taiwan labour pension reserve account balance for the Bank and its subsidiaries amounted to $4,724,477 and $4,928,465 on December 31, 2017 and 2016. For information on the utilisation of the labour pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labour Pension Fund Supervisory Committee.

(2) Changes in the present value of defined benefit obligations

The changes in the present value of defined benefit obligations of the Bank were as follows:

	For the years ended December 31	
	2017	2016
Defined benefit obligation on January 1	$ 7,241,938	7,237,239
Current service and interest cost	289,790	303,273
Remeasurements of the net defined benefit liability		
－Actuarial loss on experience adjustment	111,821	215,444
－Financial Statistics Assume the effects of changes	126,516	65,631
Benefits paid by the plan	(509,868)	(579,649)
Defined benefit obligation on December 31	$ 7,260,197	7,241,938

(3) Changes in the fair value of defined benefit plan assets

The changes in the fair value of defined benefit plan assets of the Bank were as follows:

	For the years ended December 31	
	2017	2016
Fair value of plan assets on Junuary 1	$ 4,928,465	5,176,145
Interest income	58,868	67,216
Remeasurements of the net defined benefit liability		
－plan assets revenue (excluded of current interest)	(11,082)	(31,686)
Contributions made	258,094	296,439
Benefits paid by the plan	(509,868)	(579,649)
Fair value of plan assets on December 31	$ 4,724,477	4,928,465

(4) Expenses recognised in profit or loss

The expenses recognised in profit or loss of the Bank were as follows :

	For the years ended December 31	
	2017	2016
Current service costs	$ 204,840	211,050
Net interest on the net defined benefit liability	26,082	25,007
	$ 230,922	236,057

(5) Remeasurements of the net defined benefit liability recognized in other comprehensive income

Actuarial gains and losses recognised in other comprehensive income for the year ended December 31 2017 and 2016 were as follows:

	For the years ended December 31	
	2017	2016
Amount on January 1	$ 981,056	668,295
Recognised during the period	249,419	312,761
Amount on December 31	$ 1,230,475	981,056

(6) Actuarial assumptions

The material actuarial assumptions used to determine present value of a defined benefit obligation on the reporting date as follow :

	December 31, 2017	December 31, 2016
Discount rate of defined benefit plan	1.00%	1.20%
Future salary increase rate	1.50%	1.50%

The expected allocation payment made by the Bank to the defined benefit plans for the one year period after the reporting dates is $222,053.

The weighted average duration of defined benefit plans is 8.89 years.

(7) Sensitivity analysis

The effects of changes in major actuarial assumptions adopted in defined benefit obligation on December 31, 2017 and 2016 were as follows :

	Influence of defined benefit plan obligation	
	Increase0.25%	Decrease0.25%
December 31, 2017		
Discount rate(Change0.25%)	(2.17)%	2.25%
Future salary increase rate(Change0.25%)	2.16%	(2.10)%

	Influence of defined benefit plan obligation	
	Increase0.25%	Decrease0.25%
December 31, 2016		
Discount rate(Change0.25%)	(2.24)%	2.32%
Future salary increase rate(Change0.25%)	2.25%	(2.18)%

The above sensitivity analysis is based on the effects of changes in assumptions single analysis under other assumptions remain unchanged .

In practice many changes in assumptions may be moving .

Sensitivity analysis and the net defined benefit liability on the balance sheet date are determined by consistent method.

(b) Defined contribution plan

The Bank and its subsidiaries allocates 6% of each employee's monthly wages to the labour pension personal account at the Bureau of the Labour Insurance in accordance with the provisions of the Labour Pension Act. Under this defined contribution plans, the Bank and its subsidiaries allocates a fixed amount to the Bureau of the Labour Insurance without additional legal or constructive obligations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $99,714 and $90,742 for the six months ended December 31, 2017 and 2016, respectively.

(c) Employee deposit with favorable rate

The reconciliation of the Bank's defined benefit plan assets of employee deposit with favorable rate and fair value of assets are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligation (Liabilities recognized in separate financial statement)	$ 823,108	799,298
Less: Fair value of defined benefit plan assets	-	-
Net defined benefit liability	$ 823,108	799,298

The Bank conducted the obligation of time deposit with favorable rate for retired and current employees based on the internal regulation "Saving Deposits for Employees".

(1) Changes in the present value of defined benefit obligations

The reconciliation of the Bank's defined benefit plan assets of employee deposit with favorable rate and fair value of assets are as follows:

	For the years ended December 31	
	2017	2016
Defined benefit obligation on January 1	$ 799,298	749,806
Interest cost	30,214	28,312
Remeasurements of the net defined benefit liability		
-current actuarial gains and losses	172,756	192,630
Benefits paid by the plan	(179,160)	(171,450)
Defined benefit obligation on December 31	$ 823,108	799,298

(2) Changes in fair value of defined benefit plan assets

The changes in the present value of the defined plan assets of the Bank were as follows:

	For the years ended December 31	
	2017	2016
Fair value of plan assets on January 1	$ -	-
Contributions made	179,160	171,450
Benefits paid by the plan	(179,160)	(171,450)
Fair value of plan assets on December 31	$ -	-

(3) Expenses recognised in profit or loss

The expenses recognised in profit or loss of the Bank were as follows :

	For the years ended December 31	
	2017	2016
Net interest on the net defined benefit liability	$ 202,970	220,942

(4) Actuarial assumption

The material actuarial assumptions used to determine present value of a defined benefit obligation on the reporting date as follow :

	December 31, 2017	December 31, 2016
Discount rate of employee deposit with favorable rate	4.00%	4.00%
Rate of return for capital deposited	2.00%	2.00%
Annual Diminishing rate of account balance	1.00%	1.00%
Possibility that employee deposit with favorable rate be modified	50.00%	50.00%

(Y) Earnings per share

	For the years ended December 31,	
	2017	2016
Net income	$ 5,039,924	5,195,699
Weighted average number of common stock shares outstanding (in thousands) (Note 1)	6,147,962	6,147,962
Basic earnings per shares (in dollars)	$ 0.82	0.85
Dilutive potential common shares (in thousands) (Note 1、2)	32,461	43,328
Weighted average number of shares outstanding for diluted EPS (in thousands) (Note 1)	6,180,423	6,191,290
Diluted earnings per shares (in dollars)	$ 0.82	0.84

Note 1: The basic earnings per share for the year 2016 has applied retrospective adjustments.
Note 2: The shares were calculated based on the stock price on the balance sheet date.

(Z) Employees and directors' remuneration

According by the Bank's Articles of Incorporation. If there is an annual profit, distributable earnings shall be aside to employees' remuneration from 1% to 6% and no more than 0.6% shall be aside to board of directors as remuneration. But when there are accumulated losses, the Bank shall first remain earning for the deficit.

For the years ended December 31, 2017 and 2016, the estimated employee remuneration were $272,350 and $342,837, and the estimated directors' remuneration were $36,582 and $40,239, the estimates are based on pre-tax net profit for the period, before deducting employee and director's remuneration, multiplied by the elaboration of the Bank's Articles of Association of employee and the directors remuneration ratio, and

recognized as operating cost. There is no difference between the amount of employees and directors' remuneration allocated by the directors resolutions and the amount of the Bank's individual financial report in 2017 and 2016. The information is available at the Market Observation Post System website.

(AA) Net interest income

	For the years ended December 31,	
	2017	2016
Interest revenue:		
Loan	$ 5,985,793	5,805,311
Secured loans	14,004,060	13,670,902
Bills negotiated	6,802	5,049
Bank overdraft	21,689	17,367
Discount	31,767	29,421
Time deposit from Central Bank	741,016	949,488
Due from the Central Bank	145,192	140,271
Call loans to banks	804,894	640,869
Bond	1,969,780	1,713,016
International credit card	58,017	59,911
Overdue loans	138,230	253,273
Bills	61,499	140,578
Due from other Banks	574,765	564,314
Other	238,711	201,495
Subtotal	24,782,215	24,191,265
Interest expense:		
Deposits	7,807,526	7,710,985
Deposits from banks	35	53
Call loans from banks	514,224	388,243
Fund	6,843	10,968
Financial debentures	1,019,985	1,077,439
Bond sold under repurchase agreement	4,481	6,623
Imputed deposit interest and rent interest	13	13
Other	3,686	738
Subtotal	9,356,793	9,195,062
Total	$ 15,425,422	14,996,203

(AB) Service fee and commission income

	For the years ended December 31,	
	2017	2016
Service charge income:		
Remittance service fee	$ 98,636	101,597
Import bills negotiated service fee	62,985	63,706
Export bills negotiated service fee	20,589	20,008
Letter of credit service fee	14,822	10,435
Certification service fee	3,361	1,426
Acceptance service fee	2,137	1,694
Trust service fee	532,922	388,653
Guarantee service fee	158,355	114,993

	For the years ended December 31,	
	2017	2016
Agency service fee	102,565	100,556
Interbank service fee	65,351	66,126
Card service fee	135,697	131,550
Commission revenue of insurance premium	1,787,996	2,212,389
Custodian service fee	143,679	139,743
Foreign currency service fee	102,554	105,260
Commission of futures	$ 5,989	6,640
Loan service fee	303,304	249,931
Miscellaneous fees	463,522	444,271
Subtotal	4,004,464	4,158,978
Service fee expense:		
Foreign currency service fee	30,619	25,013
Interbank service fee	129,654	128,299
Trust service fee	3,248	5,492
Agency service fee	2,860	3,715
IC card service fee	67,593	62,630
Check clearing service fee	10,733	11,460
Remittance service fee	3,938	3,618
Custodian service fee	37,062	32,566
Call loans service fee	2,922	122
Miscellaneous fees	25,298	19,768
Subtotal	313,927	292,683
Total	$ 3,690,537	3,866,295

(AC) Gains (losses) on financial assets and liabilities at fair value through profit or loss-net

	For the years ended December 31,	
	2017	2016
Valuation profit and loss:		
Corporate bonds	$ 216	15,842
Financial debentures	(26,522)	176
Stock of listed company	850	6,359
Beneficiary certificates	150	4,558
Commercial paper	(54)	85
Option contracts	(4,309)	3,284
Interest swap contracts	(3,736)	-
Foreign exchange forward contracts	(15,834)	80,767
Currency swap contracts	(71,263)	(73,468)
Non-delivery forward contracts	-	472
Subtotal	(120,502)	38,075
Disposition profit and loss:		
Stock of listed company	3,057	(14,775)
Beneficiary certificates	50,287	(12,805)
Option contracts	17,136	18,552
Interest swap contracts	2,008	11,778
Foreign exchange forward contracts	169,121	125,925
Currency swap contracts	913,315	448,902
Non-delivery forward contracts	(1,932)	5,676

	For the years ended December 31,	
	2017	2016
Stock index futures	-	(38,060)
Subtotal	1,152,992	545,193
Dividend revenue	534	6,323
Interest income	3,488	6,960
Total	$ 1,036,512	596,551

(AD) Realized (losses) gains on available-for-sale financial assets

	For the years ended December 31,	
	2017	2016
(Losses) gains on disposal of government bond	$ (7,703)	35,504
Gains on disposition of corporate bonds	24	-
(Losses) gains from disposition of financial debentures	(1,700)	245
Gains from disposal of beneficiary certificates	30,035	-
Gains from disposal of stock of listed company	5,512	3,816
Dividend revenue	83,585	63,454
Total	$ 109,753	103,019

(AE) Net other non-interest income

	For the years ended December 31,	
	2017	2016
Rental revenue of operating assets	$ 9,531	8,192
Rental expense of operating assetst	(1,856)	(1,494)
Loss on disposal and retirement of premises and equipment	(1,972)	(2,044)
Loss of account error	(133)	(359)
Gold deposit book	2,873	4,861
Other operating expense	(153,476)	(6,647)
Other miscellaneous income	24,376	93,500
Total	$ (120,657)	96,009

(AF) Other miscellaneous income

	For the years ended December 31,	
	2017	2016
Compensation of Taiwan High Speed Rail's accumulated dividend of preferred stock	$ -	643,973

(AG) Bad debt expenses and guarantee liability provisions

	For the years ended December 31,	
	2017	2016
Discounts, loans and overdue loans	$ 3,549,074	2,606,874
Call loans to banks	996	2,787
Receivables and other financial assets	(530,645)	(155,306)
Subtotal	3,019,425	2,454,355
Guarantee liabilities	9,286	49,839
Total	$ 3,028,711	2,504,194

(AH) Employee benefit expenses

	For the years ended December 31,	
	2017	2016
Salary expense	$ 5,912,140	5,778,016
Labor and health insurance	424,366	406,773
Pension expense	330,636	326,799
Other employee benefit	793,542	903,325
Total	$ 7,460,684	7,414,913

(AI) Depreciation and amortization expenses

	For the years ended December 31,	
	2017	2016
Property and equipment depreciation	$ 337,771	311,826
Amortization		
Computer software	79,916	75,660
Other deferred charges	73	116
Total	$ 417,760	387,602

(AJ) Other general and administrative management expenses

	For the years ended December 31,	
	2017	2016
Compensation loss	$ 1,329	570
Water and electricity fee	92,342	96,365
Postage and telecommunication	161,774	153,788
Transportation fee	50,663	42,198
Printing and advertisement fee	236,176	175,326
Maintenance fee	41,816	41,343
Insurance fee	333,474	354,665
Professional service fee	246,983	234,460
Materials and supplies	138,417	95,366
Rental expenses	743,626	684,106
Duties and levies	1,287,841	1,337,788
Membership, donation and partaking	530,740	537,725
Storage, packing and processing	49,599	43,956
Cash transit	99,296	125,132
Other	70,363	68,121
Total	$ 4,084,439	3,990,909

(AK) Financial Instruments

(a) Fair value information

(1) General description

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.

The financial instruments are record as fair value when original recognizing, usually refer to the transaction price in many circumstances. Except some amortized cost financial instruments, the financial instruments are measured in fair value. A quoted market price in an active market provides the most reliable evidence of fair value. If financial instruments are without active market, the Bank adopted the value technique, refer to Bloomberg, Reuters or the price at which the asset could be bought or sold in a current transaction between willing parties.

(2) The definition of fair value hierarchy

A. First tier

The input of this tier is quoted prices in active markets for identical financial instruments. The active market is a market in which transactions for the homogenous assets or liabilities take place with sufficient frequency and volume to provide pricing information. The stock of listed company and the beneficiary certificates, government bonds and the derivative financial instruments with public quote inactive market procrssed by the Bank belong to the First tier.

B. Second tier

The input of this tier are other than quoted market prices included within First tier that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices). The government bonds with lower trade volume, corporate bonds, financial debentures, convertible corporate bonds and derivative instruments, including financial debentures the bank issued are belong to second tier.

C. Third tier

The input are unobservable for the asset or liability in market. Unobservable inputs like: Option pricing model using the historical volatility. Because the historical volatility cannot represent the future volatility expected value of whole market participants. The equity instruments with no active market which the Bank invested are third tier.

(3) Based on fair value measurement

A. The fair value hierarchy of information

The financial instruments which are record as fair value measure on an ongoing basis, the fair value hierarchy of information were as follows:

Assets and Liabilities	December 31, 2017			
	Total	1st Tier	2nd Tier	3rd Tier
Instruments measured at fair value on a recurring basis				
Non-derivative financial assets:				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Other	$ 509,609	10,150	499,459	-
Financial assets designated at fair value on initial recognition	237,652	-	237,652	-
Available-for-Sale Financial Assets				
Security Investment	2,625,558	2,625,558	-	-
Bond Investment	63,608,278	56,161,047	7,447,231	-
Financial liabilities at fair value through profit or loss				
Financial liabilities designated at fair value	3,565,337	-	3,565,337	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	$ 314,528	454	314,074	-
Liabilities:				
Financial liabilities at fair value through profit or loss	167,144	-	167,144	-

Assets and Liabilities	December 31, 2016			
	Total	1st Tier	2nd Tier	3rd Tier
Instruments measured at fair value on a recurring basis				
Non-derivative financial assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Security Investment	$ 22,473	22,473	-	-
Other	955,005	15,660	939,345	-
Available-for-Sale Financial Assets				
Security Investment	2,558,733	2,558,733	-	-
Bond Investment	70,771,955	62,620,306	8,151,649	-
Derivative financial assets and liabilities				
Assets:				
Financial assets at fair value through profit or loss	$ 466,215	12,582	453,633	-
Liabilities:				
Financial liabilities at fair value through profit or loss	214,259	-	214,259	-

B. Valuation techniques used in estimating the fair values of financial instruments

If the financial instruments has quoted price in an active market, the quoted price is regarded as its fair value.

If the financial instruments of quoted price, which are from the Stock Exchange, Brokers, Pricing service agencies or Government institutions, are timely and frequently, and reflects the actual price, then the financial instruments has a quoted price in an active market. If the above conditions are not fulfilled, the market is inactive.

Except for the above financial instruments of quoted price in an active market, there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique that refers to quoted prices considered the identical financial instrument with same characteristics and essential terms of transaction, Discounted-Cash-Flow model and other valuation techniques including the model using market information to be made of the calculation at the balance sheet date(eg Taipei Exchange reference yield curve, Reuters quoted the average commercial paper rate, the Taipei Financial industry call loan rate fixing TAIBOR).

The financial asset's fair value is estimated on the basis of the result of a valuation technique, the Bank adopted that refers to quoted prices provided by financial institutions. Ask (bid) is used to evaluate the selling (buying) position by the Bank if the quoted price include ask and bid price. If there is not a quoted price for the financial asset, transaction price close to the balance sheet date is the fair value.

Fair value of financial derivatives are the amount of cash to be paid or to be received by the Bank, assuming that the contract will be terminated on the balance sheet date. The Bank adopts mark-to-model prices which are usually adopted among the banking industry, such as

Discounted-Cash-Flow model and Black-Scholes model. The Bank adopts the price data from Reuters and Bloomberg to calculate the fair value of the holding position. The aforesaid price data is based upon the middle price and used consistently by the Bank. Furthermore, the fair value of the embedded financial derivatives are calculated based upon the quote from the counterparty, and separately calculated in accordance with the contracts.

C. Adjustment for fair value

a. The restraint of evaluation model and uncertain inputs

The estimates of output-based value using the evaluation model, which may not reflect the Bank's all related factors. Therefore the estimated value of the evaluation model will be appropriately adjusted according to the extra parameters such as model risk or liquidity risk. Information and price parameters used in the evaluation process after careful assessment, and appropriately adjusted according to the current market situation.

b. Credit risk value adjustment

The Bank's credit risk value adjustment of OTC transaction derivative instruments can be divided to Credit value adjustments (CVA) and debit value adjustments (DVA). To reflect the fair value of the Group's counterparty or the Bank likely to default, and the Group may not be received or paid full market value of trading possibilities.

The Bank would calculate credit valuation adjustment (CVA) by assessing probability of default (PD) and loss given default (LGD) of the counterparty before multiplying exposure at default (EAD) of the counterparty. On the contrary, debit valuation adjustment (DVA).

The Bank assess the probability of default on the assumption of 60%, but at the risk of the nature and circumstances of available data, we may use other loss given default assumptions.

(4) Not based on fair value measurement

A. Fair value information

The following chart presents the financial instruments not based on fair value measurement of the Bank have. Except those items, others' fair value are reasonably approximate value, the Bank does not disclosure their fair value.

	December 31, 2017	
	Book value	Fair value
Held-to-maturity financial assets－net	$ 202,967,083	203,113,313

	December 31, 2016	
	Book value	Fair value
Held-to-maturity financial assets－net	$ 192,523,259	192,110,053

B. The fair value hierarchy of information

Assets and Liabilities	December 31, 2017			
	Total	1st Tier	2nd Tier	3rd Tier
Held-to -maturity financial assets-net	$ 203,113,313	49,314,727	153,798,586	-

Assets and Liabilities	December 31, 2016			
	Total	1st Tier	2nd Tier	3rd Tier
Held-to -maturity financial assets-net	$ 192,110,053	39,402,776	152,707,277	-

C. Valuation techniques

Methods and assumptions used by the Bank for fair value evaluation of financial instruments were as follows:

a. Cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, non-accrual loans transferred from non-loan financial assets, exchange bills negotiated guarantee deposits paid, temporary payments and suspense accounts, proceeds of settlement and credit transaction, deposits from Central Bank and other banks, securities sold under repurchase agreements, payables, other financial liabilities , guarantee deposits received and temporary receipts and suspense accounts: since these instruments have short maturities, the book value is adopted as a reasonable basis in estimating the fair value.

b. Discounts and loans(including non-performing loans): the interest rate of bank loans, dependent on the benchmark interest rate which plus or minus the input value(i.e. motorized interest rate), said market rates, therefore, the book value of financial assets is equivalent to their fair value. Among the case of fixed interest rate, the estimated fair value of long-term loans using the discounted value of its expected cash flows, but this is minority, so the book value of financial assets is equivalent to their fair value.

c. Hold-to-maturity financial assets: the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique.

   1) Central Government Securities (NTD): using the comment of "Bonds a fair price for each of times" from Taipei Exchange.

