第一銀行
First Bank

2018 ANNUAL REPORT

第一銀行 ▪ First Bank　第一銀行 ▪ First Bank

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Highlights

(in millions)	12.31.2018 NTD	12.31.2017 NTD	12.31.2018 USD
Major financial data at year end			
Total assets	2,861,536	2,569,916	93,103
Loan discounted, net	1,695,770	1,580,080	55,174
Deposits and remittances	2,180,092	2,019,708	70,932
Common stock	89,064	89,064	2,898
Equity	205,160	192,259	6,675
Operating results			
Net interest income	29,490	29,547	959
Net non-interest income	17,062	13,933	555
Pre-tax income	20,789	17,855	676
Income tax	(3,258)	(2,713)	(106)
Net income	17,531	15,142	570
Capital adequacy ratio	13.81%	13.67%	
World rank			
The Banker - by tier 1 capital (12/17)	216	214	
The Banker - by total assets (12/17)	206	216	
Distribution network			
Domestic full/mini/sub-branches	188/0/0	188/0/0	
Overseas branches/sub-branches/rep. offices/OBU	19/8/2/1	19/8/2/1	
First Commercial Bank (USA)	1 main office and 6 branches	1 main office and 6 branches	
Number of employees	7,708	7,494	

*NT$30.735:US$1.00

*The Major Financial Data and Operating Results of 2018 and 2017 are Accordance with IFRS.

History

First Commercial Bank has grown strongly and steadily with Taiwan's economic development over the last 119 years, and consistently adhered to the corporate philosophy of "Customer First, Service Foremost".

The Bank is committed to transforming into a global financial institution that is not only highly recognized by employees, but also is friendly, reliable and sound from customers' perspective.

- 1899 Savings Bank of Taiwan established
- 1912 Merged with Commercial and Industrial Bank of Taiwan (est. 1910)
- 1923 Merged with Chia-I Bank (est. 1905) and Hsin-Kao Bank (est. 1916)
- 1945 Reversion of Taiwan from Japanese Governance
- 1949 The Bank was renamed First Commercial Bank of Taiwan
- 1967 The Bank started international business
- 1976 The Bank's name was shortened to First Commercial Bank
- 1998 The Bank was privatized
- 1999 Centennial Anniversary
- 2003 First Financial Holding Co. established; The Bank transformed to be a wholly owned subsidiary of FFHC
- 2004 A new corporate structure created due to the organizational reshaping
- 2006 Awarded "Bank of the Year 2006" for Taiwan by The Banker, ISO 27001 Certification from BSI
- 2007 Continued winning glory and honor awards from The Banker (UK), Asiamoney (HK) and FSC (Taiwan)
- 2008 Graded A for "Loan Promotion Program to SMEs by Taiwanese Banks" by the FSC; winning "Credit Guarantee Partner Award" from the MOEA and the FSC; awarded "The Best Visa Debit Issuer of the highest Activation Rate in 2008" by Visa organization
- 2009 Establishing the First brand image in urban regeneration financing; receiving a "2009 ANZCham Business Excellence Award"; Winning "The 2nd Information Security Awards 2009" and "Enterprise PMP Benchmarking Awards"
- 2010 Shanghai Branch opened for business on December 23, making First Bank the first Taiwanese bank to operate in China
- 2011 Signing MOUs with China's six leading banks; upgrading Hanoi Representative Office into a branch; awarded "The Best Loan Promotion Program to SMEs by Taiwanese Banks" by FSC; OBU launched RMB-denominated business
- 2013 Awarded "Bank of the Year 2013" for Taiwan by The Banker; Winning "USD RTGS Promotion Awards" from BAROC, Taiwan
- 2014 Chengdu Branch opened for business on September 15.
- 2015 Ranked No.1 in SME market share for fifth year in a row; Xiamen Branch opened for business on April 30.
- 2016 Ranked No.1 in SME market share for sixth year in a row; Manila Branch opened for business on December 16.
- 2017 Awarded "Bank of the Year 2017" for Taiwan by The Banker; Ranked No.1 in SME market share for seventh year in a row.
- 2017 Awarded "The Best Cloud Based Initiative, Application or Programme in Taiwan" by The Asian Banker; Awarded "The Best System Stability-Cross Banking Business" and "The Best Service Innovation-Blockchain Auditing Confirmation Service" by the Financial Information Service Co., Ltd.

Message to Our Shareholders

Business Report for 2018

Foreign and domestic financial environment

Liao,Tsan-Chang
Chairman of the Board

1. International economic and financial situations

Looking back at the 2018 global economic situation, U.S. President Donald Trump transformed its trade protection policy into actual tariff sanctions, triggering counter-measures by its trading partners, including China, which in turn impacted global trade activities and corporate investment confidence. Led by the U.S. Federal Reserve ("the Fed"), developed countries have gradually tightened their monetary policies, exposing emerging markets to the crises of capital outflows and exchange rate depreciation. The downward pressure on some weaker emerging economies has increased, and geopolitical risk events, such as Brexit and the frequent political turmoil in the Middle East, have gradually slowed down global economic recovery as off 2017. According International Monetary Fund (IMF) estimates, global economic growth rate will decrease from 3.8% in 2017 to 3.7% in 2018, and the global trade volume growth will fall from 5.3% in 2017 to 4.0%.

In terms of major economy performances, the U.S. continued to improve, with its labor market remaining strong. The low unemployment rate stimulated the growth of private consumption. In addition, tax cuts introduced by the U.S. government and a slow rising interest rate maintained by the Fed have boosted the investment confidence of enterprises. Driven by the growth of domestic demand, including consumption and investment, the initial economic growth rate in 2018 was 2.9%, much higher than 2.2% in 2017. Although the Eurozone employment environment has improved steadily, enhancing the growth of private consumption, global trade disputes have affected exports. The uncertainty of Brexit and the budget disputes in Italy have slowed down the momentum of the overall economic growth. Japan, despite having suffered from torrential rains, typhoons, and earthquakes, affecting its short-term economic growth, its labor market continued to recover. In addition, Japanese Prime Minister Shinzo Abe is expected to hold office until 2021, which is conducive to the continued implementation of Abenomics, allowing Japanese economy as a whole to demonstrate a moderate growth trend.

Although China maintained a stable growth in the first half of the year, it was still subject to its serious debt problem. With the government continuing to carry out economic restructuring and insisting on the implementation of deleveraging policy and risk prevention, the investment growth momentum remained sluggish. In addition, the negative effects of the China-U.S. trade war on exports gradually increased, and the downward pressure on the overall Chinese economy gradually increased.

Li-Shieu Tsai
President

2. Domestic economic environment

In domestic economy, the momentum of private consumption benefited from employment market improvement and the effect of enterprise salary adjustment. Furthermore, capital formation increased significantly with the recovery of investment in the construction sector and the government's active investment in public construction projects, which supported the acceleration of overall domestic demand. However, since the China-U.S. trade dispute continued, the demand for smart phones was not as high as expected, and the economic growth of major trade countries subsided, the export growth has slowed down. According to the estimates of the Directorate-General of Budget, Accounting, and Statistics of the Executive Yuan of the R.O.C., the real overall economic growth rate in 2018 would decrease from 3.08% in the previous year to 2.63%. In terms of interest rate, global economic outlook was expected to cool down and international political and economic uncertainties increased. In addition, domestic economic growth was slowing down, negative output gap was slightly expanded, inflation outlook was moderate, and nominal interest rate and real interest rate were relatively average among major economies. In order to support a continuous economic recovery, the Central Bank of the Republic of China (Taiwan) still maintained a re-discount rate of 1.375%. The exchange rate of the New Taiwan dollar against the U.S. dollar in the first quarter of 2018 continued to rise from the end of last year. However, the Fed's continuous interest rate rise, the China-U.S. trade dispute, and the increasing volatility of the global stock market lead to a hedging in the market. Thus, foreign funds were withdrawn from emerging market economies, including our country, which caused the New Taiwan dollar to depreciate against the U.S. dollar.

3. Domestic financial situations

As for financial industry operations, with the gradual recovery of our country's economic climate, corporate investment, and capital expenditures were lifted. As of December 2018, domestic banks' loan balances and pre-tax surplus reached NT$28,539.4 billion and NT$334.23 billion respectively, an increase of 5.5% and 9.3% year on year. The non-performing loan ratio (NPL ratio) and NPL coverage ratio decreased by 0.04 percentage points and increased by 82.52 percentage points, respectively, from December 2017, to 0.24% and 575.44%, respectively.

Organizational changes

In March 2018, the "Legal Affairs Department" was separated from the "Compliance Division" and renamed "Legal Affairs Office" by the Bank to enable compliance to be separated from legal affairs. In addition, in line with business development needs, the "Loan Syndication Department" and "Cross-Border Marketing Department" under the "Corp. Banking Business Admin. Division" were renamed "Loan Syndication & Project Financing Department" and the "Conglomerate Marketing Department," respectively. Under the "Personal Banking Business Admin. Division," the "Personal Banking Development Department" was established, and the "Personal Banking Management Department" and the "Product Marketing Department" were renamed "Personal Banking Management Department" and "Marketing Planning Department," respectively. The original "Credit Approval Department of the Credit Approval Division" was divided into "Credit Approval Department 1" and "Credit Approval Department 2," which are responsible for the review of credit application cases of domestic branches and overseas branches (including OBU), respectively. In July, the "Information Technology Development Committee" was established and the function of "Bank Affairs Committee" was incorporated into the "Business Decisions Committee."

Business planning and business strategy implementation results

In 2018, based on the main theme of the annual business strategies of "Steady Transformation, Leadership in Digitalization," the five major business strategies were developed, namely "Development of Highlights and Enhancement of Advantages," "Digital Leadership and Smart Services," "Global Connection and Local Business," "Implementation of Internal Control and Compliance First," and "Joint Creation of an Excellent and Happy Enterprise" so as to implement the business development plan and achieve the financial budget goal.

With the Bank staff's concerted efforts, the implementation results of the business strategies in 2018 are as follows:

1. Exceeding the NT$20 billion milestone in profit, maintaining a robust capital structure

   In 2018, the Bank's pre-tax net profit was NT$20.665 billion, an increase of NT$3.056 billion (+17.35%) from 2017, once again exceeding the NT$20 billion mark. The net profit of financial products had the most significant increase at NT$2.955 billion (+46.37%), earnings per share stood at NT$2.32, return on assets (ROA) and return on equity (ROE) are 0.76% and 10.26% respectively. As of the end of 2018, the NPL ratio was 0.32% and the NPL coverage ratio was 389.64%. The asset quality became gradually stable, which indicated that in the pursuit of robust profitability, the Bank continued to focus on risk control and actively optimized asset quality.

2. Expanding overseas territory and enhancing service values by means of local advantages

   The Bank continued to conduct risk reduction and increase the value of capital use in its capital structure. According to the data in December 2018, the capital adequacy ratio (CAR) and Tier 1 capital ratio were 13.57% and 11.58% respectively, which were better than the legally required levels.

   The Bank's business vision is to become a "regional bank" and has continued to expand its overseas presence by adhering to the idea of "diversified layout and local development." There are 35 overseas locations currently, including 19 branches, 8 sub-branches, 2 offices, and 1 U.S. subsidiary bank and its 6 branches. Among them, the service network in the countries of the New Southbound Policy covered 16 locations (7 branches, 7 sub-branches, and 2 representative offices) in 8 countries, namely Cambodia, Vietnam, Laos, Myanmar, Thailand, Singapore, the Philippines, and Australia. With an optimistic view in the demographic dividend in Southeast Asia, the gradual completion of the industrial chain, and the higher business operation spread, in 2018, the Bank's application for a representative office in Jakarta, Indonesia, has been approved by the Financial Supervisory Commission of R.O.C., and the office is being actively set up. In addition, to keep tabs of European and American market developments, the Bank simultaneously applied for a Frankfurt branch in Germany and a Houston branch in Texas, U.S. in the hopes of becoming a bank of first choice in terms of cross-border financing and funding for customers with a complete layout and high-quality financial services.

   In order to implement the concept of "localized operations" in business operations, the Bank has invested resources in differentiated business of the branches in accordance with the differences of local markets where overseas branches operate. Through the integration of "new business," "new markets," and "new customers," the loans taken out at overseas branches (including OBU) accounted for 19.50% of the total, reaching a record high; the overseas branches' profits (including OBU) accounted for 44.34% of the Bank's total profits.

3. Enhancing core business development and supporting green innovative industries

   As of the end of 2018, the Bank's loans taken out by small and medium enterprises (SME) reached NT$672.3 billion, with the market share ranking first among all banks for 9 consecutive years. The Bank has also received the "Award for Excellent Bank for Handling SME Loans" and "Special Award for Financing E-Commerce Industry" awarded by the Financial Supervisory Commission, and the "Credit Guarantee Partner Award" and "Excellent Credit Manager Award" awarded by the Ministry of Economic Affairs.

Meanwhile, in order to join hands with enterprises to support the concept of green sustainability and support innovative industries, the Bank has launched the "Preferential Loan Project for Key Innovative Industries" for the "seven major innovative industries," namely, green energy technology, Asia Silicon Valley, biotechnology and medicine, national defense, smart machinery, new agriculture, and circular economy to provide key industrial clients with funds needs for each stage of operation on preferential terms. As of the end of 2018, the Bank's loans taken out by the "7 major innovative industries" reached NT$406.6 billion. The Bank hopes to become an important supporter for the growth of Taiwan's industries and enterprises by continuing to provide professional financial assistance and services.

4. Advancing digitalization and smart services and strengthening the foundation of information security protection

Through 4 major measures, namely smart services, channel transformation, cross-industry cooperation, and digital platforms, the Bank continued to develop diverse smart services and enhance the value of physical channels to become a digitally open, AI-enabled, synergetic, integrated, and secure "OASIS" Bank and undertake a transformation of the operating model.

In recent years, to increase the interaction with online communities, the Bank has been actively working on digital channels. Through social media platforms such as Facebook fan page, Instagram (IG), and Line Official Account, the Bank provided clients with more instant and diverse information and services to increase the virtual visibility while strengthening the emotional connection and make the Bank's virtual and physical service channels more complete and diverse. Furthermore, to provide clients with more accurate financial services, the Bank continued to optimize its data analysis model while introducing big data analysis into business applications of personal and corporate banking. The Bank's technology application, data-driven, and intelligence decision-making efforts earned itself the "Best Data & Analytics Project Award" from The Asian Banker in 2017 and the "Best Cloud Based Initiative, Application or Program in Taiwan" from the Asian Banker once again in 2018, and received the "Best System Stability Award - Inter-banking Business" and "Best Innovative Service Award - Financial Blockchain-based Auditing Service" at the Financial Information System Annual Conference held by Financial Information Service Co., Ltd.

5. Implementing green sustainability and creating a green happy homeland

Since the establishment of the "Corporate Social Responsibility Committee" in 2011, First Financial Holding Company, the Bank's parent company, has continued to implement its corporate social responsibility in the five major aspects, namely "corporate governance," "customer engagement," "employee welfare," "environmental sustainability," and "philanthropy." The achievements are disclosed in the "CSR report." In addition to having been selected as a constituent stock of the "Emerging Market Index" by the Dow Jones Sustainability Index (DJSI) for two consecutive years, the First Financial Holding Company was selected as a constituent stock of the "MSCI World Index" in 2018. All of this has indicated that the efforts made by the Bank and the parent company in implementing CSR have been recognized by the institutions at the international level.

In order to implement the concept of environmental sustainability, the Bank continues to promote the renovation of old structures or bank buildings at home and abroad. Presently, 22 old bank buildings in the country have obtained the Diamond-Grade Green Building Label. The Bank strives to save water and electricity and conducted paperless meetings. With the cooperation of all the colleagues, the accumulated amount of carbon reduction in the past 6 years was equivalent to the annual carbon absorption of 230 Daan Forest Parks. In addition, for the promotion of environmental protection and education, the Bank has set up a "zero-carbon green roof" for solar power generation, rainwater recycling, and ecological hydroponics on the Wanhua Branch building, which not only won the "Garden Master (Corporate Division) Award" at the 2018 Annual Garden City Achievement Competition of the Taipei City Government, but also became the best venue for new recruits, overseas colleagues, and school children to visit and conduct environmental education. The multiple efforts made by the Bank and First Financial Holding Company, our parent company, have enabled the parent company to be listed on the Global Leadership A-List in the CDP Climate Change Survey among more than 7,000 indicative enterprises. First Financial Holding Company is not only the first financial institution to receive an A rating in Taiwan, but also among the 6 financial institutions to receive this rating in the world.

In the aspect of employee welfare, in response to the transformation toward digital operation, apart from the continuous implementation of the employees' adaptive assessment, the Bank also launched a number of internal and external training courses to train employees' multiple core competencies. Through regular cultural and recreational activities, hiking activities, club activities, First Bank Green Academy, and singles mixers, the Bank has been striving to create a happy enterprise for our employees with a balanced focus on working and living.

In order to strengthen the care of employees' after retirement, the Bank has proposed a multi-year employee savings and employee stock ownership trust system which was scheduled to be implemented on January 1, 2019. Employees are free to choose between depositing in time deposits, investment in mutual funds and other investment products. or investment in the parent company—First Financial Holdings Co., Ltd. stocks. It is hoped that the implementation of this system can achieve the win-win results for the employees, customers, and shareholders.

Analysis of budget execution, revenues and expenditure, and profitability

The net income of the Bank in 2018 was NT$45,991 million, an increase of NT$3,077 million from 2017; the profit before taxes was NT$20,665 million.

- Deposit Business
  The average balance of deposits was NT$2,094,405 million, an increase of NT$145,735 million from 2017, with a growth rate of 7.48%.

- Loan Business
  The average loan balance was NT$1,625,860 million, an increase of NT$79,521 billion from 2017, with a growth rate of 5.14%.
- Trust Business
  The balance of the trust business at the end of the year was NT$335,693 million, an increase of NT$1,563 million from 2017, with a growth rate of 0.47%.
- Custody Business
  The balance of the custody business at the end of the year was NT$861,307 million, an increase of NT$30,956 million from 2017, with a growth rate of 3.73%.

Status of research and development

In response to the rapid changes in the operating environment of the financial industry, the Bank continued to track the latest developments in the domestic and international economic, financial, and industrial situations, as well as published relevant reports on a regular basis. In addition, the Bank issued research reports periodically, developed bank response strategies from time to time in response to changes in domestic and international financial regulations, and was devoted to increase the depth and width of research and analysis results.

In addition, in the aspect of financial technology patent layouts, as of early March 2018, the Bank had submitted 75 patent applications (33 invention patents, 41 utility model patents, and 1 design patent) to the Intellectual Property Office, Ministry of Economic Affairs. Among them, the number of approved invention patents has reached 14, including "fast blockchain transaction method," "supply chain financing method and system," and "business operation review method and financial servo unit," and the number of approved utility model patents has been 39.

Summary of Business Plans for 2019

Based on the analysis of the external business environment and trends and the Bank's strengths and weaknesses, the Bank has adopted "First and Sustainable, Transcending the 120th Anniversary" as the main theme of its business strategies in 2019. The year of 2019 is an important milestone, marking the 120th anniversary of the establishment of the Bank. Therefore, in addition to continuous internalization and integration (virtual and physical and cross-business integration) and implementation of transformation (core system and business model transformation), the Bank will take "transcending" as the main theme of strategic development when entering a new stage: "transcending the information revolution" through reshaping the digital core systems, "transcending the organizational boundaries" through the integration of commodity services, "transcending traditional thinking" by implementing the Account Officer (AO) mechanism, and making good use of overseas layouts to "transcend regional competitions." It is hoped that the Bank will build a solid foundation for sustainable management with five strategic principles, namely, "transcending the 120th Anniversary as a model of happiness," "optimizing risk control and advancing governance," "innovating smart services and leading changes," "operating globally and adapting locally," and "permeating services and deepening connection" to achieve the business vision of becoming a "regional, niche-based, digital, and lovely" bank.

Future Development Strategies

Transcending the 120th anniversary with sustainable operations and sharing growth as a model of happiness

The Bank will continue to promote the integration of the core business and CSR and put environmental sustainability and financial inclusion into practice. In 2019, the Bank will continue to implement CSR and the concept of green sustainability through the five major aspects of "corporate governance," "customer engagement," "employee welfare," "environmental sustainability," and "philanthropy." Moreover, as the year of 2019 coincides with the 120th anniversary of the founding of the Bank, the Bank will take this as a milestone for sustainable operation and continue to work with our employees and clients to implement local care and the concept of green sustainability, as well as to build an enterprise model of happiness that will grow with clients and employees.

Making good use of capital to optimize risk control and implementing compliance and advancing governance

The capital structure will be strengthened based on the two principles of "making good use of risk reduction tools" and "increasing the value of capital use," while the client penetration rate will be increased through the AO mechanism, amplifying the expected benefits brought about by non-interest income, and strengthening the value of capital utilization. Meanwhile, credit and post-loan management will be reviewed and reinforced systematically, and operational risk identification and assessment will be implemented so as to improve the quality of asset management. In addition, the Bank will strengthen internal control, mastering money laundering prevention, optimizing digital security, implementing compliance, conducting internal audits, and improving the reporting system, while taking into account business promotion and management to improve the quality of corporate governance effectively.

Applying data intelligence innovation and enhancing the core banking system to lead changes

Through development of data analysis and application models and development of permeating marketing mechanisms for modular products, the Bank will improve the accuracy of forecasting and marketing to provide clients with the best services in the right place and at the right time. In addition, based on the intelligent development of financial technology, the Bank will continue to establish the venues where virtual and physical integration takes place and increase the use of biometric identification, so as to create a more convenient and consistent service experience. At the same time, the Bank will enhance the internal management efficacy through the transformation of core information systems and the enhancement of cross-organizational product modules synergy, and develop lite applications (APP) to provide Artificial Intelligence (AI) financial services so as to advance customized smart services. Through the transformation of core systems, the implementation of information security, and the leadership in innovative thinking, the Bank aims to become an open, AI-driven, synergetic, integrated, and secure bank.

Operating globally to create business opportunities and adapting locally to enhance the value

The Bank pays attention to global economic development and trends, conducts evaluations of setting up bases in Europe, Japan, Australia, and Southeast Asia, strives to upgrade the existing offices, and seeks mergers and acquisitions, equity participation, and joint venture opportunities in Southeast Asia. On the front of business development, in line with the market differences in the locations where overseas organizations operate, the Head Office will provide personnel in overseas organizations with professional training and cross-border operation system support to enable the overseas branches to actively develop Taiwanese and local clients (enterprises) and to develop business tailored to local conditions according to the economic development (developed countries or developing economies) and the business attributes (large syndicated loan business or small-and-medium-sized enterprises), so as to demonstrate the Bank's vision in global layout and local operations.

Focusing on advantages and permeating services as well as deepening connection through cross-business synergy

The Bank will continue to implement the "single AO service window" mechanism to grasp clients' needs for financing, foreign exchange, hedging, investment, consumption payment, or wealth management through corporate or individual AO and provide cross-business, all-round solutions, including corporate financing, cash flow management, and financial management services, to consolidate the business foundation and client cluster management.

In the meantime, the temporary projects of "Pilot Project on Specific Niche Community," "Project on Cross-Business Synergy and Providing Differentiation, Scenario-based, and Event-based Marketing," and "Project on Maintaining Old Clients and Developing New Clients and Expanding the Scale of Account Assets," will be incorporated into the standard operating procedures for business development in order to achieve the Bank's goal of increasing cross-business permeation and account assets.

Influences from External Competitive Environment, Regulatory Environment, and Overall Business Operation Environment

External competitive environment

In recent years, the government's deregulation and promotion of "New Southbound Policy" and "Financial Development Action Plan" have helped our country's financial industry to enter the international market and become a solid backing for overseas Taiwanese businesses. Among them, China and countries included in the New Southbound Policy are the key markets for the overseas development of the financial industry in Taiwan, and each has its own development advantages and challenges to be faced. Take the market of China as an example. It has greatly liberalized the market access for foreign investment, improved investment liberalization, and accelerated the approval of the applications for the foreign- and Taiwanese-funded banks to set up new bases to allow more foreign-funded financial institutions to develop locally, which will increase the pressure of global competition on Taiwanese financial institutions in China.

As for the ASEAN markets, our country has continuously promoted the "New Southbound Policy," and as Taiwanese businesspeople have developed their business in the ASEAN region for a long time; in recent years, Taiwanese financial institutions have set up bases in the region. However, the investment restrictions in some ASEAN countries were still strict, the political and social situations were less stable, and the administrative and judicial procedures were not sound and complete, which may increase the operational risks to Taiwanese financial institutions on the ground. In short, with commitment to improving the competitiveness of cross-border financial services, how to balance risks and rewards as well as enhance local market business will still be a huge challenge for Taiwanese financial institutions.

Regulatory environment

1. Standard for Automatic Exchange of Financial Account Information in Tax Matters (CRS)

   In response to the trend of maintaining the fairness of taxation and guaranteeing appropriate taxation in the international arena, the Ministry of Finance, R.O.C. referred to the Standard for Automatic Exchange of Financial Account Information in Tax Matters (hereinafter referred to as "CRS") published by the Organization for Economic Co-operation and Development (OECD) and established "Common Standard on Reporting and Due Diligence for Financial Account Information by Financial Institutions." The standard was implemented on January 1, 2019, requiring financial institutions within the border of R.O.C. to conduct due diligence on the exchange of financial account information for taxation purposes, and then report to the taxing authority regarding the financial account information for taxation purposes of residents of the countries that are required to be reported.

2. Self-regulations on Compliance, Anti-money Laundering, and Combating the Financing of Terrorism for Foreign Branches (Sub-branches)

   In order to strengthen compliance of foreign branches and sub-branches of Taiwanese banks and prevent money laundering and combat terrorism financing, the Bankers Association of R.O.C. has formulated the "Self-regulations on Compliance, Anti-money Laundering, and Combating the Financing of Terrorism for Foreign Branches (Sub-branches) of Taiwanese Members of the Bankers Association of R.O.C.," which took effect on January 17, 2019.

3. Matters Governing Anti-Money Laundering and Combating the Financing of Terrorism

   As the Asia/Pacific Group on Money Laundering (APG) came to Taiwan in November 2018 and conducted a third-round mutual on-site evaluation, the Ministry of Justice amended the "Standards for Determining the Scope of Politically Exposed Persons Entrusted with Prominent Public Function, Their Family Members and Close Associates" on October 16, 2018 and "Money Laundering Control Act" and "Counter-Terrorism Financing Act" on November 7, 2018. In addition, the Financial Supervisory Commission of R.O.C. established "Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business and Other Financial Institutions Designated by the Financial Supervisory Commission" on November 9, 2018, and amended "Regulations Governing Anti-Money Laundering of Financial Institutions" on November 14,

2018. To demonstrate the Bank's determination to prevent money laundering and combat the financing of terrorism, the Bank has established the Anti-Money Laundering/Combating the Financing of Terrorism Committee with the President as the convener to strengthen the high-level management personnel's control of anti-money laundering and counter-financing of terrorism and revised relevant operational regulations and strengthen employee training in rule of law to implement the Bank's control of anti-money laundering and combat of the financing of terrorism.

Overall business operation environment

Looking into 2019, the World Economic Outlook report issued by the International Monetary Fund (IMF) in January 2019 predicts the global real economic growth rate in 2019 to be 3.5%, which is estimated to be 0.2 percentage points lower than the previous estimate and lower than 3.7% in 2018. The global trade volume growth rate would remain at 4.0% as in 2018; in the major economies, the performance of recent U.S. labor market would remain robust, but the diminishing benefit of tax reforms, increasing borrowing cost due to the interest rates raised by the Fed, the unclear prospects for the China-U.S. dispute might affect corporate investment and trade activities, and the economic growth rate would slow down. With Brexit and unstable political and economic situations in some member states, uncertainties would remain in the Eurozone. In addition, the rising trade protectionism and the turmoil in financial markets might cool down corporate activities, which might thus adversely affect the prospect for the economic development. The unclear international political and economic situations might be unfavorable to Japan's export and investment. Moreover, Japan is expected to raise consumption tax rate in October 2019, which might impact consumer confidence and in turn affect the weak economic growth.

The People's Bank of China has gradually relaxed its monetary easing policy, expanded tax cuts, and actively promoted infrastructure construction to support economic growth; however, the negative impact of the increased tariffs on imported goods by U.S. has gradually become apparent, real estate investment might become weak due to government regulation measures, and the manufacturing investment has also been impacted due to the pollution prevention and control policy, making China face downside risks. Furthermore, economic climate of emerging countries might cool down due to the weakening of global trade momentum and the tightening of the international financial situations. Overall, the uncertain China-U.S. disputes, slowing growth of major economies, volatile fluctuations in the prices of bulk materials and international crude oil, and unresolved political and economic situations in some European countries might suppress the pace of global economic growth, which in turn will slow down the global economic expansion in 2019.

For Taiwan, regarding the domestic housing market, the moderate economic recovery in the first half of 2018 and the seller's effective discount strategy drove the housing market to slightly heat up. However, as the seller's amount of discount decreased in the second half of the year, the buyer and seller were stuck in cutting a deal. According to the statistics of the Ministry of the Interior of R.O.C., the total number of transactions of properties in the country in 2018 increased by 4.5% to 278,000 compared with that in 2017. Looking into the future, although the government has vigorously promoted urban renewal and accelerated reconstruction of dangerous old buildings in recent years, the current housing market is still dominated by transactions for the self-occupied purposes. The remaining properties still remain to be sold, and a large number of new homes will be released to the market in the future. According to Yung Ching Rehouse Co., there will be 114,000 new homes released to the market in 2019, which might intensify the oversupply of properties; the downward pressure on housing prices will remain. The overall housing market may demonstrate a state of correction. Meanwhile, the global economy is slowing down, the demand for smart phones is becoming saturated, the growth momentum in the semiconductor industry is slightly lower, and the uncertainties of the external political and economic situations still exist; thus, our country's export might be suppressed by these factors. However, the government continues to invest in public construction projects and the profitability of listed companies in the stock market and over-the-counter market has grown, which is expected to help dividend distribution in 2019. In addition, the implementation of the "income tax system optimizing measures" and a raise of minimum wage are all conducive to supporting the performance of domestic demand. According to a report released by the Directorate-General of Accounting, Budget, and Statistics of the Executive Yuan of R.O.C. in February 2019, the estimated real economic growth rate in Taiwan in 2019 would be 2.27%, lower than 2.63% in 2018, with a moderate growth.

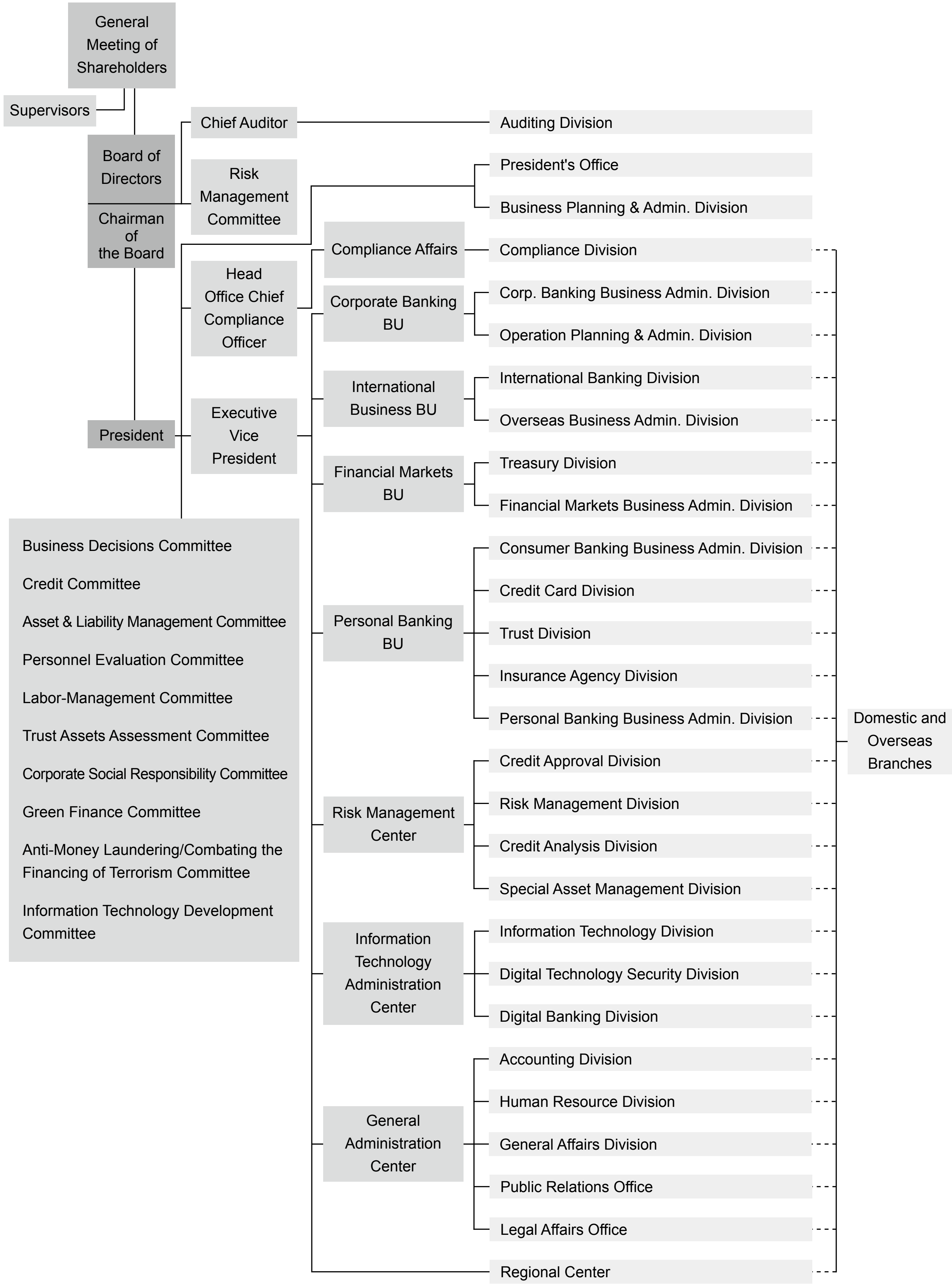
Credit rating information

Rating Institution	Published Date	ST	LT	Outlook
Standard & Poor's	September 26, 2018	A-2	A-	Stable
Moody's	February 11, 2019	P-1	A2	Stable
Taiwan Ratings Co.	September 26, 2018	twA-1+	twAA+	Stable

The Bank boasts robust corporate value, strong market status, widely distributed client bases, and appropriate capital levels. Looking into 2019, we will continue to enhance the value of sustainable management on this foundation and create a win-win-win business outcome for employees, clients, and shareholders.