   2) Corporate bonds and financial bonds (NTD): the present value or fair price of Taipei Exchange determined using the future cash flow of yield curve discounting evaluation.

d. Deposits and remittance: to determine the fair value, considered Banking industry characteristics, the market interest rates (i.e. market price) is the fair value. And deposits are mostly due within one year, the carrying amounts is the fair value of reasonable basis. The fixed interest rate of long-term deposits should be estimated by the discounted value of its expected cash flows at fair value, and its maturity date no longer than three years, so its estimated fair value of the carrying amount is considered reasonable.

e. Bank debentures payable: The bank debentures payable, issued by the Bank, whose stated rate was equal the effective rate, using discounted cash flow projections to estimate the fair value, equivalent to its book value.

f. Other financial assets–debt investment without active market: If there is some dealing price, using the price to evaluate the fair value. If there is not market value, using evaluation model to estimate the fair value.

g. Other financial assets–the financial assets using cost method: Because there is without active price and estimated fair value's variation material or the variation estimates cannot be reasonable assessment, the fair value cannot be reliably measured, the Bank does not disclose their fair value.

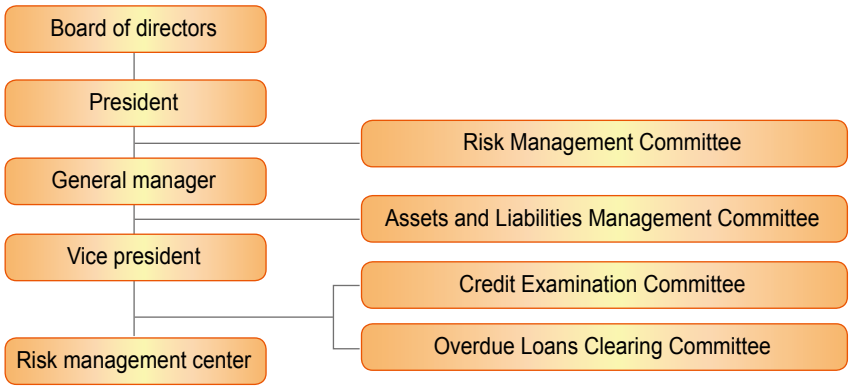
(AL) Financial Risk Information

(a) General description

The goal of the financial risk management of the Bank is to effectively diversify, transfer and avoid risks by taking customer service, financial business operating target, overall risk tolerance and external limitation of laws into consideration and provide benefit to customers, shareholders and employees.

The Bank's Financial Risk Management policy is to establish a risk management mechanism in terms of risk identification, risk measurement, risk monitoring, and risk control and to construct the overall risk management system. It is to facilitate the business model with appropriate risk management and to control the rationality between risks and rewards under the premise of legal capital ratio in order to achieve operating targets and increase the value of the Bank for the shareholders. The scope covers the management of credit risk, market risk, operation risk, banking book interest rate risk, capital liquidity risk, and capital adequacy.

(b) Risk management organization structure



(1) Risk Management Committee

The chairperson of the Risk Management Committee is appointed by the president. The chairpersons include general manager, deputy general manager of the non-regulatory compliance in head office and department directors of head office (excluding the director of audit department in the Board). This Committee is set up for the purpose of establishing a sound risk management system, strengthening risk management and the implementation of the Bank's risk management and monitoring. The meeting will be held once a month in principle. The meeting can be held by the chairman of the Committee when it necessary. The duties are as follows:

A. Conduct Analysis and response project when significant domestic and foreign economic, financial and industrial risk management occur.

B. Risk management report of various risk exposure and agenda processing.

C. The processing of examination of the risk management relevant policy of the Bank and limitations, management indices and the response project when the risk exceeds the limitations.

D. Supervise the Bank's capital adequacy management.

E. Conduct or supervise the issues that have to report to Risk Management Committee according to the regulations drawed by the competent authority at home and abroad.

F. Conduct or supervise other risk management related issues.

Risk Management Department is the assistant unit of the Risk Management Committee. The responsibility of the Risk Management Department is to execute preparing sittings agenda,

convening sittings, agenda processing, taking meeting minutes and tracking resolution and regularly report the important resolution and various risk exposure to the board of (executive) directors.

(2) Assets and Liabilities Management Committee

The chairperson of the Assets and Liabilities Management Committee is the general manager, and the members are formed by the vice assistant general manager and the department heads of deposit, loan, financial transaction, capital deployment and risk management units. The responsibility of the Assets and Liabilities Management Committee is to monitor and manage the banking book interest rate risk and capital liquidity risk and convenes meetings regularly, to approve the analyzing and measurement methods of the capital liquidity risk and banking book interest rate risk exposure, to examine the capital liquidity risk and banking book interest rate risk management policy as well as the relevant limitations and management indices, to receive interest rate risk and capital liquidity risk exposure reports and adjust the assets and liabilities interest rate duration structure and capital maturity structure.

(3) Credit Examination Committee

The convener of the Credit Examination Committee is the assistant general manager supervising Risk Management Center. The Committee in principle convenes weekly to examine the modification and establishment of the regulations (including main points, measures and procedures) for significant loans, foreign exchange and guarantee cases.

(4) Overdue Loans Clearing Committee

The convener of the Overdue Loans Clearing Committee is the supervising vice president and the executive secretary is the manager of the Creditor's Right Management Department. The convener holds meetings based on the necessity to clear the non-performing loans and non-accrual loans and bad debts in order to improve the quality of the credit assets of the Bank and its subsidiaries.

(c) Credit risk

(1) Source and definition of credit risk

Credit risk refers to the default risk resulted from the inability to fulfill the contract obligations due to deteriorating financial status of trade counterparties, pessimistic external economic situation or other factors. The primary source of the credit risk of the Bank is the loan business, such as loans of various terms, guarantees and letters of credit, loan commitments, etc., in addition, other sources of credit risk include call loans from banks, securities investments, derivative financial instrument transactions, etc.

(2) Credit risk management policy

In order to control the credit risk to a tolerable scope, the Bank continuously conduct below operations:

A. Fully understand the credit status and ratings of loan customers and trade counterparties as well as the purposes and payments of loans.

B. Prudently evaluates the credit risk status of loan customers and trade counterparties and consider the adequacy of collaterals and guarantees to assess risk and profit.

C. Establish credit rating mechanism for loan customers or apply the ratings from outside credit rating institutions as the reference for undertaking credit cases or interest rate determination.

D. Modify relevant regulations to control the credit risk to a tolerable extent for the Bank.

The credit risk management procedure and measurement methods of the Bank's major business are as follows:

A. Credit Business (Including loan commitments and guarantees)

The categorization and credit quality rating of credit assets are as follows:

a. Categorization of credit assets

The credit assets are classified into 5 categories. Except for normal credit assets which are classified as the first category, others are classified, based on the assurance status and the time overdue, as second category (need attention), third category (possible to recover), fourth category (difficult to retrieve) and the fifth category (unable to retrieve). In order to manage creditor's rights, the Bank established "Regulations Governing the Procedures to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", "Regulations Governing the Reconciliation of Non-performing/Non-accrual Loans" and its operating procedure "Operating procedure Governing the Collection of Non-performing/Non-accrual Loans" and "Code of Conduct to Deal With Non-Performing Loans" to serve as the guidelines for dealing with non-performing credit and overdue loans collection.

b. Categorization of credit quality

Based on historical default data, the Bank established internal credit rating model and completed internal rating system to serve as a reference to credit risk control.

In order to develop an appropriate credit rating model for the Bank to evaluate the credit risk for corporate banking customers and private banking customers, it applied statistical methods, professional expert judgments and relevant customer information to fulfill the requirements. The Bank examined whether the internal credit rating model is in conformity with the actual scenario based on practical default data quarterly and adjusted all parameters to optimize the estimated results.

B. Due from other banks and call loans to banks

The Bank evaluates the credit status of counterparties before transaction and takes the rating information from domestic and foreign credit rating institutions into consideration to determine various credit risk facilities for the counterparties.

C. Debt instrument investments and derivative financial instruments

The Bank manages credit risk of debt instruments through credit rating data of external institutions, credit quality of bonds, geographic situations and counterparties' risk so as to identify credit risk.

The financial institutions which the Bank conducts derivative instruments are mostly investment quality and are controlled based on the trade amount (including loans at call). Counterparties which do not have credit rating or which are of low quality shall be examined individually. For counterparties which are general customers, the Bank controls the credit risk exposure based on the derivative instrument risk facilities and conditions approved by general credit procedures.

(3) Credit risk hedging or diminishing.

A. Collaterals

The Bank adopts a series of policies and procedures to mitigate credit risk and enhance credit risk tolerance. The method applied most is to request customers to provide collaterals. The Bank

established collateral accreditation code of conduct in term of collateral management and total loan amount to regulate the scope of collaterals and the accreditation method and regularly inspects the collaterals. When the collaterals devaluate or the concern of devaluation occurs, the Bank shall increase collaterals or retrieve part of the loans to ensure the creditor's right is intact.

B. Limit of credit risk and the control of credit risk concentration

a. In order to avoid the situation that the credit risk of single customer being too high, the credit limit of an individual, a related party or a related enterprise shall be in conformity with "Authorization method for subsection 3 of Article 33 of the Banking Act of the Republic of China" and the credit limit authorization steps are regulated in the Key Points of Credit Engagement Authorization and the Key Points of Credit Engagement Authorization for Overseas Branches of the Bank.

b. To enhance the risk concentration management, the Bank established regulations in terms of countries, financial institutions, industries and group enterprises. The relevant limits are reviewed and approved annually and the usage of the credit is monitored on a daily basis. In addition, the results are reported regularly.

C. General agreement of net amount settlement

The transactions of the Bank are mostly settled with gross amount. Part of the transactions agreed on net amount settlement. When a default occurs, the Bank terminates all the transactions with the counterparty and settles by net amount to further lower credit risk.

D. Enhancement of other credit

The assessment of credit business apply to credit 5P principles, credit risk is offset by dividing self-liquidating loan commitments as the main, and set the accounts to master the repayment of cash flow. Also in terms of the credit agreement stipulates the offset.(i.e. all kinds of deposits, except prohibition of low or the parties agreement, the Bank can set off all the debts), thus to reduce the loan amount, shorter loan repayment period or are considered part or all of expiration of acceleration clauses. To strengthen the protection of creditor and reduce credit risk, using qualified and effective enhancement, such as the requirement of real property, personal property, demand deposits, time deposits, securities and the guarantee of financial institution or the credit guarantee mechanism approved by government.(ig R.O.C SMEG, Agricultural Credit Guarantee Fund, Overseas Credit Guarantee Fund)

(4) Maximum credit risk exposure of the Bank.

The maximum credit exposure of the assets in the consolidated financial statement is approximately the book value when not considering collaterals or other credit enhancement instruments. The maximum credit exposure off the consolidated balance sheet (when not considering collaterals or other credit enhancement instruments and not revocable) was as follows:

Off balance sheet items	Maximum credit risk exposure	
	December 31, 2017	December 31, 2016
Loan commitment signed and irrevocable	$ 100,285,316	93,069,743
Signed but not used L/C credit amount	10,243,024	9,350,457
Various guarantee proceeds	15,067,259	14,670,384
Total	$ 125,595,599	117,090,584

The Management of the Bank evaluated the credit risk exposure and believed that the Bank is able to continuously control and minimize the off-balance-sheet credit risk exposure due to its strict appraisal process and regular subsequent examination.

(5) Credit risk concentration

The Bank and its subsidiaries do not conduct significant transaction with single customer or single trade counterparty. The total amount of discounts and loans, overdue loans in terms of individual customer or individual trade counterparty is not significant. The information of credit risk concentration of the Bank's discounts and loans and overdue loans are divided by industries, geographic areas and collaterals and listed as follows:

A. By industry

Distribution of discounts and loans, overdue loans based on industries.

Industry	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Private business	$ 632,336,673	56.26%	574,400,741	54.30%
Public business	18,230,026	1.62%	17,127,308	1.62%
Government institution	154,558,889	13.75%	157,538,499	14.89%
Nonprofit organization	3,404,583	0.30%	3,630,663	0.35%
Individual	281,987,758	25.09%	268,176,536	25.35%
Foreign financial institution	12,030,852	1.07%	7,385,582	0.70%
Foreign non-financial institution	21,426,997	1.91%	29,531,188	2.79%
Total	$ 1,123,975,778	100.00%	1,057,790,517	100.00%

B. By geographic area

Distribution of discounts and loans, overdue loans based on geographic area.

Area	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Domestic	$ 1,090,517,929	97.02%	1,021,032,082	96.52%
Foreign	33,457,849	2.98%	36,758,435	3.48%
Total	$ 1,123,975,778	100.00%	1,057,790,517	100.00%

C. By collateral

Distribution of discounts and loans, overdue loans based on collateral.

Collateral	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Unsecured	$ 336,350,132	29.92%	331,635,937	31.35%
Stock	8,941,574	0.80%	8,355,354	0.79%
Bond	15,024,111	1.34%	8,204,126	0.77%
Real estate	626,803,813	55.77%	576,184,860	54.47%
Chattel	12,456,604	1.11%	11,913,083	1.13%
Notes receivable	3,834,168	0.34%	1,682,824	0.16%
Guarantee	110,879,350	9.86%	112,962,902	10.68%
Other	9,686,026	0.86%	6,851,431	0.65%
Total	$ 1,123,975,778	100.00%	1,057,790,517	100.00%

Note: Secured credit are categorized in its respective item per the type of the collaterals. Non-secured credit (no collateral provided) is classified in fiduciary credit. If the credit amount is higher than the accreditation value, the credit amount within the accreditation is classified in the respective item, the credit amount exceeds the accreditation value is classified in fiduciary credit. The accreditation value is the value calculated per the accreditation regulations of the Bank and its subsidiaries, not the discounted value of the signed contract.

(6) Credit quality and overdue impairment loss of financial assets

Part of the financial assets, such as cash and cash equivalent, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, bills and bonds purchased under resell agreement, guarantee deposits paid and operation guarantee deposits and settlement funds are considered of minimum credit risk due to the good credit ratings of the trade counterparties.

Except for the abovementioned items, the credit quality analyses of the rest of the financial assets were as follows:

A. Credit quality analysis of discounts and loans as well as receivables

	Not overdue and not impairment amount										Loss provided (D)		
December 31, 2017	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal (A)	Overdue but not impaired (B)	Impaired amount (C)	Total (A)+(B)+(C)	With objective evidence of impairment	Without objective evidence of impairment	Net Amount (A)+(B)+(C)-(D)
Receivable													
-Credit card	$ 360,165	257,699	224,566	107,764	7,744	290,598	1,248,536	12,786	-	1,261,322	-	2,906	1,258,416
-Other	647,362	1,944,782	251,796	1,941	-	4,325,435	7,171,316	-	69,966	7,241,282	40,223	64,631	7,136,428
Discounts and loans	242,043,773	348,959,420	260,885,564	60,456,908	12,037,651	180,421,547	1,104,804,863	5,254,606	13,916,309	1,123,975,778	3,014,849	9,143,164	1,111,817,765
Other financial assets	-	135	-	-	-	-	135	7	208,339	208,481	84,410	1	124,070
Total	$ 243,051,300	351,162,036	261,361,926	60,566,613	12,045,395	185,037,580	1,113,224,850	5,267,399	14,194,614	1,132,686,863	3,139,482	9,210,702	1,120,336,679

	Not overdue and not impairment amount										Loss provided (D)		
December 31, 2016	Excellent	Good	Medium	Acceptable	Under standard	No rating	Subtotal (A)	Overdue but not impaired (B)	Impaired amount (C)	Total (A)+(B)+(C)	With objective evidence of impairment	Without objective evidence of impairment	Net Amount (A)+(B)+(C)-(D)
Receivable													
-Credit card	$ 396,034	260,472	280,608	48,894	8,922	288,706	1,283,636	9,341	-	1,292,977	-	3,273	1,289,704
-Other	400,589	1,401,566	362,045	18,767	-	3,727,078	5,910,045	-	96,187	6,006,232	60,152	49,310	5,896,770
Discounts and loans	212,553,044	317,772,953	263,411,813	46,550,494	11,542,857	189,461,418	1,041,292,579	2,812,587	13,685,351	1,057,790,517	2,983,450	9,566,513	1,045,240,554
Other financial assets	-	-	112	-	-	-	112	271	157,421	157,804	60,198	4	97,602
Total	$ 213,349,667	319,434,991	264,054,578	46,618,155	11,551,779	193,477,202	1,048,486,372	2,822,199	13,938,959	1,065,247,530	3,103,800	9,619,100	1,052,524,630

The abovementioned "Excellent" refers to the position which belongs to level 1 to level 4 of the Bank's internal credit rating system, "Good" refers to the position belongs to level 5 to level 9, "Medium" refers to the position belongs to level 10 to level 17, "Acceptable" refers to the position belongs to level 18 to level 23, "under standard" refers to the position belongs to level 24 to level 26 and "No rating" refers to the position which possesses no credit rating in the Bank's internal rating system.

B. Credit quality analysis based on internal credit rating criteria of the not overdue and not impaired discounts and loans and expressed by customer types

December 31, 2017	Excellent	Good	Medium	Acceptable	Under standard	No rating	Total
Private banking							
Secured	$ 82,168,276	99,519,055	72,240,137	7,749,168	3,910,144	949,765	266,536,545
Non-secured	1,596,472	3,561,134	5,770,439	717,977	259,144	33,840	11,939,006
Corporate banking							
Government and public institution	-	8,500,026	-	9,730,000	-	154,546,400	172,776,426
Financial institution	445,200	9,783,651	2,925,696	1,056,286	-	-	14,210,833
Margin loans receivable	-	-	-	-	-	2,341,425	2,341,425
Large Enterprise- credit and guarantee fund	56,423	127,688	61,838	50,808	1,465	-	298,222
Large Enterprise-secured	53,936,174	12,548,765	8,863,437	781,039	1,124,643	13,400	77,267,458
Large Enterprise-unsecured	28,442,656	40,900,796	17,435,848	3,561,199	-	2,648,212	92,988,711
Medium and small enterprises-credit and guarantee fund	8,107,965	31,059,909	39,542,324	3,893,304	701,471	125,077	83,430,050
Medium and small enterprises-secured	54,334,619	120,145,035	90,604,804	27,324,111	4,943,616	6,323,051	303,675,236
Medium and small enterprises-unsecured	12,955,988	22,813,361	23,441,041	5,593,016	1,097,168	13,440,377	79,340,951
Total	$ 242,043,773	348,959,420	260,885,564	60,456,908	12,037,651	180,421,547	1,104,804,863

December 31, 2016	Excellent	Good	Medium	Acceptable	Under standard	No rating	Total
Private banking							
Secured	$ 75,184,115	95,847,141	67,821,656	6,124,027	2,493,083	3,106,026	250,576,048
Non-secured	920,335	4,355,783	6,711,990	871,247	266,981	1,488,162	14,614,498
Corporate banking							
Government and public institution	-	5,000,073	10,000,000	-	2,127,235	157,521,969	174,649,277
Financial institution	579,960	6,843,476	322,200	-	-	289,980	8,035,616
Margin loans receivable	-	-	-	-	-	1,708,746	1,708,746
Large Enterprise- credit and guarantee fund	98,657	172,376	23,825	11,875	-	-	306,733
Large Enterprise-secured	50,656,118	17,719,414	3,270,544	1,435,726	250,000	-	73,331,802
Large Enterprise-unsecured	24,555,855	39,306,610	14,091,585	4,653,681	236,973	2,591,521	85,436,225
Medium and small enterprises-credit and guarantee fund	5,600,410	29,109,628	43,230,476	4,590,697	887,130	328,827	83,747,168
Medium and small enterprises-secured	42,576,682	96,721,445	96,982,654	20,982,398	3,185,713	5,741,430	266,190,322
Medium and small enterprises- unsecured	12,380,912	22,697,007	20,956,883	7,880,843	2,095,742	16,684,757	82,696,144
Total	$ 212,553,044	317,772,953	263,411,813	46,550,494	11,542,857	189,461,418	1,041,292,579

C. Credit quality analysis of security investments

December 31, 2017	Not overdue and impaired position					Overdue but not impaired position (B)	Impairment position (C)	Total (A)+(B)+(C)	Loss provided (D)	Net amount (A)+(B)+(C)-(D)
	Investment	Sub investment	High risk	No rating	Subtotal (A)					
Financial assets at fair value through profit or loss										
-Overseas bonds	$ 148,483	-	-	89,169	237,652	-	-	237,652	-	237,652
Available-for-sale financial assets-net										
-Overseas bonds	7,447,231	-	-	-	7,447,231	-	-	7,447,231	-	7,447,231
-'NT bonds	56,161,047	-	-	-	56,161,047	-	-	56,161,047	-	56,161,047
Hold-to-maturity financial assets-net										
-Overseas bonds	29,462,683	-	-	-	29,462,683	-	-	29,462,683	-	29,462,683
-'NT bonds	49,174,400	-	-	-	49,174,400	-	-	49,174,400	-	49,174,400

December 31, 2016	Not overdue and impaired position					Overdue but not impaired position (B)	Impairment position (C)	Total (A)+(B)+(C)	Loss provided (D)	Net amount (A)+(B)+(C)-(D)
	Investment	Sub investment	High risk	No rating	Subtotal (A)					
Available-for-sale financial assets-net										
-Overseas bonds	$ 7,874,215	-	-	277,433	8,151,648	-	-	8,151,648	-	8,151,648
-'NT bonds	62,620,307	-	-	-	62,620,307	-	-	62,620,307	-	62,620,307
Hold-to-maturity financial assets-net										
-Overseas bonds	27,454,012	-	-	-	27,454,012	-	-	27,454,012	-	27,454,012
-'NT bonds	39,594,247	-	-	-	39,594,247	-	-	39,594,247	-	39,594,247

For the investment ratings of above tables, investment grade refers to AAA to BBB-, Sub investment grade refers to BB+ ~B-, high risk refers to CCC+ and below. No rating refers to the bonds not graded by credit rating institution.

(7) Aging analysis of financial assets which are overdue but not impaired

Operation process delay of loan borrowers and other administrative factors may cause financial assets to be overdue but not impaired. According to the internal risk management regulations of the Bank and its subsidiaries, financial assets overdue within 90 days are not considered impaired unless there are other evidence indicates otherwise.

	December 31, 2017			
	within 1month	1~3 months	over 3 months	Total
Account receivables				
-Credit card	$ 4,709	8,009	68	12,786
Discounts and loans				
Private banking				
-Secured	1,628,880	755,624	-	2,384,504
-Unsecured	77,463	12,041	-	89,504
Corporate banking				
-Large enterprise unsecured	231,579	-	-	231,579
-Medium and small enterprises-credit and guarantee fund	431,435	109,536	-	540,971
-Medium and small enterprises- secured	1,637,361	41,399	-	1,678,760
-Medium and small enterprises-unsecured	329,288	-	-	329,288
Other financial assets - Exchange bills negotiated	7	-	-	7
Total	$ 4,340,722	926,609	68	5,267,399

	December 31, 2016			
	within 1month	1~3 months	over 3 months	Total
Account receivables				
-Credit card	$ 3,852	5,489	-	9,341
Discounts and loans				
Private banking				
-Secured	1,363,945	416,999	-	1,780,944
-Unsecured	75,328	26,146	-	101,474
Corporate banking				
-Large enterprise-unsecured	48,225	-	-	48,225
-Medium and small enterprises-credit and guarantee fund	258,843	74,242	-	333,085
-Medium and small enterprises- secured	334,165	55,816	-	389,981
-Medium and small enterprises-unsecured	147,478	11,400	-	158,878
Other financial assets - Exchange bills negotiated	271	-	-	271
Total	$ 2,232,107	590,092	-	2,822,199

(8) Impairment loss analysis of the financial assets

A. Discounts and loans

Item	December 31, 2017	
	Discounts and loans	Allowance for bad debts
With objective evidence of impairment		
Individual assessment	$ 9,175,584	1,526,757
Collective assessment		
Government and public institution	12,489	12,489
Large enterprise-credit and guarantee fund	677	677
Medium and small enterprises-credit and guarantee fund	2,110,157	566,066
Medium and small enterprises-secured	445,903	379,086
Medium and small enterprises-unsecured	67,484	35,018
Private banking-secured	1,914,114	393,744
Private banking-unsecured	188,400	100,003
Preliminary negotiation projects	1,501	1,009
Subtotal	13,916,309	3,014,849
Without objective evidence of impairment		
Collective assessment		
Government and public institution	172,776,426	164,688
Financial institution	14,210,833	13,546
Margin loans receivables	2,341,425	2,232
Large Enterprise- credit and guarantee fund	298,222	17,226
Large enterprise secured	77,267,458	595,852
Large enterprise-unsecured	93,220,290	1,800,673
Medium and small enterprises-credit guarantee fund	83,971,021	1,435,548
Medium and small enterprises-secured	305,353,996	3,434,854
Medium and small enterprises-unsecured	79,670,239	1,014,982
Private banking-secured	268,921,049	600,879
Private banking-unsecured	12,028,510	62,684
Subtotal	1,110,059,469	9,143,164
Total	$ 1,123,975,778	12,158,013

Item	December 31, 2016	
	Discounts and loans	Allowance for bad debts
With objective evidence of impairment		
Individual assessment	$ 9,012,502	1,533,524
Collective assessment		
Government and pubic institution	16,530	16,530
Medium and small enterprises-credit and guarantee fund	2,109,832	677,215
Medium and small enterprises-secured	513,017	237,858
Medium and small enterprises-unsecured	60,927	58,975
Private banking-secured	1,812,207	358,447
Private banking-unsecured	158,768	99,916
Preliminary negotiation projects	1,568	985
Subtotal	13,685,351	2,983,450
Without objective evidence of impairment		
Collective assessment		
Government and public institution	174,649,277	149,389
Financial institution	8,035,616	6,873
Margin loans receivables	1,708,746	1,462
Large Enterprise- credit and guarantee fund	306,733	15,900
Large enterprise secured	73,331,802	1,334,473
Large enterprise-unsecured	85,484,450	2,120,490
Medium and small enterprises-credit guarantee fund	84,080,253	1,595,071
Medium and small enterprises-secured	266,580,303	1,666,660
Medium and small enterprises-unsecured	82,855,022	2,026,346
Private banking-secured	252,356,993	580,697
Private banking-unsecured	14,715,971	69,152
Subtotal	1,044,105,166	9,566,513
Total	$ 1,057,790,517	12,549,963

B. Receivables

Item	December 31, 2017	
	Receivables	Allowance for bad debts
With objective evidence of impairment		
Individual assessment	$ 45,871	30,834
Collective assessment	24,095	9,389
Subtotal	69,966	40,223
Without objective evidence of impairment		
Collective assessment		
Credit card proceeds receivable	1,261,322	2,906
Accounts receivable	577,647	15,589
Installment accounts receivable and rents receivable	1,184,612	17,318
Other receivables	248,192	1,745
Acceptances receivable	1,694,044	16,940
Accounts receivable factoring	512,299	5,123
Notes receivables	802	-
Interest receivable	2,953,720	7,916
Subtotal	8,432,638	67,537
Total	$ 8,502,604	107,760

Item	December 31, 2016	
	Receivables	Allowance for bad debts
With objective evidence of impairment		
Individual assessment	$ 67,631	48,974
Collective assessment	28,556	11,178
Subtotal	96,187	60,152
Without objective evidence of impairment		
Collective assessment		
Credit card proceeds receivable	1,292,977	3,273
Accounts receivable	256,744	2,321
Installment accounts receivable and rents receivable	912,753	13,933
Other receivables	259,886	8,881
Acceptances receivable	1,213,733	12,137
Accounts receivable factoring	319,040	3,190
Interest receivable	2,947,889	8,848
Subtotal	7,203,022	52,583
Total	$ 7,299,209	112,735

C. Other financial assets

Item	December 31, 2017	
	Other financial assets	Allowance for bad debts
With objective evidence of impairment		
Individual assessment	$ 147,423	1,250
Collective assessment		
Guarantee, acceptance and other advances	12,081	63,670
Credit card	48,835	19,490
Subtotal	208,339	84,410
Without objective evidence of impairment		
Collective assessment		
Exchange bills negotiated	142	1
Total	$ 208,481	84,411

Item	December 31, 2016	
	Other financial assets	Allowance for bad debts
With objective evidence of impairment		
Individual assessment	$ 90,965	1,341
Collective assessment		
Guarantee, acceptance and other advances	9,440	47,901
Credit card	57,016	10,956
Subtotal	157,421	60,198
Without objective evidence of impairment		
Collective assessment		
Exchange bills negotiated	383	4
Total	$ 157,804	60,202

(9) Collateral management policy

A. Collaterals are recognized under the account of other assets per the rules of "Regulations Governing the Preparation of Financial Reports by Public Held Banks".

B. Details were as follows:

Collaterals refer to the collaterals provided by clients as guarantee which are undertaken through public auction when the debtor is not able to fulfill its obligation. The collaterals assumed are recognized using the prices undertaken per the rules of "Regulations Governing the Preparation of Financial Reports by Public Banks" and measured by the book value or the fair value deducted by cost of sale, whichever is lower, at the end of the period. Collaterals will be sold when they are available to be sold and the proceeds received will be used to reduce the book amount of collaterals.

(10) Disclosure required under "Regulations Governing the Preparation of Financial Reports by Public Held Banks "

A. Loan quality:

Unit: In Thousands of New Taiwan Dollars, %

Items \ Month/Year			December 31, 2017				
			Non-performing loans	Total loans	Non-performing loan ratio	Allowance for credit losses	Coverage ratio
Corporate finance	Secured		2,210,090	459,502,261	0.48%	4,883,523	220.96%
	Unsecured		502,548	386,586,608	0.13%	4,280,256	851.71%
Consumer finance	Residence mortgages(Note 4)		559,849	144,878,539	0.39%	1,543,058	275.62%
	Cash cards		-	83	-%	-	-%
	Small sum credit loans (Note 5)		15,497	921,674	1.68%	18,114	116.89%
	Others (Note 6)	Secured	369,239	121,235,830	0.30%	1,278,420	346.23%
		Unsecured	54,400	10,850,783	0.50%	154,642	284.27%
total loan business			3,711,623	1,123,975,778	0.33%	12,158,013	327.57%
			Overdue loans	Total receivables	Overdue ratio	Allowance for doubtful accounts	Ratio of allowance to overdue loans
Credit cards business			1,778	1,310,157	0.14%	22,396	1,259.62%
Account receivable factoring-without recourse			-	512,299	-%	5,123	-%

Items \ Month/Year			December 31, 2016				
			Non-performing loans	Total loans	Non-performing loan ratio	Allowance for credit losses	Coverage ratio
Corporate finance	Secured		2,702,366	417,320,736	0.65%	4,725,318	174.86%
	Unsecured		1,017,223	377,249,746	0.27%	4,730,164	465.01%
Consumer finance	Residence mortgages(Note 4)		447,319	140,996,715	0.32%	1,580,928	353.42%
	Cash cards		-	114	-%	-	-%
	Small sum credit loans(Note 5)		11,495	849,136	1.35%	13,581	118.15%
	Others (Note 6)	Secured	277,251	107,758,146	0.26%	1,202,590	433.75%
		Unsecured	64,728	13,615,924	0.48%	297,382	459.43%
total loan business			4,520,382	1,057,790,517	0.43%	12,549,963	277.63%
			Overdue loans	Total receivables	Overdue ratio	Allowance for doubtful accounts	Ratio of allowance to overdue loans
Credit cards business			2,070	1,349,993	0.15%	14,229	687.39%
Account receivable factoring-without recourse			-	319,040	-%	3,190	-%

Note 1 Non-performing loans represent the amount of overdue loans as reported in accordance with the "Regulations on the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans". The credit card overdue loans represent the amount of overdue loans as reported in accordance with Jin-Kuan-Yin-(4)-Zi No. 0944000378, dated July 6, 2005.

Note 2 Non-performing loan ratio = Non-performing loans÷ total loans; Credit card delinquency ratio = Overdue receivables÷ balance of receivables

Note 3 Coverage ratio for loans = allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card business = allowance for credit losses ÷ overdue receivables.

Note 4 For residential mortgage loans, a borrower provides his/her (or spouse's or minor child's) house as collateral in full and pledges it to the financial institution for the purpose of obtaining funds to purchase property and to construct or repair a house.

Note 5 Microcredit loans are defined by Jin-Kuan-Yin-(4)-Zi No. 09440010950, dated December 19, 2005, and do not include credit cards or cash cards.

Note 6 Others in consumer finance are secured and unsecured consumer loans other than residential mortgage loans, cash card loans, and microcredit loans, and do not include credit cards.

Note 7 In accordance with Jin-Kuan-Yin-(5)-Zi No. 0944000494, dated July 19, 2005, the amounts of without-recourse factoring will be classified as overdue receivables within three months from the date that suppliers or insurance companies resolve not to compensate the loss.

B. Overdue loans and receivables exempted from reporting

Unit : In Thousands of New Taiwan Dollars

	December 31, 2017		December 31, 2016	
	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables	Loans may be exempted from reporting as a non-performing loan	Receivables may be exempted from reporting as overdue receivables
Pursuant to a contract under a debt negotiation plan	$ 2,016	5,636	2,847	7,546
Pursuant to a contract under a debt liquidation plan and a debt relief plan	83,319	41,422	83,998	47,400
Total	$ 85,335	47,058	86,845	54,946

Note 1: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09510001270, dated April 25, 2006, a bank is required to make supplemental disclosure of credit information which was approved under the debt coordination mechanism of unsecured consumer debts by the Bankers Association of the R.O.C.

Note 2: In accordance with Jin-Kuan-Yin-(1)-Zi No. 09700318940, dated September 15, 2008, a bank is required to make supplemental disclosure of credit information once debtors apply for pre-negotiation, relief and liquidation under the "Consumer Debt Clearance Act."

C. Concentration of credit extensions

Unit: In Thousands of New Taiwan Dollars, %

December 31, 2017			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	27,877,573	36.77%
2	B group. (Steel rolling and extruding)	8,677,737	11.45%
3	C group. (Real estate activities for sale and Rental with own or leased property)	7,457,330	9.84%
4	D group. (Real estate development)	6,659,072	8.78%
5	E group. (Integrated circuits manufacturing)	6,000,000	7.91%
6	F group. (Chemical raw materials manufacturing)	5,750,724	7.58%
7	G group. (Computer manufacturing)	4,990,052	6.58%
8	H group. (Steel smelting)	4,989,104	6.58%
9	I group. (Other holding companies)	4,349,153	5.74%
10	J group. (Real estate activities for sale and Rental with own or leased property)	3,904,010	5.15%

Unit: In Thousands of New Taiwan Dollars, %

December 31, 2016			
Ranking	Group enterprise	Credit amount	Credit amount to equity ratio (%)
1	A company. (Railway transportation)	31,900,542	45.01%
2	I group. (Other holding companies)	9,491,629	13.39%
3	B group. (Steel rolling and extruding)	8,406,097	11.86%
4	D group. (Real estate development)	6,521,072	9.20%
5	C group. (Real estate activities for sale and Rental with own or leased property)	6,508,160	9.18%
6	E group. (Integrated circuits manufacturing)	6,000,000	8.47%
7	G group. (Computer manufacturing)	5,513,184	7.78%
8	F group. (Chemical raw materials manufacturing)	4,674,109	6.60%
9	H group. (Steel smelting)	3,869,721	5.46%
10	K group. (Liquid crystal panel and componentsmanufacturing)	3,520,717	4.97%

Note 1 The top ten enterprise groups other than government or stated-owned enterprises are ranked according to their total outstanding credit amount. If the borrowers belong to an enterprise group, the aggregate credit balance of the enterprise should be calculated and disclosed as a code number for each such borrower together with an indication of the borrowers' line of business. In addition, if the borrowers are enterprise groups, the enterprise group's industry sector with the maximum exposure to credit risk in its main industry sector should be disclosed, along with the "class" of the industry, in compliance with the Standard Industrial Classification System of the R.O.C. posted by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

Note 2 Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings".

Note 3 Consists of loans (foreign currency imports financing, foreign currency export financing, notes discounted, customer overdrafts, short-term unsecured loans, short-term secured loans, receivables from securities lending, medium-term unsecured loans, medium-term secured loans, long-term unsecured loans loan-term secured loans, non-performing loans), foreign currency long positions, accounts receivable-factoring discount, bankers' acceptance receivable, guarantees receivable.

Note 4 In the calculation of Credit amount to equity ratio, the domestic bank should be calculated in the net value of head office. The Foreign bank should be calculated in the net value of Taiwan branch.

(d) Liquidity risk

(1) The origin and definition of liquidity risk

Liquidity risk refers to the potential financial loss results from the inability to liquidate assets or obtain finance to fulfill the financial obligation which is going to mature with sufficient fund, such as early rescind of time deposits, the channels and terms to call loan from other bank are deteriorated due to the influence of specific markets and the default of loan customers worsen and it is harder for the Bank to receive payments and liquidate financial instruments. The abovementioned situations may diminish the source of cash for the Bank to undertake loan business, trades and investment activities. Under some extreme circumstances, the lack of liquidity may increase the potential possibility of reduction of the overall position of consolidated financial statement, sale of assets and inability to fulfill loan obligation. Liquidity risk is an inherent risk of bank operations and is influenced by specific or overall events in various markets. Those events include but not limited to: Credit event, merger or buyout, systematic strike and natural disaster.

(2) The management policy, process and measurement of liquidity risk

A. Policy

a. In accordance with the target and limit for liquidity risk management approved by the board of directors and monitor all liquidity risk positions.

b. Established "Directions Governing the Capital Liquidity Risk Management of Taiwan Business Bank" and "Remarks Governing the Capital Liquidity Risk Management of Taiwan Business Bank"to serve as guidance to effectively control capital liquidity risk.

c. Overseas branches shall regulate the code of conduct for liquidity risk management based on business characteristics and the regulations of local authorities. After being approved by the general manager, the Risk Management Department will be in charge of monitoring liquidity risk.

B. Process

a. Finance Department is in charge of daily capital deployment to ensure that the capital is sufficient to cope with various demands for capital.

b. Risk Management Department is in charge of the identification, measurement, supervision and control of capital liquidity risk to establish a firm operation process and structure.

c. Risk Management Department reports the result of capital liquidity risk measurement to the Assets and Liabilities Management Committee on a monthly basis and reports the results of capital liquidity risk and pressure test to the board of directors quarterly.

C. Measurement

a. Maturity gap: To place the inflows and outflows of capital into various time zones accordingly based on the remaining days to maturity and calculate the gap of capital of each time zone in order to measure the capital deficiency of each time zone.

b. Loan-deposit ratio: To calculate the deposits the Bank received which are used to conduct loan business. In other words, the percentage of the total loan amount accounts for the total deposit amount.

c. Capital concentration and stability: In order to prevent the Bank from over-relying on single trade counterparty, product or market, the Bank observes several aspects such as the

changes in large time deposit customers, the percentage of demand deposits and the continuity of deposits.

d. Pressure test: Except for monitoring the capital demand under normal circumstances, the Bank conducts pressure test regularly in order to evaluate the capital liquidity under abnormal circumstances and ensure that the Bank is equipped with sufficient capital.

(3) Financial assets possessed for managing liquidity risk and maturity analysis for non-derivative financial liability

A. Financial assets possessed for managing liquidity risk

The Bank possesses cash and other high liquidity interest yielding assets to cope with payment obligations and potential emergent capital demands in the market. The assets possessed for managing liquidity risk include cash and cash equivalent, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, discounts and loans, available-for-sale financial assets, held-to-maturity financial assets, debts investment without active market.

B. Maturity analysis for non-derivative financial liabilities

The table below shows the cash outflows from the non-derivative financial liabilities which are possessed by the Bank based on the remaining days from the consolidated financial statement date to the contract maturity date. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement.

	December 31, 2017					
	0-30 days	31-90 days	91 days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	$ 842,064,235	172,333,314	362,842,204	67,423,723	22,385,238	1,467,048,714
Deposits from the Central Bank and banks	404,736	-	-	-	-	404,736
Overdrafts on banks	1,680,993	-	-	-	-	1,680,993
Call loans from the Central Bank and banks	24,404,249	8,488,697	1,781,877	-	-	34,674,823
Due to the central bank and other banks	-	-	-	31,464	-	31,464
Financial liabilities at fair value through profit or loss	-	-	-	-	3,565,337	3,565,337
Securities sold under repurchase agreement	211,737	236,468	657,391	-	-	1,105,596
Interest payable	345,792	389,195	902,517	65,169	28	1,702,701
Deposits transferred from Chunghwa Post Co., Ltd.	7,647,014	20,136,389	28,985,815	-	-	56,769,218
Demand deposits	712,974,517	-	-	-	-	712,974,517
Time deposits	93,787,034	143,079,895	330,132,774	35,437,090	9,988	602,446,781
Remittance	602,413	-	-	-	-	602,413
Financial debentures	-	-	-	28,000,000	13,000,000	41,000,000
Appropriated loan fund	5,750	2,670	381,830	3,890,000	5,809,885	10,090,135

	December 31, 2016					
	0-30 days	31-90 days	91 days-1 year	1-5 years	Over 5 years	Total
Major matured cash outflow	$ 828,893,113	147,388,362	332,031,736	65,885,099	13,219,295	1,387,417,605
Deposits from the Central Bank and banks	236,891	-	-	-	-	236,891
Overdrafts on banks	1,187,819	-	-	-	-	1,187,819
Call loans from the Central Bank and banks	26,311,984	10,869,781	-	-	-	37,181,765
Securities sold under repurchase agreement	1,772,500	325,799	660,606	-	-	2,758,905
Interest payable	337,226	309,866	799,102	59,594	35	1,505,823
Deposits transferred from Chunghwa Post Co., Ltd.	6,048,474	21,060,355	10,102,553	-	-	37,211,382
Demand deposits	699,189,213	-	-	-	-	699,189,213
Time deposits	93,431,200	113,763,731	314,329,475	32,718,085	5,717	554,248,208
Remittance	367,056	-	-	-	-	367,056
Financial debentures	-	1,050,000	6,000,000	28,000,000	7,700,000	42,750,000
Appropriated loan fund	10,750	8,830	140,000	5,107,420	5,513,543	10,780,543

(4) Derivative financial liabilities maturity analysis

A. Derivative financial instruments settled by net amount

The derivative instruments of the Bank's possession which are settled by net amount include foreign derivative instruments, such as non-delivery forward contracts, foreign exchange options settled by net amount. After evaluation the Bank concluded that the maturity date is the basic element to comprehend all the derivative financial instruments listed in the consolidated financial statement. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement.