Chairman
Liao, Tsan-Chang

Organization Chart



October 2018

Board of Directors and Supervisors

Title	Nationality or Place of Registration	Name	Date of First Appointment	Education and Career Background	Other Incumbent Post
Chairman of the Board	R.O.C.	Tsan-Chang Liao	April. 8'19	▪ MBA, National Chiao Tung University Branch General Manager, Credit Approval Dept. Manager, Auditing Dept. Manager, Chief Auditor & Auditing Dept. Manager, Chief Auditor, EVP, President, Chairman, Taiwan Business Bank; Chairman, Taiwan Cooperative Holdings	Chairman, First Financial Holding Co., Ltd. (FFHC)
Managing Director	R.O.C.	Li-Shieu Tsai	April. 8'19	▪ MS Finance, School of Management, Ming Chuan University Junior Manager, Deputy Manager, Branch General Manager, Land Bank of Taiwan; Deputy Secretary of the Board, Deputy Manager, Business Planning Dept., Bank of Taiwan; S.V.P.& Chief Secretary of the Board, AVP, Business Planning & Admin. Division, Chief Strategy Officer, Taiwan Financial Holdings; Director, Supervisor, BankTaiwan Life Insurance Co., Ltd.; CFO, Chief Auditor, EVP, EVP & Risk Management Division Chief & Chief Risk Officer, Taiwan Financial Holdings Co., Ltd.	President, First Commercial Bank; Director, FFHC
Managing Director	R.O.C.	Chien-Hao Lin	Feb. 23'18	▪ B.L., National Taiwan University AVP, Strategy Administration Division; VP & Division Chief, Business Planning & Admin. Division; Branch General Manager; Overseas Branch General Manager; Chief Auditor, FFHC; EVP, SVP & Division Chief of Strategy Planning, FFHC; Supervisor, First Securities Inc.; Acting Chairman of the Board, FSITC	Director, President, FFHC; Director, Taiwan Asset Management Corporation; Chairman of the Board, First Life Insurance Co., Ltd.; Director, First Commercial Bank Culture Education Foundation
Managing Director	R.O.C.	Hung-Ju Chen	July 26'18	▪ Ph.D. in Economics, UCLA Assistant Professor, Associate Professor, Dept. of Economics, National Taiwan University; Editorial Board, Editor in Chief of Taiwan Economic Review Current: Professor, the Dept. of Economics, National Taiwan University	Director, FFHC; Commissioners, International Trade Commission, Ministry of Economic Affairs
Independent Managing Director	R.O.C.	Chun-Hung Lin	July 26'18	▪ Ph.D. in Economics, Iowa State University Assistant Professor, Associate Professor, Chinese Cultural University; Associate Professor, Professor, Head of Industrial Economics, CEO of EMBA, Dean of Student Affairs, TamKang University; Director, Taiwan Economic Association Current: Professor, the Dept. of Industrial Economics & Dean of the Student Affairs, TamKang University	Independent Director, FFHC; Director, Eminent II Venture Capital Corporation; Principal, Yu Jie Firm
Independent Director	R.O.C.	Rachel Jui-Ching Huang	July 26'18	▪ Ph.D. in Finance, National Taiwan University Associate Professor, Dept. of Finance, Ming Chuan University; Associate Professor, Dept. of Finance, Yuan Ze University; Associate Professor, Graduate school of Finance, National Taiwan University of Science and Technology; Professor, Dept. of Finance, National Central University Current: Distinguished Professor, Dept. of Finance, National Central University	Independent Director, FFHC; Managing Director, Taiwan Risk and Insurance Association
Director	R.O.C.	Yen-Liang Chen	July 26'18	▪ Ph.D. in Law, Johannes Gutenberg University Mainz, Germany Head of Dept. of Law, National Taipei University; Director of Graduate school of Financial and Economic Law, National Dong Hwa University; Arbitrator, Chinese Arbitration Association, Taipei; Arbitrator, Dept. of Labor, Taipei City Government Current: Professor, Dept. of Law, National Taipei University	Independent Director, FFHC; New Listing Companies Advisory Committee member, Taipei Exchange; Petitions and Appeals Committee member, Hualien Country Government
Director	R.O.C.	Chia-Yin Hung	Apr. 28'11	▪ Ph.D. in Law, National Chengchi University Member of Petitions and Appeals Committee, MOF; Member of Legal Affairs Committee, MOEA; Member of Legal Affairs Committee, Ministry of Education; Member of Complaint Review Board for Government Procurement, Taipei City Government; Director, Taiwan Administrative Law Association; Dean of Dept. of Law, Soochow University Current: Professor, Dept. of Law, Soochow University	Supervisor, Taiwan Depository & Clearing Corporation; Member of Petitions and Appeals Committee, MOF
Director	R.O.C.	Nai-Fong Kuo	July 26'18	▪ Ph.D. in Economics, National Taipei University Director of Auditing Office, Associate Professor & Director, Dept. of Finance, Secretary General, Secretariat, Shih Shin University Current: Associate Professor, Dept. of Finance & Director of Auditing Office, Shih Shin University	Independent Director, Hakers Enterprise Co., LTD. ; Advisor, Taiwan Institute of Economic Research; Advisor, Chung-Hwa Institution of Economic Research
Director	R.O.C.	Terence Jer-Yuh Wan	July 26'18	▪ Ph.D. in Economics, National Taiwan University Associate Professor, Head of Dept. of Economics, TamKang University; Adjunct Professor, Dept. of Int'l Business, Soochow University Current: Professor, Dept. of Economics, TamKang University	
Director	R.O.C.	Chi-Pin Hou	July 26'18	▪ Ph.D. in Business Administration, China Fudan University Professor& Head of Dept. of Accounting, China University of Technology; Associate Professor & Head of Accounting Information Dept., Tzu Chi University of Science and Technology; Instructor, Dept. of Accounting, China University of Technology; Researcher, Accounting Research and Development Foundation; Lecturer, Dept. of Accounting, National Chengchi University; Auditor, KPMG Current: Professor, Dept. of Accounting, China University of Technology	
Director	R.O.C.	Jy-Wen Wu	July 26'18	▪ Ph.D. in Economics, National Taiwan University Head of Dept. of Int'l Business, Assistant Professor, Dept. of Int'l Trade, Lunghwa University of Science and Technology Current: Associate Professor, Dept. of Int'l Business, Lunghwa University of Science and Technology; Associate Professor, Dept. of Int'l Business, Soochow University	
Director	R.O.C.	Wehn-Jyuan Tsai	July 26'18	▪ Ph.D. in Economics, National Taiwan University Assistant Professor, Dept. of Economics, Shih Shin University Current: Associate Professor, Dept. of Economics, Shih Shin University	
Director	R.O.C.	Abby Yuan-Wei Chen	July 26'18	▪ MBA, University of California-Irvine Financial Manager, Asia Pacific Region, Trend Micro Inc.; Financial Manager, Asia Pacific Region, UTStarcom Taiwan Ltd.; Accounting Deputy Manager, LA branch, Taipei Bank	Director, Golden Gate Investment Co., Ltd.; Director, Golden Garden Investment Co., Ltd.; Director, Golden Gate Motor Co., Ltd.;
Director	R.O.C.	Chieh-Hsin Sung	Sep. 27'18	▪ Tsoying Senior High School Director, First Commercial Bank; Member of Labor Funds Supervisory Committee, Ministry of Labor; Chairman, First Commercial Bank Industrial Union Current: Senior Associate, Head Office Business Dept., First Commercial Bank	Chairman, First Commercial Bank Union; Managing Director, FFHC& Subsidiary Union
Standing Supervisor	R.O.C.	Jing-Twen Chen	July 26'18	▪ Ph.D. in Finance, Graduate Institute of Applied Science and Technology, National Taiwan University of Science and Technology Professor, Dept. of Finance, National Central University; Standing Supervisory, Mega Int'l Commercial Bank; Director, Independent Director, Chung Hwa Telecom Co., Ltd; Supervisor, JCIC; Supervisor, Mega Bills Finance, Co., Ltd.; Supervisor, Mega Securities, Co. Ltd. Current: Distinguished Professor, Dept. of Insurance & Financial Management, Takming University of Science and Technology	

(to be continued)

Title	Nationality or Place of Registration	Name	Date of First Appointment	Education and Career Background	Other Incumbent Post
Supervisor	R.O.C.	Emil Liang Chen	June 30'11	▪ MBA, Finance, Bernard M. Baruch College, The City University of New York AVP, International Investments, Oppenheimer & Co. Inc.; Executive Director & Head of Asia, Investment Banking, Paine Webber Inc.; Director, Taiwan Financial Holding Co., Ltd.	Chairman, Peak Capital Co., Ltd.
Supervisor	R.O.C.	Da-Bai Shen	Aug. 23'12	▪ Ph.D., Tulane University, USA External Reviewer, Securities Listing Review Committee, Taiwan Stock Exchange; Member and Convenor of Clearing Committee, Taiwan Futures Exchange; Director, Center for Business Innovation and Incubation, Soochow University; Member of Investment Review Committee, National Development Fund, Executive Yuan; Director, APFC Ltd.; Supervisor, SolidWizard Co., Ltd; Director, Pili International Multimedia Co.,Ltd.; Independent Director, Director, Hualien Media International Co., Ltd.	Supervisor, APFC Ltd.; Independent Director, Pili International Multimedia Co.,Ltd.; Supervisor, Grand Cathay Venture Capital Ⅱ Co.,Ltd; Secretary General, Taiwan Credit Rating Association; Secretary General, TTFA; Independent Director, Grand Green Energy Corp.
Supervisor	R.O.C.	Yi-Wen Chen	Oct. 26'17	▪ Ph.D. in Finance, Alliant International University, USA Executive Officer, Department of Budget, Accounting and Statistics, Taipei City Government; Head of Culture and Creativity Team, SME service Association, New Taipei City Government; Dean of Academic Affair Research Center, Dean of International and Cross-strait Affair Center, Dean of Continuing Education Center, Dean of Dept. of Accounting and Information, Dean of College of Commerce, Chief Secretary, Hsing Wu University Current: Professor&VP, Hsing Wu University	Supervisor, R.O.C. Earthquake Insurance Foundation
Supervisor	R.O.C.	Chunto Tso	July 26'18	▪ Ph.D. in Economics, Texas A&M University Adjunct Associate Professor, Institute of Management of Technology, National Chiao Tung University; Adjunct Associate Professor, College of Management, Yuan Ze University; Adjunct Associate Professor, Graduate Institute of Int'l Business, TamKang University; Adjunct Associate Professor, Graduate Institute of Enterprise Innovation, Shih Chien University; Researcher & Director, Taiwan Institute of Economic Research Current: Director, Taiwan Institute of Economic Research; Adjunct Associate Professor, Graduate Institute of Business Administration, National Taiwan University of Science and Technology	Director, Yo Shin Shin Co., Ltd.

April 17, 2019

Executive Officers

Title	Nationality or Place of Registration	Name	Date of Appointment	Education and Career Background	Other Incumbent Post
President	R.O.C.	Li-Shieu Tsai	April 17'19	▪ MS Finance, School of Management, Ming Chuan University Junior Manager, Deputy Manager, Branch General Manager, Land Bank of Taiwan; Deputy Secretary of the Board, Deputy Manager, Business Planning Dept., Bank of Taiwan; S.V.P.& Chief Secretary of the Board, VP, Business Planning & Admin. Division, Chief Strategy Officer, Taiwan Financial Holdings; Director, Supervisor, BankTaiwan Life Insurance Co., Ltd.	Director, FFHC; President, First Commercial Bank
EVP	R.O.C.	Huey-Chin Hung	June 27'14	▪ B.A., National Chengchi University SVP & Head of Kaohsiung District Center, Credit Approval Division and Credit Analysis Division, EVP, Risk Management Center, FCB	Supervisor, Taiwan Small Business Integrated Director, First Life Insurance Co., Ltd.
EVP	R.O.C.	Chia-Hsiang Lee	Oct. 28'16	▪ MBA, University of Texas at Dallas SVP & General Manager of New York Branch, Head of Overseas Business Admin. Division, FCB	Director, First Commercial Bank (USA)
EVP	R.O.C.	Ching-Hui, Chou	Aug. 25'17	▪ B.S., Southern Taiwan University of Science and Technology SVP & Division Chief of Treasury Division, FCB	Supervisor, TAIFX Director, Taipei Financial Center Corporation
EVP	R.O.C.	Ma-Li, Shih	Feb. 23'18	▪ Diploma of Int'l Trade, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology SVP & General Manager of Pei-Taichung Branch, Chung-Kang Branch, Taichung Branch and Business Division, SVP & Chief of Personal Banking Business Admin. Division, SVP & Head of Taichung District Center, SVP & Chief of Affluent Banking Taichung Regional Center, FCB	Director, Fist Life Insurance Co., Ltd.
EVP	R.O.C.	Fen-Len Chen	Feb. 23'18	▪ MS. Finance, State University of New York SVP & General Manager of Singapore Branch, SVP & Regional Head of Regional Center of North Area (1), SVP & Division Chief of Credit Approval Division, VP & Division Chief of Risk Management Division, FCB	Director, Taiwan Asset Management Association Director, Taiwan Urban Regeneration & Financial Services Co., Ltd. Advisor, FFHC & Division Chief of Risk Management Division
EVP	R.O.C.	Chao-Chung Chou	Aug. 17'18	▪ MBA, Da-Yeh University EVP, FFHC; SVP & General Manager of Phnom Penh Branch, Hsin-Wei Branch, Hsi-Chih Branch	Chairman, First Financial AMC
EVP	R.O.C.	Pei-Wen Liu	Oct. 28'16	▪ PhD, National Cheng Kung University Director, National Center for Cyber Security Technology; Deputy Director General, Institute for Information Industry	Supervisor, Financial Information Service Co., Ltd.
EVP	R.O.C.	Shang-Shing Chiang	Dec. 24'15	▪ B.A., Tamkang University SVP & Head of International Banking Division, FCB; Chairman of International Finance Committee, The Bankers Association of the Republic of China	EVP, Chief Compliance Officer, FFHC; Supervisor, FCB Leasing Co., Ltd.; Supervisor, FCB International Leasing, Ltd.; Supervisor, FCB Leasing (Xiamen) Ltd.; Director, First Commercial Bank (USA)
Chief Auditor	R.O.C.	Shiow-Ling Wu	Apr. 27'17	▪ B.L., National Chengchi University VP & Head of International Banking Division; SVP & General Manager of Singapore Branch; SVP & Head of Auditing Division, FCB	Supervisor, First Securities Investment Trust Co., Ltd.

April 17, 2019

Main Shareholders of Sole Owner FFHC

Shareholders	Holding %
Ministry of Finance	11.49
Bank of Taiwan	7.45
Hua Nan Bank	2.83
Civil Servants' Retirement Fund	2.15
China Life Insurance Company, Ltd.	1.91
Chunghwa Post Co., Ltd.	1.50
Taiwan Tobacco & Liquor Corporation	1.27
Vanguard Emerging Markets Stock Index Fund	1.22
Vanguard Total International Stock Index Fund, A Series of Vanguard Star Funds	1.15
Taiwan Life Insurance Co., Ltd.	1.05

April 17, 2019

Operational Overview

Business Activities

Scope of business activities

Conduct general business activities that are permitted to be conducted by commercial banks by laws

1. Accept a variety of deposits
2. Issue financial bonds
3. Handle applications for loans
4. Handle discounted notes
5. Invest in marketable securities
6. Conduct domestic exchange
7. Handle acceptance of commercial drafts
8. Issue domestic letter of credit
9. Guarantee issuance of corporate bonds
10. Conduct domestic guarantee business
11. Collect and make payments on behalf of clients
12. Sell government bonds, treasury bills, corporate bonds, and corporate stocks as an agent
13. Underwrite marketable securities
14. Self-run marketable securities
15. Conduct custody and warehousing business
16. Conduct safety deposit box business
17. Conduct various relevant business activities listed on the business license or agency services approved by the competent authority
18. Conduct credit card business
19. Sell gold bullion, gold coins, and silver coins as an agent
20. Trade gold bullion, gold coins, and silver coins
21. Conduct guarantee business for export foreign exchange, import foreign exchange, general outward and inward remittances, foreign exchange proceeds deposit, foreign currency loans, and foreign currency guarantee payments
22. Conduct general outward and inward remittances and foreign exchange proceeds deposit
23. Trade foreign currency cash and traveler's checks
24. Derivative financial instrument business approved by the competent authority
25. Conduct business activities that are permitted by the Trust Enterprise Act
26. Handle earmarked trust funding to invest foreign marketable securities
27. Conduct proprietary trading of government bonds

28. Conduct brokerage, self-operation, certification, and underwriting of short-term transactions instruments
29. Conduct financial advisory business related to financing business
30. Conduct agency business for the public welfare lottery approved by the competent authority
31. Conduct margin trading in foreign currencies
32. Earmark trust funding for investment in domestic securities
33. Handle earmarked trust funding for the investment in domestic securities and trust funds
34. Conduct proprietary trading business for corporate bonds and financial bonds
35. Collect and make substantive payments as an agency
36. Cooperate with or help overseas institutions to engage in relevant business activities as electronic payment institutions within the boundary of our country
37. Concurrently operate personal insurance agency business while increasing property insurance agency business
38. Conduct other relevant business activities approved by the competent authority

The business activities conducted by the dedicated department in trust business as listed on the business license approved by the competent authority to be registered

1. Trust business:
   (1) Money trust
   (2) Trust of loans and related security interests
   (3) Trust of marketable securities
   (4) Trust of real estate
   (5) Trust of superficies
   (6) Conduct discretionary investment business via trust
2. Auxiliary business activities
   (1) Issue, transfer, and register marketable securities as well as distribute dividend as an agency
   (2) Provide advisory services for marketable securities issuance and offerings
   (3) Conduct certification of marketable securities
   (4) Act as the trustee and agent for the issuance of bonds
   (5) Conduct custody business
   (6) Provide custody services for trust funds for securities investment
   (7) Provide consulting services regarding investment, financial management, and real estate development
   (8) Concurrently operate consulting business regarding securities investment
   (9) The real estate owned by the elderly and people with physical and mental disabilities is managed by the trust business through auxiliary business activities

(10) Other relevant business activities that are approved by the competent authority

Overview of the business over the past two years

1. Deposit business

Unit: Thousand NT$

Item		December 31, 2018 Amount	%	December 31, 2017 Amount	%	Increased (decreased) amount	Increased (decreased) rate %
Demand deposits (Note 1)	Checking deposits	49,218,788	2.0	48,756,852	2.3	461,936	0.9
	Demand deposits	585,887,228	24.4	564,472,795	26.1	21,414,433	3.8
	Passbook savings deposits	698,438,802	29.0	663,517,255	30.8	34,921,547	5.3
	Sub-total	1,333,544,818	55.4	1,276,746,902	59.2	56,797,916	4.4
Time deposits (Note 1)	Time deposits	505,008,093	21.0	410,340,788	19.0	94,667,305	23.1
	Time savings deposits	324,749,855	13.5	317,721,647	14.7	7,028,208	2.2
	Sub-total	829,757,948	34.5	728,062,435	33.7	101,695,513	14.0
Others (Note 2)	Financial institution deposits	1,350,975	0.1	922,810	0.1	428,165	46.4
	Financial institution overdrafts	1,703,127	0.1	819,393	0.0	883,734	107.9
	Financial institution call loans	237,651,676	9.9	152,108,877	7.0	85,542,799	56.2
	Sub-total	240,705,778	10.1	153,851,080	7.1	86,854,698	56.5
Total		2,404,008,544	100.0	2,158,660,417	100.0	245,348,127	11.4

Note: 1. Demand deposits and time deposits include foreign exchange proceeds deposits and public treasury deposits.

2. Financial institution deposits includes transfers to and deposits in Chunghwa Post Co. Ltd..

2. Loan business

Unit: Thousand NT$

Year / Item	December 31, 2018 Amount	%	December 31, 2017 Amount	%	Increased (decreased) amount	Increased (decreased) rate %
Corporate loans	817,636,860	48.2	783,552,622	49.5	34,084,238	4.3
Consumer loans	482,413,327	28.4	445,638,366	28.2	36,774,961	8.3
Domestic loans in foreign currencies	64,480,223	3.8	51,090,952	3.2	13,389,271	26.2
Loans from overseas branches	331,312,389	19.5	300,675,845	19.0	30,636,544	10.2
Import/export bills negotiation	1,165,748	0.1	965,690	0.1	200,058	20.7
Total	1,697,008,547	100.0	1,581,923,475	100.0	115,085,072	7.3
Percentage of total assets (%)	59.7		61.9		-2.2	

3. Foreign exchange trading (foreign branches are included)

Unit: Thousand NT$

Item		The year of 2018 (January 1, 2018 - December 31, 2018) Amount	%	The year of 2017 (January 1, 2017 - December 31, 2017) Amount	%	Increased (decreased) amount	Increased (decreased) rate %
FX Buy	Export Negotiations and collections	4,600,637	2.0	4,150,497	2.0	450,140	10.8
	Inward remittances	124,216,471	54.4	111,987,049	52.8	12,229,422	10.9
	Sub-total	128,817,108	56.4	116,137,546	54.8	12,679,562	10.9
FX Sell	Import LCs and collections	5,493,450	2.4	5,233,718	2.4	259,732	5.0
	Outward remittances	94,075,732	41.2	90,727,252	42.8	3,348,480	3.7
	Sub-total	99,569,182	43.6	95,960,970	45.2	3,608,212	3.8
Total		228,386,290	100.0	212,098,516	100.0	16,287,774	7.7

4. Amount in personal banking management and insurance agency business

Unit: Thousand NT$

Item	The year of 2018 (January 1, 2018 - December 31, 2018) Amount	The year of 2017 (January 1, 2017 - December 31, 2017) Amount	Increased (decreased) amount	Increased (decreased) rate %
Mutual funds	80,013,163	100,294,603	(20,281,440)	-20.2
Insurance agency business	44,457,627	36,421,240	8,036,387	22.1

5. Trust business

Unit: Thousand NT$

Item	The year of 2018 (January 1, 2018 - December 31, 2018) Amount	The year of 2017 (January 1, 2017 - December 31, 2017) Amount	Increased (decreased) amount	Increased (decreased) rate %
Balance of funds and other custody business activities at the end of the year	861,307,168	830,351,126	30,956,042	3.7
Balance of domestic trust assets at the end of the year	67,746,769	69,380,157	(1,633,388)	-2.4
Balance of foreign trust assets at the end of the year (Trust in foreign currencies is included)	141,277,553	136,967,668	4,309,885	3.2
Balance of trust account at end of the year	0	0	0	0
Balance of family wealth management trust at end of the year	1,670,483	1,773,211	(102,728)	-5.8
Balance of employee welfare trust at end of the year	1,021,689	1,020,336	1,353	0.1

Item / Year	The year of 2018 (January 1, 2018 - December 31, 2018) Amount	The year of 2017 (January 1, 2017 - December 31, 2017) Amount	Increased (decreased) amount	Increased (decreased) rate %
Balance of real estate trust at end of the year	23,934,448	23,355,956	578,492	2.5
Balance of marketable securities trust at the end of the year	89,414,679	88,223,538	1,191,141	1.4
Balance of securitization trustee at the end of the year	0	0	0	0
Balance of project-based trust at the end of the year	8,555,232	10,898,895	(2,343,663)	-21.5
Real estate trust Balance at the end of the year	1,079,848	1,104,126	(24,278)	-2.2
Balance of the of the account for collective investment trust funds at the end of the year	8,128	219,182	(211,054)	-96.3
Amount of securities certification	26,406,888	23,459,459	2,947,429	12.6

6. Amount of digital banking transactions

Unit: Thousand NT$

Item / Year	The year of 2018 (January 1, 2018 - December 31, 2018) Amount	The year of 2017 (January 1, 2017 - December 31, 2017) Amount	Increased (decreased) amount	Increased (decreased) rate %
Corporate online banking	5,065,251,000	4,552,656,000	512,595,000	11.3
individual online banking	236,412,000	250,124,000	-13,712,000	-5.5
Mobile banking	138,498,000	99,228,000	39,270,000	39.6

7. Investment business

(1) Amount of trading domestic bills and underwriting domestic commercial paper

Unit: Thousand NT$

Item / Year	The year of 2018 (January 1, 2018 - December 31, 2018) Amount	The year of 2017 (January 1, 2017 - December 31, 2017) Amount	Increased (decreased) amount	Increased (decreased) rate %
Outright purchase/sale of bills (OB/OS)	364,449,804	306,614,811	57,834,993	18.9
Repurchase agreement and reverse repurchase agreement (RP/RS)	0	0	0	-
Bills underwriting business	8,014,000	13,050,000	-5,036,000	-38.6

(2) Balance of investments in bonds and stocks

Unit: Thousand NT$

Item \ Year	The year of 2018 (January 1, 2018 - December 31, 2018)	The year of 2017 (January 1, 2017 - December 31, 2017)	Increased (decreased) amount	Increased (decreased) rate %
	Amount	Amount		
Bond business	271,379,729	217,979,814	53,399,915	24.5
Stocks (short-term investment)	2,673,323	5,563,604	-2,890,281	-51.9

8. Amount of digital banking transactions

Unit: Number of card / Thousand NT$

Item \ Year	The year of 2018 (January 1, 2018 - December 31, 2018)	The year of 2017 (January 1, 2017 - December 31, 2017)	Increased (decreased) amount	Increased (decreased) rate %
	Amount	Amount		
Number of valid cards	715,657	654,065	61,592	9.4
Amount of credit card payments	52,336,605	50,630,025	1,706,580	3.3
Revolving credit balance	1,490,395	1,471,166	19,229	1.3

Note: The number of valid cards and revolving credit balance are based on the data on the last date of the year.

9. Gross revenue

Unit: Thousand NT$

Item \ Year	December 31, 2018		December 31, 2017		Increased (decreased) amount	Increased (decreased) rate %
	Amount	%	Amount	%		
Interest revenue	47,251,910	51.2	42,575,709	49.5	4,676,201	11.0
Commission revenue	9,213,418	10.1	8,987,053	10.5	226,365	2.5
Net profit of financial products	6,683,377	7.2	5,867,497	6.8	815,880	13.9
Investment gain recognized under equity method	386,194	0.4	280,178	0.3	106,016	37.8
Exchange gain or loss	2,257,828	2.4	75,651	0.1	2,182,177	2,884.5
Other non-interest revenue	26,546,941	28.7	28,257,114	32.8	-1,710,173	-6.1
Total	92,339,668	100.0	86,043,202	100.0	6,296,466	7.3

10. Total expenditure

Unit: Thousand NT$

Item \ Year	December 31, 2018		December 31, 2017		Increased (decreased) amount	Increased (decreased) rate %
	Amount	%	Amount	%		
Interest expenses	18,582,602	25.9	13,732,522	20.1	4,850,080	35.3
Commission expenses	1,650,101	2.3	1,530,389	2.2	119,712	7.8
Bad debt expenses	5,462,966	7.6	6,839,495	10.0	-1,376,529	-20.1
Business and administrative expenses	19,862,766	27.7	18,465,738	27.0	1,397,028	7.6
Other non-interest expenses and losses	26,116,257	36.5	27,866,278	40.7	-1,750,021	-6.3
Total	71,674,692	100.0	68,434,422	100.0	3,240,270	4.7

Business Plan of the Year (listed according to major financial business categories)

1. Corporate finance and deposit services:
   (1) Help the AO personnel in charge of corporate accounts grasp the overall picture of clients and enhance the chances of success in accurate marketing through the Intelligent Marketing Various Platform (IMVP).
   (2) Large-scale quality enterprises are the main target for the development of the syndicated loan business; the Bank deepens the operations as a co-host and participate in loan cases to strive for the best opportunity as the host.
   (3) Pay attention to the opportunities and risks arising from the supply and demand and short-chain production and sales models to grasp the business opportunities, such as construction or expansion of plants, production layout adjustment, expansion of industrial areas, and replacement of Offshore Banking Unit's (OBU) client bases with the ones of Domestic Banking Unit (DBU).
   (4) Continue to provide loans to key innovative industries and green enterprises, along with guaranteed preferential measures of credit guarantee funds.
   (5) Continue to strengthen the transfer to the credit guarantee business to enhance the capital reduction effect.
   (6) Use data analytics to filter target client groups to strengthen market penetration.
   (7) Actively solicit deposits in New Taiwan dollars to increase the market share of deposits.
   (8) Integrate resources across different categories of business and develop clients with payroll accounts actively to meet their needs and enhance penetration of products.
   (9) Make good use of FinTech, optimize customer experience externally, and reduce operational risks internally.

(10) Implement business units' anti-money laundering and counter-financing of terrorism operations and stick with compliance.

2. Foreign exchange and overseas business:

(1) Enhance the business with old clients, explore new clients, and enhance the penetration rate of solid clients in line with the marketing team's needs for integrating client business activities.

(2) Launch creative marketing for foreign exchange proceeds deposit, such as quick promotional activities within a certain period of time, strengthen product penetration, and expand new client bases.

(3) Promote the foreign currency cash business among banks to increase the commission revenue.

(4) Train instructor trainees in foreign exchange in various areas to cultivate outstanding foreign exchange teams.

(5) Provide cross-border remittance services in line with the Global Payment Innovation (GPI) initiative to implement service innovations.

(6) Respond to the Southbound Policy to continue to develop the southbound markets while grasping the recovery trend of advanced economies, assess locations for expansion of bases, and expand overseas business.

(7) Actively strive for the host of overseas syndicated loans, set up overseas trading offices, and increase new product services in accordance with the characteristics of overseas client bases, to strengthen the competitive advantages.

(8) Make good use of the "Overseas Branch Information Management Platform" to strengthen internal communication and improve management efficiency.

(9) Strengthen compliance of overseas personnel and improve the sensitivity to anti-money laundering and financial supervision.

3. Finance and financial market business:

(1) Increase the type and frequency of the issuance of structured products via offerings and improve the overall sales momentum with planned incentives.

(2) Engage in visits and continuous host of seminars with clients, and set up stalls at branches with the business unit, to consolidate the client base and maintain the relationship with clients.

(3) Seize opportunities to serve professional institutional investors and wait for an opportunity to promote underwriting of international bonds to increase profitability.

(4) Continue to organize internal education and training on derivative products and assist colleagues at branches in enhancing professional competences and the ability to seize business opportunities.

(5) Reduce the dependence on a single channel for foreign currency funds,

increase the proportion of bonds repurchase agreement (RP) and wait for an opportunity to issue bonds to acquire low-cost U.S. dollar funds.

(6) Continue to expand the linkages with various types of exchange and interest indices as well as structured bonds with better revenue, in order to effectively enhance the overall revenue of net financial products.

(7) Grasp the trends of various currency interest rates, allocate different types of underlying investments at different interest rates, while increasing the allocation of corporate bond investment to diversify the layout of assets and increase the scale of foreign currency investment.

(8) Expand the investment position in terms of value stocks with large-capitalization stocks that feature stable distribution of dividends and excellent liquidity as the investment core.

(9) Plan and adjust the amount of capital and asset allocation to improve return on capital.

4. Personal finance business:

(1) Carefully select new funds in custody and continue to introduce various types of domestic and international funds and debt that demonstrate excellent performance and meet clients' needs.

(2) Actively promote family inheritance trust, caring trust, employee welfare trust, and real estate trust, and to fulfill clients' trust needs and develop customized trust products.

(3) Use big data analytics technology and product preference models to filter potential clients for personal wealth management and target client lists for wealth management and insurance products, implement accurate marketing while launching marketing activities through digital platforms to penetrate client bases.

(4) Launch the Family Tree project to develop business opportunities in family wealth management and asset inheritance.

(5) All employees shall market and promote the investment of a fixed (unfixed) amount of funds through a regular savings plan to diversify client investment risks and expand the scale of financial assets.

(6) Establish the "Smart Wealth Management System" to provide customized investment portfolios and develop online wealth management clients and young people without investment experience.