The maturity analysis of derivative financial liabilities settled by net amount is as follows:

	December 31, 2017					
	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over1 year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivative instrument	$ -	-	1,240	1,140	-	2,380

	December 31, 2016					
	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over1 year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivative instrument	$ -	980	-	280	-	1,260

B. Derivative financial instruments settled by gross amount

The derivative instruments of the Bank's possession settled by gross amount include the following:

a. Foreign exchange derivative financial instrument: Foreign exchange options settled by gross amount, foreign exchange forward contracts and currency swap contracts.

b. Interest rate derivative financial instruments: interest rate swap contracts.

The table below shows the derivative financial instruments of the Bank's possession which are settled by gross amount based on the remaining days from the consolidated financial statement date to the contract maturity date. The amount disclosed is based on the cash flow of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement. The maturity analysis for derivative financial liabilities settled by gross amount is as follows:

December 31, 2017	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivative instrument						
Cash outflow	$ 59,440,726	20,530,843	5,330,127	4,499,139	-	89,800,835
Cash inflow	58,097,696	20,442,073	5,346,372	4,451,488	-	88,337,629
Total cash outflow	59,440,726	20,530,843	5,330,127	4,499,139	-	89,800,835
Total cash inflow	58,097,696	20,442,073	5,346,372	4,451,488	-	88,337,629
Net cash flow	$ 1,343,030	88,770	(16,245)	47,651	-	1,463,206

December 31, 2016	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivative instrument						
Cash outflow	$ 34,409,631	22,383,020	5,836,494	716,221	-	63,345,366
Cash inflow	34,401,750	21,827,320	5,690,894	745,027	-	62,664,991
Total cash outflow	34,409,631	22,383,020	5,836,494	716,221	-	63,345,366
Total cash inflow	34,401,750	21,827,320	5,690,894	745,027	-	62,664,991
Net cash flow	$ 7,881	555,700	145,600	(28,806)	-	680,375

(5) Maturity analysis of off balance sheet items

The table below shows the maturity analysis of the off-balance-sheet items of the Bank based on the remaining days from the consolidated financial statement date to the contract maturity date. For the financial guarantee contracts issued, the maximum amount of the guarantee is listed in the earliest time zone that the guarantee may be executed. The amount disclosed is based on the cash flows of the contracts and thus part of the amount disclosed may not correspond to the amount disclosed in the consolidated financial statement.

December 31, 2017	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevocable loan commitment	$ 224,055	1,095,821	1,132,840	32,673,322	65,159,278	100,285,316
Issued but not yet executed letter of credit	3,662,841	5,462,286	698,346	141,046	278,505	10,243,024
Miscellaneous guarantee	15,067,259	-	-	-	-	15,067,259
Total	$ 18,954,155	6,558,107	1,831,186	32,814,368	65,437,783	125,595,599

December 31, 2016	0-30 days	31-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Issued and irrevocable loan commitment	$ 153,450	196,726	40,959,262	33,153,734	18,606,571	93,069,743
Issued but not yet executed letter of credit	3,138,218	5,023,578	467,989	337,231	383,441	9,350,457
Miscellaneous guarantee	14,670,384	-	-	-	-	14,670,384
Total	$ 17,962,052	5,220,304	41,427,251	33,490,965	18,990,012	117,090,584

(6) Maturity analysis of lease contract commitments

The Bank only has operating lease contract, operating lease commitment refers to, when the Bank is the lessor or lessee and under the irrevocable operating lease conditions, the minimum total future rent payment. Below tables show the maturity analysis of the Bank's operating lease contract commitments:

December 31, 2017	Below 1 year	1-5 years	Over 5 years	Total
Operating lease expense (lessee)	$ 115,965	254,292	83,084	453,341
Operating lease income (lessor)	1,025	1,389	-	2,414

December 31, 2016	Below 1 year	1-5 years	Over 5 years	Total
Operating lease expense (lessee)	$ 70,329	69,346	-	139,675
Operating lease income (lessor)	3,934	2,410	-	6,344

The capital expenditure commitment of the Bank refers to the contract signed to obtain buildings and equipment. The maturity analysis of the capital expenditure commitment of the Bank is as follows:

December 31, 2017	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	$ 714,899	-	-	714,899
Communication and transportation equipment	460	-	-	460
Lease property	10,068	20,342	-	30,410
Miscellaneous equipment	75	-	-	75
Total	$ 725,502	20,342	-	745,844

December 31, 2016	Below 1 year	1-5 years	Over 5 years	Total
Machinery and equipment	$ 653,130	-	-	653,130
Lease property	9,878	28,380	25	38,283
Miscellaneous equipment	11,213	-	-	11,213
Total	$ 674,221	28,380	25	702,626

(7) Disclosures required by "Regulations Governing the Preparation of Financial Reports by Public Held Banks"

A. Maturity analysis in New Taiwan dollars

Unit : In Thousands of New Taiwan Dollars

December 31, 2017							
		Amount during the maturity period from the balance sheet date to due date					
	Total	0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	$ 1,364,209,249	125,241,132	130,619,593	128,736,427	176,150,942	169,428,890	634,032,265
Major maturity capital outflow	1,721,231,342	81,314,262	102,439,479	181,974,118	215,654,621	308,463,480	831,385,382
Gap	(357,022,093)	43,926,870	28,180,114	(53,237,691)	(39,503,679)	(139,034,590)	(197,353,117)

Note: Listed amounts are denominated in New Taiwan dollars (i.e., excluding foreign – currency amounts) of the head office and domestic branches, including commitment of credit agreement and estimates to outflow $355,361,831.

Unit : In Thousands of New Taiwan Dollars

December 31, 2016							
		Amount during the maturity period from the balance sheet date to due date					
	Total	0-10days	11-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	$1,291,674,625	93,072,084	148,945,573	130,659,717	187,702,413	197,681,634	533,613,204
Major maturity capital outflow	1,640,504,835	60,126,831	79,718,754	162,421,241	173,761,581	296,143,485	868,332,943
Gap	(348,830,210)	32,945,253	69,226,819	(31,761,524)	13,940,832	(98,461,851)	(334,719,739)

Note: Listed amounts are denominated in New Taiwan dollars (i.e., excluding foreign – currency amounts) of the head office and domestic branches, including commitment of credit agreement and estimates to outflow $346,854,347.

B. Maturity analysis in U.S. dollars

Unit : In Thousands of US Dollars

December 31, 2017						
		Amount during the maturity period from the balance sheet date to due date				
	Total	0-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	$ 10,164,920	5,444,707	1,902,732	467,530	365,842	1,984,109
Major maturity capital outflow	11,212,632	3,524,706	2,276,744	938,951	996,588	3,475,643
Gap	(1,047,712)	1,920,001	(374,012)	(471,421)	(630,746)	(1,491,534)

Note: Including commitment of credit agreement and estimates to outflow US$1,080,947.

Unit : In Thousands of US Dollars

December 31, 2016						
		Amount during the maturity period from the balance sheet date to due date				
	Total	0-30days	31-90days	91-180days	181days-1year	Over 1 year
Major maturity capital inflow	$ 7,826,263	2,618,874	1,522,669	992,539	922,752	1,769,429
Major maturity capital outflow	8,791,509	2,045,754	1,575,051	981,556	1,272,230	2,916,918
Gap	(965,246)	573,120	(52,382)	10,983	(349,478)	(1,147,489)

Note: Including commitment of credit agreement and estimates to outflow US$1,014,871.

(e) Market risk

(1) Definition of market risk

Market risk refers to the possible loss of the Bank's business in or off the balance sheet results from the disadvantageous fluctuation in market price in terms of interest rates, stock prices, foreign exchange rates and commodity prices.

(2) Policies and procedures of market risk management

A. Strategy

a. To carry out market risk management, achieve operation target and maintain healthy capital adequacy by following "Directions Governing the Market Risk Management of Taiwan Business Bank" and other relevant regulations.

b. Under the risk tolerance approved by the board of directors, the Bank applies various risk control mechanism to effectively deploy and manage capital in order to maintain the market risk exposure within the tolerable extent and achieve earning target.

B. Policies and procedures

In order to establish the market risk management mechanism and ensure that the market risk is within the tolerable extent, the Bank set up directions governing the market risk management, remarks governing the limit of market risk and financial product valuation procedures as the primary management guidance. Other than what is stated above, the Bank also establish limit control mechanism in terms of trade positions, stop-limit, suspensions and lines of alert based on the operation notices and procedures of different financial products (including fix income products, equity securities, foreign exchange transaction and derivative financial products).

(3) Process for market risk management

A. Risk identification

In accordance with the rules of "Directions Governing the Market Risk Management of Taiwan Business Bank", the Bank shall conduct appropriate market risk evaluation and document the process for later review before financial products are promoted. The content of evaluation includes risk factors identification, evaluation methods, cost-benefit analysis, market liquidity, risk strategy, adequacy of risk management mechanism and the influence on the Bank for undertaking market risk.

B. Risk measurement

a. Annually based on the business development of transaction units and submit to the board of directors for approval. For the units which the positions and limits remain unchanged after evaluation, they can put the positions and limits into practice after receiving the approval from the general manager.

b. The risk measurements (or evaluations) of the financial products of the Bank are conducted through different information systems. For the market data and parameters of the models applied for evaluation, they shall be inspected regularly to determine the rationality.

C. Risk monitoring

a. Valuation reports of various financial products are prepared regularly for high rank supervisors to review and serve as the guidance for daily risk management operation.

b. All financial transactions are equipped with different regulations in terms of limit of loss and stop-limit. Provided that the valuation loss amount is over the limit, a stop-limit, suspension and subsequent risk control will be executed.

D. Risk report

Risk management department report current market risk management status of the Bank to directors (executive directors) and high rank management to facilitate the directors and management to control the risk exposure status and adjust management procedures properly.

(4) Scope and method of market risk management

A. Foreign exchange risk management

a. Definition of foreign exchange risk

Foreign exchange risk refers to the potential profit or loss of the foreign currency financial instruments which results from the transition among fluctuating currencies.

b. Applicable scope

All the financial instruments which apply to trading book position and banking book position and involve in foreign currencies.

c. Purpose for foreign exchange risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of foreign exchange and to increase capital deployment efficiency and business operation integrity.

d. Procedures of foreign exchange risk management

1) In order to control foreign exchange transaction risk, the Bank established trade position authorization standard for financial transaction operations, trade units and traders in current regulations. In addition, for non-commercial business foreign exchange operation, all trade units submit the required amounts of position annually based on operation status. Risk management department will evaluated the requirement and submit to the board of directors' (executive directors) for approval. The demand will be executed after the board of directors approved. For the units which the positions remain unchanged after evaluation, they can put the positions into practice after receiving the approval from the general manager.

2) The trade units conduct various foreign financial product business, they shall fully understand the content of commodities, the risk tolerance and trade purpose. Trade units shall establish financial products trading strategies based on market status in the meeting every morning and submit the risk-benefit evaluation in the meeting minutes for the department heads to review. The trading shall follow the relevant authorization rules of the Bank and the stop-limit of all trade positions shall be executed reliably.

e. Process of foreign exchange risk management

1) Identification and measurement

A) Risk Management department established risk factor chart based on different financial transactions to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank conducts deal with simple type financial products. For complex financial products, the Bank conducts back-to-back hedge covering to effectively avoid market risk.

B) Risk Management department has used Greek to measure the influnce level of exchange rate for held-for-trading spot exchange and exchange rate derivative, also draft Greek's sensitivity allowance according to the yearly demand of trade units and the state of utilization, and monitor the load of fluctuation of exchange rate in an acceptable range each.

C) Positions of the trading book shall be evaluated daily where the positions of the banking book shall be evaluated monthly. When there are public quotes for financial instruments, the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

A) When the evaluation loss of non-commercial foreign exchange transactions is over the limit, the trade units shall execute a stop-limit per the regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management department shall report to the board of directors (executive directors).

B) Reports of operation results shall be prepared and submitted to the department heads for approval on a daily basis.

B. Equity security risk management

a. Definition of equity security risk

The market risks of the equity securities possessed by the Bank include the individual risk results from the market price fluctuation of individual equity security and the general market risk results from overall market price fluctuation.

b. Applicable scope

Financial instruments similar to equity security in all trading books.

c. Purpose of equity security risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of equity securities and to increase capital deployment efficiency and business operation integrity.

d. Procedures of equity security risk management

1) All trade units submit the required amounts of position annually base on operation status. Risk management department will evaluate the requirement and submit to the board of directors (executive directors). The demand will be executed after approved by the board of directors.

2) The trade units shall predict the possible trend of domestic stock market based on the information of foreign and domestic security markets so as to set up the operation strategies and directions. The traders shall pay close attention to the market trend when the market opens so as to conduct security transactions and the operations as well as the meeting minutes shall be submitted to the department heads to review.

e. Process of equity security risk management

1) Identification and measurement

A) The risk management department apply Value at Risk models to measure the market risk of equity security investment. Furthermore, based on the trade units' operation demand and the risk limit established by the Bank's risk tolerance, the risk management units effectively control the variation of risk factors under an acceptable extent.

B) Trading book position shall be evaluated daily. When there is a public quote in the market, the quote shall be adopted as the prior evaluation price (If the transaction is in secondary market and the liquidity is high, the closing price can be adopted as the evaluation price); If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

A) When the evaluation loss of equity security investment is over the limit, the trade units shall execute a stop-limit per regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management units shall report to the general manager. Provided that the loss amount reaches the annual

suspension line, risk management department shall report to the board of directors (executive directors).

B) Transaction reports shall be prepared and submitted to the department heads for approval on a daily basis. And the investment gains or losses shall report to the board of directors (executive directors) regularly for future reference.

C. Interest rate risk management

a. Definition of interest rate risk

Interest rate risk refers to the price decline of the Bank's financial products which contain interest risk factors due to the disadvantageous changes in interest rate.

b. Applicable scope

Financial instruments which contain interest rate factors in all trading books.

c. Purpose of interest rate risk management

To avoid loss of earnings or deterioration of financial status due to intensive fluctuation of interest rate and to increase capital deployment efficiency and business operation integrity.

d. Procedures of interest rate risk management

1) In order to control interest rate risk, the Bank established trade position authorization standard for financial transaction operations, trade units and trade counterparties in current regulations. In addition, for the positions held for trading, all trade units submit the required amounts of position annually based on operation status. Risk management department will evaluated the requirement and submit to the board of directors' (executive directors) for approval. The demand will be executed after the board of directors approved.

2) The trade units shall consider safety, liquidity and profitability and gather market information to assess the potential risk and benefit. In additional, the trade units shall choose investment target prudently through analyzing the issuers' credit, financial status, country risks and interest rate trends.

e. Process of interest rate risk management

1) Identification and measurement

A) The risk management department establish risk factor charts base on different financial transaction to effectively identify risk factors and market risk resources. In addition, the financial transactions which the Bank conducts deal with simple type financial products. For complex financial products, the Bank conducts back-to-back hedge covering to effectively avoid market risk.

B). Position of the trading book shall be evaluated daily. When there are public quotes for financial instruments, the quotes shall be the prior evaluation prices. If the financial instruments are evaluated by models, then they shall be evaluated by mathematic models prudently and the assumptions and parameters of the models shall be reviewed regularly.

2) Monitoring and report

A) The risk management department apply DV01 to measure to what extent the trading book bond positions are influenced by the interest rate risk and set up interest rate sensitivity limit base on the requirements of the trade units and the risk tolerance of the Bank annually.

B) The trade units shall prepare the income assessment tables of trade positions and traders for the department heads to review. In addition, when the evaluation loss of the position is over the limit, the trade units shall execute a stop-limit per the regulations. If the loss amount reaches the suspension warning line or suspension limit of the financial transaction, risk management department shall report to the general manager. Provided that the loss amount reaches the annual suspension line, risk management units shall report to the board of directors (executive directors).

D. Concentration management

a. The trade counterparties of the Bank are mostly financial institutions. To avoid the risk being over concentrated and enhance credit risk management, the Bank established financial institution credit risk limit based on the world ranking of tier 1 capital and credit ratings from The Banker. The trade units shall also pay attention to the changes of the credit status of individual financial institution as well as the changes of the national credit rating to conduct the transaction prudently.

b. For equity security investments, the Bank set up limits for single institution and single related party.

(5) Interest rate risk management of the banking book

A. The definition and management purpose for the interest rate risk of the banking book

a. The interest rate risk of the banking book refers to the negative effect towards the future net interest income or economic value of equity results from the fluctuation of interest rate. Net Interest Income (hereafter NII) is the total amount of interest revenue deducted by the total amount of interest expense; Economic Value of Equity (hereafter EVE) is the total discounted future cash inflow from assets deducted by the total discounted future cash outflow from liabilities.

b. The management purpose of the interest rate risk management of the banking book is to control the negative effect from the interest rate risk fluctuation towards NII or EVE within the approved limit extent.

B. The process for the interest rate risk management of the banking book

a. Identification and measurement

When the Bank conducts interest rate related products, it identifies the repricing risk, yield curve risk, basis risk and option characteristic risk and measures the possible influence on the earnings and economic value results from interest rate fluctuation.

b. Monitoring and report

The Bank established limits of the ratio between interest-rate-sensitivity assets and interest-rate-sensitivity liabilities, the effect to NII in 1 year when the market interest rate parallel changes 1 BP and the effect to EVE when the market interest rate parallel changes 200 BP to control the banking book interest rate risk. The results of interest rate risk measurement are reported to the Assets and Liabilities Management Committee monthly and to the board of directors (executive directors) quarterly. When the measurement result is over the limit, relevant units shall be convened to establish responding plan and the plan shall be submitted to the Assets and Liabilities Management Committee for discussion. After the plan is approved by the general manager, it shall be executed by the relevant business units and report to the board of directors (executive directors).

(6) Value at Risk

A. Description of Value at Risk

Value at Risk (VaR) is a statistical amount used to evaluate the maximum possible loss of portfolio results from the changes of market risk factors within a certain period of time and a fixed confidence interval.

B. Value at Risk models and assumptions

In order to enhance the market risk control operation, the Bank established quantified indices of market risk for the equity security position of the trading book. Based on the historical information of the last 1 year and applies Historical Simulation Method (with the confidence interval being 99% and the duration of possession being 1 day), the Bank calculates and monitors the trend of Value at Risk.

C. The limit of Value at Risk model

Value at Risk is a tool to measure market risk under normal circumstance. The limits of the model are listed below:

a. Value at Risk can not reflect the losses result from other type of risks, such as credit risk and liquidity risk.

b. Value at Risk measures the possible loss of the position on hand at the end of the transaction day, but it can not reflect the distribution of the part which actual loss exceeds Value at Risk

c. Value at Risk model is based on historical data to evaluate the amount, and therefore it may not be able to predict the future changes of risk factors, especially for those exceptions result from significant market fluctuation.

(7) Foreign exchange risk disclosure and sensitivity analysis

A. Foreign exchange risk exposure

a. Significant net positions of foreign currencies (Market risk)

December 31, 2017		
Currency	Foreign currency amount	NT$ amount
USD	$ 353,797	10,500,695
EUR	55,756	1,976,550
JPY	2,063,416	543,297
AUD	23,110	534,650
CNY	28,235	128,441

December 31, 2016		
Currency	Foreign currency amount	NT$ amount
USD	$ 209,668	6,755,503
JPY	6,760,895	1,873,444
AUD	21,484	501,544
HKD	46,044	191,267
EUR	4,599	156,274

Note 1 Main foreign currencies are the top five foreign currencies ranked in NTD value.
Note 2 Net foreign currency is the absolute value of the net value of each foreign currency.

b. Assets and liabilities of foreign currency

December 31, 2017						
	Monetary Financial assets			Monetary Financial liabilities		
Currency	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	$ 9,787,378	29.6800	290,489,374	9,398,630	29.6800	278,951,337
AUD	3,851,446	23.1350	89,103,203	3,816,093	23.1350	88,285,312
CNY	7,131,376	4.5490	32,440,628	6,953,085	4.5490	31,629,584
HKD	6,306,122	3.7960	23,938,039	6,120,017	3.7960	23,231,585
EUR	520,113	35.4500	18,438,006	519,947	35.4500	18,432,121
JPY	41,354,855	0.2633	10,888,733	39,592,813	0.2633	10,424,788
ZAR	4,233,471	2.3900	10,117,996	4,232,608	2.3900	10,115,933
NZD	66,983	21.0700	1,411,332	66,913	21.0700	1,409,857
CAD	57,552	23.6300	1,359,954	57,570	23.6300	1,360,379
GBP	22,824	39.9300	911,362	22,836	39.9300	911,841
SGD	10,317	22.2000	229,037	10,396	22.2000	230,791
Other (Note)	-	-	137,744	-	-	146,609

Note: Consolidated disclosure is applied for other currencies not over NT$100,000.

December 31, 2016						
	Monetary Financial assets			Monetary Financial liabilities		
Currency	Foreign currency amount (in thousands)	Spot rate	NTD amount	Foreign currency amount (in thousands)	Spot rate	NTD amount
USD	$ 7,498,326	32.2200	241,596,064	7,150,191	32.2200	230,379,154
AUD	3,067,824	23.3450	71,618,351	3,035,025	23.3450	70,852,659
CNY	6,098,123	4.6240	28,197,721	6,098,569	4.6240	28,199,783
HKD	5,027,848	4.1540	20,885,681	4,904,884	4.1540	20,374,888
EUR	244,797	33.9800	8,318,202	236,899	33.9800	8,049,828
JPY	63,840,614	0.2771	17,690,234	63,842,974	0.2771	17,690,888
ZAR	3,494,742	2.3700	8,282,539	3,495,193	2.3700	8,283,607
NZD	35,690	22.4600	801,597	35,659	22.4600	800,901
CAD	57,314	23.9200	1,370,951	57,531	23.9200	1,376,142
GBP	20,119	39.6100	796,914	20,253	39.6100	802,221
SGD	5,078	22.3100	113,290	5,017	22.3100	111,929
CHF	3,667	31.6050	115,896	3,666	31.6050	115,864
Other (Note)	-	-	47,841	-	-	52,494

Note: Consolidated disclosure is applied for other currencies not over NT$100,000.

B. Foreign exchange risk sensitivity analysis (Change by 1%)

Foreign exchange risk sensitivity analysis is the analysis that given other conditions remain the same, the influence on profit or loss and equity when each respective currency depreciate or appreciate by 1%.

Currency	December 31, 2017			
	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	$ 74,477	(47,576)	(74,477)	47,576
AUD	8,052	(12,677)	(8,052)	12,677
HKD	2,898	(10,011)	(2,898)	10,011
JPY	5,286	(4,984)	(5,286)	4,984
GBP	8	-	(8)	-
SGD	18	-	(18)	-
ZAR	(24)	-	24	-
SEK	4	-	(4)	-
CHF	57	-	(57)	-
CAD	66	-	(66)	-
THB	28	-	(28)	-
EUR	(140)	-	140	-
NZD	(31)	-	31	-
CNY	(23,943)	-	23,943	-
Total	$ 66,756	(75,248)	(66,756)	75,248

Currency	December 31, 2016			
	Depreciate by 1%		Appreciate by 1%	
	Income	Equity	Income	Equity
USD	$ 63,165	(46,371)	(63,165)	46,371
AUD	8,130	(12,302)	(8,130)	12,302
HKD	3,239	(8,827)	(3,239)	8,827
CAD	83	-	(83)	-
GBP	24	-	(24)	-
SGD	(13)	-	13	-
ZAR	2	-	(2)	-
SEK	14	-	(14)	-
JPY	353	-	(353)	-
THB	32	-	(32)	-
EUR	(22)	-	22	-
NZD	(23)	-	23	-
CNY	(23,564)	-	23,564	-
Total	$ 51,420	(67,500)	(51,420)	67,500

(8) Interest rate risk disclosure and sensitivity analysis

A. Interest rate sensitivity analysis

The assumption of interest rate sensitivity analysis is, under the circumstance that other conditions remain the same, the yield of the market increase or decrease by 1 basis point (1 bp).

Currency	December 31, 2017			
	Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
	Income	Equity	Income	Equity
Trading book				
TWD	$ 32	(9,936)	(32)	9,936
Banking book				
TWD	-	(56,530)	-	56,530
USD	47	(4,058)	(47)	4,058
AUD	-	(192)	-	192
ZAR	-	(16)	-	16
HKD	-	(95)	-	95
CNY	-	(277)	-	277
Total	$ 79	(71,104)	(79)	71,104

Currency	December 31, 2016			
	Interest rate increases by 1 bp		Interest rate decreases by 1 bp	
	Income	Equity	Income	Equity
Trading book				
TWD	$ 13	(7,589)	(13)	7,589
Banking book				
TWD	-	(58,243)	-	58,243
USD	-	(6,005)	-	6,005
AUD	-	(68)	-	68
ZAR	-	(87)	-	87
HKD	-	(196)	-	196
CNY	-	(706)	-	706
Total	$ 13	(72,894)	(13)	72,894

B. Sensitivity analysis of expected net revenue/Sensitivity of equity in terms of interest rate fluctuation

	December 31, 2017			
	Effect on NII in 1 year		Effect on EVE in 1 year	
	TWD	USD	TWD	USD
Scenario				
Interest rate increases by 100 bp	3,165,803	(16,652)	(1,292,836)	(11,892)
Interest rate decreases by 100 bp	(5,986,102)	(2,208)	2,104,453	12,402

	December 31, 2016			
	Effect on NII in 1 year		Effect on EVE in 1 year	
	TWD	USD	TWD	USD
Scenario				
Interest rate increases by 100 bp	3,189,673	(15,668)	(1,474,526)	(17,478)
Interest rate decreases by 100 bp	(5,680,182)	(3,261)	2,437,609	18,331

(9) Equity security risk disclosure and sensitivity analysis

A. Equity security sensitivity analysis (Changes by 1%)

The assumption of equity security sensitivity analysis is, under the circumstance that other conditions remain the same, the price of equity security increased or decreased by 1%.

Change		December 31, 2017	
	Currency	Income	Equity
Equity security price increases by 1 %	TWD	102	14,301
Equity security price decreases by 1 %	TWD	(102)	(14,301)

Change		December 31, 2016	
	Currency	Income	Equity
Equity security price increases by 1 %	TWD	381	15,847
Equity security price decreases by 1 %	TWD	(381)	(15,847)

B. Value at Risk of equity security

Value at Risk	For the years ended December 31, 2017		
	Average	Maximum	Minimum
Equity security risk	58,287	80,781	40,227

Value at Risk	For the year ended December 31, 2016		
	Average	Maximum	Minimum
Equity security risk	36,450	59,010	29,974

(10) Disclosures required by "Regulations Governing the Preparation of Financial Reports by Public Held Banks"

A. Analysis of interest rate-sensitive assets and liabilities (New Taiwan dollars)

Unit : In Thousands of New Taiwan Dollars, %

December 31, 2017					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	$ 1,123,566,515	13,243,882	11,024,511	121,866,618	1,269,701,526
Interest rate-sensitive liabilities	976,655,486	79,970,590	86,725,704	41,204,677	1,184,556,457
Interest rate sensitivity gap	146,911,029	(66,726,708)	(75,701,193)	80,661,941	85,145,069
Net amount					75,817,673
Ratio of interest rate-sensitive assets to debt (%)					107.19
Ratio of interest rate-sensitive gap to net worth (%)					112.30

Unit : In Thousands of New Taiwan Dollars, %

December 31, 2016					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	$ 1,072,077,487	10,565,181	9,471,238	120,528,512	1,212,642,418
Interest rate-sensitive liabilities	932,807,003	59,766,849	105,302,395	39,457,432	1,137,333,679
Interest rate sensitivity gap	139,270,484	(49,201,668)	(95,831,157)	81,071,080	75,308,739
Net amount					70,870,340
Ratio of interest rate-sensitive assets to debt (%)					106.62
Ratio of interest rate-sensitive gap to net worth (%)					106.26

Note 1 Listed amounts are denominated in N.T. dollars of the head office and domestic branches, offshore banking unit, overseas branches. (i.e., excluding foreign currency amounts).

Note 2 Interest rate-sensitive assets and liabilities refer to revenue or cost of interest–yielding assets and interest–bearing liabilities, which are affected by interest rate fluctuations.

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

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

B. Analysis of the interest-sensitive assets and liabilities (U.S. dollars)

Unit : In Thousands of US Dollars, %

December 31, 2017					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	$ 4,469,367	374,144	88,227	410,338	5,342,076
Interest rate-sensitive liabilities	5,495,210	456,356	318,865	300	6,270,731
Interest rate sensitivity gap	(1,025,843)	(82,212)	(230,638)	410,038	(928,655)
Net amount					2,554,504
Ratio of interest rate-sensitive assets to debt (%)					85.19
Ratio of interest rate-sensitive gap to net worth (%)					(36.35)

Unit : In Thousands of US Dollars, %

December 31, 2016					
Item	1~90 days	91~180 days	181days~1year	over 1 year	total
Interest rate-sensitive assets	$ 3,358,509	455,403	110,846	432,438	4,357,196
Interest rate-sensitive liabilities	4,527,021	302,360	253,801	-	5,083,182
Interest rate sensitivity gap	(1,168,512)	153,043	(142,955)	432,438	(725,986)
Net amount					2,199,576
Ratio of interest rate-sensitive assets to debt (%)					85.72
Ratio of interest rate-sensitive gap to net worth (%)					(33.01)

Note 1 Listed amounts are in U.S. dollars (i.e., excluding contingent assets and contingent liabilities) of the head office and domestic branches, offshore banking unit, overseas branches.

Note 2 Interest rate-sensitive assets and interest rate-sensitive liabilities refer to the interest yielding assets and interest paying liabilities which the revenue and cost are affected by interest rate fluctuation.

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

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

(f) Transferred financial assets that are not fully derecognized

The transactions, relating to transferred financial assets not qualifying for full derecognition, the Bank conduct during daily operation mostly involve securities lending in accordance to repurchase agreements. Since the right to receive contractual cash flow has been transferred to others and the Bank's obligation to repurchase the transferred assets for a fixed price at a future date is recognized under liability, for these transactions, the Bank can not use, sell or pledge those transferred financial assets in availability period, the Bank have interest rate risk and credit risk, the said transferred assets are not fully derecognized.

The following tables are financial assets that are not fully derecognized and related financial liabilities:

Types of financial assets	December 31, 2016				
	Carrying amount of transferred financial assets	Carrying amount of associated financial liabilities	Fair value of transferred financial assets	Fair value of associated financial liabilities	Net fair value
Available-for-sale financial assets					
Repurchase agreement	$ 917,453	900,000	917,453	900,000	17,453

(g) Offsetting financial assets and financial liabilities

The Bank has an exercisable master netting arrangement or similar agreement in place with counterparties. When both parties reach a consensus regarding net settlement, the aforesaid exercisable master netting arrangement or similar agreement can be net settled by offsetting financial assets and financial liabilities. If not, the transaction can be settled at total amount. In the event of default involving one of the parties, the other party can have the transaction net settled.

The following tables present the aforementioned offsetting financial assets and financial liabilities:

December 31, 2017						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
Item	Gross amounts of recognized financial assets(a)	Gross amounts of financial liabilities offset in the balance sheet(b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in thebalance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	$ 109,740	-	109,740	-	169,736	(59,996)

December 31, 2017						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
Item	Gross amounts of recognized financial liabilities(a)	Gross amounts of financial assets offset in the balance sheet(b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instruments	$ 63,552	-	63,552	-	76,266	(12,714)

December 31, 2016						
Financial assets that are offset, have an exercisable master netting arrangement or similar agreement						
Item	Gross amounts of recognized financial assets(a)	Gross amounts of financial liabilities offset in the balance sheet(b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	$ 156,238	-	156,238	-	67,763	88,475

December 31, 2016						
Financial liabilities that are offset, have an exercisable master netting arrangement or similar agreement						
Item	Gross amounts of recognized financial liabilities(a)	Gross amounts of financial assets offset in the balance sheet(b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not set off in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial instruments	$ 48,674	-	48,674	-	-	48,674

(AM) Capital Management

(a) The Bank takes business development and risk control into consideration and calculates capital adequacy per "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Calculation Methods and Forms of Proprietary Capital and Risk Capital of Banks". The ratio between proprietary capital and risk capital shall remain above the regulated minimum ratio.

(b) In order to maintain adequate capital and reach a balance between risk control and business development, the Bank established "Directions Governing Capital Adequacy" as the guidance for controlling capital adequacy. The scope of the directions include, except for the least capital requirements for credit risk, market risk and operation risk, significant risk such as banking book interest rate risk, liquidity risk and concentration risk. In addition, in order to link business strategies, capital and risk management, the Bank sets up capital management plan annually for the president's approval and reports to Risk Management Committee and the board of directors quarterly about relevant risks and capital control status.

(c) The Bank identifies, measures, monitors and reports various risks based on the directions, notices and relevant rules of competent authority regarding credit risk, market risk, operation risk, legal and compliance risk, interest rate risk of the banking book, liquidity risk and concentration risk so as to be familiar with current business environment and monitors and adjusts capital adequacy effectively.

(d) To cope with the implementation of new Basel Accord, the Bank set up complete risk management system, risk management operation tracking procedures to provide the management with appropriate risk management information for making decisions. Therefore, the Bank is able to maintain adequate capital within the tolerable extent and to ensure the provision of proprietary capital of the Bank corresponds with the overall operating risk characteristics of the Bank.

(1) Tier 1 capital

A. Common stock equity: The item includes common stock deducted by treasury stock, goodwill and other intangible assets, deferred tax assets based on future profit status of the Bank, unrealized gain on available-for-sale financial assets, operating reserve and deficiency of allowance for bad debts, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, and 25% of the investment on financial related business which is classified in banking book.

B. Other tier 1 capital: Twenty-five percent of the perpetual non-accumulated subordinated financial debentures deducted by the investment on financial related business which is classified in banking book.

(2) Tier 2 capital

The item includes perpetual accumulated subordinated financial debentures, long term subordinated debenture, real estate retained earning increment arising from applying the fair value or the revaluation reserve as the deemed cost when first adopting IFRSs, 45% of unrealized gain on available-for-sale financial assets, and 50% of the investment on financial related business which is classified in banking book.

Item			December 31, 2017	December 31, 2016
Eligible capital	Common stock equity		73,448,764	68,922,354
	Other tier 1 capital		14,140,802	14,664,225
	Tier 2 captial		25,396,643	20,221,002
	Eligible Capital		112,986,209	103,807,581
Risk-weighted assets	Credit risk	Standardized approach	871,996,666	818,988,412
		Internal ratings-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/selective standardized approach	35,136,391	34,024,618
		Advanced measurement approach	-	-
	Market risk	Standardized approach	13,786,563	18,539,100
		Internal model approach	-	-
	Total risk-weighted assets		920,919,620	871,552,130
Capital adequacy ratio			12.27%	11.91%
Common stock equity/ Risk-weighted assets ratio			7.98%	7.91%
Tier 1 capital / Risk-weighted assets ratio			9.51%	9.59%
Leverage ratio			5.26%	5.30%

The formulas of the table are listed as follows:

A. The eligible capital, risk-weighted assets and exposure are calculated per "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "The Calculation and Forms of Eligible Capital and Risk Assets of Banks".

B. The Bank shall fill out the capital adequacy of this period and last period. For the semi-annual report, the Bank shall disclose the capital adequacy of this period and last period and additionally disclose the capital adequacy of the previous period ended December 31.

C. Note 1. Eligible Capital = Common stock equity + Other Tier 1 Capital + Tier 2 Capital

Note 2. Total risk-weighted assets = Credit risk weighted asset+(operational risk charge+market risk charge) × 12.5

Note 3. Capital adequacy ratio= Eligible Capital ÷ Risk weighted asset.

Note 4. Common stock equity / Risk-weighted assets ratio= Common stock equity / total risk weighted assets

Note 5. Tier 1 capital / Risk-weighted assets ratio = (Common stock equity+other tier 1 capital)/ Risk-weighted assets

Note 6. Leverage ratio = Net Tier 1 capital / Total risk exposure.

D. Above table is not required to be disclosed when preparing the financial reports of the first quarter and third quarter.

7. RELATED PARTY TRANSACTIONS

(A) Names of related parties and relationship with the Bank

Name of related party	Relationship with the Bank and its subsidiaries
Bank of Taiwan	Corporate director of the Bank
Ministry of Finance, R.O.C	Corporate director of the Bank
Land Bank of Taiwan	Corporate director of the Bank
Other	Major shareholders, directors (includes independent directors), president, executive vice president, managers and their second tier of kinship.

(B) Significant related party transactions

(a) Due from other Banks

	December 31, 2017	
	Amount	%
Bank of Taiwan	$ 141,044	0.51
Land Bank of Taiwan	1,250	-
Total	$ 142,294	0.51

	December 31, 2016	
	Amount	%
Bank of Taiwan	$ 143,919	0.52
Land Bank of Taiwan	3,498	0.01
Total	$ 147,417	0.53

Interest rates are the same as those with regular clients.

(b) Deposits from other banks

	December 31, 2017	
	Amount	%
Land Bank of Taiwan	$ 1,496	1.49

	December 31, 2016	
	Amount	%
Land Bank of Taiwan	$ 1,350	1.67

Interest rates are the same as those with regular clients.

(c) Call loans to banks

	Maximum balance	December 31, 2017	Interest income	Annual interest rate
Bank of Taiwan	$ 8,620,470	-	2,360	0.17%~3.40%
Land Bank of Taiwan	2,884,226	1,929,200	3,789	0.80%~2.62%
Total	$ 11,504,696	1,929,200	6,149	

	Maximum balance	December 31, 2016	Interest income	Annual interest rate
Bank of Taiwan	$ 8,497,798	-	3,973	0.176%~9.00%
Land Bank of Taiwan	1,250,239	-	1,675	0.34%~1.95%
Total	$ 9,748,037	-	5,648	

Interest rates are the same as those with regular clients.

(d) Call loans from banks

	Maximum balance	December 31, 2017	Interest expense	Annual interest rate
Bank of Taiwan	$ 9,228,701	-	5,177	0.32%~4.5%
Land Bank of Taiwan	13,580,150	1,484,000	18,690	0.03%~12%
Total	$ 22,808,851	1,484,000	23,867	

	Maximum balance	December 31, 2016	Interest expense	Annual interest rate
Bank of Taiwan	$ 15,858,624	1,127,700	16,018	0.19~13%
Land Bank of Taiwan	11,522,250	2,416,500	13,731	0.01~8.00%
Total	$ 27,380,874	3,544,200	29,749	

Interest rates are the same as those with regular clients.

(e) Deposits

	December 31, 2017	
	Amount	%
Others	$ 1,660,259	0.13

	December 31, 2016	
	Amount	%
Others	$ 1,810,161	0.14

Interest rates are the same as those with regular clients.

(f) Credit

December 31, 2017							
Category	Number of clients or name of related party	Maximum balance	Ending balance	Performing situations		Collaterals	Transaction terms are the same as those with regular clients
				Performing loan	Non-performing Loans		
Employee consumer loans	129	344,249	320,358	320,358	-	none	none
Self-use residence collateral loans	118	473,764	394,610	394,610	-	real estate	none
Others	Si ○ ○	294	294	294	-	real estate	none
	Du ○ ○	7,345	7,345	7,345	-	real estate	none
	Chiang ○ ○	2,397	1,751	1,751	-	real estate	none
	Liu ○ ○	1,562	1,326	1,326	-	real estate	none
	Cho ○ ○	899	768	768	-	real estate	none
	Chang ○ ○	944	944	944	-	real estate	none
	Lu ○ ○	1,304	1,207	1,207	-	real estate	none
	Huang ○ ○	4,472	4,472	4,472	-	real estate	none
	Simpro ○ ○	1,883	967	967	-	non-physical collaterals	none

December 31, 2016							
Category	Number of clients or name of related party	Maximum balance	Ending balance	Performing situations		Collaterals	Transaction terms are the same as those with regular clients
				Performing loan	Non-performing Loans		
Employee consumer loans	123	321,561	307,360	307,360	-	none	none
Self-use residence collateral loans	134	503,468	461,734	461,734	-	real estate	none
Others	Du ○ ○	4,667	4,667	4,667	-	real estate	none
	Chen ○ ○	3,654	-	-	-	real estate	none
	Chiang ○ ○	3,025	2,418	2,418	-	real estate	none
	Hung ○ ○	1,317	-	-	-	real estate	none
	Liu ○ ○	1,765	1,762	1,762	-	real estate	none
	Cho ○ ○	300	-	-	-	real estate	none
	Wu ○ ○	1,152	264	264	-	real estate	none
	Lu ○ ○	1,705	2	2	-	real estate	none

(g) Guarantees of credit: None.

(h) Service fees: None.

(i) Rental revenue: None.

(j) Derivatives financial instrument transactions: None.

(k) Sales of Non–Performing Loans Transactions: None.

(C) Major management salary information

	For the years ended December 31,	
	2017	2016
Salary and other short-term employee benefit	$ 114,312	133,251
Retirement Benefit	1,760	1,682
Total	$ 116,072	134,933

8. PLEDGED ASSETS: Please refer to note 6(H) for more details.

9. COMMITMENTS AND CONTINGENCIES

(A) Significant commitments and contingencies were as follows:

	December 31, 2017	December 31, 2016
Marketable securities held for custody	$ 13,357,412	13,620,094
Bills collected for others	51,172,708	52,582,087
Bills lent for others	27,951,849	25,617,527
Guarantees and letters of credit	25,310,283	24,020,841
Collaterals received	426	426
Trust liabilities	135,476,558	124,653,387
Travelers' check in custody for sale	66,423	100,238
Items held for custody	4,103,319	4,012,754
Registered government bonds for sale	68,651,600	67,970,300
Registered short-term bills for sale	1,328,800	1,958,553
Guarantee notes payable	27,915,700	27,369,420

(B) Unrecognized contractual commitments:

As of December 31, 2017 and 2016, major constructions in progress and purchases amounted to $559,663 and $520,138 respectively, of which $416,267 and $448,327 respectively, remained unpaid.