(7) Continue to promote the LOHAS loan and increase customer stickiness through data analyses and filtering, along with services provided by AO.

(8) The new consumer finance service e-Loan is launched online to enhance the accuracy of value appraisals, strengthen the quality control of credit approval, and establish an automatic review mechanism for reviewing the qualifications for taking out loans to reduce operational risks.

(9) Issue a membership-based co-branded credit card on a large-scale to develop new client groups.

(10) Keep abreast of clients' needs and devise cross-unit cooperative promotion strategies with client labels and client life cycle.

5. Risk management business:

   (1) Digitalize crisis response written reports, which are transmitted and archived via the system to facilitate inquiries and management.

   (2) Optimize the credit approval management and continuously implement the reporting mechanism for contingencies through checking and notifications of the system.

   (3) Enhance the function of the collateral management system and strengthen the efficiency of the appraisal work and subsequent management.

   (4) Connect external production and economic databases to automatically update production and economic data in the credit analysis system, so as to improve operational efficiency.

   (5) Strengthen the implementation of strategies that suit local conditions and assist the business units in grasping the trends of key industries in the areas where the business units operate.

   (6) Implement risk and business development strategies to strengthen capital allocation and returns.

   (7) Optimize the corporate and consumer credit rating system and adjust the risk control operating procedures, so as to improve the efficiency of risk management.

   (8) Continue to develop expected shortfall models and stress test model to enhance credit risk measurement and the monitoring ability and technologies.

   (9) Implement the alert notification mechanism for clients with early warning sings to strengthen the clearance of monitored M0-M2 cases and prevent the occurrence of new cases.

   (10) Strengthen the management of the progress of collection and actively address old cases in order to collect payments and bad debts as soon as possible.

6. Digital banking and information business:

   (1) Strengthen mobile experience and increase the variety of applications of mobile payments.

   (2) Coordinate the facial recognition project, extending from the internal employee attendance system to the customer mobile app.

   (3) Piece together the picture of clients with data, so as to manage customer value, experience, and relationship management.

   (4) Provide personalized financial services and enrich community finance applications via LINE Business Connect.

   (5) Introduce the Intelligent Marketing Various Platform (IMVP) and a marketing activity management platform, so as to improve digital marketing

execution capabilities and effectiveness of marketing through marketing channels.

(6) Build a digital information platform through planning and establishing new core systems, micro-service structures, and pilot cloud platforms.

(7) Increase the function of lite apps and enhance the combination of design thinking and agile development, so as to optimize customer experience.

(8) Deepen the FinTech application, including artificial intelligence (AI), big data, blockchain, and biometrics.

(9) Strengthen information security protection and continue to promote the domestic browser isolation policy and endpoint detection and response system for advanced persistent threats (APT).

(10) Establish an information security risk management system to keep abreast of any information security and monitoring reports as well as follow up and address problems.

(11) Strengthen the e-mail social engineering simulation and exercises to enhance all colleagues' awareness of information security.

7. Administrative management business:

(1) Expand talent recruitment and advance recruitment channels and procedures, so as to strengthen the foundation of human resources.

(2) Help overseas branches expand and improve overseas personnel systems.

(3) Strengthen occupational safety management and enhance health promotion, so as to become an enterprise of happiness.

(4) Optimize the management of asset allocation and improve the Group’s resource efficiency.

(5) Implement environmental protection, focus on green finance, and demonstrate corporate responsibility.

(6) Strengthen employees' knowledge of laws and increase the awareness of laws when conducting various business activities.

(7) Engage in volunteering activities for local care, expand the influence with digital media, thereby enhancing the depth and breadth of charitable events and boosting the Bank's charitable image.

(8) Celebrate the 120th anniversary of the founding of the Bank and host a series of 120th anniversary celebration events to deepen the connection between our clients and the Bank.

8. Compliance and legal affairs:

(1) Arrange a liaison for compliance and anti-money laundering business consulting to assist with the review of internal regulations and explain relevant doubts.

(2) Establish the entire Bank's compliance risk management and supervision framework and conduct compliance risk assessment.

(3) Strengthen anti-money laundering and counter-terrorism financing-related control measures and comprehensive risk assessment procedures for money laundering and financing of terrorism.

(4) Assess the supervisors appointed to be in charge of anti-money laundering and counter-terrorism financing in domestic business units comprehensively.

(5) Enhance the implementation of compliance, strengthen the compliance self-assessment and deficiency improvement mechanisms, and, at the same time, reinforce the compliance culture and the legal literacy of clerks at the Bank.

Market Analysis

1. The main areas of the Bank's business operations

As of the end of 2018, there were a total of 188 domestic business units; in foreign countries, the Bank had 27 foreign branches, two offices, and one subsidiary bank (including its six branches). To meet clients' needs and satisfy Taiwanese companies' need for a full range of financial services, the Bank has entered international metropolises and financial and commercial centers, with operations in the four major continents, namely Asia, the Americas, Europe, and Oceania. In the future, the Bank will continue to expand the overseas markets with diversified business approaches and adopt the three major pillars for the overseas layout and development, namely "Greater China," "Southeast Asia" and "Europe, the Americas, Japan, and Australia," with the aim of building a dense global financial service network.

2. Future supply and demand of the market and its growth

(1) Supply side

The number of domestic banks is large and has been relatively saturated; the overall financial environment is still in a highly competitive situation. In recent years, the domestic market is in the low interest rate environment. With the competitions from non-bank competitors and internet banking where e-commerce is combined with online payment, it is not easy for bank loans to grow and increase in profitability. The Bank will strictly control credit approval risks, seek new markets to increase interest rate differential, and pay attention to exchange rate fluctuations and changes in the global political and economic situations. In addition, in response to the age of the digital finance era, in addition to strengthening employees' digital capabilities, the Bank will provide diversified digital devices to seize business opportunities in the e-commerce era, to actively launch cross-industry cooperation, and to break through the traditional banking service model.

(2) Demand side

In order to seize the growth opportunities in the Asian economy, the domestic financial industry actively develops business in the Asian markets with a balanced focus on business development and risk control; in addition to diversifying operational risks, the domestic banking industry seeks and seizes favorable cooperative investment opportunities, with the aim of developing into regional financial institutions in Asia. Furthermore, with the rise of the digitalization of finance, the demand for digital financial services for the general public has gradually increased. The domestic financial industry has actively promoted financial innovative services, and the Financial Supervisory Commission of R.O.C. has continued to adjust regulations, strengthen consumer protection, enhance information security, and increase financial information capabilities, while expanding the scope of online financial services and mobile payments, so as to create an environment conducive to the development of digital finance. Moreover, in response to the aging society with a low birth rate, banks have begun to launch the elderly care trust and commercial reverse mortgage, so as to provide senior citizens with financial security and meet their diversified needs.

3. Competitive niches, favorable and unfavorable factors for future development, response measures

Based on the spirit of stable operations and innovation seeking, the Bank continues to expand both the domestic and overseas markets and deepen the relationships with clients; the business performance that features risk control and profitability is obvious to behold. However, the international financial situation is constantly changing. In addition to consolidating the existing niche, the Bank actively cooperates with the government's "Five Plus Two Innovative Industry Plan" and "New Southbound Policy," and formulates relevant projects depending on the changes in the trends in various industries, to seize opportunities for future business development and meet the challenges that may be faced.

(1) Favorable factors

A. Century-old brand value and stable development of business philosophy

B. A close-knit network of domestic channels, in-depth local development, close relationships with clients

C. Complete layout of business spots in Europe, the U.S., and Greater China and leading role in the internationalization level in the financial industry

D. Actively development the Southeast Asian markets, linking the Asia Pacific financial services

E. Consolidate core corporate finance business to continue profitability

F. Provision of innovative services, such as cross-border supply chain, sales chain and value chain financing, which is widely recognized by the industry

G. Accelerate the transformation of virtual and physical channels and enhance development in social media

H. Integrate the resources of the Group and exert synergy of diversified business operations

I. Great asset quality and implement risk control mechanisms

J. A simple equity structure and stable management team

K. Focus on international financial professionals training to enhance the niche in international competition

(2) Unfavorable factors

A. Diminished function of financial intermediation with the rise of direct finance and the diversification of corporate financing channels

B. The number of domestic banks is large; small interest rate differentials sustain; price-cutting competition remains

C. The financial products and business provided by domestic banks are quite similar with insufficient innovative capabilities

D. The scale of domestic banks is far smaller than that of international banks

E. International political and economic turmoil has intensified the volatility in financial markets

(3) Countermeasures

A. Keep abreast of the latest macro-economic and industrial trends and propose countermeasures in a timely manner

B. Continue to internalize the thinking of integration, strengthen business process integration, and achieve stable operations through forward-looking transformation planning

C. Accelerate the transformation of virtual and physical channels, develop diversified smart services, and enhance data marketing and applications

D. Make good use of capital to create value, and strive to promote value-based business highlights to increase customer stickiness and build long-term relationships

E. Expand the operational scale in line with the government's "New Southbound Policy" and guide overseas branches to expand the business scope to move toward branches with full functions based on the philosophy of "diverse layout and local development"

F. Take stock of business personnel, accelerate the training of core competent succession teams, continue to promote the cultivation of international talents, and enhance the synergy of talent training

G. Practice corporate social responsibility and demonstrate the value of contribution to society by the financial service industry

Overview of Financial Product Research and Business Development

1. Scale and profit and loss of major financial products and business units added in the past two years

The following business units were established in the past two years: The "Anti-Money Laundering Department" was established under the "Compliance Division" in March 2017; the "Security Operation Management Department" and "Security Technology Control Department" were established under the "Digital Technology Security Division" in May 2017; in November 2017, the duties of and departments under the "Digital Banking Division" were adjusted and renamed, of which "Digital Application Department" was renamed "Digital Innovation & Application Department," and "Customer Marketing Department" was renamed "Data Analytics & Application Department," as well as "Emerging Technology Application Department" was established under the "Information Technology Division." Please refer to the relevant items in the financial performance for the business scale and profit and loss of the newly established departments and divisions. In March 2018, the "Legal Affairs Department" was separated from the "Compliance Division" and renamed "Legal Affairs Office" to enable compliance affairs to be separated from legal affairs. In addition, in line with business development needs, the "Loan Syndication Department" and "Cross-Border Marketing Department" under the "Corp. Banking Business Admin. Division" were renamed "Loan Syndication & Project Financing Department" and the "Conglomerate Marketing Department." Under the "Personal Banking Business Admin. Division," the "Personal Banking Development Department" was established, and the "Personal Banking Management Department" and the "Product Marketing Department" were renamed "Personal Banking Management Department" and "Marketing Planning Department," respectively. The original "Credit Approval Department of the Credit Approval Division" was divided into "Credit Approval Department 1" and "Credit Approval Department 2," which are responsible for the review of credit application cases of domestic branches and overseas branches (including OBU), respectively.

Please refer to the relevant items in the financial performance for the business scale and profit and loss of the newly established departments and divisions.

2. Research and development expenditure and achievements for the past two years

(1) Research and development expenditure for the past two years

The year of 2018: NT$10,902 thousand

The year of 2017: NT$11,662 thousand

(2) Important business research reports over the last two years

In addition to the purchase of electronic databases and professional books and magazines, the research and development expenditure included holding of a number of lectures, internal training courses related to the financial industry, and business research and development report competitions, as well as issuance of "Domestic and International Economic and Financial Trends Weekly," "Global Economic Weekly," and the "Global Production and Economic Information Weekly." The contents include monographs and a summary of important economic and financial information at home and abroad. In addition, research reports on the latest trends in domestic and international production and economies are provided on a regular and irregular basis.

(3) Future research and development plans

Increase the breadth and depth of the industry and economic analysis reports and the strength of business connections. By analyzing the changes in the economic climate and the interest rate and exchange rate dynamics in major countries in the world, along with the research on real-time information about domestic and international banks' financial supervision, industry, and economy, it shall analyze the domestic and international financial situations and trends in-depth. In addition, it shall integrate analyses of industrial trends, technology development, and industrial relations, timely grasp the major industrial development trend in the region, fully disclose information, such as business opportunities and risks, and provide important information to relevant business departments in a timely manner.

Long-term and Short-term Business Development Plans

1. For short-term business development plans, please refer to the business plan for the current year.
2. Long-term business development plans

(1) Expand international market presence

(2) Strengthen business integration and marketing

(3) Transition to digital services comprehensively

(4) Develop customer relations and values

(5) Improve cross-border operational platforms

(6) Enhance business innovation capabilities

(7) Excel in risk management, internal control, and internal auditing

(8) Optimize information security and put compliance first

(9) Enhance the value of the corporate brand

(10) Create an outstanding enterprise of happiness together

In-service Employees

Year		The year of 2017	The year of 2018	As of February 28, 2019
No. of employees	Clerk	6,925	7,139	7,165
	Janitor	201	190	188
	Local recruitment for overseas employment	368	379	382
	Total	7,494	7,708	7,735
Average age		43.22	42.67	42.66
Average Years of Service		18.7	17.57	17.14
Education distribution ratio (%)	Ph.D.	0.06	0.05	0.05
	Master's degree	19.44	19.95	20.16
	Bachelor's or Associate degree	70.91	71.73	71.36
	Senior high school degree	8.73	7.52	7.43
	Below senior high school	0.86	0.75	0.73
Title of professional certificates held by employees	Passed the Bank Internal Control and Internal Auditing tests	5,337	5,389	5,445
	Basic Foreign Exchange Personnel	1,807	1,848	1,882
	Basic Bank Lending Personnel	2,417	2,477	2,512
	The Stock Affair Specialist	683	709	717
	The Bond Specialist	285	285	285
	Basic Test on the FinTech Knowledge	1,403	1,747	1,913
	Investment Trust and Consulting Representative	1,192	1,208	1,214
	Investment Trust and Consulting Regulations	4,177	4,289	4,360
	Trust Representative	6,088	6,150	6,226
	Investment-orientated Insurance Product Representative	4,773	4,875	4,913
	Certification Test for Financial Derivatives Sales Personnel (including Structured Products Sales Personnel)	4,329	4,482	4,553
	Personal Insurance Representative	6,374	6,401	6,479
	Personal Insurance Broker	8	8	8
	Human Insurance Agent	17	17	17
	Sales of Non-investment Insurance Products in Foreign Currencies	4,994	5,097	5,140
	Property Insurance Representative	5,689	5,744	5,805
	The Securities Specialist	1,181	1,220	1,250
	The Senior Securities Specialist	1,601	1,599	1,604
	The Securities Investment Analyst	235	234	236

Year		The year of 2017	The year of 2018	As of February 28, 2019
Title of professional certificates held by employees	Representative of Securities Firms Handling Margin Purchases and Short Sales of Securities	11	11	11
	The Futures Specialist	1,292	1,288	1,296
	The Futures Commission Merchant Specialist	0	0	0
	The Futures Trading Analyst	15	15	15
	Financial Risk Manager (FRM)	92	91	95
	AML/CFT Professional Personnel	0	304	337
	Certified Anti-Money Laundering Specialist	32	1,291	1,417
	Financial Planner	1,837	1,818	1,825
	Certified Financial Planner (CFP)	14	15	15
	Chartered Financial Analyst (CFA) (Level 1)	8	8	8
	Chartered Financial Analyst (CFA) (Level 2)	2	0	1
	Chartered Financial Analyst (CFA) (Level 3)	9	8	8
	Certified Internal Auditor	7	7	7
	Certified Information Systems Auditor	5	5	5
	Attorney	12	21	21
	Certified Public Accountant	18	17	17
	Life Insurance Management Institute of the Republic of China - Assessor Certification	2	1	1
	Life Insurance Management Institute of the Republic of China - Claim Adjuster Certification	2	1	1
Employee training	Internal training	25,238 persons	28,790 persons	2,775 persons
	External training	7,002 persons	6,904 persons	113 persons
	Overseas workshop	32 persons	41 persons	0 persons

Note: 1. The personnel and ratios listed in this table do not contain any personnel dispatched by other entities on a temporary term.

2. The number of personnel dispatched by other entities on a temporary term in the years of 2017 and 2018, and as of February 28, 2019 of this year are 56, 58, and 58, respectively.

Corporate Responsibility and Ethical Behavior

To fulfill its corporate responsibility to the society, the Bank has taken the initiative to participate in charitable activities in 2018:

1. Participated in the "2018 Taiwan Lantern Festival" organized by the Chiayi County Government in February, which attracted 10.068 million tourists from home and abroad and received international and domestic media coverage.
2. Participated in the "2018 Taipei Lantern Festival" organized by the Taipei City Government in February, which attracted 3.5 million tourists from home and abroad. Of the activities, the ten-thousand-people lighting ceremony and parade combined traditional customs, local and street culture, and theater art; the diverse activities brought people great joy during the Lunar New Year.
3. Made a donation to the "Financial Services Education Fund" in March to provide disadvantaged students with actual benefits to help them complete the education and to participate in financial education courses organized by training institutions to help them improve their family financial conditions.
4. The First Financial Group and the Ministry of Finance co-hosted the "Uniform Invoice Cup Road Running Race (Taitung)" in April to motivate the public to exercise while soliciting donation of uniform invoices (receipts) to charitable groups. This event has received a donation of approximately 330,000 receipts, of which 150,000 were collected by the Group. The Group also called on its employees and clients to participate, and nearly 3,000 people participated in the race. It is hoped that with the influence of enterprises, the enthusiasm of all walks of life will be aroused to enable the benefits of charitable activities to spread to all corners of society.
5. Assisted banana farmers to relieve the downward price pressure in June. The Bank purchased 36 metric tons of bananas (about 2,400 carts) from banana farmers in the Cishan District and Meinong District, Kaohsiung in the spirit of local care and gave the fresh bananas to its clients and employees in the Group, helping banana farmers to alleviate the problem of excessive harvest, supporting Taiwan's agricultural development, and contributing its own share to society.
6. Made a donation to help victims in the Southern Taiwan Flood for the reconstruction of their homes to fulfill its corporate social responsibility in September.
7. The "Love and FUN First Green Life" carnival was held in the "Daan Park," the lung of the city, in which the "Colorful and Happy Tunnel," "Green Box Container Market," and "Green Life Grass Concert" were arranged. There were also "Renewable DIY" for people to tap into their creative ideas, "The First Bank Creative COSER Competition," "Graffiti Installation Art," as well as "Digital Financial Experience" that incorporated interactive technology and financial knowledge education, and "Environmental Challenge Game;" through the three major aspects of life, social community, and technology, the concept of green life was incorporated. This event attracted more than 10,000

participants, which in turn help the Bank create a green financial brand image with practical actions.

8. Participated the "2018 Financial Services Charity Carnival" organized by the Taiwan Financial Services Roundtable (May 26 in Keelung and October 13 in Taoyuan), in which the First Bank, First Securities, and First Securities Investment Trust Co. jointly planned and set up the stalls for interacting with the public, in the hope of arousing people’s attention to financial knowledge and care for the socially disadvantaged groups, while highlighting the positive charitable image of the financial services industry and the fulfillment of the corporate social responsibility.
9. Organized hikes for employees in December in response to the celebration of the anniversary of the Bank and set up environmental booths for the hikes in Taipei and Kaohsiung to encourage the colleagues to prepare their own water bottles and donate discarded batteries or CDs, which was well-received by them. On the day of the hikes, 150.5 kilograms of discarded batteries and 17 kilograms of discarded CDs were collected; the colleagues and their families all responded to the environmental protection concept with practical actions.
10. In December, the price of cabbage decreased; the Bank understood farmers' hard work and was willing to take care of their livelihoods. Through the "Guarantee Responsibility Fruit and Vegetable Cooperative Joint Association of R.O.C.", 100 metric tons of cabbage was purchased. In addition to supporting the farmers, the cabbage was given to 72 social welfare units nationwide, benefiting nearly 4,000 people. At the same time, it also gave it to clients who visited the Bank and all employees of the Group as a gift, so as to help farmers alleviate the problem of excessive harvest, support domestic quality agriculture with practical actions and make a contribution to society.

The First Education Foundation established by the Bank with donations is committed to promoting charitable and art activities and enhancing the quality of citizens' life. Various charitable and art activities were held in 2018:

1. In order to continue to enhance local art, support local artists, promote the beauty of art, and integrate it into life, Taiwanese famous artists were invited to exhibit their works every month. An exhibition was held monthly in the First Art Space at the head office of the First Bank with a total of 12 exhibitions: "Exploration of Form and Color—A-Shui Chan's Creation Exhibition" in January, "Master Yang-Chun Chen and Watercolor Art Hwa-yang Award—Award-winning Works Exhibition" in February, "Paintings and Humanities—Kai Wang Creation Exhibition" in March, "Sheve-Jen Tsay Classic Tour Solo Exhibition" in April, "Throughout the Ancient and Modern Times—Hung-Hsueh Cheng's Water–ink Painting Exhibition" in May, "Affection for Taiwan—Nien-Fa Yang Solo Exhibition" in June, "Brightness and Color—Wen-Hsiung Tsai Abstract Art Exhibition" in July, "At Ease—Yu-Hui Lu Creation Exhibition" in August, "Simple Art- Chu Hsu Creation Exhibition" in September, "The Course of Watercolor Painting—Nai-Chieh Fan Watercolor Creative Process Exhibition" in October, "First Bank 120 Anniversary Staff Photography

Exhibition" in November, and "The Freedom of Light— Mu-Chen Su Watercolor Painting Exhibition" in December. The exhibitions attracted about 12,000 visitors in total.

2. In January, to celebrate the Year of the Dog and let people replace their old spring couplets, "Free Spring Couplets to Celebrate the Year of the Dog" was held before the Lunar New Year. Famous calligraphers were invited to wield their brushes to give spring couplets away, in addition to the continued event outside the head office of the First Bank, it was held simultaneously at the Zhongshan Branch, Taoyuan Branch, Hsinchu Branch, Taichung Branch, Chiayi Branch, Tainan Branch, Kaohsiung Branch, and Hualien Branch.
3. Launched the "Care for the Disadvantaged Children Implementation Plan" in March; adopted three primary schools and went deep into the schoolyard to improve academically low-achieving children's learning effect through remedial teaching, talent and academic support courses, and establish their correct values and good attitude for life.
4. Launched "First Humanities Education Train" and held five lectures under the theme of "Love and Care for Life Education Lecture—See a Different Life;" Life Fighter Boy with Wings — Cheng-Wei Lin (physically disabled), Rising Impression Star—Che-Jui Chang (visually impaired), Inaudible Singer—Wisi Wei-Chi Hung (with hearing impediment), and Meimen baby knights were invited to the schools adopted on May 17, June 7, June 11, December 20, and December 22, respectively to share how they faced life in a positive way with students how to face life with optimism and let them experience the life of people with disabilities, enabling the children to experience the inconvenience of people with disabilities and in turn cherish themselves, so as to stimulate their empathy for others. A total of 1,131 people participated in the events.
5. Each year, a charitable concert that combines symphony and pop music is held in north, central, and southern Taiwan, respectively, where the public and charitable groups will be invited. On March 16, "Golden Symphony Night - Music of Spring" was held at the Taipei International Convention Center; a total of 100 people from the "Taiwan Foundation for the Blind," "Sunshine Social Welfare Foundation," and "Parents' Association for the Visually Impaired" participated through the invitation by First Bank volunteers. On June 22, "Golden Symphony Night - Music of Summer" was held at National Chung Hsing University; a total of 100 people from the "Huei Ming Nursing Home for the Blind," and "Tsu-Hsin Children’s Home," "Children and Youth Residential Placement Institution Under the Ministry of Health and Welfare," and "Joy Nursery School" participated through the invitation by the First Bank volunteers in the central area. On November 30, "Golden Symphony Night - Music of Winter" was held at the Eda Royal Theater; a total of 60 people from the "Kaohsiung Visually Impaired Care Development Association" and "Kaohsiung City Cerebral Palsy Association" participated through the invitation by the First Bank volunteers in the southern area. It was hoped that through this kind of event, the disadvantaged groups could enjoy high-quality music,

and that our country's citizens could have their music appreciation cultivated by promoting arts and cultural events. A total of three concerts were held, and more than 8,800 people participated.

6. To encourage the disadvantaged groups and the patients to be optimistic and have a positive attitude towards life, the Bank held a series of "Love and Care" events (six in total) at the National Taiwan University Hospital every two months and provided a platform for friends with physical disabilities, to benefit more patients and encourage friends with physical and mental disabilities, as well as deliver the positive energy to patients and the public. The events were warm and touching, namely "Deliver Positive Energy in the Year of the Dog; Birds and Water Dance to Welcome the New Year" held on February 8, "Fu-Shan Students Sing to Celebrate the Gathering" held on March 28, "Angels Dance to Celebrate the Dragon Boat Festival" held on June 13, "Energetic Angels Send Love to Daddy" held on August 8, "The Blind Play Piano to Celebrate the Moon Festival" held on September 19, and "Dance to Celebrate Christmas."
7. To promote the concept of national health, three seminars on "Cycles—Perfect Scores for Health" were held on January 30, February 2, and February 7, respectively; three seminars on "LOHAS—Spine Health" were held on April 13, July 5, and July 6; The events were well received and venues were packed, attracting a total of approximately 1,400 clients and employees. It was hoped that through continuous and regular seminars on health, everyone would have the correct knowledge about health to maintain their own physical and psychological health.
8. In cooperation with a quality medical team, the Bank delivered medical care in rural areas and held three events with a total of 1,231 participants: On May 26 and July 14, the Bank worked with Mennonite Christian Hospital and held the "First Bank and Mennonite Spread Love in Hualien" to offer free medical services in Wanrung Township. On August 11, the Bank worked with the medical team of the Taipei Medical University and held "First Bank and TMU Spread Love in Penghu" to offer free medical services in Husi Township of Penghu County where disease screening and medical services were offered for free, allowing the residents to detect diseases and have early treatment, have their knowledge about healthcare enhanced, and in turn have good health, while the Bank fulfilled its corporate social responsibility and took care of the health of the public.
9. Participated in the "Charity Concert for Those Who Suffer" on September 15 and organized by the Taipei Kuanyin-Line Psychological and Social Service Association to promote the physical and psychological health of the country and the harmony of the society.
10. Donated 0.1% of the First Bank's Glory Card cashback for 2017 to support the education, school lunch, and remedial classes for disadvantaged students in rural areas and help 237 economically disadvantaged students or students whose family suffered from unforeseen incidents to allow them

to go to school without interruption; the donation was in the amount of NT$302,657.

The Bank has established a volunteer service team since 2011; in the six major service areas, namely North 1, North 2, Taochumiao (Taoyuan, Hsinchu, and Miaoli), Chungchangtou (Taichung, Changhua, and Nantou), Yunchianan (Yunlin, Chiayi, and Tainan), and Kaoping (Kaohsiung and Pingtung), every month, volunteers were sent on the ground to provide supplies to organizations for the disadvantaged and in rural areas, to show care to people; in addition, based on the concept of environmental sustainability and environmental friendliness, the Bank was dedicated to the neighborhoods, famous scenic spots, and organic farming to contribute its share to the environment. In 2018, 43 volunteer care events were held with 871 participating volunteers and 2,991 beneficiaries; 45 volunteer green events were held with 1,510 participating volunteers and 4,950 beneficiaries. The traces of their love were all over Taiwan wit the aim of inspiring others and motivating the public to follow suit, to enable the society to be filled with positive energy and love.

1. Care and Love

(1) Organized volunteer activities every month to donate supplies and equipment and clean the environment in organizations for the disadvantaged, including homes for children's and the elderly; meanwhile, the elderly and the disadvantaged groups were accompanied through festive activities where Financial 101 and fun games were held to allow the elderly and the disadvantaged groups to experience care and have unforgettable holiday memories; a total of 36 activities were held with 796 participating volunteers and about 2,458 beneficiaries in total.

(2) Art in the countryside

A. Held the "Children's Handmade Soap of Hope" handmade soap DIY experience activity at the Chen-Chi-Hsiang Social Service Association on March 17. The volunteers and the children worked together to complete pieces of beautiful handmade soap and natural mosquito repellent "lithospermum Ointment." In the process, not only children's self-confidence was enhanced, but also the nearly 25 disadvantaged children in Nanjichang, Taipei celebrated warm and meaningful Children's Day in advance; a total of 19 volunteers participated.

B. Invited artist Yu-Hui Lu to the Chung-Cheng Primary School in the Xindian District on October 21 to guide the students adopted by the Bank to color and rub print on environmental bags; volunteers assisted in collecting plants for rubbing and accompanied 60 disadvantaged students of the Chung-Cheng Primary School for the artistic creation; this has conveyed an idea that art could be made with materials around us and show the simple beauty of life; a total of 15 volunteers participated.

(3) Sponsored 100 food vouchers for the 84th Anniversary Fair of the Happy

Mount Colony on April 14; sponsored 150 food vouchers for the Parent-Child Fair of the Eden Social Welfare Foundation on April 21, making the events more perfect.

(4) Sponsored the budget 18 new team uniforms for the hockey team of the Lingyun Junior High School in Taoyuan on May 17 and helped the team to participate a competition in the United States to realize their dream and win glory for the country, while allowing the children in rural areas to fully devote themselves to training and the competition without any worries. It was hoped that the players could shine in the domestic and international events, give back to society, pass their sports experience down to next generations, and continue the cycle of love in the future.

(5) The First Bank volunteer group went to Laos for the first time on October 18 and 19 and visited the local institutions for people with intellectual disabilities and primary schools in rural areas with colleagues in the Vientiane branch to provide supplies to help the institutions for the disadvantaged to grow vegetables, so as to earn income and improve their lives, while teaching children how to use pigments and screen printing, to enable children to experience the joy of making things by hand. At the same time, basic hygiene concepts, such as teeth cleaning and hand washing, were promoted, which benefited more than 200 disadvantaged children; 18 volunteers participated.

2. Green Care

(1) The First Loves the Earth: The First Bank volunteers teamed up with the disadvantaged children to learn about organic vegetables, cultivated seedlings, purchased 3,700 catties (equals to 2,220 kilograms) of organic vegetables, and taught green volunteers how to grow organic sprouts, dye fabric organically, and make organic mosquito repellents, to put green living into practice. A total of 35 events were completed with 1,328 participating volunteers and approximately 3,984 beneficiaries.

(2) The First Green Academy Promotion of environmental education

A. In response to the Arbor Day, green volunteers held three "Plant Trees to Send Love" activities, in which about 2,600 seedlings were planted, which was expected to reduce carbon emissions by 26 metric tons. Through the green life education, the concept of environmental protection was promoted; a total of 91 volunteers participated and 273 people benefited from the activities.

B. "Green Finance Experience Camp" was organized at the Wanhua Branch on July 2, in which three major activities were held, namely "Green Organic DIY," "Environmental Education," and "Financial 101," to help develop the habit of wealth management and saving through fun and educational games and interactions, while guiding children to guard the environment from an early age. In order to care for local disadvantaged children, in addition to Grade 3-6 students, children from the Nanjichang Lohas in the Zhongzheng District of Taipei City were invited to have fun together; a total of 11 volunteers and 54 children participated.

C. Green volunteers participated in the water environment patrol program "Strolling in Xikou" on August 11, which were cultural and historical tour guide and river cleaning activities launched by the Department of Environmental Protection of the Taipei City Government; through the water environment culture and history and ecological experience activities, the Bank's volunteers' recognition of water environment protection would be enhanced to show care toward environmental sustainability with practical actions; a total of 18 of volunteers participated.

D. Invited Yin-Shui Wu and two volunteers from the Association of Taiwan Indigo Dyeing Society to share the beauty of Taiwan's national parks with 250 students at the Chung-Cheng Primary School in the Xindian District on December 20. The aim of the event was to make the students fall in love with nature, develop their passion for stepping outside and embracing nature, cultivate them to become young ecological conservationists.

E. On December 22, the Bank invited the Bank's clerk Shu-Kun Ku as a lecturer in wetland seeds and two volunteers to share the importance of conserving the wetland with 251 students at the Erh-Chung Primary School in Sanchong District, New Taipei City, to enable children to become young wetland conservationists.

(3) The Living Green and Light Program:

The First Education Foundation donated the 0.2% of the cashback of the debit payments of the First Bank's Living Green card in 2017 for the replacement of 256 sets of LED lights at Dann Center for Individuals with Development Disabilities, and worked with the clients such as Energyled Corporation and Central Area Technology Engineering Corp. in different industries to donate lights and assist with the replacement. It was estimated that nearly 30,000 kWh of electricity and 16.62 metric tons of carbon emissions could be saved a year (NT$120,000 would be saved for the electricity cost), benefiting 138 people and giving social welfare organizations long-term benefits, while creating a low-carbon homeland; 23 volunteers in total were involved.

(4) "Safeguard the coastal beach:" To realize environmental sustainability, green volunteers headed for the Ciding beach in Zhunan Township for a beach cleanup on April 22. They collected 5,000 kilograms of garbage, including fishery waste, general waste, and marine driftwood, and demonstrated their determination to protect the environment with actions; 34 volunteers in total participated.

To fulfill the corporate social responsibility and the responsibility for employee's healthcare, the Bank particularly entrusted the Bank's on-site physicians to organize on-site health services and health seminars every month.

In order to prevent employees from violating the ethical standards and tarnishing the image of the Bank, the Bank not only strengthened the assessment of employee character review but also established an abnormal sign report and counseling and tracking management mechanism to implement employee care management and understand their work, physical and psychological, as well as financial conditions. Employee behavior was regulated strictly; should any violation of ethics arise, it would be handled in accordance with regulations.

Number of Non-managerial Employees, the Annual Average Employee Benefit Expense, and Comparison with the Previous Year

Unit: NT$

Salaries, benefits, and pension (Note)	The year of 2017	The year of 2018	Growth Rate (%)
Benefit expenses for non-managerial employees	7,687,748,852	9,004,385,984	17.1
Number of non-managerial employees (persons)	6,060	6,284	3.7
Annual average benefit expense for non-managerial employees	1,268,605	1,432,906	13.0

Note: Benefits include salaries, labor and national health insurance, pension, bonuses, and employee consideration.

Information Equipment

Hardware and software of information systems and maintenance plan

(Information Technology Division)

In response to the trend of technological development, the Bank actively imported the "server virtualization" framework with cloud computing technology and integrated the distributed server framework; various business systems, online banking, automated service system, and management information system were established on the Bank's shared server platform; in addition to saving the hardware equipment, personnel management, and electricity costs effectively, the Bank also paid attention to new technology trends and monitored and maintained software and hardware of information equipment centrally to ensure normal operations of the systems.

Future development or procurement plan for hardware and software of information systems

Developed new systems and improve the existing ones in line with the Bank's business strategy development to strengthen the customer services and provide operational management information. The planned development strategies for information systems for the year of 2019 are: (1) the development of a digital information platform, (2) optimization of customer experience, (3) advancing the application of FinTech, (4) strengthening compliance and risk control and assisting business development, and (5) improving the information foundation; all important projects were detailed and executed as planned.

Emergency backup and security protection measures

1. The Bank has established a remote backup center at one place in Taichung and adopted a real-time backup model, that is all information at the major center was transmitted to the backup center via an exclusive optical fiber cable in real-time and the data at the backup center were updated accordingly. When a disaster occurred, the Internet system would be switched, and the system at the backup center would be active and provide services.
2. The Bank adopted central control management of personal computers to control the use and safety of the Bank's personal computers.
3. The Bank obtained ISO 27001 and ISO 20000 certification at the same time in the field of information governance as the first bank in Taiwan that had both ISO 27001 and ISO 20000 certification, and the Bank continued to pass the renewal review to maintain the validity of the certification.
4. The Bank has established various safety protection measures and information security monitoring systems to comprehensively protect the security of the host system, the internet, and electronic transaction systems, such as online banking.

Labor Management Relations

Employee benefit measures

1. The Bank has established the Employee Welfare Committee, which is composed of 15 members in accordance with the Donation Charter and Organization Regulations of the Employee Welfare Committee. The main sources of the welfare fund were 0.15% of the Bank's operating revenue and 0.5% of the employee's salaries every month. This welfare fund allowed all employees to share benefits in a fair and universal manner, and how it was used is as follows:
   (1) Each unit would hold its own cultural and recreational activities in each quarter, and the Employee Welfare Committee would subsidize the activities.
   (2) Organized employee birthday celebration events.
   (3) Accepted applications for educational scholarships for employees' children.
   (4) Gifts to retired employees.
   (5) Set up a medical room to provide employees with health counseling services.
   (6) Handled interest-free loans for hospitalization for employees' families, interest-free loans for funeral expenses for employees' families, and death benefits for employees.
   (7) Offered subsidies according to each sport and recreational activity organized by the Banks' Sports and Recreation Association.
   (8) A restaurant, a laundry, a hairdressing room, and a supply unit have been established that provided general daily necessities to enable employees to enjoy cheap services.

2. Marriage subsidy and childbirth allowance.
3. Conducted labor insurance and National Health Insurance in accordance with regulations.
4. Employees' on-the-job training.
5. Employee health checkup (once every two years).
6. Holiday travel subsidies.
7. Catastrophic illness and disaster care.

Retirement system and implementation status

The Bank's employees shall retire in accordance with the relevant provisions of the Labor Standards Act and the Labor Pension Act.

Protection measures for employees' rights and interests

1. Health checkups
   (1) The Bank provided regular health checkups that were superior to the laws. High-level supervisors could have two days of official leaves a year for health checkup in the hospital. Deputy supervisors and below who were dispatched overseas could have one day of official leave a year for health checkup in the local hospital or hospital in Taiwan. The health checkup fee would also be subsidized within the budget. As for the remaining employees, cooperative hospital team would be arranged every two years to conduct health checkup at each unit and would inform employees with abnormal signs for re-examination in the hospital. At the same time, employees' families could sign up for the health checkup with a preferential price, in order to achieve the purpose of preventive health care, early detection, and early treatment. In addition, employees who needed to work night shifts could have health checkups once every year.
   (2) To actively fulfill corporate social responsibility, implement employee care, and carry out the "Low-radiation-dose lung CT Scan" for employees, so as to detect lung cancer early and treat it promptly.
2. Employee Health Care
   (1) Set up a section dedicated to health on the internal website and also recruited nurses. As for employees' serious diseases and top 10 abnormal items in health checkup, health care information and health counseling services were provided randomly, health seminars and health promotion activities were held, and professional medical rooms with sphygmomanometers were set up as a site for emergency medical care and rest for colleagues. In addition, when the Board of (Executive) Directors were convened, there were nursing staff to provide blood pressure testing services regularly, reminding the management to pay attention to health.
   (2) Entrusted the Bank's on-site physicians to provide on-site health services every Monday or Wednesday; professional medical consultations could be provided during work hours to understand employees' health and check if there were any signs. Telephone calls would be made to employees at high risk of cardiovascular diseases, and improvement measures would be carried out, including follow-up and health guidance.

(3) To reduce employees and customers' personal risks, automated external defibrillators (AEDs) were set up at the headquarters building and business units; 29 AEDs were set up in 2018.

(4) Continued to implement the "Abnormal Workload-Induced Disease Prevention Program" to screen the employees who met the conditions of "working in shifts, working night shifts, working long time" every month, assess the employees' risk levels, and entrust the Bank's on-site physicians to provide health guidance to the employees at high risk.

(5) Continued to implement the "Ergonomics Hazard Prevention Program;" through the "Employees' Perceived Musculoskeletal Symptoms Questionnaire," the employees with suspected hazards were identified, and a tracking list was established for the aforementioned employees. The Bank's on-site physicians were entrusted to call them to understand the cause of the symptoms and offer appropriate suggestions for improvement on the phone, and then, a follow-up would be conducted for the improving situation every four months to stay updated with the effectiveness of improvement.

(6) Developed the propaganda materials for the "Prevention Program for Illegal Violence, Aggression and Bullying at Work," which were placed on the Bank's internal website for the occupational health and safety supervisor at each unit to include in the "Occupational Safety and Health On-the-job Training" classes.

(7) Continued to implement the "Maternal Health Protection Program" to provide physical and psychological care to female employees during pregnancy or within one year after childbirth. Employees, their immediate supervisors, and unit supervisors were asked to fill out the "Employee Health Risk During Pregnancy Assessment Form" or "Employee Health Risk After Childbirth Assessment Form," to conduct risk assessment, hazard control, risk communication, and work adjustment regarding their jobs, so as to achieve the purpose of maintaining maternal health. Then, the Bank's on-site physicians and nursing staff would continue to provide health guidance and implement health protection measures and remind the employees about what to pay attention to during pregnancy and after childbirth, while informing them about relevant maternity subsidies and allowance.

(8) To maintain employees' health, the Bank invited the Zhongzheng District Health Center and Datong District Health Center of the Department of Health of the Taipei City Government to the headquarters building and Information Building to provide free cancer screening services and influenza vaccination.

3. Care for serious illness

(1) Established a care mechanism for serious illness; in addition to granting consolation payments to employees suffering from serious illness, the Bank set up the "Warm Family Union" and donated relevant books to continue to provide care to them and encourage them to support each other and share their medical experience. Full-time registered professional nurses would make phone calls to provide care on an irregular basis.

(2) To provide care and assistance to employees, the Bank continued to assist in providing employees suffering from serious illness with psychological counseling services; employees could go to the hospitals that passed the accreditation or the ones with which the Bank has signed a contract for counseling. They could reimburse the fee with a receipt (up to twice per person per year and up to NT$2,000 each time).

4. Promotion of work-family balance

To help employees achieve a balance between work and family, the Bank provided support for its employees and their families, the breastfeeding rooms set up at the headquarters building were awarded the Excellence Breastfeeding Room Certification of the Department of Health of the Taipei City Government in 2017. In addition, breastfeeding rooms were also set up at the Credit Card Division in the Zhongshan Building, Bade Building, and Information Building for employees to use. They were awarded the Excellence Breastfeeding Room Certification of the Department of Health of the Taipei City Government in 2018.

Implementation status of protection measures for employee work environment and personal safety

1. Implementation of occupational safety and health related business and education and training

To maintain employees' safety and health, the Bank implemented occupational safety and health management work and established the "Occupational Safety and Health Management Program" to specify the implementation methods of various management measures. Also, "Safety and Health Work Rules," which were submitted to the competent authority for approval; all employees shall comply with the Rules and maintain workplace safety. In addition, in accordance with the "Occupational Safety and Health Education and Training Rules," safety and health education and training were provided to new and in-service employees to raise their awareness of occupational safety and health, so as to create a zero-hazard workplace.

2. Regular implementation of safety maintenance and disaster prevention exercises

(1) In accordance with the regulations of the competent authority and self-developed "Guidelines on Safety Maintenance" and "Enforcement Rules of Employee Self-Defense Training," each business unit of the Bank shall hold employee self-defense training once every six months, which is divided into two parts: demonstration exercises and self-exercises. The demonstration exercises are carried out by 22 business units in their area. The demonstration exercises are observed and evaluated by representatives from each unit in a given area. The self-exercises shall be conducted within one month after the observation of the demonstration exercises on a date selected by each unit or in the month specified in the annual plan. After the end of the year, the top six units in the evaluation will be rewarded.

(2) The headquarters building of the First Financial Holding has set up a security corp and the standard operating procedures for emergency

response. The security corp was composed of a director served by the Executive; deputy directors served by the supervisors from Human Resource Division and General Affairs Division, an executive secretary, an officer; under the corp, there was the control center divided into the firefight team, engineering team, prevention team, supply team, and rescue team. In the case of any incident, necessary contingency measures could be taken to ensure the safety of the employees and property of the headquarters building of the First Financial Holding. In 2018, two fire lectures and exercises and one session of security corp annual training were held.

3. Promotion of friendly workplace

(1) The Bank was committed to promoting tobacco hazard prevention and control and health promotion in the workplace and actively implemented the occupational smoke-free and health promotion measures to establish a good healthy work environment; the headquarters building was awarded the Badge of Accredited Healthy Workplace for Health Promotion by the Health Promotion Administration of the Ministry of Health and Welfare. Also, in 2018, the headquarters building was awarded the extended Badge of Accredited Healthy Workplace for Health Promotion (from January 1, 2019 through December 31, 2021); moreover, the Zhongshan Building for the Credit Card Division, Bade Building, and Information Building were the Badge of Accredited Healthy Workplace for Health Activation, respectively (from January 1, 2019 through December 31, 2021).

(2) To establish a friendly workplace and provide employees with sexual harassment-free work environment, the Bank has established the "Directions Governing Sexual Harassment Prevention and Complaints and Investigation" and set up a sexual harassment report line, fax, and email with dedicated personnel. In addition, the sexual harassment prevention and management procedures were incorporated into the new employee training or law education and training courses. Supervisors' knowledge of sexual harassment prevention and management was strengthened in training classes for supervisors. Furthermore, personnel in charge of sexual harassment cases were assigned to participate in relevant lectures and external training on a regular bases to enhance their expertise and investigation skills. Moreover, the Bank has set up the "Sexual Harassment Complaint Processing Committee" composed of nine members; the proportion of female members was more than a half of the total. Each term was two years, members could be re-appointed after the term expired. The members were served by employees who had practical experience in sexual harassment from the professional backgrounds of law, social (science), and human resources; investigation would be conducted within 7 days after a complaint was received. After an investigation report was submitted to the Committee for review, the case would be closed within two months.

Agreements between labor and management

To demonstrate the belief of mutual trust and co-prosperity between labor and management, the Bank has completed signing the collective agreement with the union on August 27, 2015 for the third time, to provide conditions superior to what was specified in the labor laws, including pregnancy leave, breastfeeding right, and child care.

The losses due to labor disputes in the most recent year as of the date of the publication of the annual report

1. Labor inspection results: Violation of the Labor Standards Act and losses

Company	Authority Issuing Punishment	Punishment Date	Punishment Official Letter No.	Item of Violation	Provisions Violated	Content of Violation	Content of Punishment
First Bank	Taoyuan City Government	April 12, 2018	Taoyuan City Government Official Letter Lao-Jian No. 1070081690	It claimed that the Bank paid the personnel who worked in shifts to open and close the door an attendance fee, which led to little overtime pay.	Paragraph 1 of Article 24 of the Labor Standards Act	The personnel with extended working hours failed to received overtime pay as required (the personnel on duty only received the attendance fee without any overtime pay).	Received a penalty of NT$20,000

2. Current and future potential estimated amount and response measures

   The Bank has sent an official letter to each unit on May 4, 2018, stating that the personnel on duty who opened and closed the door at each unit shall be paid overtime pay. This policy has been reiterated at various meetings and in various official letters; each department has implemented this policy as required.

Important Contracts

None.

Types of Asset Securitization Products and Relevant Information Approved after Application in the Most Current Year, in Accordance with the Financial Asset Securitization Act or the Clauses of the Real Estate Securitization Act

None.

Corporate Governance

Item	Yes/ No	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
A. Ownership Structure and Shareholders' Equity			
1. Does the bank develop and implement internal operating procedure to handle shareholder's suggestions, doubts, disputes and lawsuits? 2. Is the bank the major shareholder of controlling stake in the bank? 3. Has the bank developed risk assessment and firewalls established against the operations with the affiliates?	No. Yes. Yes.	1. The Bank's sole shareholder is First Financial Holding Co.; no shareholder's suggestions, doubts, disputes and lawsuits. 2. The Bank is owned by a single shareholder, the structure is quite simple. 3. The subject matters are governed by the "Rule for Personnel, Information and Business Exchanges between First Commercial Bank and its Investee Companies." and "Rules for Long Term Equity Investment of First Commercial Bank and Subsidiary Management"	no deficiency no deficiency no deficiency
B. Organization and Responsibilities of the Board of Directors			
1. Apart from establishing remuneration committee and audit committee according to law, has the bank voluntarily established other committees with similar function? 2. Does the bank evaluate the independence of the CPAs periodically?	No. Yes.	1. The Bank's sole shareholder is First Financial Holding Co., which has set up "Ethical Management Committee", "Remuneration Committee" and "Audit Committee". Under the supervision of the board, the Bank has set up "Risk Management Committee", "Business Decisions Committee", "Asset & Liability Management Committee" and "Personnel Evaluation Committee". 2. When the Bank employs CPAs to audit financial condition and tax filing each year, it will seek independent statement from the auditor and submits the commissioning of the auditor to the Board of Directors for approval.	no deficiency no deficiency
C. Does the bank established communications with Interested Parties?	Yes.		
		1. To provide open communication with interested parties, the website of the Bank's parent company, First Financial Holding Co., has set up grievance hotlines and email addresses for employees, investors, clients of the parent company and other subsidiaries under "Stakeholder Communication" sector, and opinion questionnaire for clients, employees, investors, nonprofit organizations, communities, media, financial counterparts, government departments, suppliers, research institutes under "CSR-CSR Report" sector.	no deficiency

Item	Yes/ No	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
		2. According to "Spokesperson System & Procedure Management Method of First Commercial Bank", the Bank has established a spokesperson system, customer feedback hotline and email, and set up a customer service board, VoIP phone and text customer service on its external website along with its branch networks, providing for open communication with the interested parties. The Bank has also established "The Consumer Protection Principles and Implementation Guidelines for First Commercial Bank" to protect the interests of customers.	no deficiency
		3. The Bank's internal website contains a discussion forum and bank-wide videoconferences are held regularly, providing for open communication with employees, along with the sexual harassment grievance system.	no deficiency
		4. According to article 32 of "Labor Inspection Act", the Bank has issued "Labor Grievance Statement", which declared the agencies, persons, scope, format and the procedure of handling labor grievance. Once the Bank violates "Labor Standards Act", "Labor Insurance Act", "Labor Inspection Act" and "Employee Service Act", employees may raise a grievance to supervisors of any branch networks and administrative departments of the Bank, labor competent authorities under county or municipal government and labor inspection authorities according to legal procedure and format.	no deficiency
D. Disclosure of Information			
1. Does the bank set up a website to disclose financial information and corporate governance?	Yes.	1. Annual Report, major financial statements and corporate governance are publicized on the Bank's website.	no deficiency
2. Does the bank use other methods?	Yes.	2. The Bank has set up an English website, where Annual Report and monthly financial information, etc. are available. A spokesperson system has also been established; Mr. Chao-Chung Chou, EVP is appointed spokesperson.	no deficiency
E. Does the bank has other information related to corporate governance?	Yes.	1. Employee welfare The Bank is committed to looking after its employees' well-being through an employee welfare program that includes career development planning, continuing education and training, open channels of communication, health check-ups and regular review of the compensation system.	no deficiency

Item	Yes/ No	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
	Yes.	2. Investor relations and stakeholders' rights Any directors having conflict of interest, legal requirements and procedures of donations and stakeholders' transactions in compliance with the "Guideline for the Board of Directors Meetings of First Commercial Bank," "Policy for Credit and Non-Credit Transactions of Stakeholders of First Commercial Bank," "Instructions for Stakeholder Credit Business Management of First Commercial Bank" and "Directions of Non-Credit Transactions of Stakeholders of First Commercial Bank."	no deficiency
	Yes.	3. Implementation of continuing education for directors and supervisors In addition to supporting directors' individual needs for continuing education, the Bank provides directors and supervisors with full access to information on relevant courses.	no deficiency
	Yes.	4. Implementation of risk policies and processes: The Bank has formulated a risk management policy and established a risk governance framework for identifying, assessing, monitoring and managing risks in order to create a cohesive risk management environment. The goal is to adopt a risk-centric approach to the Bank's operations to achieve business performance targets and to enhance shareholders' return. The Risk Management Committee reviews, oversees and coordinates all risk-related activities.	no deficiency
	Yes.	5. Consumer protection policy: The Bank has established the "Consumer Protection Principles and Implementation Guidelines for First Commercial Bank" and "Financial Consumer Protection Policy and Operational Rules for First Commercial Bank" to ensure that consumer interests are protected.	no deficiency
	Yes.	6. Liability insurance for directors and supervisors: In line with First Financial Holding Company's policy, the Bank purchases directors and supervisors liability insurance to reduce or eliminate risks from damages to the Bank and its shareholders as a result of wrongful or negligent acts committed within the scope of duty by directors and supervisors.	no deficiency
F . Does the bank has corporate governance self-assessment report?	No.	1. The Bank's parent company FFHC has joined the Corporate Governance Evaluation, and has been ranked as Top 5 percent of all the corporations for consecutively 3 years during 2014-2016. Also, the Bank has been ranked as top 20 percent of all the listed companies in 2017. 2. The Bank has set up "The Corporate Governance Practice Guideline of FFHC" and "The Corporate Governance Practice Guideline of First Commercial Bank" according to FFHC's relevant laws and regulations.	no deficiency

Risk Management Overview

Risk Governance

The Bank's risk management program is established based on its risk management strategy and business operating objectives as approved by the Board of Directors, and in accordance with the "Risk Management Policies and Guiding Principles for the First Financial Holding Company and its Subsidiaries", Basel rules, and the relevant regulations of the competent authorities of Taiwan. The Policy is to be timely adjusted in response to economic change and industry cycle, and in view of the Bank's loan portfolio, asset quality and its business promotion strategy, etc. by the governed laws; and its adjustment has to be approved by the Board of Directors or reported to the top executives for approval.

Organization and Structure

The Board of Directors is the highest level of risk management oversight.

The Risk Management Committee is in charge of risk review, risk oversight, reporting and coordination of all risk related business activities.

The Top Executives oversee the implementation of the risk management program as approved by the Board of Directors.

The Risk Management Center consists of four Divisions and six Regional Centers and is responsible for the assessment and monitoring of credit risk, market risk, operational risk and integrated risk.

A centralized management framework in relation to ***operational risk*** is employed with three lines of defense, each with its defined authority and reporting threshold:

- Units bank-wide: All units should conduct regular control of business activities and carry out operational risk management within the scope of their respective duties and responsibilities.
- Risk Management Division: This Division is responsible for establishing the Bank's risk management system, planning of management tools and procedures, and implementation of exposure monitoring and reporting bank-wide.
- Auditing Division: This Division, independent of business units, is responsible for auditing and assessing whether the management framework is operating effectively.

Credit Risk

Process

- In order to comply with the new Basel Accord and establish applicable appraisal standards, various internal and external modeling techniques for the rating of credit risk are gradually developed and further introduced to the processes of credit analysis and loans review, as well as linked with warning mechanism employed for the post-credit control, so as to establish a complete credit risk management process.
- The credit limits for the conglomerate, business type, country, stocks listed on TSE or OTC as collateral and real estate loan etc. have been prescribed so as to control loans concentration risk.
- To operate effectively on the process of risk management, the Bank sets up related internal auditing and control system.

Risk Reporting and Assessment

- Risk Management Report: To avoid the excessive concentration of credit risk and monitor the changes in credit rating of the loan assets, the Bank conforms to the limits for "one person", "a related person" and "a related enterprise". In addition, the credit risk analysis reports including credit rating, asset quality, NPL ratio and credit concentration etc. are submitted to the Risk Management Committee or the Board of Directors for their reviews periodically.
- Measurement system: We developed the risk modules to evaluate the risk of borrowers on the products of corporate banking, credit loans, mortgages and credit cards, which are further put into system to perform stress test in order to quantify credit risk within the Bank's risk tolerance.

Risk Hedging

- Periodic monitoring and reporting of concentration risk by group, business type, country, stocks listed on TSE or OTC as collateral and real estate loan. According to the market conditions, the complexity of businesses and risk management strategies, we evaluate and adjust the risk limits.
- According to borrower's credit or the type of credit limit to request proper collateral or guarantee in order to lower credit risk.

The Credit Exposures after Risk Mitigation and Minimum Capital Requirements by the Standardized Approach as of December 31, 2018 (in NT$,000)

Type of risk	Credit exposures after risk mitigation	Minimum capital requirements
Sovereigns	562,235,186	167,453
Non-central government public sector entities	113,378	2,512
Banks (including multilateral development banks)	309,487,668	8,504,087
Corporates (including securities firms and insurance co.)	972,661,688	73,216,278
Regulatory retail portfolios	288,101,183	17,746,702
Residential property	454,871,529	19,376,860
Equity investments	10,603,517	848,281
Other assets	76,509,262	3,410,135
Total	2,674,583,411	123,272,308

Market Risk

Strategy

Under the market risk appetite approved by the Board of Directors, the Bank sets risk limits and management, scheduled reporting process, the internal auditing system, independent monitoring and management units, and high-level committee organizations.

Process

- Appropriate market risk management indexes and quotas are established and updated on a scheduled basis in response to changes and trends in the market.
- Risk management methods are established for different areas of business, and the recognition, measurement, monitoring, control, and reporting of market risk are included within the rules of operating procedure.
- Market risk management department reports the current status and results of market risk management to the Board of Directors or the top executives on a scheduled basis.

Risk Reporting and Assessment

- Assets and derivative products on or off the balance sheet are at risk of potential losses caused by unfavorable changes in market prices. The "market price" referred to encompasses interest rate, equity, foreign exchange rate, and commodity price, etc.
- The Bank makes its investment portfolios based on risk factors.
- The risk-measuring tools of VaR and Greek are employed to evaluate risk exposure.
- The market risk reports will themselves present the extent of risk exposure, and be used as references by the management executives to timely adjust the risk control policy.

Risk Hedging

The trading positions of financial products dealt with customers will be properly hedged or squared, and some will be held as risk assets within adequate risk tolerance. The hedging financial derivatives primarily encompass interest rate swaps, cross-currency swaps, interest rate swap options, and interest caps or floors, etc. The Bank has engaged in interest rate swaps to mitigate the fair value risk of fixed-rate loan assets held by overseas branches.
The methodology for calaulating capital requirements: standardized approach.

The Minimum Capital Requirements for Market Risk as of December 31, 2018

Item	Minimum capital requirements (in NT$,000)
Interest rate risk	965,013
Equity position risk	36,769
Foreign exchange risk	533,244
Commodities risk	0
Total	1,535,027

Operational Risk

Strategy

- A "risk appetite" instruction manual has been compiled to serve as a basis for the establishment of the Bank's risk control mechanism.
- Employees at different levels are directly charged with the management of risk within their own scope of responsibility, and are required to observe the internal control and auditing systems together with related rules.

Process

Methods of management are differentiated as risk recognition, assessment, monitoring, reporting, and countermeasures, and are exercised in line with the introduction of management tools such as Loss Data Collection (LDC), Risk and Control Self-Assessment (RCSA), Control Self-Assessment (CSA) and Key Risk Indicators (KRI).

Risk Reporting and Assessment

- Standardized operating methods are used for risk recognition and assessment so that managers would be able to observe the risk profile and constantly monitor potential risks.
- The headquarter's risk management unit discloses the status of bank-wide exposure monitoring on a regular basis, compiles bank-wide operational risk data, and reports to the top executives, the Risk Management Committee, and the Board of Directors.
- If a unit discovers a major risk exposure that threatens the Bank's financial or business situation, it must report immediately to the Auditing Division and the business management unit, and risk management unit involved must report to the chief auditor and the top executives. Should the incident induces disciplinary action by regulatory agencies, a report must also be submitted to the compliance unit.

Risk Hedging

- The primary method employed to transfer or mitigate the operational risk is insurance. To ensure the continuous implementation of those methods, RCSA and CSA are regularly conducted.
- To reduce the risk of potential losses from a stoppage of operations caused by fire, explosion, typhoon, earthquake, robbery, bank-run, labor strike, or other major incidents, the Bank has established the contingency and business non-interruption guidelines including the rules for implementation.

The methodology for calculating capital requirements: standardized approach.

The Minimum Capital Requirements for Operational Risk as of December 31, 2018

Year	Operating profit	Minimum capital requirements (in NT$,000)
2018	45,371,494	
2017	42,667,023	-
2016	40,555,484	
Total	128,594,001	6,314,834

Asset Securitization Risk

Strategy and Process

The Bank currently holds all of its securitized products as a non-originating bank, employing strategy and process the same as those for market risk management.

Risk Reporting and Assessment

- The Bank's securitization investment positions are all allocated to the banking book. Risk assessment and reporting are in accordance with the Bank's internal regulations.
- The Bank emphasizes the credit ratings and changes in market prices of the invested instruments. The results of related evaluations are reported regularly to the business management unit and top executives. Since the proportion of this investment is small, the same assessment system is employed without specific variations.

Risk Hedging

- The Bank's hedging policy for securitized products is the same as that for market risk.

The methodology for calculating capital requirements: standardized approach.

The Securitization Risk Exposures and Minimum Capital Requirements as of December 31, 2018 (in NT$,000)

Type	Purchased or Held Securitized Products Exposure	Minimum capital requirements
Banking book		
Collateralized Mortgage Obligations	149,747	2,396
Assets Backed Securities	610,959	24,438
Trading book	-	-
Total	760,706	26,834

Information on Securitized Products as of December 31, 2018 (in NT$,000)

Items	Accounting category	Original cost	Gain/ Loss of accumulated valuation	Accumulated impairment	Book value
CMO	Held-to-maturity financial assets	147,529	4,573	0	152,102
ABS	Financial assets designated as at fair value through profit or loss	307,350	-4,936	0	302,414
	Available-for-sale financial assets	307,350	566	84	307,832
REITs	Financial assets at fair value through other comprehensive income	500,540	-34,777	0	465,763

Significant Financial Information - Consolidated

Condensed balance sheets (IFRS compliant)

NT$,000	**12.31.2018**	12.31.2017	12.31.2016	12.31.2015	12.31.2014
Cash and cash equivalents, due from the Central Bank and call loans to banks	269,022,739	239,344,421	271,425,310	301,787,880	240,659,807
Financial assets at fair value through profit or loss	138,999,510	100,249,302	83,253,379	87,332,352	50,114,468
Financial assets at fair value through other comprehensive income	222,182,260	-	-	-	-
Available-for-sale financial assets, net	-	149,792,285	139,290,914	88,705,301	77,674,581
Derivative financial assets for hedging	-	-	-	-	-
Securities purchased under resell agreements	-	-	-	-	-
Receivables, net	77,352,470	63,380,967	54,763,105	67,658,175	55,159,359
Current tax assets	1,302,565	437,888	416,404	1,610,276	2,420,478
Assets classified as held for sale	-	-	-	-	-
Loan discounted, net	1,695,769,851	1,580,079,849	1,544,205,607	1,480,108,873	1,497,006,908
Investment in debt instruments at amortised cost	415,604,459	-	-	-	-
Held-to-maturity financial assets, net	-	386,605,113	344,583,594	356,817,150	307,625,308
Investments measured by equity method, net	1,874,089	1,829,956	1,770,970	1,748,629	2,072,059
Restricted assets	-	-	-	-	-
Other financial assets, net	152,384	8,115,659	7,682,304	12,871,246	25,650,264
Property and equipment, net	26,508,042	26,660,231	26,707,125	26,988,698	27,546,466
Investment property, net	6,921,617	6,942,132	6,960,837	6,975,756	6,429,494
Intangible assets, net	456,668	394,255	360,736	347,268	382,777
Deferred tax assets, net	2,724,899	3,019,820	1,585,551	1,764,265	1,609,952
Others assets, net	2,664,587	3,063,629	2,247,288	2,364,782	2,391,093
Total assets	**2,861,536,140**	**2,569,915,507**	**2,485,253,124**	**2,437,080,651**	**2,296,743,014**
Deposits from the Central Bank and banks	240,743,329	153,890,754	126,253,621	129,174,491	126,095,434
Due to the Central Bank and banks	333,951	82,364	95,859	63,088	80,968
Financial liabilities at fair value through profit or loss	33,153,145	34,398,308	23,923,922	30,513,494	23,464,824
Derivative financial liabilities for hedging	-	-	-	-	-
Notes and bonds issued under repurchase agreements	15,840,590	11,588,250	7,532,897	2,608,441	4,922,050
Payables	85,521,342	76,374,564	66,594,839	63,328,273	62,324,815
Current tax liabilities	1,839,451	2,523,826	1,582,953	2,106,651	2,207,686
Liabilities related to assets classified as held for sale	-	-	-	-	-
Deposits and remittances	2,180,091,785	2,019,708,298	1,975,466,701	1,949,300,514	1,826,398,350
Bank notes payable	37,150,000	29,300,000	37,300,000	37,300,000	34,900,000
Preferred stock liabilities	-	-	-	-	-
Other financial liabilities	43,581,823	32,883,096	40,304,757	22,000,339	47,474,760
Provisions	6,505,136	6,001,360	5,902,962	6,293,640	5,732,685
Deferred income tax liabilities	6,722,425	6,356,729	5,721,707	5,720,501	5,724,379
Other liabilities	4,893,160	4,548,792	3,941,820	5,187,166	4,206,145
Total liabilities	**2,656,376,137**	**2,377,656,341**	**2,294,622,038**	**2,253,596,598**	**2,143,532,096**
Equity attributable to owners of parent	**205,160,003**	**192,259,166**	**190,631,086**	**183,484,053**	**153,210,918**
Common stock	89,064,000	89,064,000	89,064,000	86,244,000	75,859,000
Capital surplus	34,462,221	34,848,216	34,848,216	34,848,216	22,669,729
Retained earnings	69,463,070	62,587,008	60,184,504	53,778,098	47,650,662
Other equity interest	12,170,712	5,759,942	6,534,366	8,613,739	7,031,527
Treasury shares	-	-	-	-	-
Non-controlling interests	-	-	-	-	-
Total equity	**205,160,003**	**192,259,166**	**190,631,086**	**183,484,053**	**153,210,918**
Total liabilities and equity	**2,861,536,140**	**2,569,915,507**	**2,485,253,124**	**2,437,080,651**	**2,296,743,014**

Condensed Statements of Income (IFRS compliant)

NT$,000	2018	2017	2016	2015	2014
Interest incomes	48,204,120	43,355,647	41,088,913	42,021,429	42,198,166
Interest expenses	(18,714,564)	(13,808,263)	(12,639,626)	(13,905,978)	(14,406,492)
Net interest income	29,489,556	29,547,384	28,449,287	28,115,451	27,791,674
Net non-interest income	17,062,239	13,932,907	13,743,171	10,939,218	10,425,907
Net income	46,551,795	43,480,291	42,192,458	39,054,669	38,217,581
Bad debts expense and guarantee liability provision	(5,530,263)	(6,808,128)	(2,221,178)	(506,456)	(3,933,456)
Operating expenses	(20,233,051)	(18,817,603)	(19,332,057)	(19,365,772)	(18,284,896)
Income from continuing operations before income tax	20,788,481	17,854,560	20,639,223	19,182,441	15,999,229
Tax expense	(3,257,734)	(2,712,676)	(2,940,687)	(3,082,350)	(2,618,078)
Income from continuing operations, net of tax	17,530,747	15,141,884	17,698,536	16,100,091	13,381,151
Income from discontinued operations	-	-	-	-	-
Profit	17,530,747	15,141,884	17,698,536	16,100,091	13,381,151
Other comprehensive income, net of tax	513,200	(1,213,804)	(2,099,071)	994,557	3,242,140
Total comprehensive income	18,043,947	13,928,080	15,599,465	17,094,648	16,623,291
Profit, attributable to owners of parent	17,530,747	15,141,884	17,698,536	16,100,091	13,381,151
Profit, attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to owners of parent	18,043,947	13,928,080	15,599,465	17,094,648	16,623,291
Comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share (In NT dollars) Basic and diluted earnings per share	1.97	1.70	1.99	1.93	1.69