(C) The Bank's trust department plans, manages, and operates trust services in accordance with the Banking Law and Trust Law. Special purpose funds are used to invest in marketable securities and the Bank also manages trust funds. The trust information as of December 31, 2017 and 2016 is as follows:

Trust Balance Sheet

Trust Assets	December 31, 2017	December 31, 2016
Cash in Bank	$ 2,697,388	2,469,413
Common stock	177,799	188,230
Funds	55,582,025	53,521,066
Real estate	13,850,725	12,723,672
Securities custody	62,576,450	55,355,186
Other assets	592,171	395,820
Total trust assets	$ 135,476,558	124,653,387

Trust Liabilities	December 31, 2017	December 31, 2016
Payables	$ 113	165
Securities held for custody	62,576,450	55,355,186
Trust capital	72,858,128	69,261,666
Reserves and accumulated loss	(1,933,370)	(988,660)
Net income	1,975,237	1,025,030
Total trust liabilities	$ 135,476,558	124,653,387

Trust Property Accounts

Investment in	December 31, 2017	December 31, 2016
Cash in bank	$ 2,697,388	2,469,413
Common stock	177,799	188,230
Funds	55,582,025	53,521,066
Real estate		
Land	11,417,841	11,590,733
Buildings	51,154	47,422
Construction in progress	2,381,730	1,085,517
Securities in custody	62,576,450	55,355,186
Other assets	592,171	395,820
Total	$ 135,476,558	124,653,387

Note: As of December 31, 2017 and 2016, the amounts above included OBU transaction on "foreign currency designated trust funds investment in foreign negotiable securities business" amounting to $748,020 and $857,312, respectively.

Trust Income Statement

Investment in	For the years ended December 31,	
	2017	2016
Trust Revenue		
Interest income	$ 4,759	6,838
Realized cpaital gain-fund	21	2,710
Realized capital gain-stock	1,686	1,133
Cash dividend income of common stock	1,865,260	1,560,040
Gains on property transaction	1,155,050	579,907
Other revenue	202	194
Sub-total	3,026,978	2,150,822
Trust Expense		
Administrative expenses	68,913	36,087
Postage and phone/fax expense	3	1
Realized capital loss-stock	-	432
Realized capital loss-fund	-	1
Losses on property transaction	982,719	1,089,135
Other expense	85	76
Sub-total	1,051,720	1,125,732
Net income before tax	1,975,258	1,025,090
Income tax expense	(21)	(60)
Net income after tax	$ 1,975,237	1,025,030

(D) In 1996, the Bank's World Trade Center Branch was sued for handling a letter of credit export collection from Chin Seen Industrial Co., which allegedly used a forged export document and failed to ship the goods to the importer, the International Comagnie de Commercialization et d'Invertissement (I.C.C.I.) of the Republic of Zaire, suffered a loss thereon. In November 1998, I.C.C.I. initiated a case with the Court of Commerce of Brussels in Belgium, requested the L/C opening bank (Banque Bruxelles Lambert, or BBL) and the Bank to jointly pay compensation of US$7,830 thousands plus interest, losses, and expenses for the L/C. On August 31, 2005, the Court of Commerce of Brussels rendered its judgment which the Bank has to make compensation of US$7,674 thousands plus interest to I.C.C.I.. The Bank has engaged a local attorney in Belgium to formally file an appeal. In February 2011, Court of Appeal in Brussels had made an intermediate adjudication which I.C.C.I and the Bank are both responsible for the offense. Furthermore, on November 16, 2011, the judgment of the court indicated that the Bank should be responsible for 90% of the negligence proportion. In terms of the judgment of the court of the second instance, the Bank has filed an appeal on November 3, 2011. On February 6, 2013, the court overruled the Bank's appeal and the Bank lost the case. In October 2016, I.C.C.I initiated a case with the Court of Frankfurt in Germany, applied for seizing the bank

account in Germany, and the bank lodged guaranty money of EUR $13,200,000 to the court to rescind the order for attachment. In July 2017, I.C.C.I applied for compulsory execution to the guaranty money, the court has transfered the guaranty money to I.C.C.I. The Bank is filing the lawsuit objecting to the debt through the attorney. As of December 31, 2017, the Bank has accrued the compensation of NT$183,923 thousands and EUR$8,000,000. Please refer to Note 6(T) for relevant provision.

10. LOSSES DUE TO MAJOR DISASTERS: None.

11. SUBSEQUENT EVENTS

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Bank and its subsidiaries current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $215,729 thousand and $399 thousand, respectively.

12. OTHER

(A) Employee benefits, depreciation, depletion and amortization expenses were as follows:

Nature	For the years ended December 31,	
	2017	2016
	Operating expense	Operating expense
Employee benefit expenses		
Salary expense	$ 5,912,140	5,778,016
Labor and health insurance expenses	424,366	406,773
Pension expenses	330,636	326,799
Other employee benefit	793,542	903,325
Total employee benefit	7,460,684	7,414,913
Depreciation expenses	337,771	311,826
Amortization expenses	79,989	75,776
Total	$ 7,878,444	7,802,515

The employee numbers amounted to 5,098 and 4,966 people as of December 31, 2017 and 2016, respectively.

(B) Profitability

Unit: %

Item		December 31, 2017	December 31, 2016
The ratio of return on assets	Before income tax	0.38	0.43
	After income tax	0.33	0.35
The ratio of return on equity	Before income tax	8.00	9.18
	After income tax	6.87	7.50
Net income ratio		24.16	25.15

Note 1 The ratio of return on assets = Income before (after) income tax expense÷ average assets.
Note 2 The ratio of return on equity = Income before (after) income tax expense ÷ average equity.
Note 3 Net income ratio = Gain or loss after income tax expense ÷ Net revenue.
Note 4 Income before (after) income tax expense refers to income accumulated from January of the current year to the current period.

13. OTHER DISCLOSURES

(A) Information on significant transactions:

(a) Cumulative purchase or sale of the same investee's capital stock up to $300,000 or 10% of paid-in capital: None.

(b) Acquisition of real estate amounting to over $300,000 or 10% of paid-in capital: None.

(c) Disposition of real estate amounting to over $300,000 or 10% of paid-in capital: None.

(d) Discount of commissions and handling fees with related parties amounting to over $5,000: None.

(e) Receivables from related parties amounting to over $300,000 or 10% of paid-in capital: None.

(f) Sale of non-performing loans information: None.

(g) Types of securitization goods and related information approved by financial assets securitization rules or real estate securitization rules: None.

(h) Business relationship and significant transactions with the subsidiaries:

No	Trader	Counterparty	Relationship	Transaction status for the year ended December 31, 2017			
				Account	Amount	Terms	Percentage accounted for consolidated net revenue or total assets
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Account Receivables	72,792	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Deposits and remittances	401,624	No difference with non-related parties	0.03%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Service revenue	1,212,949	No difference with non-related parties	5.81%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Insurance Agency Co., Ltd.	1	Other net non-interest income	2,203	No difference with non-related parties	0.01%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Account Receivables	2,873	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Deposits and remittances	15,809	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Service revenue	33,848	No difference with non-related parties	0.16%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank Property Insurance Agency Co., Ltd.	1	Other net non-interest income	245	No difference with non-related parties	-%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank International Leasing Co., Ltd.	1	Deposits and remittances	230,208	No difference with non-related parties	0.01%
0	TAIWAN BUSINESS BANK, LTD.	Taiwan Business Bank International Leasing Co., Ltd.	1	Other net non-interest income	691	No difference with non-related parties	-%

Note: The meaning of the number is as follows.
1. Zero stands for the parent company
2 .Subsidiaries are coded from No 1 per respective companies.

(i) Other significant transactions that might have influence over the decision making process of the financial statements users: None.

(B) Information of investees:

(a) The following is the information on investees (excluding investment in mainland China):

(Unit : In Thousands of New Taiwan Dollars ; thousand shares)

Name of investee	Location	Main business scope	Shareholding ratio	Book value	Investment gain (loss)	The cross holding of the Bank and its related parties				Note
						Number of shares	Number of prefomat shares	Total		
								Number of shares	Shareholding ratio	
Taiwan Business Bank Insurance Agency Co., Ltd.	2F, No.158, Songjiang Rd Taipei City	Agent of personal insurance	100.00%	356,615	346,615	500	-	500	100.00%	Already written-off when preparing the consolidated financial statements
Taiwan Business Bank Property Insurance Agency Co., Ltd.	2F, No.158, Songjiang Rd Taipei City	Agent of property insurance	100.00%	15,185	9,898	300	-	300	100.00%	〃
Taiwan Business Bank International Leasing Co., Ltd.	5F., No.151, Sec. 4, Nanjing E. Rd.,Taipei City	Leasing business	100.00%	1,393,801	29,148	150,000	-	150,000	100.00%	〃
TBB (Cambodia) Microfinance Institution Plc	Combodia	SMEs and personal finance business	100.00%	580,336	(9,523)	20	-	20	100.00%	〃

(b) Loans to others:

(Unit : In Thousands of New Taiwan Dollars)

NO.	Loan from	Loan to	Main Account	Related party	Maximum Amount	Ending balance	Actual amount	Range of intrest rate	Main loan nature	Dealing amount	The neccessary reason for short-term loans	Allowancefor bad debts	Guarantee		Limited amount for individual object	Total limited amount for loan
													Name	Value		
1	Taiwan Business Bank International Financing leasing Co., Ltd.	Shanghai Buynow Electronic Informatio-n Co., Ltd.	Entrusted loan	No	73,694	64,336	81,882	6.5%~6.8%	1	81,882		965	land, building 1~4F, underground parkink lot B1~B2	868,859	348,450	1,393,801
1	Taiwan Business Bank International Financing leasing Co., Ltd.	Sanyuan Constructi-on (Qing-dao) Develop-ment Co., Ltd.	Entrusted loan	No	104,627	102,194	104,627	10%	2	-	To the lender for building commercial facilities and buying equipment	1,533	Construction land use right、Com-mercial and residential buildings 4F&13F	1,812,981	348,450	1,393,801
1	Taiwan Business Bank International Financing leasing Co., Ltd.	Suzhou Guang Jia Wei Trading Co., Ltd.	Entrusted loan	No	181,960	181,960	181,960	8.1%	2	-	To the lender for building commercial facilities	2,729	Commercial building 1~15F	1,291,497	348,450	1,393,801
2	Taiwan Business Bank International leasing Co., Ltd.	Chao Yang Inter-national Co., Ltd.	Financial receivables	No	10,000	2,546	10,000	6%~7%	2	-	To the lender for buying goods	25	None	-	348,450	1,393,801

Note1: The meaning of the number is as follows.
(1) Zero stands for issuer.
(2) Investee companies are coded from NO 1 per respective companies.
Note2: The quota / amount is still valid up to now.
Note3: The meaning of the loan nature is as follows.
(1)1 stands for business dealing.
(2)2 stands for the neccessary for short-term loans.
Note4: Limited amount for individual object: 25% net value of parent company.
Note5: Total limited amount for loan: 100% net value of parent company.

(c) Endorsements and guarantee for others: None

(d) Acquisition of securities:

(Unit : In Thousands of New Taiwan Dollars)

Company acquired	Type and name of the security	Relationship with the security issuer	Account	At the end of the period				Note
				Number of shares	Carrying amount	Share proportion (Note 2)	Market price (Note 1)	
Taiwan Business Bank International Financing leasing Co., Ltd.	Not public	The investee under the equity method of the subsidiary Taiwan Business Bank International Leasing Co., Ltd.	Investment under equity method	-	826,863	100.00%	826,863	The transaction has been written off when preparing the consolidated financial statements.

Note 1: Listed companies apply the market price to calculate the net amount of the shares possessed. Not listed companies and companies that are not in the over-the-counter market apply the share proportion to calculate the net amount of the shares possessed. The net amount of preferred stock is calculated based on the settlement.

Note 2: The share proportion of the preferred stock is calculated based on the shares the Company possessed divided by the shares issued.

(e) Accumulative purchases or sales of the same investee marketable securities to over $300,000 or 10% of paid-in capital: None.

(f) Acquisition of real estate amounting to over $300,000 or 10% of paid-in capital: None.

(g) Disposition of real estate amounting to over $300,000 or 10% of paid-in capital: None.

(h) Discount of commissions and handling fees with related parties amounting to over $5,000: None.

(i) Receivables from related parties amounting to over $300,000 or 10% of paid-in capital: None.

(j) Transactions of financial derivatives: None.

(k) Sale of non-performing loans information: None.

(l) Types of securitization goods and related information approved by financial assets securitization rules or real estate securitization rules: None.

(m) Other significant transactions that might have influence over the decision making process of the financial statements users: None.

(C) Information on investment in mainland China:

(a) Name and major business item of the investee in China:

(Unit : In Thousands of New Taiwan Dollars)

Name of investee company in Mainland China	Major business	Paid-in capital	Investment method	Accumulated amount transferred from Taiwan, beginning of the period	Investment transferred out or recovered		Accumulated amount transferred from Taiwan, end of the period	The current profit or loss of the investee	Shares directly or indirectly possessed by the Bank	Profit or loss recognized	Ending book value of investment	Investment profit transferred in
					Transferred out	Recovered						
Taiwan Business Bank , Ltd. Shanghai branch	Banking business	3,910,537 (CNY800 million) (Operating capital)	(e)	3,910,537 (CNY800 million))	-	-	3,910,537 (CNY800 million)	-	Shanghai branch of the Bank, not an investee company	-	3,903,985	None
Taiwan Business Bank , Ltd. Wuhan branch	Banking business	3,942,815 (CNY800 million) (Operating capital)	(e)	3,942,815 (CNY800 million)	-	-	3,942,815 (CNY800 million)	-	Wuhan branch of the Bank, not an investee company	-	3,715,249	"
Taiwan Business Bank International Financing leasing Co., Ltd.	Leasing business	838,305 (CNY170 million) (Operating capital)	(d)	838,305 (CNY170 million)	-	-	838,305 (CNY170 million)	26,888	100%	26,888	826,863	"

Investment method is divided into 5 categories and are listed as follows:

(a) Invest in a Chinese Company through remittance from the third party.

(b) Establish a company in the third party and use the company to invest in a Chinese Company.

(c) Reinvest in the existing company in the third party and use the company to invest in a Chinese company.

(d) Directly invest in a Chinese company.

(e) Other: establish a foreign branch.

(b) Limit of investment in China:

(Unit : In Thousands of New Taiwan Dollars)

Name of Company	Accumulated outflow of investment from Taiwan to Mainland China, end of the period	Investment amount authorized by Investment Commision, MOFA	Upper limit on investment authorized by Investment Commission, MOEA
Taiwan Business Bank Co., Ltd.(Note)	8,691,657 (CNY 1,770 million)	8,691,657 (CNY 1,770 million)	45,490,604

Note: The investment amount in China of the subsidiary Taiwan Business Bank International Leasing Co, Ltd is included.

14. SEGMENT INFORMATION

(A) General information

The chief operating decision maker is the general manager of the Bank and its subsidiaries who is in charge of all major projects approval, budget review and performance measurement. In order to express operating activities legitimately, the reportable segments of the Bank are Bank segment, Securities department, Trust department and Others. Securities department, Trust department and Other segments don't meet the quantitive thresholds, therefore regarded as the same reporting department. The main operations of the banking sector are engaged in the exchange of foreign currency in connection with exports and imports and the securities investment business. The major operating activities of securities department are securities brokerage, financing, ancillary businesses of futures trading, and providing clients a platform for securities investment. The trust department mainly provides customers relevant financial services, including securities review and approval, custodian bank service, new type trust business and specific trust funds investing in domestic or foreign securities. Other segments include all the business of subsidiaries which main operations are insurance agents, property insurance agents, leasing and financing. The profit or loss of the operating segments of the Bank and its subsidiaries is measured by net income before tax. The reported amount is consistent with the data which was provided to the chief operating decision maker in order to use it as the base of resource allocation and performance measurement.

(B) Segment information

For the year ended December 31, 2017	Bank Department	Securities, Trust and others	Inter-department adjustment	Total segment
Net interest income	$ 15,082,655	342,767	-	15,425,422
Non-interest income	4,777,719	1,038,831	(379,277)	5,437,273
Net revenue	19,860,374	1,381,598	(379,277)	20,862,695
Bad debt expenses	(3,003,316)	(25,395)	-	(3,028,711)
Operating expense	(11,455,997)	(510,025)	3,139	(11,962,883)
Net income before tax	$ 5,401,061	846,178	(376,138)	5,871,101
Total assets	$ 1,565,867,091	21,296,209	(3,069,329)	1,584,093,971
Total liabilities	$ 1,492,676,963	16,322,727	(723,392)	1,508,276,298

For the year ended December 31, 2016	Bank Department	Securities, Trust and others	Inter-department adjustment	Total segment
Net interest income	$ 14,596,577	399,626	-	14,996,203
Non-interest income	5,203,156	594,510	(136,835)	5,660,831
Net revenue	19,799,733	994,136	(136,835)	20,657,034
Bad debt expenses	(2,463,865)	(40,329)	-	(2,504,194)
Operating expense	(11,306,988)	(488,756)	2,320	(11,793,424)
Net income before tax	$ 6,028,880	465,051	(134,515)	6,359,416
Total assets	$ 1,474,854,875	26,297,847	(2,423,740)	1,498,728,982
Total liabilities	$ 1,406,432,468	21,997,668	(571,494)	1,427,858,642

(C) Geographic information:

The Bank and its subsidiaries, based on the geographic location of foreign operating segments, to disclose the information as below:

Net income before tax:

Area	For the years ended December 31	
	2017	2016
Taiwan	$ 4,846,835	6,032,984
USA	143,868	280,522
Hong Kong	281,177	310,289
Australia	214,760	12,813
China	421,876	(276,429)
Cambodia	(9,233)	(763)
Japan	(28,182)	-
Total	$ 5,871,101	6,359,416

Non-current assets:

Area	December 31, 2017	December 31, 2016
Taiwan	$ 17,978,580	18,020,172
USA	32,812	3,726
Hong Kong	27,236	23,474
Australia	9,630	11,792
China	38,658	43,012
Cambodia	38,436	20,664
Japan	50,712	-
Total	$ 18,176,064	18,122,840

(D) Significant client information:

No single customer represents 10% or more of the Bank and its subsidiaries' operating revenue. Therefore, no disclosure of major customer information is required.

VII Corporate Social Responsibility

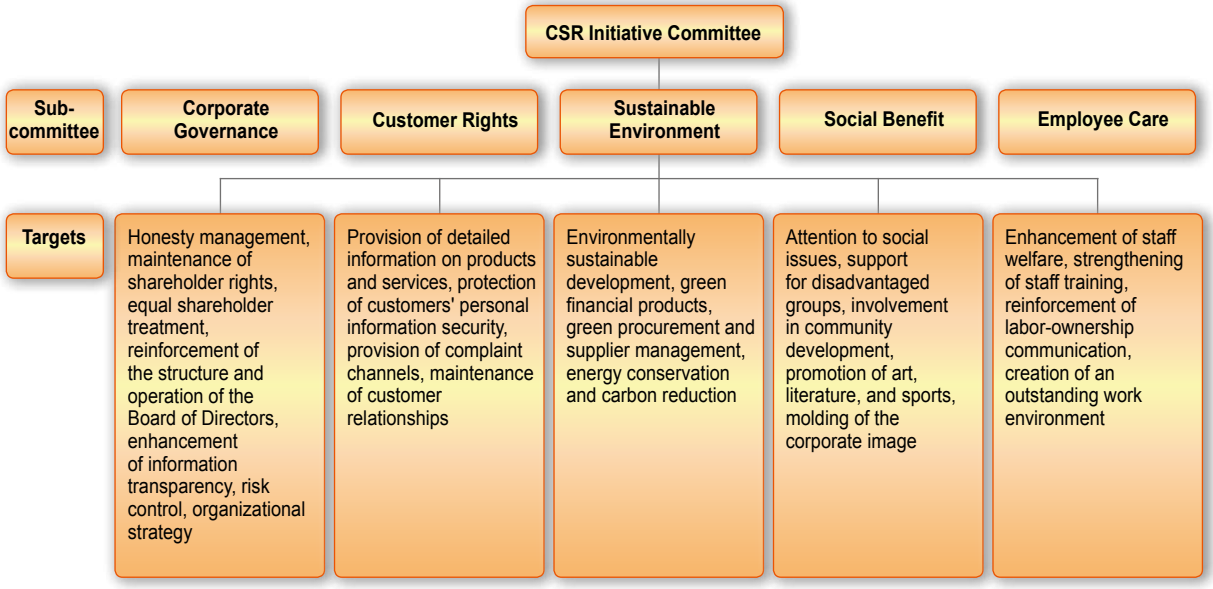
121 1. Environmental

122 2. Social

126 3. Corporate Governance

The fulfillment of Corporate Social Responsibility (CSR) has always been one of the TBB's core operating principles. In addition to the pursuit of business performance, the provision of employee value-added, and an emphasis on shareholder interests, the Bank uses concrete action to fulfill its CSR by starting out from the banking industry itself and participating actively in public-benefit activities, showing care for society, enhancing customer benefits, reinforcing care for employees, and striving to become an outstanding bank with sustainable operation.

To reinforce the fulfillment of its Corporate Social Responsibility (CRS), in 2017 the TBB set up a Corporate Social Responsibility (CSR) Initiative Committee; in addition to compiling an annual CSR report, the committee's members are divided into five subcommittees in accordance with the business functions for which they are responsible: Corporate Governance Subcommittee, Customer Rights Subcommittee, Sustainable Environment Subcommittee, Social Benefit Subcommittee, and Employee Care Subcommittee. Clear implementation directions and targets have been established for each of these subcommittees. The CSR Initiative Committee takes the core financing business as the starting point in carrying out CSR within its assigned area of operations.