Financial Ratios (IFRS compliant)

(%)	2018	2017	2016	2015	2014
Financial structure					
Debt ratio (total liabilities to total assets)	92.81	92.48	92.30	92.44	93.33
Property & equipment to net worth	12.92	13.87	14.01	14.71	17.98
Operating performance					
Loans to deposits	78.87	79.45	79.23	77.09	83.18
NPL ratio	0.32	0.38	0.20	0.19	0.20
Total assets turnover (times)	0.02	0.02	0.02	0.02	0.02
Profitability					
ROA (net income to average total assets)	0.64	0.6	0.72	0.68	0.59
ROE (net income to average shareholders' equity)	8.71	7.91	9.46	9.56	9.40
Profit margin ratio	37.66	34.82	41.95	41.22	35.01
Cash flows					
Cash flow adequacy ratio	150.76	219.22	332.59	669.76	745.02
Capital adequacy					
Capital adequacy ratio	13.81	13.67	13.51	13.94	11.81
Tier-one capital ratio	11.63	11.30	11.01	10.98	9.13

Significant Financial Information - Standalone

Condensed balance sheets (IFRS compliant)

NT$,000	**12.31.2018**	12.31.2017	12.31.2016	12.31.2015	12.31.2014
Cash and cash equivalents, due from the Central Bank and call loans to banks	265,660,497	236,640,640	268,521,556	297,902,883	236,031,307
Financial assets at fair value through profit or loss	138,999,510	100,249,302	83,253,379	87,332,352	50,114,468
Financial assets at fair value through other comprehensive income	221,868,874	-	-	-	-
Available-for-sale financial assets, net	-	149,482,009	138,955,127	88,493,506	77,463,047
Derivative financial assets for hedging	-	-	-	-	-
Securities purchased under resell agreements	-	-	-	-	-
Receivables, net	72,794,883	59,818,878	51,348,689	62,919,918	50,202,758
Current tax assets	1,296,515	428,701	415,046	1,610,273	2,420,475
Assets classified as held for sale	-	-	-	-	-
Loan discounted, net	1,681,888,050	1,567,853,879	1,531,757,945	1,468,743,031	1,487,013,101
Investment in debt instruments at amortised cost	415,396,816	-	-	-	-
Held-to-maturity financial assets, net	-	386,445,449	344,456,759	356,678,138	307,529,119
Investments measured by equity method, net	7,033,778	6,665,615	6,760,097	6,707,786	6,921,652
Restricted assets	-	-	-	-	-
Other financial assets, net	152,384	8,115,659	7,682,304	12,871,246	25,636,828
Property and equipment, net	26,361,611	26,531,962	26,563,033	26,836,010	27,528,019
Investment property, net	6,921,617	6,942,132	6,960,837	6,975,756	6,429,494
Intangible assets, net	454,830	392,146	357,803	346,386	381,417
Deferred tax assets, net	2,519,986	2,846,352	1,335,428	1,479,200	1,381,797
Others assets, net	1,525,639	1,875,448	921,586	760,964	893,667
Total assets	**2,842,874,990**	**2,554,288,172**	**2,469,289,589**	**2,419,657,449**	**2,279,947,149**
Deposits from the Central Bank and banks	240,743,582	153,891,049	126,253,977	128,624,163	125,462,454
Due to the Central Bank and banks	333,951	82,364	95,859	63,088	80,968
Financial liabilities at fair value through profit or loss	33,153,145	34,398,308	23,923,922	30,513,494	23,464,824
Derivative financial liabilities for hedging	-	-	-	-	-
Notes and bonds issued under repurchase agreements	15,840,590	11,588,250	7,532,897	2,608,441	4,922,050
Payables	85,438,615	76,298,979	66,527,381	63,252,342	62,188,524
Current tax liabilities	1,831,126	2,529,886	1,584,746	2,091,567	2,187,360
Liabilities related to assets classified as held for sale	-	-	-	-	-
Deposits and remittances	2,166,264,926	2,007,810,178	1,963,243,664	1,937,614,944	1,815,526,003
Bank notes payable	37,150,000	29,300,000	37,300,000	37,300,000	34,900,000
Preferred stock liabilities	-	-	-	-	-
Other financial liabilities	39,532,588	29,933,504	37,405,279	18,011,070	43,466,110
Provisions	6,498,616	5,995,387	5,897,347	6,284,623	5,727,436
Deferred income tax liabilities	6,679,557	6,331,031	5,708,001	5,710,999	5,713,268
Other liabilities	4,248,291	3,870,070	3,185,430	4,098,665	3,097,234
Total liabilities	**2,637,714,987**	**2,362,029,006**	**2,278,658,503**	**2,236,173,396**	**2,126,736,231**
Equity attributable to owners of parent	**205,160,003**	**192,259,166**	**190,631,086**	**183,484,053**	**153,210,918**
Common stock	89,064,000	89,064,000	89,064,000	86,244,000	75,859,000
Capital surplus	34,462,221	34,848,216	34,848,216	34,848,216	22,669,729
Retained earnings	69,463,070	62,587,008	60,184,504	53,778,098	47,650,662
Other equity interest	12,170,712	5,759,942	6,534,366	8,613,739	7,031,527
Treasury shares	-	-	-	-	-
Non-controlling interests	-	-	-	-	-
Total equity	**205,160,003**	**192,259,166**	**190,631,086**	**183,484,053**	**153,210,918**
Total liabilities and equity	**2,842,874,990**	**2,554,288,172**	**2,469,289,589**	**2,419,657,449**	**2,279,947,149**

Condensed Statements of Income (IFRS compliant)

NT$,000	**2018**	2017	2016	2015	2014
Interest incomes	47,251,910	42,575,709	40,359,605	41,314,707	41,472,499
Interest expenses	(18,582,602)	(13,732,522)	(12,561,786)	(13,818,844)	(14,334,673)
Net interest income	28,669,308	28,843,187	27,797,819	27,495,863	27,137,826
Net non-interest income	17,321,400	14,070,826	13,739,458	11,089,682	10,381,690
Net income	45,990,708	42,914,013	41,537,277	38,585,545	37,519,516
Bad debts expense and guarantee liability provision	(5,462,966)	(6,839,495)	(2,050,028)	(472,808)	(3,920,704)
Operating expenses	(19,862,766)	(18,465,738)	(18,963,492)	(18,997,266)	(17,737,017)
Income from continuing operations before income tax	20,664,976	17,608,780	20,523,757	19,115,471	15,861,795
Tax expense	(3,134,229)	(2,466,896)	(2,825,221)	(3,015,380)	(2,480,644)
Income from continuing operations, net of tax	17,530,747	15,141,884	17,698,536	16,100,091	13,381,151
Income from discontinued operations	0	-	-	-	-
Profit	17,530,747	15,141,884	17,698,536	16,100,091	13,381,151
Other comprehensive income, net of tax	513,200	(1,213,804)	(2,099,071)	994,557	3,242,140
Total comprehensive income	18,043,947	13,928,080	15,599,465	17,094,648	16,623,291
Profit, attributable to owners of parent	17,530,747	15,141,884	17,698,536	16,100,091	13,381,151
Profit, attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to owners of parent	18,043,947	13,928,080	15,599,465	17,094,648	16,623,291
Comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share (In NT dollars) Basic and diluted earnings per share	1.97	1.70	1.99	1.93	1.69

Financial Ratios (IFRS compliant)

(%)	**2018**	2017	2016	2015	2014
Financial structure					
Debt ratio (total liabilities to total assets)	92.76	92.44	92.25	92.38	93.28
Property & equipment to net worth	12.85	13.80	13.93	14.63	17.97
Solvency					
Liquidity reserve ratio	32.88	30.36	27.33	27.71	25.88
Operating performance					
Loans to deposits	78.73	79.30	79.07	76.96	83.12
NPL ratio	0.32	0.38	0.20	0.19	0.20
Total assets turnover (times)	0.02	0.02	0.02	0.02	0.02
Profitability					
ROA (net income to average total assets)	0.65	0.60	0.72	0.69	0.60
ROE (net income to average shareholders' equity)	8.71	7.91	9.46	9.56	9.40
Profit margin ratio	38.12	35.28	42.61	41.73	35.66
Cash flows					
Cash flow adequacy ratio	154.23	217.71	335.89	670.70	728.53
Capital adequacy					
Capital adequacy ratio	13.57	13.42	13.27	13.67	11.50
Tier-one capital ratio	11.58	11.25	10.95	10.93	9.02
Market share					
Assets	5.8	5.45	5.49	5.51	5.46
Net worth	5.53	5.53	5.70	5.84	5.30
Deposits	5.59	5.36	5.50	5.61	5.58
Loans	5.96	5.86	5.93	5.85	6.04

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of First Commercial Bank

Opinion

We have audited the accompanying consolidated balance sheets of First Commercial Bank, Ltd. (the "Bank") and its subsidiaries (collectively "the Bank and its subsidiaries") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Bank and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

The Bank and its subsidiaries' key audit matters for the year ended December 31, 2018 are stated as follows:

Recognition and measurement of expected credit losses on loans discounted

Description

The recognition and measurement of expected credit losses on loans discounted complies with the regulations under IFRS 9 “Financial Instruments” and relevant regulations issued by the competent authority. For the accounting policy of recognition and measurement of expected credit losses on loans discounted, please refer to Note 4(9); for critical accounting judgements, estimates, and assumption uncertainty of the recognition and measurement of expected credit losses on loans discounted, please refer to Note 5(3). For information on loans discounted allowance for doubtful debts, which amounted to $21,428,241 thousand, as at December 31, 2018, please refer to Note 6(7); for disclosures of related credit risks, please refer to Note 12(2)C(C).

As stated in Notes 3 and 5(3), impairment assessment of loans discounted is based on the expected credit loss model. At each financial reporting date, financial instruments are categorised into three stages based on the degree of change in its credit risk since initial recognition. Provision for impairment loss is measured either using 12-month expected credit losses (stage 1, there has been no significant increase in credit risk since initial recognition) or lifetime expected credit losses (stage 2, there has been a significant increase in credit risk since initial recognition; or stage 3, the credit has been impaired). The measurement of expected credit losses is based on a complex model, which includes various parameters and assumptions and reflects reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. For example, the probability of default and loss given default are estimated using grouping and historical data and subsequently calibrated according to forward-looking information. Major exposure at default of on-balance sheet items is the outstanding loan balance.

The aforementioned recognition and measurement of expected credit losses on loans discounted use a complex model, which involves various assumptions, estimates, and judgements, as well as predictions and assessments of future economic conditions and credit behavior of debtors. The amounts, recognised in a manner consistent with regulations and interpretations, are directly subject to the measurement results. Thus, we have included recognition and measurement of expected credit losses on loans discounted as one of the key audit matters in our audit.

How our audit addressed the matter

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

1. Understood and assessed the related written policies, internal control system, the expected credit loss impairment model and methodology (including various parameters and assumptions, reasonableness of the measurement criteria for the three stages of credit risk, and the relevancy of future economic condition criteria in forward-looking information), and the assessment and approval process.
2. Sampled and tested the implementation effectiveness of internal controls related to the recognition and measurement of expected credit losses, including management of collateral and

its value assessment, controls for changes in parameters, and approval for provisioning of expected credit losses.

3. Sampled and tested the consistency of measurement criteria for the samples in the three stages of expected credit loss with the judgement results of the system.
4. Sampled and tested assumptions for the parameters of the expected credit loss model, including the reasonableness of historical data on probability of default, loss given default, and exposure at default.
5. Sampled and tested forward-looking information.
   (1) Sampled and tested the reliability of data on historical economic conditions (economic growth rate, annual inflation rate, etc.) adopted by management to determine whether there is significant increase in credit risk when measuring expected credit losses under IFRS 9.
   (2) Assessed the reasonableness of the forward-looking scenarios and their respective weights adopted by the management.
6. Assessed cases in stage 3 (credit impaired) with material amounts that were previously assessed individually.
   Assessed the reasonableness and calculation accuracy of the various assumed parameter values (including debtor due period, financial and operational conditions, guarantees by external parties and historical data) adopted in the estimation of future cash flows.

Fair value measurement of unlisted stocks without an active market

Description

For the accounting policy for unlisted stocks without an active market (included financial assets at fair value through other comprehensive income), please refer to Note 4(7); for critical accounting judgements, estimates, and assumption uncertainty of unlisted stocks without an active market, please refer to Note 5(2). For information on unlisted stocks of financial assets at fair value through other comprehensive income (fair value of Level 3), which amounted to $7,879,852 thousand, as at December 31, 2018, please refer to Notes 6(4) and 12(1)E.

The fair value of unlisted stocks is determined by valuation methods since these financial instruments have no quoted prices from active market. Management primarily relies on valuation reports prepared by management's expert for the fair value measurement of these financial instruments. These measurements are largely based on comparable listed companies in similar industries or recently published market multiples and subsequently discounted according to market liquidity or specified risk.

The aforementioned fair value measurement of unlisted stocks includes the determination of assumptions and parameters adopted in valuation models and methods. Because this involves subjective judgement and various assumptions and estimates, the measurement result of using these assumptions and estimates will directly affect the related recognised amounts. Thus, we have included the fair value measurement of stocks of unlisted companies with no active market as one of the key audit matters in our audit.

How our audit addressed the matter

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

1. Understood and assessed the related written policies, internal control system, fair value measurement models and methodologies, and approval process of the fair value measurement of unlisted stocks.
2. Understood and assessed the independence, professionalism, and competency of management's expert.
3. Assessed whether the valuation models and methodologies used by management's expert are widely adopted in the applicable industries.
4. Assessed the reasonableness of the parameters and assumptions of comparable companies selected by management's expert.
5. Sampled and reviewed the inputs and calculation formulas of the valuation models described in the valuation report prepared by management's expert.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of First Commercial Bank, Ltd. as at and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms", and the International Finantial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Chou, Chien-Hung　　　Chi, Shu-Mei

Chou, Chien-Hung　　　Chi, Shu-Mei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	ASSETS	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
11000	Cash and cash equivalents	6(1) and 7	$ 50,366,717	2	$ 61,433,560	2
11500	Due from the Central Bank and call loans to banks	6(2) and 7	218,656,022	8	177,910,861	7
12000	Financial assets at fair value through profit or loss	6(3), 7 and 12(14)	138,999,510	5	100,249,302	4
12100	Financial assets at fair value through other comprehensive income	6(4) and 8	222,182,260	8	-	-
12200	Investment in debt instruments at amortised cost	6(5) and 8	415,604,459	14	-	-
13000	Receivables, net	6(6) and 12(14)	77,352,470	3	63,380,967	3
13200	Current tax assets	7	1,302,565	-	437,888	-
13500	Loans discounted, net	6(7), 7 and 12(14)	1,695,769,851	59	1,580,079,849	62
14000	Available-for-sale financial assets	8 and 12(14)	-	-	149,792,285	6
14500	Held-to-maturity financial assets	8 and 12(14)	-	-	386,605,113	15
15000	Investments accounted for using equity method, net	6(8)	1,874,089	-	1,829,956	-
15500	Other financial assets, net	6(9) and 12(14)	152,384	-	8,115,659	-
18500	Property and equipment, net	6(10) and 7	26,508,042	1	26,660,231	1
18700	Investment property, net	6(11)	6,921,617	-	6,942,132	-
19000	Intangible assets, net		456,668	-	394,255	-
19300	Deferred tax assets, net	6(34)	2,724,899	-	3,019,820	-
19500	Other assets, net	6(12) and 8	2,664,587	-	3,063,629	-
	Total Assets		$ 2,861,536,140	100	$ 2,569,915,507	100

(Continued)

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

			December 31, 2018		December 31, 2017	
	LIABILITIES AND EQUITY	Notes	AMOUNT	%	AMOUNT	%
21000	Deposits from the Central Bank and banks	6(13) and 7	$ 240,743,329	9	$ 153,890,754	6
21500	Due to the Central Bank and banks		333,951	-	82,364	-
22000	Financial liabilities at fair value through profit or loss	6(14) and 7	33,153,145	1	34,398,308	2
22500	Notes and bonds issued under repurchase agreements	6(15)	15,840,590	1	11,588,250	1
23000	Payables	6(16)	85,521,342	3	76,374,564	3
23200	Current tax liabilities	7	1,839,451	-	2,523,826	-
23500	Deposits and remittances	6(17) and 7	2,180,091,785	76	2,019,708,298	79
24000	Financial bonds payable	6(18)	37,150,000	1	29,300,000	1
25500	Other financial liabilities	6(19)	43,581,823	2	32,883,096	1
25600	Provisions	6(20) and 12(14)	6,505,136	-	6,001,360	-
29300	Deferred tax liabilities	6(34)	6,722,425	-	6,356,729	-
29500	Other liabilities	6(21)	4,893,160	-	4,548,792	-
	Total Liabilities		2,656,376,137	93	2,377,656,341	93
	Equity					
31101	Common stock	6(22)	89,064,000	3	89,064,000	3
31500	Capital surplus	6(22)	34,462,221	1	34,848,216	1
32000	**Retained earnings**					
32001	Legal reserve	6(22)	45,735,991	2	41,193,426	2
32003	Special reserve	6(22)	4,229,939	-	4,157,452	-
32011	Unappropriated earnings	6(23)	19,497,140	1	17,236,130	1
32500	**Other equity interest**	6(24) and 12(14)	12,170,712	-	5,759,942	-
	Total Equity		205,160,003	7	192,259,166	7
	Total Liabilities and Equity		$ 2,861,536,140	100	$ 2,569,915,507	100

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

			For the years ended December 31,				Changes Percentage
			2018		2017		
	Items	Notes	AMOUNT	%	AMOUNT	%	(%)
41000	Interest income		$ 48,204,120	103	$ 43,355,647	100	11
51000	Less: Interest expense		(18,714,564)	(40)	(13,808,263)	(32)	36
	Net interest income	6(25) and 7	29,489,556	63	29,547,384	68	-
	Net non-interest income						
49100	Net service fee income	6(26) and 7	7,584,462	16	7,478,924	17	1
49200	Gains on financial assets or liabilities measured at fair value through profit or loss	6(3)(27)	5,482,289	12	5,097,688	12	8
49300	Realized gains on available-for-sale financial assets	12(14)	-	-	769,809	2	(100)
43100	Realised gains on financial assets at fair value through other comprehensive income	6(4)(28)	1,220,695	3	-	-	-
45000	(Impairment losses) reversal of gains on assets	6(29)	(15,611)	-	6,818	-	(329)
49750	Share of profit or loss of associates accounted for using equity method	6(8)	77,122	-	105,311	-	(27)
49600	Foreign exchange gains		2,257,800	5	75,650	-	2885
49800	Net other non-interest income	6(30) and 7	455,482	1	398,707	1	14
	Net profit		46,551,795	100	43,480,291	100	7
58200	Bad debt expense, commitment and guarantee liability provisions	6(7)(20)	(5,530,263)	(12)	(6,808,128)	(16)	(19)
	Operating expenses						
58500	Employee benefit expenses	6(31) and 7	(13,154,063)	(28)	(12,103,384)	(28)	9
59000	Depreciation and amortization expenses	6(32)	(983,988)	(2)	(963,675)	(2)	2
59500	Other general and administrative expenses	6(33) and 7	(6,095,000)	(13)	(5,750,544)	(13)	6
61001	**Income from continuing operations before income tax**		20,788,481	45	17,854,560	41	16
61003	Income tax expense	6(34)	(3,257,734)	(7)	(2,712,676)	(6)	20
64000	**Net income**		17,530,747	38	15,141,884	35	16

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FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	For the years ended December 31, 2018 AMOUNT	2018 %	2017 AMOUNT	2017 %	Changes Percentage (%)
	Other comprehensive income						
	Items that will not be reclassified to profit or loss						
65201	Remeasurement of defined benefit plan	6(20)	($ 692,393)	(1)	($ 529,374)	(1)	31
65204	Gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	6(4)	1,118,086	2	-	-	-
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(34)	179,881	-	89,994	-	100
	Items that may be reclassified subsequently to profit or loss						
65301	Exchange differences on translation of foreign financial statements	6(24) and 12(14)	1,044,497	2	(3,164,578)	(7)	(133)
65302	Unrealized gains on valuation of available-for-sale financial assets	12(14)	-	-	2,295,592	5	(100)
65306	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss	6(8)(24) and 12(14)	(68,067)	-	107,250	-	(163)
65308	Unrealised losses on valuation of debt instruments at fair value through other comprehensive income		(1,085,695)	(2)	-	-	-
65320	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	6(24)(34) and 12(14)	16,891	-	(12,688)	-	(233)
	Other comprehensive income (loss), net of tax		513,200	1	(1,213,804)	(3)	(142)
	Total comprehensive income		$ 18,043,947	39	$ 13,928,080	32	30
	Net income, attributable to						
	Owners of parent		$ 17,530,747	38	$ 15,141,884	35	16
	Comprehensive income, attributable to						
	Owners of parent		$ 18,043,947	39	$ 13,928,080	32	30
	Earnings per share (In NT dollars)	6(35)					
	Basic and diluted earnings per share		$	1.97	$	1.70	

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent								
			Retained earnings			Other equity interest			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange difference on translation of foreign financial statements	Unrealized gain or loss on valuation of available-for-sale financial assets	Gain or loss on financial assets at fair value through other comprehensive income	Total equity
Year 2017									
Balance at January 1, 2017	$ 89,064,000	$ 34,848,216	$ 35,883,865	$ 4,072,621	$ 20,228,018	$ 1,010,883	$ 5,523,483	$ -	$ 190,631,086
Net income for the year	-	-	-	-	15,141,884	-	-	-	15,141,884
Other comprehensive income for the year	-	-	-	-	(439,380)	(3,057,328)	2,282,904	-	(1,213,804)
Total comprehensive income	-	-	-	-	14,702,504	(3,057,328)	2,282,904	-	13,928,080
Legal reserve	-	-	5,309,561	-	(5,309,561)	-	-	-	-
Special reserve	-	-	-	88,493	(88,493)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(12,300,000)	-	-	-	(12,300,000)
Reversal of special reserve	-	-	-	(3,662)	3,662	-	-	-	-
Balance at December 31, 2017	$ 89,064,000	$ 34,848,216	$ 41,193,426	$ 4,157,452	$ 17,236,130	($ 2,046,445)	$ 7,806,387	$ -	$ 192,259,166
Year 2018									
Balance at January 1, 2018	$ 89,064,000	$ 34,848,216	$ 41,193,426	$ 4,157,452	$ 17,236,130	($ 2,046,445)	$ 7,806,387	$ -	$ 192,259,166
Retrospective application and retrospective adjustment effects	-	-	-	-	(72,144)	-	(7,806,387)	13,209,416	5,330,885
Balance at 1 January after adjustments	89,064,000	34,848,216	41,193,426	4,157,452	17,163,986	(2,046,445)	-	13,209,416	197,590,051
Net income for the year	-	-	-	-	17,530,747	-	-	-	17,530,747
Other comprehensive income for the year	-	-	-	-	(512,512)	976,430	-	49,282	513,200
Total comprehensive income	-	-	-	-	17,018,235	976,430	-	49,282	18,043,947
Legal reserve	-	-	4,542,565	-	(4,542,565)	-	-	-	-
Special reserve	-	-	-	75,709	(75,709)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(10,088,000)	-	-	-	(10,088,000)
Other capital reserves									
Share-based payment transaction	-	(385,995)	-	-	-	-	-	-	(385,995)
Gain or loss on disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	17,971	-	-	(17,971)	-
Reversal of special reserve	-	-	-	(3,222)	3,222	-	-	-	-
Balance at December 31, 2018	$ 89,064,000	$ 34,462,221	$ 45,735,991	$ 4,229,939	$ 19,497,140	($ 1,070,015)	$ -	$ 13,240,727	$ 205,160,003

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from continuing operations before tax	$ 20,788,481	$ 17,854,560
Adjustments to reconcile income before tax to net cash used in operating activities		
Income and expenses having no effect on cash flows		
Provision for bad debt expense, commitment and guarantee liability	8,546,813	9,590,177
Depreciation of property and equipment	779,932	770,092
Depreciation of investment property	8,613	8,260
Amortization expense	195,443	185,323
Interest income	(48,204,120)	(43,355,647)
Interest expense	18,714,564	13,808,263
Dividend income	(736,977)	(638,518)
(Impairment losses) reversal of gains on assets	15,611	(6,818)
Share of profit of associates accounted for using equity method	(77,122)	(105,311)
Losses on retired property and equipment	2,629	15,854
Losses (gains) on disposal of plant and equipment	567	(1,327)
Losses (gains) on disposal of investment property	7,053	(24,108)
Changes in operating assets and liabilities		
Changes in operating assets		
Increase in due from the Central Bank	(5,722,332)	(469,798)
Increase in financial assets at fair value through profit or loss	(43,135,640)	(16,995,923)
Increase in financial assets at fair value through other comprehensive income	(18,181,281)	-
Increase in investments in debt instruments at amortised cost	(67,086,110)	-
Increase in receivables	(12,658,590)	(8,530,205)
Increase in loans discounted	(121,777,710)	(44,961,289)
Increase in available-for-sale financial assets	-	(8,205,779)
Increase in held-to-maturity financial assets	-	(42,021,519)
Increase in other financial assets	(305,318)	(433,355)
Changes in operating liabilities		
Increase in due from the Central Bank	86,852,575	27,637,133
(Decrease) increase in financial liabilities at fair value through profit or loss	(1,245,163)	10,474,386
Increase in payables	8,273,071	9,294,075
Increase in deposits and remittances	160,383,487	44,241,597
Increase (decrease) in other financial liabilities	10,698,727	(7,421,661)
Decrease in liability provisions	(629,862)	(531,364)
Increase in other liabilities	344,368	606,972
Cash outflow used in operations	(4,148,291)	(39,215,930)
Interest received	46,795,958	43,021,614
Interest paid	(17,840,857)	(13,322,613)
Dividend received	738,177	641,302
Income tax paid	(3,949,397)	(2,515,656)
Net cash flows generated from (used in) operating activities	21,595,590	(11,391,283)

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FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	($ 628,204)	($ 765,083)
Proceeds from disposal of property and equipment	-	1,625
Increase in intangible assets	(258,412)	(220,163)
Acquisition of investment property	(1,885)	(4,215)
Proceeds from disposal of investment property	6,734	39,196
Disposal of investments using the equity method	14,167	-
Decrease (increase) in other assets	403,038	(809,523)
Net cash flows used in investing activities	(464,562)	(1,758,163)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to the Central Bank and banks	251,587	(13,495)
Increase in notes and bonds issued under repurchase agreements	4,252,340	4,055,353
Increase (decrease) in other financial liabilities	7,850,000	(8,000,000)
Payment of cash dividends	(10,088,000)	(12,300,000)
Share-based payment transaction	(385,995)	-
Net cash flows generated from (used in) financing activities	1,879,932	(16,258,142)
Effect of exchange rate changes on cash and cash equivalents	938,738	(3,124,323)
Net increase (decrease) in cash and cash equivalents	23,949,698	(32,531,911)
Cash and cash equivalents at beginning of year	187,298,457	219,830,368
Cash and cash equivalents at end of year	$ 211,248,155	$ 187,298,457
The components of cash and cash equivalents		
Cash and cash equivalents reported in the statement of financial position	$ 50,366,717	$ 61,433,560
Due from Central Bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	160,881,438	125,864,897
Cash and cash equivalents at end of year	$ 211,248,155	$ 187,298,457

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

FIRST COMMERCIAL BANK AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

1. Organization and business

(1) The Bank was incorporated in 1899 as a company limited by shares and had been a listed company since February 9, 1962. The Bank was privatized on January 22, 1998. On January 2, 2003, the Bank became a subsidiary of First Financial Holding Co., Ltd. ("FFHC") through an exchange of shares. After the exchange of shares, the Bank ceased from being listed on the Taiwan Stock Exchange ("TSE") but remains as a public company. As of December 31, 2018, the Bank's operating units consist of Business Division, Trust Division, Offshore Banking Branch, as well as domestic and overseas branches.

(2) The Bank's primary services are as follows:

A. Engaging in business as prescribed under the Banking Law;

B. Conducting trust business as authorized by the competent authorities;

C. Concurrently engaging in insurance agency related businesses as a commercial bank pursuant to the Insurance Act;

D. Establishing overseas branches to operate business approved by the local government; and

E. Engaging in other businesses approved by the competent authorities.

(3) The Bank's parent company is First Financial Holding Co., Ltd., which holds 100% of the Bank's shares as of December 31, 2018.

2. The date of authorization for issuance of the consolidated financial statements and procedures for authorization

These consolidated financial statements were authorized for issuance by the Board of Directors on March 15, 2019.

3. Application of new standards, amendments, and interpretations

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

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

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

Except for the following, the above standards and interpretations have no significant impact to the Bank's and its subsidiaries' financial condition and financial performance based on the assessment.

IFRS 9, 'Financial instruments'

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

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

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

(d) The Bank and its subsidiaries have elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(14) B and C.

Please refer to Note 12(2)C for detailed information on the credit risk related to the adoption of IFRS 9 on January 1, 2018. Please refer to the same note for detailed information on the credit risk related to the adoption of IAS 39 for the periods before December 31, 2017.

The initial application of IFRS 9 uses the modified retrospective approach. In Note 6, only information pertaining to December 31, 2018 and the year 2018 are disclosed. For information pertaining to December 31, 2017, the year 2017, please refer to Note 12(14).

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

New standards, interpretations and amendments of the International Financial Reporting Standard as endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Bank's and its subsidiaries' financial condition and financial performance based on the Bank's and its subsidiaries' assessment.

IFRS 16, 'Leases'

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

The Bank and its subsidiaries expect to recognise the lease contract of lessees in line with IFRS 16. However, the Bank and its subsidiaries do not intend to restate the prior period financial statements (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, the Bank and its subsidiaries will have to increase right-of-use asset and lease liability by $2,307,929 and $2,100,784, and decrease property and equipment, net, other assets, net and other financial liabilities by $176,694, $62,432 and $31,981, respectively.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 1and IASs 8'Disclosure Initiative - Definition of Material'	January 1, 2020
Amendments to IAS 3'Definition of business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets	January 1, 2020
between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact on the Bank's and its subsidiaries' financial condition and financial performance based on the Bank's and its subsidiaries' assessment.

4. Summary of significant accounting policies

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the financial assets or financial liabilities (including derivative instruments) at fair value through profit or loss, defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation and foreclosed asset (which are stated at the lower of its carrying amount or fair value less costs to sell at the end of period) these consolidated financial statements have been prepared under the historical cost convention.

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

C. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank and its subsidiaries' accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

D. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Bank and its subsidiaries have elected to apply the modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the consolidated financial statements for 2017 were not restated. The consolidated financial statements for 2017 were prepared in compliance with International Accounting Standard 39 ("IAS 39"), International Accounting Standard 18 ("IAS 18") and related financial reporting interpretations. Please refer to Note 12(14) for details of significant accounting policies.

(3) Basis of consolidation

A. Principles for preparation of consolidated financial statements

(A) The Bank and its subsidiaries prepare the consolidated financial statements by aggregating the Bank's and its subsidiaries assets, liabilities, revenues and expenses, which have been eliminated versus owners' equity during the consolidation. In addition, the financial statements of the Bank and its subsidiaries are made in the same reporting period. (Item included in the consolidated financial statements are not classified as current and non-current items.) Relevant items are arranged in order based on current and non-current nature.

(B) A subsidiary refers to an investee that the Bank and its subsidiaries have controlling power over. The Bank and its subsidiaries have control over an investee if the following elements are met:

a. power over the relevant activities of the investee, i.e. the investor has voting rights or other existing rights that give it the ability to direct the relevant activities;
b. exposure, or rights, to variable returns from its involvement with the investee;
c. the ability to use its power over the investee to affect the amount of the investor's returns.

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

B. The consolidated financial statements include the following directly owned subsidiaries:

			Percentage of holding shares (%)	
Investor	Subsidiary	Business activities	December 31, 2018	December 31, 2017
FCB	First Commercial Bank (USA)	Banking services	100	100
FCB	FCB Leasing Co. Ltd. (FCBL)	Leasing(Note)	100	100

Note： FCBL was approved for establishment in May 1998. Its main business includes chattel guarantees and related repo trades, lease businesses, and receivable factoring.

C. Unconsolidated entities：None.

D. Adjustment on different accounting periods of the subsidiaries: None.

E. Information with respect to the subsidiaries' significant restriction to transfer its funds to the parent company: None.

F. Specific operation risks of the foreign subsidiaries: None.

G. Restrictions on earnings distribution of subsidiaries: None.

(4) Foreign currency translation

A. Functional and presentation currency

Financial statements of the entities in the Bank and its subsidiaries are presented by the currency of the primary economic environment in which the entities operate (that is the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars.

B. Transactions and balances

Foreign currency transactions denominated in a foreign currency or required to settle in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

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

Exchange differences arising when foreign currency transactions are settled or when monetary items are translated at rates different from those at which they were translated when initially recognized or in previous financial statements are reported in profit or loss in the period, with one exception. The exception is that exchange differences associated with the gains or losses of the parts of effective hedges of cash flow hedges or hedges of net investments in foreign operations are recognized in other comprehensive income.

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

C. Translation of foreign operations

If the Bank and its subsidiaries have a functional currency (not in an economy with high inflation) that is different from their presentation currency in the consolidated financial statements, its operating results and financial position are translated into the presentation currency using the following procedures:

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

(B) Profit or loss presented is translated using the current average exchange rate (if exchanges rates in the period fluctuate rapidly, then translations use the exchange rates of the dates of transaction); and

(C) All exchange differences arising from translation are recognized in other comprehensive income.

Exchange differences arising from the above-mentioned procedures are recognized as "Exchange differences on translation of foreign financial statements" under equity.

When preparing consolidated financial statements, exchange differences arising from the translation of the net investment in foreign operations and monetary hedges considered a part of those net investments are recognized in other comprehensive income. When a foreign operation is partially disposed of or sold, related exchange differences that were originally recorded in other comprehensive income are reclassified to profit or loss.

(5) <u>Cash and cash equivalents</u>

"Cash and cash equivalents" in the consolidated balance sheet includes cash on hand, due from other banks, short-term highly liquid time deposits and investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. For the consolidated statement of cash flows, cash includes cash and cash equivalents, due from Central Bank and call loans to other banks, securities purchased under resell agreements qualified as cash and cash equivalents as defined by IAS 7.

(6) <u>Securities purchased or sold under resell or repurchase agreements</u>

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

(7) <u>Financial assets and financial liabilities</u>

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

A. Financial assets

All financial assets held by the Bank and its subsidiaries are classified according to the business model and characteristics of the contractual cash flows of the underlying asset. The categories are: "loans discounted", "receivables", "financial assets at fair value through profit or loss", "financial assets at fair value through other comprehensive income", and "investment in debt instruments at amortised cost".

Business model refers to the method by which the Bank and its subsidiaries manage the financial assets to generate cash flows, which originates from collecting contractual cash flows, selling financial assets, or both. When determining whether the contractual cash flows of the asset are solely payments of principal and interest on principal amount outstanding, the Bank and its subsidiaries assess whether the contractual cash flows are consistent with those required in a basic loan agreement. In other words, the Bank and its subsidiaries determine whether interest is solely based on the time value of money, credit risk related to the principal amount outstanding on specified dates, other risks and costs associated with the basic loan agreement, and marginal profits consideration.

(A) Regular purchase or sale

Financial assets held by the Bank and its subsidiaries, regardless of type or accounting classification, are all accounted for using trade date accounting by convention at the time of purchase or sale.

(B) Loans and receivables

Loans discounted consist of export bills negotiation, export bills discount, loans, and overdue receivables arising from loans. Loans discounted are measured at amortised cost using the effective interest rate method. Measurement at initial investment amount is allowed if effect of discounting is immaterial.

If a loan discounted held by the Bank and its subsidiaries is renegotiated or has its terms modified due to financial difficulties of the borrower, so that it is required to be derecognised, entirely or partially, in accordance with IFRS 9, the old financial asset is derecognised, and a new financial asset and related gains or losses are recognised.

If a loan discounted held by the Bank and its subsidiaries is renegotiated or has its terms modified due to financial difficulties of the borrower, but is not required to be derecognised, or if renegotiations or modification of terms are for reasons other than financial difficulties, which rarely results in the derecognition of the asset, the carrying amount of the asset is recalculated and resulting gains or losses are recognised in profit or loss.

(C) Receivables

Receivables include those originated and those not originated by the Bank and its subsidiaries. The former originated directly from money, products or services that the Bank and its subsidiaries provided to the debtors, while the latter refers to all other kinds of receivables. Receivables are measured at amortised cost using the effective interest rate method. However, short-term receivables without bearing interest are measured at initial invoice amount if the effect of discounting is material.

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

a. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

b. At initial recognition, the Bank and its subsidiaries measure the financial assets at fair value and recognise the transaction costs in profit or loss. The Bank and its subsidiaries subsequently measure the financial assets at fair value, and recognise the gain or loss in profit or loss.

c. The Bank and its subsidiaries recognise the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Bank and its subsidiaries and the amount of the dividend can be measured reliably.

(E) Financial assets at fair value through other comprehensive income

a. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Bank and its subsidiaries have made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

   (a) The objective of the Bank and its subsidiaries' business model is achieved both by collecting contractual cash flows and selling financial assets; and

   (b) The assets' contractual cash flows represent solely payments of principal and interest.

b. At initial recognition, the Bank and its subsidiaries measure the financial assets at fair value plus transaction costs. The Bank and its subsidiaries subsequently measure the financial assets at fair value:

   (a) The changes in fair value of equity instruments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Bank and its subsidiaries and the amount of the dividend can be measured reliably.

   (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(F) Investments in debt instruments at amortised cost

a. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Bank and its subsidiaries' business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

b. At initial recognition, the Bank and its subsidiaries measure the financial assets at fair value plus transaction costs. Interest income from these financial assets is amortised to profit or loss over the period of bond circulation using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised.

c. The Bank and its subsidiaries' time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(G) Reclassification of financial assets

Excluding equity instruments and financial assets designated as at fair value through profit or loss that cannot be reclassified, the Bank and its subsidiaries reclassify certain financial assets when there is a change in the business model used to manage the assets. The reclassification of the asset is applied prospectively beginning on the reclassification date, and previously recognised gains, losses (including impairment or reversal of gains), and interest income cannot be restated.

(H) Derecognition of financial assets

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

a. The contractual rights to receive the cash flows from the financial asset expire.

b. The contractual rights to receive cash flows of the financial asset have been transferred and the Bank and its subsidiaries have transferred substantially all risks and rewards of ownership of the financial asset.

c. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Bank and its subsidiaries have not retained control of the financial asset.

A. Financial liabilities

Financial liabilities held by the Bank and its subsidiaries include financial liabilities at fair value through profit and loss and financial liabilities measured at amortised cost.

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

These include financial liabilities held for trading and those designated as financial liabilities at fair value through profit and loss.

Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

a. Hybrid (combined) contracts; or

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

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

At initial recognition, the Bank and its subsidiaries measure the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Bank and its subsidiaries subsequently measure these financial liabilities at fair value with any gain or loss recognised in profit or loss.

If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(B) Financial liabilities carried at amortised cost

Financial liabilities, which are not classified as financial liabilities at fair value through profit or loss or financial guarantee contract, all belong to financial liabilities at amortised cost.

(C) Derecognition of financial liabilities

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

(8) <u>Offsetting financial instruments</u>

Financial assets and financial liabilities are offset and reported in the net amount in the balance sheet only when (1) there is a legally enforceable right to offset the recognised amounts; and (2) there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(9) <u>Impairment of financial assets</u>

For loans discounted, receivables, debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, other financial assets, loan commitments and financial guarantee contracts, at each reporting date, the Bank and its subsidiaries recognise the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognise the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition or credit that has been impaired after taking into consideration all reasonable and verifiable information that includes forward-looking information. In measuring the expected credit losses of a financial asset, the Bank and its subsidiaries must reflect the following:

A. Unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

B. Discounting for the time value of money.

C. Reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions (available at reporting date without undue cost or effort).

At the balance sheet date, allowance for uncollectible accounts of credit assets should be recognised and impairment assessment performed for credit assets in accordance with relevant regulations such as "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", Jin-Guan-Yin-Guo-Zi No. 10300329440 issued on December 4, 2014 (related to strengthening the ability of domestic banks to bear risks of real estate loans) and Jin-Guan-Yin-Fa-Zi No. 10410001840 issued on April 23, 2015 (related strengthening the management of domestic banks risk exposure in Mainland China and the risk bearing capacity), and the International Financial Reporting Standard 9 (“IFRS 9”). Between the allowance amount required by the relevant regulations and the allowance amount calculated under IFRS 9, the greater amount should be recorded, and the credit asset should be presented net of such allowance amount.

Loss allowance of lease receivables is measured by lifetime expected credit losses.

(10) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(11) Investments accounted for using equity method

Investments of the Bank and its subsidiaries accounted for using the equity method refers to investments in associates.

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

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

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

(12) Property and equipment

The property and equipment of the Bank and its subsidiaries are recognized on the basis of the historical cost less accumulated depreciation. The historical cost includes any cost directly attributable to the acquisition of the asset.

If the future economic benefit generated from subsequent cost of the asset can be measured reliably and is very likely to flow into the Bank and its subsidiaries, the subsequent cost of property and equipment including the carrying amount may be individually recognized as asset. Additionally, the carrying amounts of a replaced item are derecognized.

Major renewals and improvements incurred to increase the future economic benefits of the assets are capitalized and depreciated. Routine maintenance and repairs are charged to expense as incurred.

Land is not affected by depreciation. Depreciation for other assets is provided on a straight-line basis over the estimated service lives of the assets until salvage value. Service life is as follows:

Land and improvements	3 ~ 30 years
Buildings and structures (including ancilliary equipment)	5 ~ 55 years
Transportation equipment	5 ~ 10 years
Machinery and equipment	3 ~ 4 years
Miscellaneous assets	5 ~ 17 years

Leasehold improvements are depreciated over the lease terms of the lease agreements or 5 years.

On balance sheet date, the Bank and its subsidiaries assess or appropriately adjusts the salvage value and service life of the asset. When there is an activity or change in the environment suggesting that the carrying amount may not be recovered, the Bank and its subsidiaries shall evaluate impairment on the asset. If the carrying amount of the asset is higher than the recoverable amount, the carrying amount shall be written off until it is equivalent to the recoverable amount. The recoverable amount is the higher of asset at fair value less disposal expense and value in use. Any gain or loss on disposal is calculated by the difference between the carrying amount and proceeds on disposal, and be recognized in the "Other non-interest income, net" in the statement of comprehensive income.

(13) Investment property

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

Part of the property may be held by the Bank and its subsidiaries and another part generates rental income or capital increase. If the property held by the Bank and its subsidiaries can be sold individually, then the accounting treatment should be made separately. IAS 16 as endorsed by FSC applies to the self-used property, and property used to generate rental income or capital increase or both is applicable for investment property set out in IAS 40 as endorsed by FSC. If each part of the property cannot be sold individually and the self-used proportion is not material, then the property is deemed as investment property in its entirety.

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

Investment property is subsequently measured by cost model. Depreciated cost is used to calculate amortization expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable to property and equipment. The fair value of investment property is disclosed in the financial statements at the balance sheet date, of which the valuation should be carried out by the appraisal segment of the Bank and its subsidiaries based on the internal appraisal guidelines.

(14) Foreclosed assets

Foreclosed properties are stated at the lower of its carrying amount or fair value less costs to sell at the end of period.

(15) Lease

When the Bank and its subsidiaries are the lessor, please refer to Note 4(13) for the accounting treatment of the leased assets satisfying investment property set out in IAS 40, "Investment Property".

The lease contract of the Bank's and its subsidiaries' subsidiaries includes operating leases and finance leases.

A. Operating lease

When the Bank and its subsidiaries is the lessor or the lessee, rental payable and receivable from the operating lease is calculated through straight-line method based on the lease term, which are recognized respectively as "other non-interest income, net" and "other business and administration expense".

B. Finance lease

When the Bank and its subsidiaries are the lessor, the asset is derecognized when the finance lease contract is signed and the present value of lease payment is recognized as lease payable. The difference between the total lease payable and present value is recognized as unrealized interest income, and transferred to interest income as incurred at period end. Rental income is calculated based on remaining lease payment receivable using the embedded interest rate or incremental borrowing interest rate and recognized as current gain and loss.

When the Bank and its subsidiaries are the lessee, the lower of fair value of lease assets or the lowest present value of the lease payment is capitalized. Rental payment is amortized through financial leasing liabilities and recognized as interest income. Interest expense is calculated based on beginning balance of lease liabilities of each lease term using the embedded interest rate or incremental borrowing interest rate and recognized as current gain and loss. Financing lease liabilities are recognized as "other financial liabilities". Property and equipment acquired through finance lease contracts are measured by cost model.

(16) Intangible assets

The intangible assets of the Bank and its subsidiaries consist of computer software expenditures, which are recognized by cost and amortized over its economic useful life. The maximum estimated useful life is three years.

Subsequent measurements are based on the cost model.

(17) Impairment of non-financial assets

When there is any evidence indicating a possible impairment, the Bank and its subsidiaries immediately perform impairment tests in relation to the assets applicable for IAS 36, "Impairment of Assets".

If the testing result of the cash-generating unit of an asset or an individual asset suggests that the recoverable amount is less than the carrying amount, impairment loss is recognized. Recoverable amount refers to the higher of an asset's fair value less its cost or value in use. Reassess the recoverable amount of an asset when there is an indication that the impairment loss recognized in the prior period decreases or does not exist anymore. If there is any change in the estimated recoverable amount and result in an increase, asset impairment is reversed to the extent that the carrying amounts shall not exceed the amortized cost that would have been determined had no impairment loss been recognized in prior periods.

(18) Provisions, contingent liabilities, and contingent assets

The Bank and its subsidiaries recognize liabilities when all of the following three conditions are met：

(A) present obligation (legal or constructive) has arisen as a result of past event; and

(B) the outflow of economic benefits is highly probable upon settlement; and

(C) the amount is reliably measurable.

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

Measurements for provisions are at discounted present value of expenditure for settlement obligation using a pre-tax discount rate with timely adjustment made that reflects the current market assessments of the time value of money and the risks specific to the liabilities.

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

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

(19) Financial guarantee contract and loan commitments

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

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

Subsequently, the Bank and its subsidiaries should measure the contract at the higher of:

A. Loss allowance recognised in accordance with IFRS 9, as endorsed by the FSC; and

B. The amount initially recognised less, when appropriate, cumulative gains recognised in accordance with IFRS 15.

Impairment loss of the aforementioned guarantee policy reserve is assessed in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” and IFRS 9, and the greater of the two amounts is recorded as provision.

Expected credit losses are recognised for loan commitments of the Bank and its subsidiaries, and the measurement of expect credit losses is described in Note 4(9).

Provision for credit losses is recognised for loan commitments and financial guarantee contracts. If a financial instrument includes a loan (financial asset) and undrawn commitment component (loan commitment), and if the Bank and its subsidiaries cannot separate the expected credit losses of the loan from that of the loan commitment, the expected credit loss of the loan commitment is recognised along with that of the financial asset. The amount of the total credit loss in excess of the carrying amount of the financial asset should be recognised as a provision.

The increase in liabilities due to financial guarantee contract and loan commitments is recognised in “bad debt expense, commitment and guarantee liabilities provision”.

(20) Employee benefits

A. Short-term employee benefits

The Bank and its subsidiaries recognize undiscounted short-term employee benefits due in the future as expense during the period that the service is provided.

B. Employee preferential deposit

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

According to “Regulations Governing the Preparation of Financial Statements by Public Banks”, the preferential interest paid to current employees is calculated based on accrual basis, and the difference between the preferential interest and the market interest is recognized under “employee benefit expense”. According to Article 30 of “Regulations Governing the Preparation of Financial Statements by Public Banks”, the interest rate upon retirement agreed with the employees which exceeds general market interest rate is actualized in accordance with IAS 19, Defined Benefit Plan, as endorsed by FSC. However, various parameters should be in compliance with competent authorities if indicated otherwise.

C. Termination benefit

Termination benefit is paid to the employee being terminated who is eligible for retirement or as a result of voluntary termination in exchange of termination benefit. The Bank and its subsidiaries have made commitments in the formal detailed employment termination plan which is irrevocable, and recognizes liabilities when providing termination benefit to employees who voluntarily dismiss. Termination benefit paid 12 months after the financial reporting date should be discounted.

D. Post-employment benefit

The Bank and its subsidiaries adopt both defined benefit plan and defined contribution plan. Overseas branches and subsidiaries adopt defined benefit plans based on regulations of the country in which the entities operate.

The Bank and its subsidiaries adopted the defined contribution plan from July 1, 2005, the date that Labor Pension Act takes effect. Employees may choose to apply the pension policy of the Bank and its subsidiaries or the policy of the Act and retain their work seniority before the Act. For employees who are eligible for the Act, the Bank and its domestic subsidiaries should set aside 6% of their monthly salaries. The Bank and its subsidiaries have no other legal or constructive obligation to set aside additional reserve. Additionally, the pension in each period is recognized as pension cost in the period as incurred. Prepaid pension assets can only be recognized when there is a cash refund or deductible future pension payable.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have durations that are approximate to the durations of the related pension liability.

Remeasurement of defined benefit plan includes: (1) actuarial gains and losses; (2) return on plan assets, but not including amounts already included in net interest of net defined benefit liabilities (assets); and (3) any changes in effect of asset ceiling, but not including amounts already included in net interest of defined benefit plan. The Bank and its subsidiaries chooses to categorize remeasurement of defined benefit plan under retained earnings.

Any actuarial gains and losses on pension of the defined benefit plan are all recognized in other comprehensive income. Past-service cost is recognised immediately in profit in the period incurred.

E. Employees' compensation

Employees' compensation is recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' remuneration is different from the actual distributed amounts as resolved, the differences should be recognised based on the accounting for changes in estimates.

(21) Employee share-based payment

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

(22) Income and expense

Income and expense of the Bank and its subsidiaries are recognized as incurred. Expense consists of employee benefit expense, depreciation and amortization expense and other business and administration expenses. However, interest income is recognized on a cash basis upon receiving the interest when (1) reclassified as non- accrual loans; and (2) interest from restructured loans whose maturities have been extended is not recognized as interest income but recorded in the memo accounts.

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

B. Handling fees and expenses are recognized when cash is received, or the earning process is substantially completed; service fee earned from performing significant items shall be recognized upon the completion of the service, such as syndication loan service fee received from sponsor, handling fees and expenses of subsequent services of loans are amortized or included in the calculation of effective interest rate of loans and receivables during the service period. However, according to the Article 10.8 and 10.11 of the “Regulation Governing the Preparation of Financial Reports by Public Banks”, the loans and receivables may be measured by the initial amounts if the effects on discount are insignificant.

C. For more details on rental income of operating lease and unrealized interest income of finance lease in relation to lease business, please refer to Note 4(15).

(23) Income tax

A. Current tax

Income tax payable (refundable) is calculated on the basis of the tax laws enacted in the countries where the Bank and its subsidiaries operates and generates taxable income. Except for transactions or other matters that are directly recognized in other comprehensive income or equity, all the other transactions should be recognized as income or expense and recorded as gain and loss in the period. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

Under the amendments to the Income Tax Act which became effective on February 7, 2018, an extra 5% tax will be levied on undistributed retained earnings. This amendment will apply to earnings for the year ended December 31, 2018.

B. Deferred tax

Deferred income tax assets and liabilities are measured based on the tax rate of the anticipated period that the future assets realization or the liabilities settlement requires, which is based on the effective or existing tax rate at the consolidated balance sheet date. The carrying amount of assets and liabilities included in the consolidated balance sheet are calculated through liability method and recognized as deferred income tax. The temporary difference of the Bank and its subsidiaries mainly occurs due to the revaluation on the depreciation of property and equipment and certain financial instruments (including derivatives) and provision and transferring of the reserve for pension and other post-employment benefits. Deductible temporary difference within the scope that it is probable to offset taxable income is recognized as deferred income tax.

Temporary difference related to the investees, branches and affiliated entities are recognized as deferred tax liabilities. However, when the Bank and its subsidiaries is capable of controlling the time length required to reverse the temporary difference and the temporary difference is unlikely to reverse in the foreseeable future, the temporary difference is not recognized.

The land revaluation appraisal occurred due to the revaluation assessment in line with relevant regulations, deemed as taxable temporary difference, and is recognized as deferred tax liabilities.If the future taxable income is probable to be utilized as unused loss carryforwards or deferred income tax credit which can be realized in the future, the proportion of realization is deemed as deferred income tax assets.

C. Consolidated tax return

Pursuant to the provisions of Tai-Cai-Shui-Zi No. 910458039, 'profit-seeking enterprises shall jointly declare and report profit-seeking enterprise income tax in accordance with Article 49 of the Financial Holding Companing Act and Article 40 of the Business Mergers And Acquisitions Act', in which where a financial holding company holds more than 90% of the outstanding issued shares of a domestic subsidiary, such a financial holding company may, for the tax year in which its such shareholding in the subsidiary has existed for the entire twelve months of the tax year, elect to be the tax payer itself, and jointly declare and report profit-seeking enterprise income tax. Thus, in accordance with the aforementioned Letter, the Company along with its parent company, First Financial Holding Co., Ltd. (FFHC), and affiliated companies, First Securities Inc. (FS); First Securities Investment Trust Co., Ltd. (FSIT); First Financial Asset Management Co., Ltd.; First Venture Capital Co., Ltd.; and First Financial Management Consulting Co., Ltd., elect to use a consolidated tax return for the declaration and reporting of their profit-seeking income tax and surplus retained earnings, as well as elect FFHC as the tax payer for the consolidated tax return.

The Company along with its parent company and affiliates elected the consolidated tax return to jointly declare and report their income tax. Related reimbursements and disbursements are accounted for receivables or payables and are presented in net value when preparing the consolidated financial statements.

D. Certain transactions of the Bank and its subsidiaries are recognized in other comprehensive income. The tax effects on these kinds of transactions are also recognized in other comprehensive income.

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

(24) Share capital and dividends

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds. Dividends are recorded in the Bank's and its subsidiaries' consolidated financial statements in the period in which they are resolved by the Bank's and its subsidiaries' Board of Directors in substitution for the stockholders. Cash dividends are recorded as liabilities, stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Operating segments

The Bank and its subsidiaries' operating segment reports are consistent with the internal reports provided to the chief operating decision-maker ("CODM"). The CODM is a team that allocates resources to operating segments and evaluates their performance.

5. Critical accounting judgments, estimates and key source of assumption uncertainty

The consolidated financial statements of the Bank and its subsidiaries may be affected by the adoption of accounting policies, accounting estimates and assumptions. Therefore, adoption of the significant accounting policies in Note 4 requires the management's judgment, estimate and assumption, which involves information of significant adjustment made on the carrying amount of assets and liabilities in the next financial statements due to lack of resources. Estimate and assumptions of the Bank and its subsidiaries are the best estimates compliance with IFRS as endorsed by FSC. Estimate and assumptions are made on the basis of past experience and other elements deemed to be relevant. However, the actual results may differ from the estimates. The Bank and its subsidiaries will continually monitor the estimates and assumptions and if the revision of estimate leaves an impact in the current period, the adjustment is recognized in the period. If a revision could affect both current and future periods, then the estimated revision shall be made in current and future periods.

Certain accounting policies and judgments of management could have significantly affected the recognized amounts in the consolidated financial statements. Details are as follows:

(1) Evaluation on financial instruments - debt instruments and derivatives

The Bank and its subsidiaries evaluates the financial instrument at fair value not traded in an active market or with no quoted price. The fair value may be estimated with reference to observable market price in the market if there is observable information of similar instruments. If not, fair value is calculated based on the appropriate evaluation models generally used in the market. The input used in the model should first primarily be based on the observable information in the market. However, in the event that certain information or input cannot be observed directly in the market and/or the model assumption itself is comparatively objective, then the measurement of financial instrument at fair value can be retrieved from historical data or other appropriate assumptions. Every valuation model of the Bank and its subsidiaries are assessed and tested on a regular basis to ensure the output can reflect actual information and the market price. Note 12(1)C provides the main assumptions used in determining the financial instruments at fair value. The competent authorities recognize that the valuation models and assumptions chosen can be appropriately used to determine the fair value of financial instruments.

(2) Evaluation on financial instruments - equity instruments

The fair value of unlisted stocks without active market held by the Bank and its subsidiaries are measured using valuation techniques that involve observable data or models of financial instruments with similar characteristics. If there are no observable inputs from the market, the fair value of the instrument is measured with appropriate assumptions. If fair value is determined by a valuation model, it should be calibrated so that the end result reflects actual data and market prices, and observable data should be used whenever it is possible.

The measurement of fair value is primarily calculated using recently published market multipliers of comparable publicly listed companies in similar industries, and discounted according to market liquidity and particularity of risk. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(1)C for the financial instruments fair value information.

(3) Expected credit losses

For debt instruments measured at fair value through other comprehensive income and financial assets measured at amortised cost, the measurement of expected credit losses uses complex models and multiple assumptions. These models and assumptions take into account future macro-economic conditions and credit behaviors of borrowers (e.g. probability of customer default and loss). Please refer to Note 12(2)D for detailed information on parameters, assumptions, and estimation methods used in measuring expected credit losses and disclosure of the sensitivity of credit loss to the aforementioned factors.

The measurement of expected credit losses according to applicable accounting rules involves significant judgement in several areas, for example:

1. The criteria used to judge whether there is significant increase in credit risk.
2. The selection of appropriate models and assumptions for measuring expected credit losses.
3. Determining the forward-looking factors that are necessary for the measurement of expected credit losses for each type of product.

For the purpose of measuring expected credit losses, classifying the financial instruments according to similar credit risk characteristics.

Judgements and estimations used in above expected credit losses, please refer to Note 12(2)C.

(4) Post-employment benefit

The present value of post-employment benefit obligation is based on actuarial result of various assumptions, through which any change could affect the carrying amount of post-employment benefit obligation.

Discount rate is included when determining the net pension cost (income), and the Bank and its subsidiaries decide the appropriate discount rate at the end of each year, which is used to calculate the estimated present value of future cash outflow of post-employment benefit obligation needed. The Bank and its subsidiaries should consider interest rate of government bonds of the same currency and maturity in order to determine the appropriate discount rate.

Other significant assumptions on post-employment benefit are made based on the current market situation.

6. Summary of significant accounts

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 13,661,465	$ 13,041,870
Checks for clearance	22,583,171	22,275,375
Due from other banks	14,122,081	26,116,315
Total	$ 50,366,717	$ 61,433,560

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

	December 31, 2018	December 31, 2017
Reserve for deposits-account A	$ 33,557,817	$ 17,290,422
Reserve for deposits-account B	53,271,378	48,522,065
Inter-Bank clearing fund	6,619,043	5,428,014
Deposits of national treasury account	79,746	96,393
Deposits of overseas branches with foreign Central Banks	7,189,572	6,269,146
Reserve for deposits- foreign currency	483,461	463,898
Call loans and overdrafts to other banks	117,480,286	99,872,492
Subtotal	218,681,303	177,942,430
Less: Allowance for bad debt expense - call loans to banks	(25,281)	(31,569)
Total	$ 218,656,022	$ 177,910,861

A. The Bank and its subsidiaries' reserve for deposits is required by the Banking Law and is determined by applying the reserve ratios set by the Central Bank to the monthly average balance of each type of deposit. The reserve amount is deposited in the reserve deposit account at the Central Bank. According to the regulations, such reserve for deposits - account B cannot be withdrawn except for monthly adjustments of the reserve for deposits.

B. Amounts in conformity and not in conformity with cash and cash equivalents as defined by IAS No.7 were as follows：

	December 31, 2018	December 31, 2017
In conformity with cash and cash equivalents as defined by IAS No.7	$ 160,881,438	$ 125,864,897
Not in conformity with cash and cash equivalents as defined by IAS No.7		
Reserve for deposits-account B	53,271,378	48,522,065
Deposits by overseas branches with foreign Central Banks (Note)	4,528,487	3,555,468
Total	$ 218,681,303	$ 177,942,430

Note: The deposits by overseas branches are reserves required by the respective local central banks. The deposits are restricted from deployment.

C. Information relating to credit risk is provided in Note 12(2)C.

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

	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss	
Short-term bills	$ 58,841,197
Stocks	224,662
Bonds (government bonds, bank debentures, and corporate bonds)	69,499,902
Others	2,425,000
Derivative financial instruments	4,832,333
Valuation adjustment	237,251
Subtotal	136,060,345
Financial assets designated as at fair value through profit or loss	
Bonds	2,887,434
Valuation adjustment	51,731
Subtotal	2,939,165
Total	$ 138,999,510

A. Amounts recognised in profit or loss in relation to financial assets and financial liabilities at fair value through profit or loss are listed below:

	For the year ended December 31, 2018
Net gains and losses on financial assets mandatorily measured at fair value through profit or loss and financial liabilities held for trading	$ 5,694,374
Net gains and losses on financial assets and financial liabilities designated as at fair value through profit or loss	(212,085)
Total	$ 5,482,289

B. The financial instruments of the Bank and its subsidiaries designated at fair value through profit or loss upon initial recognition were designated to eliminate or reduce recognition inconsistency.

C. As of December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount of debt investments and derivatives was $133,937,370 and $4,832,333, respectively.

(4) Financial assets at fair value through other comprehensive income

	December 31, 2018
Debt instruments	
Bonds	$ 192,035,010
Other marketable securities	3,300,327
	195,335,337
Valuation adjustment	901,154
Subtotal	196,236,491
Equity instruments	
Stocks - listed	9,452,372
Stocks - unlisted	3,718,589
Other marketable securities	500,540
	13,671,501
Valuation adjustment	12,274,268
Subtotal	25,945,769
Total	$ 222,182,260

A. The Bank and its subsidiaries have selected to classify investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $25,945,769 as of December 31, 2018.

B. The Bank and its subsidiaries sold listed stock investments for stock investments go private due to merge and adjust investment position to diversifying risk. The fair value of the listed stock investments sold was $252,874, and the cumulative gain was $17,971.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the year ended December 31, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	$ 1,118,086
Cumulative gains or losses reclassified to retained earnings due to derecognition	($ 17,971)
Dividend income recognised in profit or loss	
Held at the end of the period	$ 699,666
Derecognised during the period	7,838
	$ 707,504
Debt instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	($ 558,451)
Cumulative other comprehensive income reclassified to profit or loss	
Reclassified due to provision of impairment loss	$ 2,838
Reclassified due to derecognition	(513,191)
	($ 510,353)
Interest income recognised in profit or loss	$ 4,533,121

D. Please refer to Note 8 for details of the above financial assets at fair value through other comprehensive income pledged as collateral as of December 31, 2018.

E. On December 28, 2018, the Bank and its subsidiaries invested in real estate investment trusts (REITs) for an amount of $250,540. In line with the ARDF's interpretations on accounting treatment released on December 21, 2018, REITs were reclassified from financial assets at fair value through profit or loss into financial assets at fair value through other comprehensive income. As at December 31, 2018, the fair value of REITs was $214,514. If REITs had not been reclassified, there would have been a loss of $36,026 for fair value change for the year then ended.

F. Information relating to credit risk is provided in Note 12(2)C.

(5) Investment in debt instruments at amortised cost

	December 31, 2018
Certificates of deposits purchased	$ 407,734,350
Bonds	7,786,512
Short-term bills	122,940
Subtotal	415,643,802
Less: Accumulated impairment	(39,343)
Total	$ 415,604,459

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the year ended December 31, 2018
Interest income	$ 2,086,604
Impairment loss	(16,769)
	$ 2,069,835

B. Please refer to Note 8 for details of the above financial assets at amortised cost pledged as collateral as of December 31, 2018.

C. Information relating to credit risk is provided in Note 12(2)C.

(6) Receivables, net

	December 31, 2018
Spot exchange receivable	$ 42,964,683
Factoring receivable	8,257,100
Interest receivable	6,156,300
Acceptances receivable	5,823,243
Credit card accounts receivable	6,719,120
Other receivables	8,197,961
Subtotal	78,118,407
Less: Allowance for bad debts	(765,937)
Net amount	$ 77,352,470

Information relating to credit risk is provided in Note 12(2)C.

(7) Loans discounted, net

	December 31, 2018
Bills and notes discounted	$ 3,039,476
Overdrafts	1,168,863
Short-term loans	543,018,320
Medium-term loans	478,792,372
Long-term loans	683,904,403
Import-export bills negotiations	1,165,748
Loans transferred to non-accrual loans	6,108,910
Subtotal	1,717,198,092
Less: allowance for bad debts	(21,428,241)
Net amount	$ 1,695,769,851

A. Information relating to credit risk is provided in Note 12(2)C.

B. As of December 31, 2018 the recoveries of write-offs, which were accounted as deductions to bad debts expense was $3,016,550.

(8) Investments accounted for using equity method - net

A. Investments accounted for using equity method:

	December 31, 2018		December 31, 2017	
Affiliated Companies	Amount	Percentage of ownership (%)	Amount	Percentage of ownership (%)
East Asia Real Estate Management Co., Ltd.	$ 15,489	30	$ 15,309	30
FCBL Capital International (B.V.I) Ltd.	1,858,600	100	1,798,874	100
Turn Cloud Technology Service Inc.(Note)	-	-	15,773	40
	$ 1,874,089		$ 1,829,956	

Note: It disqualified investments accounted for using equity method after the Bank disposed of 35% of ownership on December 21, 2018. Please refer to Note 7(2) for details.