Thanks to the concerted efforts of our different departments and committees, the TBB's achievements in the field of corporate social responsibility in 2017, divided into Environmental, Social and Corporate Governance (ESG) categories, are described below:

1. Environmental

(1) Extension of Environmentally Friendly Enterprise Project Loans

In its advancement toward such sustainable environment goals as lowering energy consumption and reducing pollution, in addition to including the implementation of corporate environmental protection in the review of loan applications, the TBB will continuously promote project loans under the "Preferential Loans for the Procurement of Renewal Energy Equipment," "Machinery and Equipment Upgrading Loans," and "Preferential Loans for Startups in Key Industries" programs. In November of 2017 the Bank inaugurated "Project Loans for Green Energy Sustainability" to promote green energy industries including wind power, solar power generation, the procurement of renewable energy, and energy conservation with the aims of establishing a low-carbon economy, achieving the goal of sustainable social development, and generating a win-win for economic development and environmental protection.

(2) Implementation of Carbon Reduction and Energy Conservation Policy to Stimulate Sustainable Environmental Development

A. The Bank implemented its "Energy Policy" and "Measures for Water and Electricity Conservation", with scheduled follow-up on the status of water and electricity conservation by different units and inclusion of the results in business performance assessments. Various energy conservation improvement programs were forcefully carried out in order to enhance the energy efficiency of equipment and save on electricity costs.

B. LED Energy Label lighting is used in office premises bank-wide, with more than 28,000 lights installed, greatly reducing the electricity used for lighting at business premises. About 3.54 million kilowatt-hours are saved annually, reducing carbon dioxide emissions by 1,845 metric tons—equivalent to the planting of 168,000 trees a year, enough to develop 4.7 Da'an Forest Parks. In this way, the Bank contributes to energy conservation and carbon reduction, and to protection of the environment.

C. The Bank's headquarters carried out the renewal of a VSD chiller and installed an energy management system as well as LED lighting for public areas. Third party verification showed that these improvements boosted the energy efficiency of equipment by more than 37.2%, saving about 273,000 kilowatt-hours per year, reducing carbon dioxide emissions by 167 metric tons, and saving NT$1.55 million in electricity costs annually. The electricity contract capacity of the Bank's headquarters was cut twice from 1,150 kilowatts to 750 kilowatts in recent years.

D. The main source of the Bank's energy use is electrical power, which causes indirect greenhouse gas emission. According to statistics, the electricity used in office premises bank-wide in 2017 was 20,747,269 kilowatt-hours, resulting in approximately 10,976 metric tons of carbon dioxide emissions. Compared with the previous year, the Bank has reduced electricity consumption by 2.8% and carbon dioxide emissions by 195 metric tons.

E. Completion of 10 business units, including Fuxing and Banqiao, as well as adjustment of the contracted electricity demand of the Information Technology Department's Linkou equipment room, resulting in a cost saving of about NT$900,000.

F. In order to control the electricity consumption to avoid a waste of energy, the Bank conducted the installation of digital power meters and informatization of electricity consumption management at the headquarters, Chongqing South Building, Lin Kou Branch, Sung Shan Branch, Chia Hsin Branch, East Tainan Branch and Hua Lien Branch.

(3) Superior Performance Record in Implementing Environmental Protection

A. The Bank signed a "Letter of Intent for Green Procurement by Private Enterprises and Groups" with the Environmental Protection Administration, Executive Yuan, and has been cited by the Environmental Protection Administration and the Taipei City Government's Department of Environmental Protection for "Outstanding Performance in Green Procurement" for six years in a row.

B. The Bank's headquarters building has received ISO 50001 Energy Management System certification.

2. Social

(1) Promotion of Social Benefit and Participation in Community Development

A. Charity sponsorship in support of public benefit activities

a. To help with the media exposure of charity and public benefit groups, the TBB posts information on charitable donations on the credit card area of its website. This information includes charity drives by such organizations as the Spinal Cord Injury Foundation, Taiwan Fund for Children and Families, World Vision Taiwan, Sunshine Social Welfare Foundation, Eden Social Welfare Foundation, Children Are Us Foundation, Genesis Social Welfare Foundation, and Walker Welfare Action Association.

b. The Bank has held "Sending Warmth in the Chill Winter" activities for seven years in a row, developing visits to disadvantaged groups within the areas of 125 branches. A total of 39 disadvantaged groups and social welfare institutions were provided help in 2017.

c. Sponsorship was provided to the Love and Life Cultural and Educational Foundation in organizing the "2017 Christmas Gift Collection and Loving Care Garden Party for Disadvantaged Primary School Students".

d. To support mentally and physically challenged children, the Bank made donation to the Nicaraguan Embassy in Taipei for the purchase of wheelchairs for children with movement difficulties.

e. To help lessen the digital divide, the Bank responded to the ASUS Foundation's "Second Life for Computers Project" by donating 190 computers and 76 monitors in 2017. These recycled computers were refurbished and given to domestic and overseas non-profit organizations, primary schools in remote areas, and community institutions.

f. The Bank participated in the Financial Services Public Benefit Carnival (Kaohsiung) in 2017, using the method of questions-and-answers with prizes, along with the giving away of souvenirs, to enhance the Bank's brand image and achieve the effect of business promotion.

g. The Bank donated to the Taiwan Anti-Tuberculosis Association's 2017 tuberculosis prevention plan.

h. The Bank provided sponsorship for the Andrew Food Bank in putting together care packages that are convenient to use and can be preserved for long periods to aid students, through churches, schools, and social welfare and police organizations, in needy areas during their growth stage (0-15 years).

B. Participation in community development

a. The Bank provided sponsorship for the "Xiaolin Story House Project" of the Xiaolin Community Development Association in Kaohsiung City's Jiaxian District, helping with the promotion and propagation of the area's culture.

b. The Bank provided sponsorship to the Chiayi County Government's "2018 Taiwan Lantern Festival in Chiayi" activities, using large-scale musical performances and local specialty markets to help the local area promote its unique industrial and cultural activities.

c. Sponsorship was provided for the "Food (Goods) Bank" organized by the Taiwan Futures Exchange, with money being collected for the procurement of bulk supplies for donation to disadvantaged groups throughout Taiwan.

d. Sponsorship was provided for Hakka cultural art performances at the Kaohsiung Municipal Meinong Junior High School, with joint student performances and traditional Hakka wedding customs used as creative elements to present the school's achievements in Hakka language education and the cultivation of Hakka cultural arts.

e. To give a boost to young people returning to their hometowns to engage in agriculture, and to the revitalization of rural economies, the Bank purchased cherry radishes through the Kooidea cross-border platform. The platform will donate, in the Bank's name, 10% of the amount of purchases to children in remote areas to help pay for nutritious lunches.

f. The Bank participated in an elderly-care trust publicity activity held by the New Taipei City Government and the Trust Association, providing related consultation services and passing out trust promotion materials, thereby fulfilling the Bank's corporate social responsibility and deeply implanting its elderly-care trust brand image.

g. The Bank participated in the Senior University lecture tour organized by the Trust Association and the New Taipei City Government to publicize the fact that senior citizens can carry out trust planning for their

retirement, coordinate with the promotion of the government's major policy of long-term care for senior citizens and the handicapped, and fulfill its social responsibility. The response was enthusiastic.

h. Sponsorship was provided for the 56th OSEAL Forum Organizing Committee in preparing for the 56th OSEAL Forum in Tainan and Kaohsiung, thereby enhancing Taiwan's international visibility and creating business opportunities in urban tourism.

(2) Support for Academic, Cultural, and Sports Activities

A. Support for educational development

a. The Bank devoted efforts to financial know-how publicity on campuses and in communities, laying a deep foundation for financial education by promoting proper financial management concepts and the prevention of financial fraud. The Bank was recognized for these efforts with a "Financial Knowledge Campaigns of Entering Campus and Community Award", presented by the Banking Bureau of the Financial Supervisory Commission.

b. The Bank works vigorously to carry out the Ministry of Science and Technology's "Industry-University Cooperative Research Project on Broadcasting Production and Promotion of Popular Science Products" trust to advance cooperation between college/university and academic institutions and domestic and overseas media in broadcasting production, promote high-quality popular-science products, thereby expanding university broadcasting of popular science knowledge and enhancing the scientific literacy of Taiwan's people.

c. The Bank sponsored the Mr. and Mrs. Y. D. Sheu Memorial Cultural and Educational Foundation in organizing a financial forum.

d. The Bank provided sponsorship for the Kaohsiung City's Alien Elementary School in organizing the "Cello and Violin String Instrument" study group program for the development of student potential in the 2017 academic year.

e. The Bank sponsored the cost of nutritious breakfasts at remote elementary schools in Saijia, Duona, Nanfeng and Shuanglong in the 2017 academic year.

f. Sponsorship was provided for campus anti-drug promotional activities by the Taiwan Association for the Promotion of Indigenous Culture.

B. Enhancement of the vogue for art and literature, and promotion of sports activities

a. To encourage all the people to exercise for health, the Bank sponsored the Kaohsiung road race of the 2017 Ministry of Finance Uniform Invoice Cup, providing free participation for people of the Kaohsiung area. The Bank also collected uniform invoices from employees and at the site of the road race, gathering a total of more than 56,000 invoices which were donated to numerous disadvantaged groups.

b. The Bank, together with the udnFunLife and the Design Museum in England, jointly organized the "Hello! My name is Paul Smith" special exhibition with the aim of consolidating capability for cultural/creative development. This event opened up an international perspective for Taiwan's cultural/creative design industry.

c. Sponsorship was provided to the Taoyuan Culture Foundation in holding local art and culture promotion, tourism marketing, and community development activities, and to the Taiwanese Hakka Associations of America in holding the "2017 Rom Shing Hakka Opera Troupe Charity Concerts".

d. Sponsorship was provided for local sports activities, including Keelung City's "26th New Park Cup Basketball Championship", Pingtung County's Linbian Township "Giant Grouper Cup Tennis Championship," and the "71st Anniversary Sports Meet" held by Kaohsiung Municipal Meinong Junior High.

e. The Ruo Chu Er Educational Foundation was sponsored in holding the "Star Charity Baseball Competition" to raise money for the second-stage Everlasting Home construction.

f. The Bank's image for supporting youth cultural and art activities was burnished by the provision of sponsorship for the holding of a "C2 Squad Hip Hop and Graffiti" exhibition by the General Association of Chinese Culture. The exhibition brought together tradition and creativity, giving concrete expression to the multi-layered richness of Taiwanese culture.

g. Sponsorship was provided to the General Association of Chinese Culture in organizing cultural promotion and international cultural exchange activities, enhancing the international visibility of Taiwanese culture through such methods as image planning, magazines, exhibitions, and international exchange.

h. The Capriccio Chamber Orchestra was sponsored in holding the Rueibin Chen & Friends Concert at the National Concert Hall in Taipei. The Orchestra invited disadvantaged, disabled, and indigent children to attend, and shared its positive attitude toward life and vigorous energy with the audience.

i. Sponsorship was provided to the Formosan Diabetes Care Foundation in holding the Love and Care - Cho-liang Lin and Win-in Chen Charity Concert. This activity promoted early prevention by assuring good health through waist measurement, blood glucose testing, eating light meals, and proper exercise.

j. The Paper Windmill Arts and Educational Foundation was provided sponsorship in holding "Wu Song Fights a Tiger" performances by the Paper Windmill Theatre. This promoted children's theater and arts by allowing more children to watch national-class children's theater and experience the propagation of the values of "truth, goodness, and beauty" through the performing arts.

(3) Employee Care

In addition to establishing work rules and human resources management rules in accordance with the Labor Standards Act and other relevant labor regulations, the Bank also complies with the law in providing labor insurance, national health insurance, and allocations for retirement funds. Employee health exams are carried out on a regular basis, and group medical care and accident insurance are offered on preferential terms in order to protect the living of employees so that they can fully express their professional skills at work.

A. Enhancement of Employees' Professional Knowledge

a. To strengthen the competitiveness of employees and enhance their professional knowledge, the Bank inaugurated training programs for different areas of business in accordance with its annual staff training plan, and also offered holiday courses in such subjects as digital finance and wealth management on a regular basis.

b. The Bank moved to upgrade the teaching quality of digital learning for employees, make their learning interaction more convenient, and effectively bolster their competence by adding M-Learning channels to provide them with an optimal learning interface and a mobile learning environment.

B. Creation of an excellent workplace

a. In compliance with the Act of Gender Equality in Employment, the Bank has established regulations for sexual harassment measures, complaints, and punishments so that employees will have a work environment free of sexual harassment.

b. To enhance the safety of the Bank's working environment, whenever a construction incident occurs, the contractor is issued a "contractor working environment and hazard factors notice" in order to reduce occupational accidents; in addition, the Bank holds "general worker safety and health training" to enhance employees' concept of safety and health.

c. The Bank provides its employees with a safe and healthy workplace, equipped with central air conditioning systems, abundant lighting, and emergency evacuation routes and exits. Elevators are maintained

on a regular basis, firefighting equipment is available, and regular fire drills are held. Workplaces are disinfected and cleansed regularly, and door access safety controls are in place.

d. To provide employees with a safe and healthy work environment including necessary health and first-aid equipment, reduce factors that are hazardous to worker safety and health, and prevent occupational accidents, the Bank has formulated "Work Rules for Occupational Safety and Health", and special personnel are designated to carry out safety and health inspections and assure that the related equipment is able to operate normally. This reduces accidents and guarantees the personal safety of Bank employees.

e. To protect the safety and health of its employees, the Bank's Occupation Safety and Health Section is charged with handling occupational safety and health affairs, and temporary doctors and full-time nurses are hired to provide health consultation services for employees.

f. The Bank promotes occupational safety and health management and a friendly work environment, and carries out preventive plans in such fields as diseases caused by abnormal workloads, ergonomic hazards, and illegal harassment in the workplace, as well as maternity health protection plans. In 2017 the Bank organized healthy weight management classes and free flu vaccinations, and received an Accredited Healthy Workplace Emblem from the Health Promotion Administration of the Ministry of Health and Welfare that year.

C. Establishment of Smooth Channels for Promotion and Communication

a. The Bank has a complete salaries/rewards system and promotion channels, as well as diversified training and welfare measures designed to recruit and retain outstanding personnel who will work hard in concert with the Bank.

b. The Bank places utmost emphasis on employee rights and regularly calls labor-management meetings where the two sides can fully communicate and negotiate on employee rights and welfare issues, and sign group agreements, thereby maintaining harmonious labor-management relations.

3. Corporate Governance

(1) Fulfillment of responsibility as a specialized SME bank

A. Deep cultivation of the core SME business

The TBB outperforms all other banks in Taiwan in the extension of Young Dreamers Entrepreneurship Startup Loans and Micro-Business Startup Phoenix Loans. The Bank carried out the following publicity activities related to government guidance information and resource integration in 2017:

a. The Bank inaugurated an "Innovative Economy 5+2: Support for Industry Preferential Loans" lecture tour, organizing 15 lectures throughout Taiwan and working with the Taiwan External Trade Development Council (TAITRA), Small and Medium Enterprise Administration, Taiwan Small Business Integrated Assistance Center, National Association of Young Entrepreneurs, Taiwan Institute of Economic Research, and Industrial Development Bureau to provide a curriculum that included industrial development trends, how to make good use of government resources, how to obtain bank financing, opportunities in New Southbound Policy markets, and sharing of experience by business proprietors. Enthusiastic participation by more than 2,000 people who attended the lectures helps with the promotion of government industrial policy and with the acquisition of financing by enterprises.

To expand lecture tour results and invite participation by more SME proprietors, news reports were placed on such media as Eastern Broadcasting TV, the Economic Daily News, and Commercial Times, and the lectures were aired for a period of one month on the Broadcasting Corporation of China's radio station.

b. The Bank organized two "Credit Guarantee – Pass The Torch" lectures, in cooperation with the Small & Medium Business Credit Guarantee Fund, to provide bank financing consultation services.

c. In cooperation with the National Association of Young Entrepreneurs, the Bank held 10 lectures on the "Plan to Upgrade the Autonomous Financial Capability of Small and Medium Enterprises" to provide learning in bank financing skills and project loans.

d. In cooperation with the Small & Medium Enterprise Administration, the Bank organized the 2017 "Care and Service for Small and Medium Enterprises, and Upgrading of Financial Competitiveness" seminar at the Small Business Integrated Assistance Center; this helped carry out the government policy of providing guidance for small and medium enterprises, and helping them reinforce their financial management and obtain the financing they need to upgrade their competitive advantage.

B. Loan policy

The Bank follows the spirit of the "Equator Principles" in its loan policy.

In its extension of loans, the Bank fulfills its corporate social responsibility by taking the client's honesty management, corporate governance, environmental protection, social responsibility, food safety, and labor safety into consideration in its loan evaluation and decision making, thereby exerting its influence on corporate social responsibility.

C. Donation to the SME Credit Guarantee Fund to Support SME Development

In accordance with the provisions of Article 13 of the Act for the Development of Small and Medium Enterprises, and as approved by its Board of Directors on Oct. 25, 2017, the Bank's apportioned contribution to the SME Credit Guarantee Fund for 2018 amounted to NT$298,306,210.

(2) Implementation of consumer protection and reinforcement of customer care

A. Reinforcement of consumer protection

a. The Bank protects consumer rights through its Consumer Protection Policy and Consumer Protection Operating Procedures, which clearly state the measures to be implemented and designate an exclusive unit to review the effectiveness of the consumer protection mechanism. The Board of Directors Audit Committee is responsible for checking on the status of implementation.

b. In line with the implementation of the Consumer Debt Clearance Act, the Bank has set up a single window for taking applications and providing consultation on preliminary negotiations; thereby helping to lighten the debt burden on debtors. To date, this facility has helped 4,669 people to start new lives.

c. To carry through with consumer protection and comply with the rules of the competent authority, the Bank extends medium- and long-term loans secured by houses as well as loans that are secured by other real estate and whose purpose is the purchase of homes. The Bank's business units will strengthen their verbal explanation of "Special Reminders for Home Loans" to help borrowers understand the risk posed by interest-rate changes.

d. The Bank has established an "Operating Procedure for the Handling of Credit Card Disputes" and has set up a toll-free hotline, allowing the Credit Card Department to receive and handle customer complaints immediately.

B. Implementation of customer service and care

a. To help the mentally and physically disabled to participate in the community, the Bank complies with the Financial Supervisory Commission's institution of thrice-monthly application to bank tellers for exemption or reduction of fees on interbank ATM withdrawals by the disabled. To bring financial services closer to the disabled and gradually build up an obstacle-free environment for financial transactions, the TBB boosted the ratio of its accessible ATMs to 42.97% of the total by the end of 2017.

b. To take care of young people and disadvantaged groups, the Bank carried out the Ministry of Finance's "Preferential Housing Loan Program for Successful Family Foundation of Youth" and the Construction and Planning Agency, Ministry of the Interior's "Housing Subsidy and Home Improvement Loans". By the end of 2017, a total of 22,484 and 1,066 of these loans, respectively, had been extended, with the accumulated value amounting to a respective NT$88.785 billion and NT$2.068 billion.

C. Creating financial products that conform to social trends and customer needs

a. The Bank follows the principles of care and sharing, and provides clients with professional and customized financial and asset planning services that help them realize their desire to "create, conserve, and pass on wealth". This assists customers in building a high-quality life of economic stability and carefree leisure.

b. In response to Taiwan's ageing population and low birth rate, the Bank constantly introduces trust products including nursing care trust, disability trust, and insurance trust, and has planned out a trust model that combines asset management and nursing care. This adds assurance and peace of mind for customers, and fulfills the Bank's corporate social responsibility while offering a full range of financial services.

c. According to statistics compiled by the Trust Association, of the 45 banks evaluated for "accumulated business volume of property trust for the elderly and disabled" in the fourth quarter of 2017, the TBB ranked third in both the "property trust scale" and "number of beneficiaries".

d. In coordination with the "Loans for Youth Overseas Experience" program of the Youth Development Administration, Ministry of Education, the TBB provides young people aged 20 to 30 with loans for overseas study, self-guided travel, and working holidays, helping them to realize their dreams of living overseas. As of the end of 2017, the Bank had provided NT$493 million in these loans to 4,229 persons.

e. To help increase birth rates, the TBB continues to extend childbirth consumer loans, lightening the burden on family finances by providing the capital needed to pay for bearing children. By the end of 2017, 1,128 of these loans for a total of NT$410 million had been extended.

(3) Upgrading of information transparency, and reinforcement of communication with shareholders and investors

The TBB is engaged in a long-term effort to upgrade its corporate governance, pursue even better operating performance, and constantly enhance asset quality and competitiveness so as to reinforce its operating structure and create greater value for its shareholders.

In addition, the Bank works vigorously to reinforce channels of communication with its domestic and overseas shareholders and investors. The concrete methods used to do this are as follows:

A. Holding of a shareholders' regular meeting every six months.

B. Holding of an online investor conference in the first and second halves of each year to provide a complete statement of the Bank's operating situation.

C. In response to the gradual increase in the ratio of its shares held by foreign investors, the head of the Bank personally visited foreign investors in the Hong Kong area in November of 2017 in order to reinforce relations with those investors.

D. The Bank has established a special window and mailbox for immediate response to queries raised by shareholders and investors.

E. The Bank posts monthly revenue and financial status information on its official website, and Chinese and English versions of major company news items and the status of corporate governance are posted there as well. This helps domestic and overseas investors understand the status of the Bank's operations.