B. The Bank's and its subsidiaries' share of the operating results in all individually immaterial associates are summarised below:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Gain from countinuing operations	$ 77,122	$ 105,311
Other comprehensive income (loss)	(68,067)	107,250
Total comprehensive income	$ 9,055	$ 212,561

C. The affiliated enterprises invested by the Bank and its subsidiaries have no quoted price. The affiliated enterprises' capacity to transfer capital through the distribution of cash dividends, loan repayment or advances is not significantly restricted.

D. The profit or loss of related parties for the years ended December 31, 2018 and 2017, accounted for by the Bank through the equity method are, aside from East Asia Real Estate Management Co., Ltd.'s and Turn Cloud Technology Service Inc.'s concurrent financial statements which have not been audited by a certified public accountant (had the financial statements been audited, the Bank expects the effect to be immaterial), derived from concurrent financial statements of investees which have been audited and attested by a certified public accountant.

(9) Other financial assets - net

	December 31, 2018
Non-accrual loans transferred from other accounts (excluding loans)	$ 891,100
Bills purchased	1,419
Subtotal	892,519
Less: Allowance for bad debts - overdue receivable	(740,135)
Total	$ 152,384

Information relating to credit risk is provided in Note 12(2)C.

(10) Property and equipment - net

Changes in the property and equipment of the Bank and its subsidiaries for the years ended December 31, 2018 and 2017 are as follows:

	Lands and land improvements	Buildings and structures	Machinery and equipment	Transportation and communication equipment	Miscellaneous equipment	Leasehold improvements	Unfinished construction and prepayments for equipment	Total
Cost								
At January 1, 2018	$ 18,971,597	$ 12,070,136	$ 2,773,933	$ 804,918	$ 2,303,894	$ 924,265	$ 78,152	$ 37,926,895
Additions	-	67,501	215,630	50,338	59,705	40,937	194,093	628,204
Transfers	-	74,712	3,119	1,697	11,310	3,341	(94,179)	-
Disposals	-	-	(212,950)	(56,880)	(35,021)	(31,717)	-	(336,568)
Foreign exchange	1,932	(2,345)	1,844	1,046	1,517	10,244	-	14,238
At December 31, 2018	18,973,529	12,210,004	2,781,576	801,119	2,341,405	947,070	178,066	38,232,769
Accumulated depreciation								
At January 1, 2018	-	(6,017,987)	(2,096,706)	(669,828)	(1,715,419)	(766,724)	-	(11,266,664)
Depreciation	-	(313,826)	(250,282)	(39,711)	(123,579)	(52,534)	-	(779,932)
Disposals	-	-	211,451	56,494	34,294	31,133	-	333,372
Foreign exchange	-	584	(933)	(762)	(1,071)	(9,321)	-	(11,503)
At December 31, 2018	-	(6,331,229)	(2,136,470)	(653,807)	(1,805,775)	(797,446)	-	(11,724,727)
Net	$ 18,973,529	$ 5,878,775	$ 645,106	$ 147,312	$ 535,630	$ 149,624	$ 178,066	$ 26,508,042

	Lands and land improvements	Buildings and structures	Machinery and equipment	Transportation and communication equipment	Miscellaneous equipment	Leasehold improvements	Unfinished construction and prepayments for equipment	Total
Cost								
At January 1, 2017	$ 18,953,813	$ 12,083,986	$ 2,594,590	$ 802,271	$ 2,423,818	$ 977,125	$ 44,247	$ 37,879,850
Additions	22,720	56,869	324,389	37,398	144,230	13,834	165,643	765,083
Transfers	-	40,676	56,203	2,102	9,586	23,171	(131,738)	-
Disposals	(283)	(100,912)	(194,405)	(33,328)	(266,591)	(66,490)	-	(662,009)
Foreign exchange	(4,653)	(10,483)	(6,844)	(3,525)	(7,149)	(23,375)	-	(56,029)
At December 31, 2017	18,971,597	12,070,136	2,773,933	804,918	2,303,894	924,265	78,152	37,926,895
Accumulated depreciation								
At January 1, 2017	-	(5,795,098)	(2,054,587)	(664,908)	(1,866,135)	(791,997)	-	(11,172,725)
Depreciation	-	(314,741)	(237,664)	(40,224)	(119,976)	(57,487)	-	(770,092)
Disposals	-	91,249	190,997	33,065	265,882	64,664	-	645,857
Foreign exchange	-	603	4,548	2,239	4,810	18,096	-	30,296
At December 31, 2017	-	(6,017,987)	(2,096,706)	(669,828)	(1,715,419)	(766,724)	-	(11,266,664)
Net	$ 18,971,597	$ 6,052,149	$ 677,227	$ 135,090	$ 588,475	$ 157,541	$ 78,152	$ 26,660,231

There was no interest capitalized on property and equipment acquired for the years ended December 31, 2018 and 2017.

(11) Investment property – net

Please see below table for the investment property of the Bank and its subsidiaries for the years ended December 31, 2018 and 2017:

	Lands and land improvements	Buildings and structures	Total
Cost			
At January 1, 2018	$ 6,695,622	$ 487,688	$ 7,183,310
Additions	-	1,885	1,885
Disposals	(13,416)	(5,671)	(19,087)
At December 31, 2018	6,682,206	483,902	7,166,108
Accumulated depreciation			
At January 1, 2018	-	(241,178)	(241,178)
Depreciation	-	(8,613)	(8,613)
Disposals	-	5,300	5,300
At December 31, 2018	-	(244,491)	(244,491)
Investment property – net	$ 6,682,206	$ 239,411	$ 6,921,617

	Lands and land improvements	Buildings and structures	Total
Cost			
At January 1, 2017	$ 6,709,547	$ 488,347	$ 7,197,894
Additions	-	4,215	4,215
Disposals	(13,925)	(4,874)	(18,799)
At December 31, 2017	6,695,622	487,688	7,183,310
Accumulated depreciation			
At January 1, 2017	-	(237,057)	(237,057)
Depreciation	-	(8,260)	(8,260)
Disposals	-	4,139	4,139
At December 31, 2017	-	(241,178)	(241,178)
Investment property – net	$ 6,695,622	$ 246,510	$ 6,942,132

A. As of December 31, 2018 and 2017, the investment property at fair value of the Bank and its subsidiaries was $16,800,487 and $17,176,004, respectively. All the investment properties of the Bank and its subsidiaries are assessed by the internal appraisal expert, and market approach was adopted for all assessments, which belongs to the fair value in level 2.

B. For the years ended December 31, 2018 and 2017, the rental income from investment property were $98,547 and $82,929, respectively, the operating expenses from investment property were $62,645 and $66,003, respectively.

(12) Other assets – net

	December 31, 2018	December 31, 2017
Leased assets – vehicles	$ 1,638,164	$ 1,820,360
Less: Accumulated depreciation	(648,694)	(735,291)
Leased assets – net	989,470	1,085,069
Foreclosed assets		
Cost	61,731	61,731
Less: Accumulated impairment	(61,731)	(61,731)
Net foreclosed assets	-	-
Guarantee deposits paid	1,171,640	1,584,261
Prepayments	448,889	348,362
Others	54,588	45,937
Total	$ 2,664,587	$ 3,063,629

Please refer to Note 8 for details of other assets pledged as collateral as of December 31, 2018 and 2017.

(13) Deposits from the Central Bank and banks

	December 31, 2018	December 31, 2017
Call loans from other banks	$ 237,651,676	$ 152,108,877
Transfer deposits from Chunghwa Post Co. Ltd.	523,418	539,327
Overdrafts from other banks	1,703,127	819,393
Due to other banks	827,304	383,188
Due to the Central Bank	37,804	39,969
Total	$ 240,743,329	$ 153,890,754

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

	December 31, 2018	December 31, 2017
Financial liabilities held for trading		
Derivative instruments	$ 4,619,884	$ 6,758,124
Financial liabilities designated at fair value through profit or loss		
Bonds	27,354,150	26,415,200
Valuation adjustments	1,179,111	1,224,894
Subtotal	28,533,261	27,640,094
Total	$ 33,153,145	$ 34,398,308

A. The Bank's and its subsidiaries' financial instruments that were designated as measured at fair value through profit or loss upon initial recognition were for the purpose of eliminating accounting inconsistency.

B. Fair value changes due to changes in the Bank's credit risk pertaining to bank debentures measured at fair value through profit or loss issued by the Bank for the years ended December 31, 2018 and 2017, were $123,739 and ($267,006), respectively.

C. The Bank sold the financial debentures at the face value. As of December 31, 2018 and 2017, the carrying amounts exclusive of valuation adjustment and the amounts payable to the creditors are identical.

(15) Notes and bonds issued under repurchase agreements

	December 31, 2018	December 31, 2017
Government bonds	$ 1,851,421	$ 2,569,357
Bank debentures	13,989,169	9,018,893
Total	$ 15,840,590	$ 11,588,250

The Bank and its subsidiaries are obliged to repurchase the above bonds at original sale price plus a mark-up pursuant to the repurchase agreement. The repurchase agreement amounts for such bonds and bills were $15,908,406 and $11,620,567 as of December 31, 2018 and 2017, respectively.

(16) Payables

	December 31, 2018	December 31, 2017
Accounts payable	$ 24,395,707	$ 24,004,400
Spot exchange payable	42,947,585	35,448,640
Bank acceptances	6,024,262	6,175,800
Accrued expenses	4,423,091	4,107,006
Interest payable	3,699,034	2,825,327
Other payables	4,031,663	3,813,391
Total	$ 85,521,342	$ 76,374,564

(17) Deposits and remittances

	December 31, 2018	December 31, 2017
Checking accounts deposits	$ 49,213,633	$ 48,752,084
Demand deposits	592,468,939	570,378,531
Time deposits	487,111,974	405,227,826
Negotiable certificates of deposits	25,146,422	11,110,114
Savings account deposits	1,023,188,657	981,238,902
Remittances Outstanding	2,951,076	2,984,869
Others	11,084	15,972
Total	$ 2,180,091,785	$ 2,019,708,298

(18) Financial Bonds Payable

In order to strengthen the capital adequacy ratio and raise mid-to-long-term operating capital for FCB, the Bank resolved through its Board of Directors to raise the quota of authorized bank debenture shares for the issuance of senior and subordinate debentures. This proposition was approved by the Ministry of Finance, R.O.C. and the FSC. The gross approved issuance amount was: $10 billion on February 25, 2011, $15 billion on February 24, 2012, $15 billion on February 27, 2014, $0.3 billion USD on October 16, 2014, $30 billion and $1.5 billion USD on February 26, 2015, $10 billion, $1 billion USD and foreign currency equivalent to NT $ 10 billion on February 26, 2016, $10 billion and equivalent to NT$10 biliion equivalent foreign currency on Febuary 24, 2017, $10 billion and equivalent to NT$10 biliion equivalent foreign currency on Febuary 23, 2018, modified the amount of the previous application of NTD perpectual non-cumulative subordinate financial bonds to $10 biliion on May 11, 2018. The priority of claims for the above mentioned subordinate bonds only takes precedence over the remaining claims distributable for shareholders and is inferior to all other creditors. The detailed terms of each issuance are as follows:

	First to Second issues, 2011
Issue date	March 30, June 24, 2011
Issue amount	NT$6.3 billion (NT$4.15 biliion was redeemed at maturity)
Issue price	At par
Coupon rate	Fixed rate: 1.72%
Interest and repayment terms	Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	10 years

	First to Second issues, 2012
Issue date	September 25, December 27, 2012
Issue amount	NT$15,000 million
Issue price	At par
Coupon rate	Fixed rate:1.43%/1.47%/1.59%
Interest and repayment terms	Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	7 /10 years

	First issues, 2014
Issue date	September 26, 2014
Issue amount	NT$1,000 million
Issue price	At par
Coupon rate	Fixed rate:3.5%
Interest and repayment terms	Interest is paid annually. After the expiration of five years. Early redemption would be possible if it has approval from authority.
Maturity period	Perpetual

	Second issues, 2014
Issue date	November 26, 2014
Issue amount	US $300 million ($140 million were redeemed in advance)
Issue price	At par
Coupon rate	This is a zero-coupon debenture with the implicit interest rate is 4.07%
Interest and repayment terms	The bond can be redeemed after five years from the issue date. The principal is to be paid pursuant to face value at maturity and interest is paid.
Maturity period	20 years

	First issues, 2015
Issue date	March 25, 2015
Issue amount	NT$7,000 million
Issue price	At par
Coupon rate	A: Fixed rate:1.83% B: Fixed rate:2.05%
Interest and repayment terms	A: Interest is paid annually. The principal is to be paid pursuant to face value at maturity and interest is paid. B: Interest is paid annually. The principal is to be paid pursuant to face value at maturity and interest is paid.
Maturity period	A: 7 years B: 10 years

	Second issues, 2015
Issue date	May 28, 2015
Issue amount	US $230 million
Issue price	At par
Coupon rate	A:This is a zero-coupon debenture with the implicit interest rate is 4.06% B: This is a zero-coupon debenture with the implicit interest rate is 4.02%
Interest and repayment terms	A: The bond can be redeemed after two years from the issue date. The principal is to be paid pursuant to face value at maturity and interest is paid. B: The bond can be redeemed after three years from the issue date. The principal is to be paid pursuant to face value at maturity and interest is paid.
Maturity period	20 years

	First issue, 2017
Issue date	February 15, 2017
Issue amount	US $500 million
Issue price	At par
Coupon rate	A: This is a zero-coupon bond with the implicit interest rate at 4.05% B: This is a zero-coupon bond with the implicit interest rate at 4.00%
Interest and repayment terms	A: The bond can be redeemed after two years from the issue date. The principal is to be paid pursuant to face value at maturity and interest is paid. B: The bond can be redeemed after three years from the issue date.The principal is to be paid pursuant to face value at maturity and interest is paid.
Maturity period	30 years

	First issue, 2018
Issue date	May 28, 2018
Issue amount	NT$5 billion
Issue price	At par

Coupon rate	Fixed rate:2.57%
Interest and repayment terms	Interest is paid annually. After the expiration of five years and 2 months, early redemption would be possible if it has approval from authority.
Maturity period	Perpetual

	Second issue, 2018
Issue date	September 25, 2018
Issue amount	NT$7 billion
Issue price	At par
Coupon rate	Fixed rate:2.36%
Interest and repayment terms	Interest is paid annually. After the expiration of five years and one month, early redemption would be possible if it has approval from authority.
Maturity period	Perpetual

As of December 31, 2018 and 2017, the range of interest rates of the above mentioned corporate bonds was 1.43%~4.07%.

As of December 31, 2018 and 2017, the outstanding balances of the above-mentioned bank debentures amounted to $64.504 billion and $55.715 billion New Taiwan dollars, respectively. Among the preceding mentioned bank debentures, the senior bank debentures with face value of $27.354 billion and $26.415 billion New Taiwan dollars were designated as held for trading financial liabilities and hedged by interest rate swap contracts. As such interest rate swap contracts were valued at fair value with changes in fair value recognized as profit or loss, the bank debentures stated above were designated as financial liabilities at fair value through profit or loss in order to eliminate or significantly reduce recognition inconsistency.

(19) Other financial liabilities

	December 31, 2018	December 31, 2017
Received principal of structured notes	$ 39,500,607	$ 29,880,377
Commercial papers payable	2,999,235	2,049,592
Short-term borrowing	1,050,000	900,000
Others	31,981	53,127
Total	$ 43,581,823	$ 32,883,096

These short-term borrowings were credit borrowings as of December 31, 2018 and 2017, the interest rate range were 1.10%~1.11% and 0.89%, respectively.

(20) Provisions

	December 31, 2018	December 31, 2017
Provisions for employee benefit	$ 5,182,573	$ 5,120,108
Reserve for guarantees	678,100	879,639
Reserve for loan commitments	603,784	-
Others	40,679	1,613
Total	$ 6,505,136	$ 6,001,360

Details for the Bank's elected provisions for employee benefit as reported by the actuarial report are as follows:

	December 31, 2018	December 31, 2017
Consolidated balance sheet:		
Defined benefit plans	$ 4,115,830	$ 4,094,722
Preferential saving plan for employees	847,587	805,764
Total	$ 4,963,417	$ 4,900,486

A. Defined contribution plans

Effective from July 1, 2005, the Bank and its subsidiaries established a funded defined contribution plan pursuant to the Labor Pension Act, which covers the employees with R.O.C. nationality and those who choose to or are required to follow the Labor Pension Act. The contributions are made monthly based on not less than 6% of the employees' monthly salaries and are deposited in the employee's individual pension fund account at the Bureau of Labor Insurance. The payment of pension benefits is based on the employee's individual pension fund accounts and the cumulative profit in such accounts, and the employees can choose to receive such pension benefits monthly or in lump sum. For the years ended December 31, 2018 and 2017, the pension costs of the Bank and its subsidiaries under the defined contribution plan were $183,957 and $163,005 respectively.

For employees working overseas, pension expenses under defined contribution plans are recognised according to the local regulations. For the years ended December 31, 2018 and 2017, pension expenses of current period were $15,969 and $16,175, respectively.

B. Defined benefit plans

The Bank and its subsidiaries have a defined benefit pension plan set up in accordance with the Labor Standards Law of the R.O.C., covering all regular employees for their services prior to the implementation of the Labor Pension Act on July 1, 2005 and those employees who choose continuously to be applicable to the Labor Standards Law for the services after the implementation of the Labor Pension Act. The payment of pension benefits is based on the length of the service period and average monthly compensation in the last six months prior to retirement. Under the defined benefit plan, employees are granted two points for each year of service for the first 15 years and are granted one point for each additional year of service from the 16th year, but are subject to a maximum of 45 points. Monthly contributions made by the Bank and its subsidiaries to the pension fund that are deposited in the designated pension account at the Bank of Taiwan were based on 10% of the total monthly salaries and wages. Also, the Bank would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

The net pension costs under defined contribution pension plans of the Bank for the years ended December 31, 2018 and 2017 were $349,231 and $371,955, respectively. As of December 31, 2018 and 2017, the balances of the pension fund deposited in the Bank of Taiwan were $7,374,909 and $6,915,693, respectively.

(A) The amounts recognised in the balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of funded obligations	$ 11,529,970	$ 11,048,060
Fair value of plan assets	(7,414,140)	(6,953,338)
Net defined benefit liability	$ 4,115,830	$ 4,094,722

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 11,048,060	($ 6,953,338)	$ 4,094,722
Current service cost	300,507	-	300,507
Interest expense (income)	128,542	(82,461)	46,081
	11,477,109	(7,035,799)	4,441,310
Remeasurements (Note):			
Return on plan assets	-	(195,145)	(195,145)
Change in financial assumptions	237,586	-	237,586
Experience adjustments	649,829	-	649,829
	887,415	(195,145)	692,270
Pension fund contribution	-	(1,017,750)	(1,017,750)
Paid pension	(834,554)	834,554	-
Balance at December 31	$ 11,529,970	($ 7,414,140)	$ 4,115,830

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	$ 10,836,395	($ 6,568,613)	$ 4,267,782
Current service cost	306,507	-	306,507
Interest expense (income)	158,066	(98,775)	59,291
	11,300,968	(6,667,388)	4,633,580
Remeasurements (Note):			
Return on plan assets	-	19,479	19,479
Change in financial assumptions	340,368	-	340,368
Experience adjustments	169,344	-	169,344
	509,712	19,479	529,191
Pension fund contribution	-	(1,068,049)	(1,068,049)
Paid pension	(762,620)	762,620	-
Balance at December 31	$ 11,048,060	($ 6,953,338)	$ 4,094,722

Note: Return on plan assets excluding amounts included in interest income or expense.

(C) The Bank of Taiwan was commissioned to manage the Fund of the Bank's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earning is less than aforementioned rates, government shall make payment for the deficit after authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The constitution of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

For the years ended December 31, 2018 and 2017, actual return on plan assets were $277,606 and $79,296, respectively.

For the years ended December 31, 2018 and 2017, defined benefit plan recognized through other comprehensive income a remeasurement of ($692,393) and ($529,374), respectively, for net defined benefit liability.

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

	2018	2017
Discount rate	1.00%	1.20%
Future salary increases	1.50%	1.50%

Assumption on future death rate is based on the 4th historical life chart by the Taiwan life insurance enterprises.

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

	Impact on the present value of the defined benefit obligation		
	Change in actuarial assumption (%)	Positive change in actuarial assumption	Negative change in actuarial assumption
December 31, 2018			
Discount rate	±0.25%	($ 295,814)	$ 307,848
Future salary increases	±0.25%	$ 305,533	($ 295,098)

	Impact on the present value of the defined benefit obligation		
	Change in actuarial assumption (%)	Positive change in actuarial assumption	Negative change in actuarial assumption
December 31, 2017			
Discount rate	±0.25%	($ 284,776)	$ 296,560
Future salary increases	±0.25%	$ 294,924	($ 284,639)

The sensitivity analysis above is based on other conditions are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once.

The method of analyzing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(E) As of December 31, 2018, the weighted average duration of that retirement plan is 10.1 years.

(F) Expected contributions to the defined benefit pension plan of the Bank and its subsidiaries for the year ending December 31, 2019 amounts to $466,722.

C. Employee preferential savings plan

The Bank's payment of an allotment for preferential savings of retired and current employees after retirement is in accordance with "First Commercial Bank's preferential savings plan for retired employees". Under the employee preferential savings plan, the Bank recognized pension cost of $479,796 and $457,102 for the years ended December 31, 2018 and 2017, respectively. Please see Note 4(20)B for details.

(A) As of December 31, 2018 and 2017, net liability in the balance sheet was $847,587 and $805,764, respectively.

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 805,764	$ -	$ 805,764
Interest expense	30,110	-	30,110
	835,874	-	835,874
Remeasurements:			
Change in financial assumptions	-	-	-
Experience adjustments	244,951	-	244,951
	244,951	-	244,951
Pension fund contribution	-	(233,238)	(233,238)
Paid pension	(233,238)	233,238	-
Balance at December 31	$ 847,587	$ -	$ 847,587

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	$ 759,199	$ -	$ 759,199
Interest expense	28,349	-	28,349
	787,548	-	787,548
Remeasurements:			
Change in financial assumptions	-	-	-
Experience adjustments	242,018	-	242,018
	242,018	-	242,018
Pension fund contribution	-	(223,802)	(223,802)
Paid pension	(223,802)	223,802	-
Balance at December 31	$ 805,764	$ -	$ 805,764

(C) For the years ended December 31, 2018 and 2017, there were no actuarial loss recognized in other comprehensive income.

(D) The principal actuarial assumptions of employee preferential savings plan were as follows:

	2018	2017
Discount rate	4.00%	4.00%
Return on capital deposited	2.00%	2.00%
Annual decreasing ratio of account balance	1.00%	1.00%
Variable ratio of preferential savings program	50.00%	50.00%

Assumption on future death rate is based on the 4th historical life chart by the Taiwan life insurance enterprises.

The analysis for the impact on the present value of the employee preferential savings plan obligation as a result of changes in the primary actuarial assumption is as follows:

	Impact on the present value of the employee preferential savings plan obligation		
	Change in actuarial assumption (%)	Positive change in actuarial assumption	Negative change in actuarial assumption
December 31, 2018			
Discount rate of employee preferential savings	±0.25%	($ 13,028)	$ 13,422
Return rate of capital deposited	±0.25%	($ 112,768)	$ 112,768
Annual diminishing rate of account balance	±0.25%	($ 12,655)	$ 12,989
Potential future variable rate of preferential saving	±10.00%	$ 169,517	($ 169,517)

	Change in actuarial assumption (%)	Positive change in actuarial assumption	Negative change in actuarial assumption
December 31, 2017			
Discount rate of employee preferential savings	±0.25%	($ 12,290)	$ 12,659
Return rate of capital deposited	±0.25%	($ 103,926)	$ 103,927
Annual diminishing rate of account balance	±0.25%	($ 11,930)	$ 12,244
Potential future variable rate of preferential saving	±10.00%	$ 161,153	($ 161,153)

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

(E) Expected contributions to the employee preferential savings plan of the Bank for the year ending December 31, 2019 amounts to $110,228.

D. Credit risk information relating to provisions for loan commitments, guarantee liability and others is provided in Note 12(2)C.

(21) Other liabilities

	December 31, 2018	December 31, 2017
Guarantee deposits received	$ 3,055,563	$ 3,095,063
Collections in advance	1,518,456	1,339,595
Temporary receipts and suspense accounts	207,173	1,444
Others	111,968	112,690
Total	$ 4,893,160	$ 4,548,792

(22) Equity

A. Common stock

As of December 31, 2018 and 2017, the Bank's authorized and paid-in capital was both $89,064,000, consisting of 8,906,400 thousand shares of common stock outstanding with a par value of $10 (in dollars) per share.

B. Capital surplus

As required by the Companies Act, additional paid-in capital resulting from the amount received in excess of par value of the issuance of capital stock and donated income may not only be used to offset the accumulated losses but also to issue new shares or distribute cash dividends in proportion to the number of shares being held by original shareholders. In addition, according to the Securities and Exchange Act, the additional paid-in capital used for capital increase shall not exceed 10% of total issued capital stock. A company should not use the capital surplus to cover its capital loss, unless the surplus reserve is insufficient.

As of December 31, 2018 and 2017, the details on the Bank's capital surplus are as follows:

	December 31, 2018	December 31, 2017
Share premium	$ 34,460,326	$ 34,460,326
Share-based payments	1,895	387,890
Total	$ 34,462,221	$ 34,848,216

Note: The Bank and its subsidiaries' payment of $385,995 for the parent company, FFHC, on June 8, 2018, resulted from the participation in FFHC's capital increase in 2011 and 2015. The payment was previously recognised as employees' bonus and compensation.

C. Legal reserve and special reserve

(A) Legal reserves

According to the Company Law of the R.O.C., legal reserve can be used only to recover accumulated deficits or to increase capital stock and shall not be used for any other purposes. However, it is permitted that the legal reserve be used to increase capital stock if the balance of the legal reserve has reached 25% of the issued capital stock, and only half of the legal reserve can be capitalized.

(B) Special reserve

Upon the first-time adoption of IFRSs, Jin-Guan-Zheng-Fa No. 1010012865 dated April 6, 2012 requires the Company to reverse special earnings reserve in the proportion of the original recognition when the Company subsequently uses, disposes or reclassifies related assets. If the above related assets belong to investment properties, reversal of land is made when being disposed or reclassified and others are reversed during the periods of being used. In addition, the "trading loss reserve" and "default loss reserve" have been abolished in "Regulations Governing Securities Firms". The "trading loss reserve" and "default loss reserve" set aside before the end of December 2010 should be transferred to "special earnings reserve" according to Jin-Guan-Zeng-Chung No. 0990073857 dated January 11, 2011. Moreover, the additional special reserve should be transferred to "special earnings reserve" by the net of tax after the annual closing. On the other hand, if the special reserve is insufficient to write-off or to recover the amount that could be written-off or recovered, the insufficiency may be recovered or written-off through the "special earnings reserve". The special earnings reserve can only be used in offsetting an entity's deficit or 50% of such reserve can be transferred to capital given that such reserve is equivalent to 50% of the paid-in capital or more. No other purpose is permitted.

In accordance with Jin-Guan-Yin-Fa-Zi Letter No. 10510001510, as a response to the development of financial technology, and to ensure the rights of personnel involved in securities investment trust businesses, the Bank shall, upon appropriating the earnings of 2016 to 2018, provision 0.5% to 1% of income after taxes as special reserve. Starting from the 2017 accounting year, public banks may reverse an amount of the aforementioned special reserve commensurate to employee termination or arrangement expenditures resulting from the development of financial technology.

(23) Unappropriated earnings

A. In accordance with the Bank's Articles of Incorporation, if there are earnings upon formulating the year-end budget, other than paying all taxes and offsetting cumulative deficits, 30% shall be appropriated as legal reserve and, depending on business needs, a special reserve may be appropriated. The remainder, if any, plus prior year unappropriated earnings, is the amount distributable as bonus. After the Board of Directors' consideration for the Bank's capital adequacy and business development needs, the amount may be distributed upon a resolution by the stockholders' meeting.

Prior to legal reserve exceeding total capital or the proprietary capital to risk-weighted assets ratio exceeding banking regulations, the maximum cash dividends which may be distributed shall be distributed according to the Banking Act of the Republic of China and regulations prescribed by the central regulating authority.

B. Dividend policy for the next three years

The Bank is part of a mature industry and has stable profitability and sound financial structure. Distribution of dividends is in principle in cash; however, for the purpose of improving the Bank's proprietary capital to risk-weighted assets ratio in order to strengthen the Bank's competitiveness, distributions are support alongside with stock dividends.

C. The appropriation of 2017 and 2016 earnings were resolved by the stockholders at the stockholders' meeting dated May 11, 2018 and June 30, 2017, respectively. Relevant information was as follows:

	2017		2016	
	Earnings distribution	Dividend per share (NT dollar)	Earnings distribution	Dividend per share (NT dollar)
Legal reserve	$ 4,542,565	$ -	$ 5,309,561	$ -
Special reserve	75,709	-	88,493	-
Cash dividends on common stock	10,088,000	1.1327	12,300,000	1.3810
	$ 14,706,274	$ 1.1327	$ 17,698,054	$ 1.3810

(24) Other equity interest

	Exchange difference on translation of foreign financial statements	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Total
Balance, January 1, 2018	($ 2,046,445)	$ 13,209,416	$ 11,162,971
Financial assets at fair value through other comprehensive income			
- Valuation adjustment	-	542,833	542,833
- Change of accumulated impairment	-	2,749	2,749
- Realised	-	(531,162)	(531,162)
Exchange difference on the financial statements of foreign entities	1,044,497	-	1,044,497
Share of the profit or loss of associates accounted for using the equity method	(68,067)	-	(68,067)
Income tax related to components of other comprehensive income that may be reclassified to profit or loss	-	16,891	16,891
Balance, December 31, 2018	($ 1,070,015)	$ 13,240,727	$ 12,170,712

(25) Net interest income

	2018	2017
Interest income		
Interest income on loans discounted	$ 38,030,792	$ 34,585,995
Interest income on securities investment	6,619,725	5,536,186
Interest income due from bank	3,140,514	2,661,110
Interest income on credit cards recurrence	177,711	165,570
Other interest income	235,378	406,786
Subtotal	48,204,120	43,355,647
Interest expense		
Interest expense for deposits	(13,754,564)	(10,678,684)
Interest expense due to Central Banks and banks	(4,110,139)	(2,276,828)
Interest expense, bank debentures	(589,241)	(614,686)
Interest expense on structured notes	(110,976)	(110,154)
Interest expense of bonds payable under repurchase agreements	(113,771)	(101,648)
Other interest expense	(35,873)	(26,263)
Subtotal	(18,714,564)	(13,808,263)
Total	$ 29,489,556	$ 29,547,384

(26) Net service fee income

	2018	2017
Service fee income		
Trust business and affiliated business	$ 2,425,352	$ 2,467,290
Insurance agency	2,546,595	2,378,960
Foreign exchange	925,636	906,031
Credit extension	1,283,941	1,290,064
Credit card	846,473	821,341
Other service fee income on deposits and remittances	1,218,949	1,155,190
Subtotal	9,246,946	9,018,876
Service fee expense		
Trust business and affiliated business	(263,307)	(229,293)
Insurance agency	(362,997)	(353,818)
Credit card	(457,488)	(411,617)
Other service fee expense on deposits and remittances	(578,692)	(545,224)
Subtotal	(1,662,484)	(1,539,952)
Total	$ 7,584,462	$ 7,478,924

Note：

A. As of December 31, 2018 and 2017, the fee income generated by the Bank and its subsidiaries concurrently in electronic payment business amounted to $1,971 and $1,224, respectively.

B. Due to the Bank and its subsidiaries concurrently in electronic payment business, as of December 31, 2018 and 2017, the interest earned from utilizing funds received from users amounted to $9 and $11, respectively, based on the calculation required in Article 4 of "Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions"

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(27) Gains on financial assets or liabilities measured at fair value through profit or loss

	2018	2017
Gain or loss from disposal of financial assets and financial liabilities at fair value through profit or loss		
Short-term bills	($ 76,189)	($ 65,236)
Bonds	(222,484)	(136,342)
Stocks	226,813)	94,059
Interest rate	(92,988)	210,939
Exchange rate	5,277,456	3,590,149
Options	(13,091)	117,402
Futures	4,440	2,718
Other	51	-
Subtotal	4,650,382	3,813,689
Evaluation gain or loss on financial assets and financial liabilities at fair value through profit or loss		
Short-term bills	5,414	(6,049)
Bonds	802,119	252,849
Stocks	35,826	(17,162)
Interest rate	(1,117,372)	313,923
Exchange rate	258,035	452,449
Options	10,879	27,267
Futures	(1,244)	11
Other	(5,572)	3,349
Credit risk valuation adjustment	3,968	7,382
Subtotal	(7,947)	1,034,019
Coupon and dividend income on financial assets at fair value through profit or loss	29,473	21,289
Interest income on financial assets at fair value through profit or loss	2,052,683	1,243,864
Interest expense on financial liabilities at fair value through profit or loss	(1,242,302)	(1,015,173)
Total	$ 5,482,289	$ 5,097,688

Net income on exchange rate instruments are realized and unrealized gain and loss on spot and forward exchange contracts, FX options and FX futures.