VIII Directory of Head Office, Branch Units, and Affiliated Enterprises

Directory of Head Office and Branch Units

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Head Office	30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
Banking Department	30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP010
Trust Department	15F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
Securities Department (Banking Broker)	4F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
International Banking Department	3F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP
Chi Lin Branch	46, Sec. 2, Minquan E. Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C.	(02)25417171	MBBTTWTP001
Chung Ho Branch	634-10, Jingping Rd., Zhonghe Dist, New Taipei City, Taiwan, R.O.C.	(02)22427171	MBBTTWTP002
Po Ai Branch	419, Mingcheng 2nd Rd., Zuoying Dist., Kaohsiung City, Taiwan, R.O.C.	(07)5567171	
North Taoyuan Branch	985 Chunri Rd., Taoyuan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3567171	MBBTTWTP004
Nan Ken Branch	381 Zhongzheng Rd., Luzhu Dist., Taoyuan City, Taiwan, R.O.C.	(03)3227171	MBBTTWTP005
Si Tuen Branch	839/847 Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City , Taiwan R.O.C.	(04)23587171	MBBTTWTP006
Chung Min Branch	301 Zhongming S. Rd., West Dist., Taichung City, Taiwan, R.O.C.	(04)23057171	MBBTTWTP007
Kinmen Branch	116, Minquan Rd., Jincheng Township, Kinmen County, Taiwan, R.O.C.	(082) 316871	MBBTTWTP009
Ta Ya Branch	161 Daya Rd., Daya Dist., Taichung City, Taiwan, R.O.C	(04)25687171	MBBTTWTP011
Jen Ta Branch	183 Fengnan Rd., Nanzi Dist., Kaohsiung City, Taiwan, R.O.C.	(07)3537171	MBBTTWTP012
Jen Ai Branch	357, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)27217171	MBBTTWTP020
Sung Shan Branch	147, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City, Taiwan, R.O.C.	(02)27167171	MBBTTWTP021
Chien Cheng Branch (Banking Broker)	76 Nanjing W. Rd., Datong Dist., Taipei City, Taiwan, R.O.C.	(02)25507171	MBBTTWTP022
Shih Lin Branch	601 Zhongzheng Rd., Shilin Dist., Taipei City, Taiwan, R.O.C	(02)28117171	MBBTTWTP023
Yung Ho Branch	168 Zhulin Rd., Yonghe Dist., New Taipei City, Taiwan, R.O.C.	(02)29277171	MBBTTWTP024
Hsin Tien Branch	192, Sec. 2, Zhongxing Rd., Xindian Dist., New Taipei City, Taiwan, R.O.C.	(02)29117171	MBBTTWTP025
Hsin Chuang Branch	16, Sec. 1, Zhonghua Rd., Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)29907171	MBBTTWTP026

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Hwa Cheng Branch	25, Touqian Rd., Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)29977171	MBBTTWTP027
Sung Kiang Branch	158 Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C.	(02)25377171	MBBTTWTP040
Taipei Branch (Banking Broker)	72, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City, Taiwan, R.O.C.	(02)23717171	MBBTTWTP050
Wan Hua Branch	146 Guangzhou St., Wanhua Dist., Taipei City, Taiwan, R.O.C.	(02)23387171	MBBTTWTP060
South Taipei Branch	93, Sec. 2, Roosevelt Rd., Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)23697171	MBBTTWTP061
Fu Hsin Branch	390, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)27057171	MBBTTWTP070
Chung Shan Branch	17 Changchun Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C.	(02)25517171	MBBTTWTP080
Chien Kuo Branch	4, Sec. 3, Minquan E. Rd., Zhongshan Dist., Taipei CIty, Taiwan, R.O.C.	(02)25097171	MBBTTWTP081
Nai Hu Branch	15, Alley 360, Sec. 1, Naihu Rd., Naihu Dist., Taipei City, Taiwan, R.O.C.	(02)27997171	MBBTTWTP082
Nan King East Road Branch	311, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City, Taiwan, R.O.C.	(02)27127171	MBBTTWTP090
Chung Hsiao Branch	267, Sec. 3, Chung Hsiao E. Rd., Taipei City, Taiwan, R.O.C.	(02)27727171	MBBTTWTP100
East Taipei Branch	135, Sec. 4, Bade Rd., Songshan Dist., Taipei City, Taiwan, R.O.C.	(02)87877171	MBBTTWTP101
World Trade Center Branch	547 Guangfu S. Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	(02)23457171	MBBTTWTP102
Yung Trin Branch	552, Sec. 5, Chung Hsiao E. Rd., Taipei City, Taiwan, R.O.C.	(02)23467171	MBBTTWTP103
Nan Kang Branch	19-2 Sanchong Rd., Nangang Dist., Taipei City, Taiwan, R.O.C.	(02)26553771	MBBTTWTP105
Sung Nan Branch	161, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	(02)27647171	MBBTTWTP110
Dong Hu Branch	152, Sec. 6, Minquan E. Rd., Naihu Dist., Taipei City, Taiwan, R.O.C.	(02)87929771	MBBTTWTP111
Ta An Branch	92, Sec. 2, Dunhua S. Rd. Da'an Dist., Taipei City, Taiwan, R.O.C.	(02)27007171	MBBTTWTP120
Shuang Ho Branch	356 Zhonghe Rd., Zhonghe Dist., New Taipei City, Taiwan, R.O.C.	(02)22327171	MBBTTWTP121
Jim Ho Branch	403, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City, Taiwan, R.O.C.	(02)22287171	MBBTTWTP122
Wu Ku Branch	95 Wugong Rd., Wu Ku Industrial Zone, Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)22987171	MBBTTWTP130

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Lin Kou Branch	1F-2, 188 Zhongshan Rd., Linkou Dist., New Taipei City, R.O.C.	(02)26037171	MBBTTWTP131
Pan Chiao Branch	2-1 Mingde St., Banqiao Dist., New Taipei City, Taiwan, R.O.C.	(02)29687171	MBBTTWTP140
Shu Lin Branch	217, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City, Taiwan, R.O.C.	(02)26757171	MBBTTWTP141
Tu Cheng Branch	126, Sec. 2, Zhongyang Rd., Tucheng Dist., New Taipei City, Taiwan, R.O.C.	(02)22737171	MBBTTWTP142
Hwei Long Branch	933 Zhongzheng Rd., Xinzhuang Dist., New Taipei City, Taiwan, R.O.C.	(02)82097171	MBBTTWTP143
Xi Zhi Branch	75, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City, R.O.C.	(02)26987171	MBBTTWTP144
Kee Lung Branch	9 Ai 3rd Rd., Ren'ai Dist., Keelung City, Taiwan, R.O.C.	(02)24237171	
Pu Chya Branch (Banking Broker)	62-1, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City, Taiwan, R.O.C.	(02)29547171	MBBTTWTP151
North San Chung Branch	137, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City, Taiwan, R.O.C.	(02)22867171	MBBTTWTP152
South San Chung Branch	232, Sec. 1, Ziqiang Rd., Sanchong Dist., New Taipei City, Taiwan, R.O.C.	(02)29827171	MBBTTWTP153
Lu Chow Branch	42 Yongle St., Luzhou Dist., New Taipei City, Taiwan, R.O.C.	(02)28477171	MBBTTWTP154
I Lan Branch	305 Sec. 2,Zhongshan Rd., Yilan City, Yilan County, Taiwan, R.O.C.	(03)9367171	MBBTTWTP160
Lo Tung Branch	15 Zhongzheng N. Rd., Luodong Township, Yilan County, Taiwan, R.O.C.	(03)9567171	
Su Aw Branch	96-1,Sec. 1, Zhongshan Rd., Su' ao Township, Yilan County, Taiwan, R.O.C.	(03)9965051	
Yang Mei Branch	146 Dacheng Rd., Yangmei Dist., Taoyuan City, Taiwan, R.O.C.	(03)4786111	MBBTTWTP290
Hu Kou Branch	76, Sec. 1, Zhongcheng Rd., Hukou Township, Hsinchu County, Taiwan, R.O.C.	(03)5997171	MBBTTWTP291
Taoyuan Branch (Banking Broker)	99 Zhonghua Rd. Taoyuan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3317171	MBBTTWTP300
Ta Yuan Branch	80 Zhongshan S. Rd., Dayuan Township, Taoyuan City, Taiwan, R.O.C.	(03)3857171	MBBTTWTP301
Ta Shi Branch	80 Fuxing Rd., Daxi Dist., Taoyuan County, Taiwan, R.O.C.	(03)3887171	MBBTTWTP302
Chung Li Branch	157 Zhongshan Rd., Zhongli Dist Taoyuan City, Taiwan, R.O.C.	(03)4277171	MBBTTWTP310
Nei Li Branch	153 Zhongxiao Rd., Zhongli Dist., Taoyuan City, Taiwan, R.O.C.	(03)4557171	MBBTTWTP311

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Hsin Ming Branch	282 Minzu Rd., Zhongli Dist., Taoyuan City, Taiwan, R.O.C.	(03)4027171	MBBTTWTP312
East Taoyuan Branch	1223, Sec. 2, Wanshou Rd., Guishan Dist., Taoyuan City, Taiwan, R.O.C.	(03)3297171	MBBTTWTP313
Hsin Wu Branch	257 Zhongshan Rd., Xinwu Dist., Taoyuan CIty, Taiwan, R.O.C.	(03)4777171	
Hsin Chu Branch	154 Dongmen St., Hsinchu City, Taiwan, R.O.C.	(03)5277171	MBBTTWTP320
Chu Pei Branch (Banking Broker)	128 Xianzheng 9th Rd., Zhubei City, Hsinchu County, Taiwan, R.O.C.	(03)5517171	MBBTTWTP321
Hsinchu Science Based Industrial Park Branch	NO.198, Guanxin Rd., Hsinchu City 300, Taiwan, R.O.C.	(03)5637171	MBBTTWTP322
Pa Te Branch	789, Sec. 1, Jieshou Rd., Bade Dist., Taoyuan City, Taiwan, R.O.C.	(03)3767171	MBBTTWTP330
Luong Tan Branch	64 Longyuan Rd., Longtan Dist., Taoyuan City, Taiwan, R.O.C.	(03)4807171	MBBTTWTP332
Chu Tung Branch	6 Donglin Rd., Zhudong Township, Hsinchu County, Taiwan, R.O.C.	(03)5947171	MBBTTWTP340
Chu Nan Branch	29 Bo'ai St., Zhunan Township, Miaoli County Taiwan, R.O.C.	(037)467171	MBBTTWTP350
Tou Fen Branch	90 Xinyi Rd., Toufen Township, Miaoli County, Taiwan, R.O.C.	(037)687171	MBBTTWTP351
Maio Li Branch	606 Zhongzheng Rd., Miaoli City, Taiwan, R.O.C.	(037)327171	MBBTTWTP360
Feng Yuan Branch (Banking Broker)	1 Sanfeng Rd., Fengyuan Dist., Taichung City, Taiwan, R.O.C.	(04)25267171	MBBTTWTP460
Tai Ping Branch (Banking Broker)	27 Zhongxing E. Rd., Taiping Dist., Taichung City, Taiwan, R.O.C.	(04)22707171	MBBTTWTP470
Ta Chia Branch	14 Zhenzheng Rd., Dajia Dist., Taichung City, Taiwan, R.O.C.	(04)26867171	MBBTTWTP480
Sha Lu Branch	1023 Sec. 7, Taiwan Blvd., Shalu Dist., Taichung City , Taiwan R.O.C.	(04)26657171	MBBTTWTP482
Wu Jih Branch	616 Zhonghua Rd., Wuri Dist., Taichung City, Taiwan, R.O.C.	(04)23387171	MBBTTWTP483
Taichung Branch (Banking Broker)	400 Sec. 1, Taiwan Blvd., Central Dist., Taichung City, Taiwan R.O.C.	(04)22297171	MBBTTWTP490
Min Chen Branch	84 Minquan Rd., Central Dist., Taichung City, Taiwan, R.O.C.	(04)22267171	MBBTTWTP491
Hsing Chung Branch	136 Taizhong Rd., South Dist., Taichung City, Taiwan, R.O.C.	(04)22877171	MBBTTWTP500
Pei Tuen Branch	53 Jinhua N. Rd., Beitun Dist., Taichung City, Taiwan, R.O.C.	(04)22307171	MBBTTWTP501

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Nan Tou Branch	139 Fuxing Rd., Nantou City, Nantou County, Taiwan, R.O.C.	(049)2237171	MBBTTWTP510
Tsao Tuen Branch	604 Zhongzheng Rd., Caotun Township, Nantou County, Taiwan, R.O.C.	(049)2357171	MBBTTWTP511
Pu Li Branch	434 Zhongzheng Rd., Puli Township, Nantou County, Taiwan, R.O.C.	(049)2997171	
Tan Tze Branch	135, Sec. 2, Zhongshan Rd., Tanzi Dist., Taichung City, Taiwan, R.O.C.	(04)25317171	MBBTTWTP521
Chu Shan Branch	919, Sec. 3, Jishan Rd., Zhushan Township, Nantou County, Taiwan, R.O.C.	(049)2637171	MBBTTWTP530
Chang Hwa Branch	61 Guangfu Rd., Changhua City, Changhua County, Taiwan, R.O.C.	(04)7257171	MBBTTWTP540
Ho Mei Branch	8 He'an St., Hemei Township, Changhua County, Taiwan, R.O.C.	(04)7558131	MBBTTWTP541
Yuan Lin Branch	16 Minquan St., Yuanlin Township, Changhua County, Taiwan, R.O.C.	(04)8377171	MBBTTWTP550
Pei Tou Branch	62 Gongqian St., Beidou Township, Changhua County, Taiwan, R.O.C.	(04)8877171	MBBTTWTP560
Erh Lin Branch	2 Zhongzheng Rd., Erlin Township, Changhua County, Taiwan, R.O.C.	(04)8957171	MBBTTWTP561
Tou Liu Branch	109 Datong Rd., Douliu City, Yunlin County, Taiwan, R.O.C.	(05)5347171	MBBTTWTP660
Pei Kang Branch	65 Wenhua Rd., Beigang Township, Yunlin County, Taiwan, R.O.C.	(05)7827171	
Hu Wei Branch	45 Heping Rd., Huwei Township, Yunlin County, Taiwan, R.O.C.	(05)6337171	
Chia Yi Branch (Banking Broker)	132 Guanghua Rd., Chiayi City, Taiwan, R.O.C.	(05)2287171	MBBTTWTP680
Ming Hsiung Branch (Banking Broker)	83, Sec. 3, Jianguo Rd., Minxiong Township, Chiayi County, Taiwan, R.O.C.	(05)2207171	MBBTTWTP681
Chia Hsin Branch	766 Hsinming Rd., West Dist., Chiayi City, Taiwan, R.O.C.	(05)286-7171	MBBTTWTP686
Hsin Ying Branch	216 Zhongshan Rd., Xinying Dist., Tainan City, Taiwan, R.O.C.	(06)6357171	MBBTTWTP690
Kai Yuan Branch	12 Zhonghua Rd., Yongkang Dist., Tainan City, Taiwan, R.O.C.	(06)3117171	MBBTTWTP691
Yun Kang Branch	79 Zhongzheng S. Rd., Yongkang Dist., Tainan City, Taiwan, R.O.C.	(06)2517171	MBBTTWTP700
Shiue Chia Branch	87 Zhongshan Rd., Xuejia Dist., Tainan City, Taiwan, R.O.C.	(06)7837171	MBBTTWTP701
Shan Hwa Branch	352 Zhongshan Rd., Shanhua Dist., Tainan City, Taiwan, R.O.C.	(06)5816111	MBBTTWTP702

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Yung Ta Branch	1532, Sec. 2, Yongda Rd., Yongkang Dist., Tainan City, Taiwan, R.O.C.	(06)2337171	MBBTTWTP703
Tainan Branch (Banking Broker)	185 Zhongzheng Rd., Tainan City, Taiwan, R.O.C.	(06)2247171	MBBTTWTP710
Jen Te Branch	339 Zhongshan Rd., Rende Dist., Tainan City, Taiwan, R.O.C.	(06)2797171	MBBTTWTP711
Cheng Kung Branch	25 Gongyuan Rd., West Central Dist., Tainan City, Taiwan, R.O.C.	(06)2217171	MBBTTWTP720
East Tainan Branch	75, Sec. 2, Zhonghua E. Rd., East Dist., Tainan City, R.O.C.	(06)2687171	MBBTTWTP721
An Ping Branch	67, Sec. 1, Zhonghua W. Rd., East Dist., Tainan City, R.O.C	(06)2657171	MBBTTWTP730
Hua Lien Branch	247 Zhongshan Rd., Hualien City, Hualien County, Taiwan, R.O.C.	(03)8357171	MBBTTWTP760
Taitung Branch	335, Sec. 1, Zhonghua Rd., Taitung City, Taitung County, Taiwan, R.O.C.	(089)327171	
East Kaohsiung Branch	249 Zhongzheng 1st Rd., Lingya Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7167171	MBBTTWTP820
Kang Shan Branch (Banking Broker)	412 Gangshan Rd., Gangshan Dist., Kaohsiung City, Taiwan, R.O.C.	(07)6227171	MBBTTWTP830
North Feng Shan Branch	28, Sec. 3, Jianguo Rd., Fengshan Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7767171	MBBTTWTP840
Ling Ya Branch	31 Qingnian 1st Rd., Lingya Dist., Kaohsiung City, Taiwan, R.O.C.	(07)5377171	MBBTTWTP841
Kaohsiung Branch	79 Wufu 3rd Rd., Qianjin Dist., Kaohsiung City, Taiwan, R.O.C.	(07)2717171	MBBTTWTP850
North Kaohsiung Branch (Banking Broker)	90, Fuxing 1st Rd., Xinxing Dist., Kaohsiung City, Taiwan, R.O.C.	(07)2387171	MBBTTWTP851
Ta Chang Branch	116 Dachang 2nd Rd., Sanmin Dist., Kaohsiung City, Taiwan, R.O.C.	(07)3827171	
Chien Chen Branch	378-3 Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan, R.O.C.	(07)5355171	MBBTTWTP853
Jeou Ru Branch (Banking Broker)	255 Jiuru 2nd Rd., Sanmin Dist., Kaohsiung City, Taiwan, R.O.C.	(07)3137171	MBBTTWTP860
San Ming Branch (Banking Broker)	153 Zhongshan 1st Rd., Xinxing Dist., Kaohsiung City, Taiwan, R.O.C.	(07)2867171	MBBTTWTP870
Feng Shan Branch	157 Zhongshan Rd., Fengshan Dist., Kaohsiung City, Taiwan, R.O.C.	(07)7107171	
Ta Fa Branch	No.5-3, Guanghua Rd., Daliao Dist., Kaohsiung City 831, Taiwan, R.O.C.	(07)7887171	MBBTTWTP881
Ping Tung Branch (Banking Broker)	7 Hankou St., Pingtung City, Pingtung County, Taiwan, R.O.C.	(08)7327171	

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Xiao Gang Branch	718 Hongping Rd., Xiaogang Dist., Kaohsiung City, Taiwan, R.O.C.	(07)8016171	MBBTTWTP891
Chiao Chou Branch	100 Xinsheng Rd., Chaozhou Township, Pingtung County, Taiwan, R.O.C.	(08)7807171	
Offshore Banking Branch	3F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP893
Los Angeles Branch	633, West 5th St. Suite 2280 LA, CA 90071 U.S.A.	1-213-8921260	MBBTUS6L
Hong Kong Branch	Suite 2705-9, 27/F, Tower The Gateway, Harbour City, Kowloon, H.k,	852-29710111	MBBTHKHH
Sydney Branch	Suite 3, Level 24, 363 George Street, Sydney, N.S.W. 2000 Australia	61-2-92623356	MBBTAU2S
Shanghai Branch	38F, Longemont Yes Tower, 399 Kaixuan Road, Shanghai 200051 China	86-21-62627171	MBBTCNSH
Brisbane Branch	Suite 903, Level 9, 239 George Street, Brisbane, QLD. 4000 Australia	61-7-33173000	MBBTAU2SBRI
Wuhan Branch	Floor 17, Building 2, No. 108, Zhongbei Road, Wuchang District, Wuhan, Hubei Province 430077, China	86-27-59817171	MBBTCNSHWUH
New York Branch	5F, 32 Old Slip, New York, New York, U.S.A.	1-646-213-3258	MBBTUS33
Tokyo Branch	707, 7F, Tekko Building, 1-8-2 Marunouchi, Chiyoda-Ku, Tokyo 100-0005, Japan	81-3-5220-3918	MBBTJPJT
Yangon Representative Office	422 Strand Road (Corner of Botahtaung Pagoda Road), #04-08, Botahtaung Township, Yangon, Myanmar	95-1-202101	

Affiliated Enterprises

OFFICE	ADDRESS	TEL NO.
Taiwan Business Bank Insurance Agency Co., Ltd.	2F, 158 Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C.	(02)25215522
Taiwan Business Bank Property Insurance Agency Co., Ltd.	2F, 158 Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan, R.O.C.	(02)25215522
TBB International Leasing Co., Ltd.	5F, 151 Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City, Taiwan, R.O.C.	(02)27187669
Taiwan Business Bank International Leasing Co., Ltd.	Room 2109, NO.1600, Zhongshan West Road, Xuhui District, Shanghai City, China	86-21-64697171
TBB (Cambodia) Microfinance Institution Plc	2E/2F, Street 315, Sangkat Boeung Kok 1, Khan Toul Kork, Phnom Penh. Cambodia	855-23887171

Taiwan Business Bank, Ltd.

Chairman Bor-Yi Huang

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