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

(28) Realised gains on financial assets at fair value through other comprehensive income

	2018
Gain on disposal	
Bonds	$ 534,026
Loss on disposal	
Bonds	(20,835)
Dividends income	707,504
Total	$ 1,220,695

(29) (Impairment losses) reversal of gains on assets

	2018	2017
Impairment losses on debt instruments at fair value through other comprehensive income	($ 2,838)	$ -
Impairment losses of debt instruments amortised at cost	(16,769)	-
Gains on reversal of impairment loss on other assets	3,996	6,818
Total	($ 15,611)	$ 6,818

(30) Net other non-interest income

	2018	2017
Net gain on financial assets carried at cost	$ -	$ 143,022
Net income and losses from rent	247,532	251,468
(Loss) Gain on disposal of property	(4,894)	27,523
Loss on retired assets	(2,629)	(15,558)
Other net income and losses	215,473	(7,748)
Total	$ 455,482	$ 398,707

(31) Employee benefit expenses

	2018	2017
Wages and salaries	$ 11,248,574	$ 10,269,721
Labor and health insurance fees	565,431	559,000
Pension costs	1,028,953	1,008,237
Board of Directors' compensation	15,285	26,935
Other employee benefit	295,820	239,491
Total	$ 13,154,063	$ 12,103,384

A. The calculation for the employee benefit expense is based on the number of employee of 7,869 and 7,636 for the years of 2018 and 2017, respectively. (Pension expenses include preferential interest deposit for retired employees amounted to $479,796 and $457,102 for the years of 2018 and 2017, respectively.)

B. According to the Bank's Articles of Incorporation, if the Bank has profits before tax, 1% to 6% of income before tax prior to deductions of employees' compensation shall be provisioned as employees' compensation. However, when the Bank's accumulated losses should be covered first.

C. As of December 31, 2018 and 2017, the Bank's and its subsidiaries' estimated employees' compensation were $1,102,946 and $685,935 respectively. The aforementioned amounts are accounted for under employee benefit expenses.

After considering earnings, employees' compensation for 2018 and 2017 were estimated on a 1% to 6% basis. Employees' compensation for 2017 as resolved by the Board of Directors in 2018 was $647,761. This was a decrease of $34,039, compared to employees' compensation amount $681,800 in 2017. The difference in amounts was due to estimation difference. The changes amount in estimate in 2017 is treated as a change in accounting estimate, where the difference was recognized as profit or loss in 2018.

D. Information about employees' compensation of the Bank as resolved by the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. In addition, the Bank has not distributed any directors' and supervisors' remuneration.

(32) Depreciation and amortization expenses

	2018		2017	
Depreciation expense	$	788,545	$	778,352
Amortization expense		195,443		185,323
Total	$	983,988	$	963,675

(33) Other general and administrative expenses

	2018		2017	
Taxes	$	2,120,247	$	2,043,497
Rental		1,196,409		1,142,042
Insurance premium		578,948		561,119
Post and cable		273,428		252,111
Water, electricity and gas		132,838		134,561
Stationery		116,164		107,423
Maintenance		183,766		189,878
Entrustment of investigate and research		168,202		163,338
Police and security		137,675		134,344
Land occupancy		143,618		145,654
Advertising		234,110		167,342
Others		809,595		709,235
Total	$	6,095,000	$	5,750,544

(34) Income tax expenses

A. Income tax expense

	2018	2017
Current tax		
Current tax on profits for the period	$ 2,319,205	$ 3,445,388
Adjustments for over (under) provisions of prior years' income tax expense and others	81,140	(10,771)
Total current tax	2,400,345	3,434,617
Deferred tax		
Origination and reversal of temporary differences	1,137,620	(721,941)
Impact of change in tax rate	(280,231)	-
Total deferred tax	857,389	(721,941)
Income tax expense	$ 3,257,734	$ 2,712,676

B. Details of reconciliation between income tax expense and accounting profit

	2018	2017
Income tax from pretax income calculated at regulated tax rate	$ 4,265,940	$ 3,396,953
Adjustments for over provisions of prior years' income tax expense and others	81,140	(10,771)
Adjusted effects on income tax exemption and other income tax	(809,115)	(673,506)
Impact of change in tax rate	(280,231)	-
Income tax expense	$ 3,257,734	$ 2,712,676

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
Allowance for bad debt in excess of tax limits	$ 1,520,148	($ 320,460)	$ -	$ 1,199,688
Impairment loss of foreclosed assets	10,494	1,852	-	12,346
Unappropriated employee benefit liabilities reserve	853,110	(25,207)	179,881	1,007,784
Overseas branches and overseas subsidiary	564,337	(103,287)	2,316	463,366
Others	71,731	(44,591)	14,575	41,715
Deferred tax assets-net	$ 3,019,820	($ 491,693)	$ 196,772	$ 2,724,899
Deferred tax liabilities:				
Increment tax on land value	$ 5,703,133	$ -	$ -	$ 5,703,133
Others	653,596	365,696	-	1,019,292
Deferred tax liabilities:-net	$ 6,356,729	$ 365,696	$ -	$ 6,722,425

	2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
Allowance for bad debt in excess of tax limits	$ 663,474	$ 856,674	$ -	$ 1,520,148
Impairment loss of foreclosed assets	11,653	(1,159)	-	10,494
Unappropriated employee benefit liabilities reserve	814,151	(51,035)	89,994	853,110
Overseas branches and overseas subsidiary	663,469	(97,448)	(1,648)	564,337
Others	(567,196)	649,931	(11,004)	71,731
Deferred tax assets-net	$ 1,585,551	$ 1,356,963	$ 77,306	$ 3,019,820
Deferred tax liabilities:				
Increment tax on land value	$ 5,707,995	($ 4,862)	$ -	$ 5,703,133
Others	13,712	639,884	-	653,596
Deferred tax liabilities:-net	$ 5,721,707	$ 635,022	$ -	$ 6,356,729

D. The Bank's filed income tax returns through 2014 have been assessed and approved by the Tax Authority. As for 2003's "available loss deduction", where the assessed amount disagreed with the actual amount, after the Ministry of Finance, R.O.C. maintained its original position for the administrative appeal on January 6, 2016, the Bank decided to cease further litigation for its 2003 administrative appeal. However, because the result involved the use of loss deductions for subsequent years, which 2003's loss deduction was exhausted (i.e. year of 2012), the Bank has filed to rectify the loss deduction amount for the year. The Bank has taken administrative remedy to contest the assessment result for 2012 by applying for a review of the administrative action with Tax Authority. The case is currently still in the assessment phase.

Profit-seeking enterprise income tax returns of FCBL through 2016 have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Bank and its subsidiaries' applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Bank and its subsidiaries have assessed the impact of the change in income tax rate.

(35) Earnings per share

Basic

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

	2018	2017
Profit or loss attributable to ordinary shareholders of the Bank (in thousand dollars)	$ 17,530,747	$ 15,141,884
Weighted average number of ordinary shares outstanding (in thousand shares)	8,906,400	8,906,400
Basic earnings per share (in dollars)	1.97	1.70

Note:For the years ended December 31, 2018 and 2017, basic earnings per share were equal to diluted earnings per share.

7. Related party transactions

(1) Parent and ultimate controlling company

The Bank is controlled by First Financial Holding Co., Ltd., which holds 100% of the Bank's shareholding, and the Bank's ultimate controlling company is First Financial Holding Co., Ltd.

(2) Details of the related parties

Names of related parties	Relationship with the Bank
Bank of Taiwan Co., Ltd.	Substantive related parties
East Asia Real Estate Management Co., Ltd. (EAREM)	Investee accounted for under the equity method
Turn Cloud Technology Service Inc.	Investee accounted for under the equity method(Note)
The First Education Foundation	Over one third of total fund is donated by the Bank
First Financial Holding Co., Ltd.	Parent company of the Bank
First Securities Inc. (FS)	Subsidiary of FFHC
First Securities Inc. (Asia)	Subsidiary of FFHC
First Capital Management Inc.	Subsidiary of FFHC
First Securities Investment Trust Co., Ltd. (FSIT)	Subsidiary of FFHC
First Financial Asset Management Co., Ltd. (FFAM)	Subsidiary of FFHC
First Venture Capital Co., Ltd. (FVC)	Subsidiary of FFHC
First Financial Management Consulting Co., Ltd. (FFMC)	Subsidiary of FFHC
First P&C Insurance Agency Co., Ltd.(FPCIA) (Residual property distribution on August 15, 2017)	Subsidiary of FFHC
First-Aviva Life Insurance Co., Ltd. (FALI)	Subsidiary of FFHC
Mutual funds managed by FSIT	Mutual funds managed by the subsidiary of FFHC
Others	Related parties, Spouses of representatives of the Bank's directors and supervisors, chairman and president, and relatives within second degree of kinship of the Bank's chairman and president

Note: The Bank's ownership to investments accounted for using equity method, Turn Cloud Co., Ltd., declined to 5% after disposing of the investments on December 21, 2018. Turn Cloud Co., Ltd. was no longer a related party of the Bank and its subsidiaries thereafter.

(3) Major balances and transactions with related parties:

A. Call loans to banks

	December 31, 2018		
	Highest balance	Ending balance	Annual interest rate (%)
Other related parties			
Bank of Taiwan	$ 15,000,000	$ -	0.174~0.300

	December 31, 2017		
	Highest balance	Ending balance	Annual interest rate (%)
Other related parties			
Bank of Taiwan	$ 10,200,000	$ 1,200,000	0.168~0.184

For the years ended December 31, 2018 and 2017, the interest income on above related parties were $2,730 and $763, respectively.

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

B. Call loans from banks

	December 31, 2018		
	Highest balance	Ending balance	Annual interest rate (%)
Other related parties			
Bank of Taiwan	$ 15,000,000	$ -	0.173~0.190

	December 31, 2017		
	Highest balance	Ending balance	Annual interest rate (%)
Other related parties			
Bank of Taiwan	$ 14,000,000	$ -	0.168~0.220

For the years ended December 31, 2018 and 2017, the interest expense on above related parties were $930 and $3,335, respectively.

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

C. Due from other banks

	December 31, 2018	
	Ending balance	Percentage of Due from banks(%)
Other related parties		
Bank of Taiwan	$ 247,605	1.75

	December 31, 2017	
	Ending balance	Percentage of Due from banks(%)
Other related parties		
Bank of Taiwan	$ 287,796	1.10

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

(Blank below)

D. Loans

December 31, 2018

Items	Category of related party (Note 1)	Number or name of related party (Note 2)	Maximum balance for current period	Ending balance	Status of performance		Collateral	Terms Differences Compared to Non-Related Parties
					Performing loans	Non-performing loans		
Consumer loans	Other related parties	44	$ 17,491	$ 15,278	$ 15,278	$ -	None	None
Residential mortgage loans	Other related parties	140	779,793	771,076	771,076	-	Real estate	None
Other loans	Other related parties	10	81,636	58,847	58,847	-	Certificates of deposits of the Bank、real estate、land	None
Other loans	Sister company	FFAM	130,000	-	-	-	Real estate	None
Other loans	Sister company	FS	166,630	-	-	-	Other Collateral	None

December 31, 2017

Items	Category of related party (Note 1)	Number or name of related party (Note 2)	Maximum balance for current period	Ending balance	Status of performance		Collateral	Terms Differences Compared to Non-Related Parties
					Performing loans	Non-performing loans		
Consumer loans	Other related parties	39	$ 17,251	$ 15,805	$ 15,805	$ -	None	None
Residential mortgage loans	Other related parties	128	635,152	625,938	625,938	-	Real estate	None
Other loans	Other related parties	11	129,248	102,047	102,047	-	Certificates of deposits of the Bank、real estate、land、demand deposit of credit guarantee fund (reserve)	None
Other loans	Sister company	FFAM	330,000	330,000	330,000	-	Real estate	None
Other loans	Sister company	FS	11,216	11,216	11,216	-	Other Collateral	None

For the years ended December 31, 2018 and 2017, the interest income received from the above related parties were $11,233 and $10,204, respectively.

Note 1: None of the ending balances of individual borrowers exceeded 1% of the total ending balance. Hence, the transactions are not listed individually in detail.

Note 2: Account numbers are calculated based on the statistics at the end of the year.

E. Deposits

	December 31, 2018		December 31, 2017	
	Ending balance	Percentage of Deposits(%)	Ending balance	Percentage of Deposits(%)
Parent company				
First Financial Holding Co., Ltd.	$ 3,026,682	0.14	$ 1,893,285	0.09
Sister company				
First-Aviva Life Insurance Co., Ltd.	481,230	0.02	65,824	-
First Securities Inc.	557,999	0.03	545,134	0.03
Others	290,959	0.01	385,813	0.02
Other related parties				
Others (Note)	1,638,135	0.08	1,578,252	0.08
Total	$ 5,995,005	0.28	$ 4,468,308	0.22

The interest expense paid to the above related parties for years ended December 31, 2018 and 2017 were $45,708 and $31,651, respectively.

Note: Staff savings accounts of FCB are provided to the above related parties with interest rate of 13% p.a. and limited to a balance of $480. Deposits exceeding $480 is calculated at demand savings deposit rate. Interest rates for others are the same as those offered to other customers.

F. Derivative instrument transactions

December 31, 2018

Category of related party	Name of related party	Title of derivative instrument contract	Contract period	Nominal principal	Gain (loss) on valuation for current period	Period-end balance: Item	Period-end balance: Balance
Other related parties	A mutual fund managed by FSIT	Foreign exchange contracts	2018/10/23~ 2019/02/13	$ 2,220,604	$ 2,703	Valuation adjustment for financial assets mandatorily measured at fair value through profit or loss– currency exchange rate	$ 2,703
Other related parties	Bank of Taiwan	Foreign exchange contracts	2018/10/02~2019/10/02	1,844,100	(8,815)	Valuation adjustment for trading Liabilities – currency exchange rate	8,815

December 31, 2017

Category of related party	Name of related party	Title of derivative instrument contract	Contract period	Nominal principal	Gain (loss) on valuation for current period	Period-end balance: Item	Period-end balance: Balance
Other related parties	A mutual fund managed by FSIT	Foreign exchange contracts	2017/12/04~2018/03/06	$ 4,067,644	$ 36,086	Valuation adjustment for trading assets – currency exchange rate	$ 36,086

Note 1: Gain (loss) on valuation for the current period refers to gains or losses resulting from year-end fair value valuation on derivative instruments as of the balance sheet date.

Note 2: Period-end balance is the year-end balance of those accounted as financial asset or liabilities measured at fair value through profit or loss.

G. Current income tax assets

	December 31, 2018	December 31, 2017
Parent company		
First Financial Holding Co., Ltd.(Note)	$ 637,650	$ -

Note: Receivable as a result of consolidated income tax return filing of parent company.

H. Current income tax liabilities

	December 31, 2018	December 31, 2017
Parent company		
First Financial Holding Co., Ltd.(Note)	$ -	$ 1,023,792

Note: Payable as a result of consolidated income tax return filing of parent company.

I. Financial liabilities at fair value through profit or loss

	December 31, 2018	December 31, 2017
Sister company		
First-Aviva Life Insurance Co., Ltd. (FALI)	$ 361,843	$ 335,853

For the years ended December 31, 2018 and 2017, the interest expense on above related parties were $13,867 and $13,443, respectively.

J. Handling charges income and other income

	For the years ended December 31,	
	2018	2017
Parent company		
First Financial Holding Co., Ltd.	$ 25,826	$ 24,588
Sister company		
First Securities Inc.	84,607	83,231
First Securities Investment Trust Co., Ltd.	64,553	55,252
First-Aviva Life Insurance Co., Ltd.	835,157	665,768
First Capital Management Inc.	7,772	10,369
First Financial Asset Management Co., Ltd.	4,557	4,577
Other related parties		
Others	5,898	5,393
Total	$ 1,028,370	$ 849,178

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

K. Rental expense and other expenses

	For the years ended December 31,	
	2018	2017
Parent company		
First Financial Holding Co., Ltd.	$ 941	$ 454
Sister company		
First Financial Asset Management Co,, Ltd.	75,424	84,392
First Securities Inc.	81,335	70,346
Other related parties		
Others	9,763	9,631
Total	$ 167,463	$ 164,823

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

L. Property transactions

On September 20, 2017, the Bank entered into a contract with Turn Cloud Co., Ltd to purchase 5,000 sets of multi-payment POS system amounting to $77,981. Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

M. Information on salaries and remunerations to the Bank's directors, supervisors, president, vice-president and others:

	For the years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 84,037	$ 81,894
Post-employment benefits	2,340	2,090
Other long-term employee benefits	214	220
Total	$ 86,591	$ 84,204

8. Pledged assets

Pledged assets provided by the Bank and its subsidiaries as of December 31, 2018 and 2017 were as follows:

Items	December 31, 2018	Purpose of Pledge
Financial assets at fair value through other comprehensive income	$ 4,449,918	Guarantees deposited with the court for the provisional seizure, guarantees for trust business reserves, foreign branch's guarantee deposited with Federal Reserve Bank and Federal Credit Bank, operating guarantee deposit.
Investment in debt instruments at amortised cost	204,372	Deposits with Federal Deposit Insurance Corporation and Federal Reserve Bank.
Refundable deposits	1,171,640	Guarantees deposited with the court for provisional seizure and deposits for the building lease.
	$ 5,825,930	

Items	December 31, 2017	Purpose of Pledge
Available-for-sale financial assets	$ 4,382,648	Guarantees deposited with the court for the provisional seizure, guarantees for trust business reserves, foreign branch's guarantee deposited with Federal Reserve Bank and Federal Credit Bank, operating guarantee deposit.
Held-to-maturity financial assets	263,579	Guarantees deposited with the court for the provisional seizure, operating guarantee deposits, deposits with Federal Deposit Insurance Corporation and Federal Reserve Bank.
Refundable deposits	1,584,261	Guarantees deposited with the court for provisional seizure and deposits for the building lease.
	$ 6,230,488	

9. Significant contingent liabilities and unrecognized contractual commitments

The Bank has the following commitments as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Unused loan commitments	$ 136,677,071	$ 131,137,328
Unused credit commitments for credit cards	89,253,643	67,426,775
Unused letters of credit issued	34,462,317	32,847,998
Guarantees	71,065,602	69,166,023
Collections receivable for customers	126,551,400	131,321,992
Collections payable for customers	272,362,595	265,798,431
Travelers' checks consignment-in	269,768	280,494
Guaranteed notes payable	47,605,897	47,178,790
Trust assets	656,959,077	673,826,470
Customers' securities under custody	568,383,234	512,371,420
Book-entry for government bonds under management	184,975,000	196,062,400
Depository for short-term marketable securities under management	76,766,335	80,456,450

10. Significant losses from disasters: None.

11. Significant subsequent events: None.

12. Others:

(1) Fair value and hierarchy information on financial instruments

A. Scope

Fair value is the amount for which an asset could be exchanged or a liability can be settled between knowledgeable, willing parties in an arm's length transaction. Financial instruments are initially recognised by fair value, which is transaction price in most cases. Subsequent recognitions are measured by fair value except that certain financial instruments are recognised by amortised cost. The best evidence of fair value is the quoted market price in an active market. If the market in which financial instruments traded is not active, the Bank then adopts valuation technique or takes reference to Bloomberg, Reuters or the fair value of financial instrument from counterparties.

B. Fair value information of financial instruments

The fair value information of financial instruments measured at fair value is provided in Note 12(1) C and E.

Except for those listed in the table below, the carrying amount of some of the Bank's financial instruments (e.g. cash and cash equivalents, due from Central Bank and call loans to other banks, receivables, loans discounted, refundable deposits, deposits from the Central Bank and banks, due to Central Bank and other banks, bills and bonds under repurchase agreements, payables, deposits and remittances, bonds payable, other financial liabilities and guarantee deposits) is approximate to their fair value (Please refer to Note 12 (1) D).

	December 31, 2018			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 415,604,459	$ 4,646,366	$ 410,873,510	$ -

	December 31, 2017			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets-net	$ 386,605,113	$ 1,938,413	$ 385,418,902	$ -
Other financial assets- bond instruments without active market	2,729,400	-	2,729,400	-

C. Financial instruments measured at fair value

(A) Determination of the fair value

The quoted market price is used as the fair value when the financial instruments have an active market, such as market prices provided by the Stock Exchange Corporation, Bloomberg and Reuters are all foundation of fair value for listed equity securities and debt instruments with a quoted market price in an active market.

If the market quotation from Stock Exchange Corporation, commission merchants, underwriters or pricing service institutions can be frequently obtained on time, and the price represents the actual and frequent transactions at arm's length, then a financial instrument is deemed to have an active market. If the above condition is not met, the market is deemed inactive. In general, significant price variance between the purchase price and selling price or significantly increasing price variance are both indicators of an inactive market.

In addition to above financial instruments with an active market, other financial instruments at fair value are assessed by evaluation technique with reference to other financial instruments at fair value with similar conditions and characteristics in actual practice, cash flow discounting method and other evaluation technique, including market information obtained by exercising the model at balance sheet date (such as yield curve used in OTC and the Taipei Interbank Offered Rate (Taibor) price curve).

When a financial instrument has no standardized evaluation and with less complexity involved, such as interest rate swap, currency swap and options. The Bank and its subsidiaries usually adopt the valuation generally accepted by market users. The inputs used in these financial instruments valuation usually are observable information in the market.

For financial instruments with higher complexity, the fair value is assessed through the valuation model developed by general valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments with no quoted market price (including debt instrument of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Bank and its subsidiaries needs to make appropriate estimates based on the assumptions.

The output of the evaluation model is always an estimate, and the valuation technique may not reflect all the relevant factors of the financial instruments held by the Bank and its subsidiaries. As a result, the estimate generated by valuation model will be slightly adjusted based on additional inputs, such as model risk, liquidity risk or credit risk of counterparties. According to the Bank and its subsidiaries valuation model management and other related controlling procedures, the adjustment made is adequate and necessary and the balance sheet is believed to present fairly, in all material aspects, the fair value of financial instruments. The pricing information and input are prudently evaluated in the valuation process, and shall be timely adjusted by market condition.

(B) Valuation methods by financial instruments of the Bank and its subsidiaries are shown by types and nature as follows:

a. NTD Central Government Bond: the latest transaction price announced by Electronic Bond Trading System of GTSM or SEC or the yield rates across different contract lengths bulletined by OTC are used.

b. NTD corporate bonds & bank debentures: fair value of different maturities announced by GTSM is adopted. If the fair value is not available, yield rate curve of the corresponding credit rating provided by GTSM is used to compute the theory price. Securitization instruments: future cash flows discounted by market interest rate or the quotations provided by the counterparties are adopted for valuation.

c. Securitization instruments: prices quoted from Bloomberg.

d. Convertible corporate bond: closing prices bulletined by the GTSM or the latest closing prices is adopted as valuation standard.

e. NTD short-term bills: valuation is based by TAIBOR curve rate from The Bankers Association of the Republic of China, discounted from future cash flows.

f. Foreign securities: prices quoted from Bloomberg, Reuters, or counterparties are adopted.

g. Listed stocks: the closing price listed in TSE or OTC is adopted.

h. Beneficiary certificates: closed-end funds use the closing price in an active market as the fair value and open-ended funds use the net asset value of the a fund as the fair value.

i. Bank debentures designated at fair value issued by the Bank: valuation is based by TAIBOR curve rate from The Bankers Association of the Republic of China, discounted from future cash flows.

j. Derivatives:

(a) Call (put) warrant, stock index futures, and stock index futures options: prices quoted from an active market are deemed the fair value.

(b) Forward FX, currency swap, interest swap and cross currency swap: discounted future cash flows is adopted.

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

(d) Certain derivatives use the quoted price from counterparties.

k. Unlisted stock: Equity instruments that are not accounted for using the equity method are valued using the market approach, income approach, or net asset approach. The market approach uses the price-to-earnings ratio or the price-to-book ratio of investments with similar characteristics. The income approach includes the discounted cash flow method. The net asset approach includes the net value method.

(C) Adjustments for credit risks

Adjustments for credit risks are mainly credit valuation adjustments and debit valuation adjustments. Definition is as follows:

a. Credit valuation adjustment (CVA) is a measurement to derivatives which are not transacted through the Stock Exchange Market, or the over the counter (OTC) derivatives. CVA reflects fair value of counterparty default and the possibility of not collecting the full market value.

b. Debit valuation adjustment (DVA) is a measurement to derivatives which are not transacted through the Stock Exchange Market, or the over the counter (OTC) derivatives. DVA is the fair value of a derivative reflecting the default of the company and the possibility of the company unable to pay the full market value.

CVA is calculated by applying loss given default (LGD) to exposure at default (EAD), along with the consideration of counterparty's probability of default (PD) (under the condition of the Bank does not default). On the other hand, DVA is calculated by applying the Bank's estimated loss to the risk exposure amount, along with the consideration of the Bank's PD (under the condition of the counterparty does not default).

D. Financial instruments not measured at fair value

The methods and assumption used by financial instruments not measured at fair value of the Bank and its subsidiaries are as follows:

(A) The book value of cash and cash equivalents, due from Central Bank and call loans to banks, securities purchased under resell agreements, receivables, refundable deposits, due to Central Bank and banks, fund borrowed from Central Bank and banks, securities sold under repurchase agreements, commercial papers issued, payables, other borrowings, deposits, and other financial liabilities which have a short maturity period will be considered as their fair value.

(B) Loans discounted (including overdue receivables and assumed receivables from leasing subsidiary): Considering the nature of the financial industry, the fair value is determined by the market rate (market price). The effective interest rates of loans are generally based on the benchmark interest rate plus or minus certain adjustment (equivalent to floating rate) to reflect the market interest rate. As a result, it is reasonable to assume that the carrying amount, after adjustments of estimated recoverability, approximates the fair value. Fair values for medium-term or long-term loans with fixed interest rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, book value was used to estimate the fair value.

(C) Debt instruments at amortised / Held-to-maturity financial assets (December 31, 2017): When there is a quoted market price available in an active market, the fair value is determined using the market price. If there is no quoted market price for reference, a valuation technique or quoted price offered by the counterparties will be adopted to measure the fair value.

a. NTD Central Government Bond: fair value of bonds of different maturities bulletined by Over-The-Counter (hereinafter OTC).

b. NTD corporate bonds, bank debentures, government bonds and beneficiary bond certificates: future cash flow discounted by the yield curve of OTC is used to measure present valuation.

c. NTD and US short-term bills and NTD beneficiary securities: valuation is based by TAIBOR curve rate from The Bankers Association of the Republic of China, discounted from future cash flows.

(D) Deposits: Considering the nature of the financial industry, the fair value is determined by the market rate (market price) while the deposit transactions usually mature within one year. As a result, the carrying amount is a reasonable basis to estimate the fair value. Fair values of the long-term fixed rate deposits shall be estimated using discounted expected future cash flows. Additionally, as the maturities are less than three years, it is reasonable to use the carrying amount to estimate the fair value.

(E) Financial Bonds Payable: Since the coupon rates of the bank debentures issued by the Bank approximate the market rates, the fair value based on the discounted value of expected future cash flow approximates the book value.

(F) Other financial assets - bond instruments without active market (December 31, 2017): If a quoted price is available from a transaction or a market maker, the latest transaction price and quoted price is used as foundation for fair value measurement. If no quoted market price is available for reference, the valuation method is adopted. The estimate and assumption adopted are the discounted value of expected future cash flow used to estimate the fair value.

E. Hierarchy of fair value estimation of financial instruments

(A)Definition for the hierarchy classification of financial instruments measured at fair value

a. Level 1

Inputs that are quoted prices unadjusted in active markets for identical assets or liabilities. An active market refers to a market in which transactions for an asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Bank's and its subsidiaries' investment in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices is included in Level 1.

b. Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).The fair value of the Bank and its subsidiaries' investment in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative instruments bank debentures issued by the First Group is included in Level 2.

c. Level 3

Inputs for the asset or liability that are not based on observable market data. The fair value of the Bank and its subsidiaries' investment in the derivatives and certain overseas securities invested by the First Group is included in Level 3.

(Blank below)

(B)Hierarchy of fair value estimation of financial instrument

Financial instruments measured at fair value	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Short-term notes	$ 58,884,156	$ -	$ 58,884,156	$ -
Stock investments	229,808	229,808	-	-
Bond investments	69,688,631	283,527	69,405,104	-
Others	2,425,417	-	2,425,417	
Financial assets designated as at fair value through profit or loss	2,939,165	-	2,939,165	-
Financial assets at fair value through other comprehensive income				
Stock investments	25,480,005	17,600,153	-	7,879,852
Bond investments	192,938,134	3,497,741	189,440,393	-
Others	3,764,121	465,764	3,298,357	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss	28,533,261	-	28,533,261	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	4,832,333	95,167	4,737,166	-
Liabilities				
Financial liabilities at fair value through profit or loss	4,619,884	-	4,619,884	-
Total	$ 394,334,915	$ 22,172,160	$ 364,282,903	$ 7,879,852

Financial instruments measured at fair value	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurements				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Short-term notes	$ 48,746,002	$ -	$ 48,746,002	$ -
Stock investments	1,151,736	1,151,736	-	-
Bond investments	11,985,077	454,941	11,530,136	-
Financial assets designated as at fair value through profit or loss on initial recognition	33,639,629	-	33,639,629	-
Available-for-sale financial assets				
Stock investments	13,863,124	13,863,124	-	-
Bond investments	134,444,178	1,725,022	132,719,156	-
Others	1,484,983	-	1,484,983	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss on initial recognition	27,640,094	-	27,640,094	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	4,726,858	135,063	4,591,795	-
Liabilities				
Financial liabilities at fair value through profit or loss	6,758,214	-	6,758,214	-
Total	$ 284,439,895	$ 17,329,886	$ 267,110,009	$ -

(C) Movement of financial assets and liabilities at fair value classified as Level 3

a. Movement of financial assets at fair value classified as Level 3

For the year ended 2018

Items	Beginning balance	Gain and loss on valuation		Addition		Reduction		Ending balance
		Amount recognised in gain and loss	Amount recognised in other comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Transferred from Level 3	
Non-derivative financial instruments Equity instruments measured at fair value through other comprehensive income	$ 8,230,251	$ -	($ 388,043)	$ 37,644	$ -	$ -	$ -	$ 7,879,852

For the year ended December 31, 2017, the Bank and its subsidiaries did not hold any Level 3 financial assets.

b. Movement of financial liabilities at fair value classified as Level 3

For the years ended December 31, 2018 and 2017, the Bank and its subsidiaries did not hold any Level 3 financial liabilities.

(D) Material transfers between Level 1 and Level 2

There were no material transfers of the Bank’s and its subsidiaries’ held financial instruments between Level 1 and Level 2 for the years ended December 31, 2018 and 2017.

(Blank below)

(E) Sensitivity analysis of fair value to reasonable possible alternative assumptions for Level 3 fair value measurements

The fair value measurement that the Bank and its subsidiaries made for the financial instruments is deemed reasonable; however, different valuation models or inputs could result in different valuation results. Specifically, if the valuation input of financial instruments classified in the valuation moves to 10%, the effects on gain and loss in the period or the effects on other comprehensive income are as follows:

December 31, 2018	Change in fair value recognised in profit and loss		Change in fair value recognised in other comprehensive income	
	favorable	unfavorable	favorable	unfavorable
Assets				
Equity instruments measured at fair value through other comprehensive income	$ -	$ -	$ 787,985	($ 787,985)

There were no financial instruments classified as Level 3 for the year ended December 31, 2017.

Favorable and unfavorable movements of the Bank and its subsidiaries refer to the fluctuation of fair value, and the fair value is calculated through the valuation technique according to the non-observable inputs to different extent.

If the fair value of a financial instrument is affected by more than one input, the above table only illustrates the effect as a result of one single input, and the correlation and variance among multiple inputs are not listed here.

(F) Quantitative information of fair value measurement for significant unobservable inputs (Level 3)

The Bank's and its subsidiaries' Level 3 fair value measurement are mainly financial assets at fair value through other comprehensive income – equity instrument without an active market.

The multiple significant unobservable inputs of equity instrument without an active market are independent from each other, thus, they are not correlative.

Table below summarises quantitative information of significant unobservable inputs:

	Fair value as of December 31, 2018	Valuation technique	Significant unobservable inputs	Range (weighted-average)	Relationship between inputs and fair value
Items measured at fair value on a repetitive basis					
Non-derivative financial assets					
Financial assets at fair value through other comprehensive income					
Equity investment	$ 7,879,852	Market approach – Market comparable companies	Price-to-earnings ratio multiple	8.39-40.94	The higher the multiple is, the higher the fair value is.
			Price-to-book ratio multiple	0.58-2.96	The higher the multiple is, the higher the fair value is.
			Enterprise value to EBITA multiple	4.81-16.81	The higher the multiple is, the higher the fair value is.
			Discount for marketability	30%	The higher discount for marketability is, the lower the fair value is.
		Income approach – Discounted cash flow	Revenue growth rate	2.5%	The higher the revenue growth rate is, the higher the fair value is.
			Discount Rate	5.5%-6.1%	The higher discount rate is, the lower the fair value is.
			Discount for marketability	10%	The higher discount for marketability is, the lower the fair value is.
		Asset approach – Net asset value	Discount for marketability	15%、30%	The higher discount for marketability is, the lower the fair value is.

The Bank and its subsidiaries did not hold any financial instruments classified in Level 3 as of December 31, 2017, thus, no quantitative information of fair value measurement for significant unobservable inputs (Level 3).

(G) Fair value measurement process for instruments classified in Level 3

The Bank and its subsidiaries' financial instruments within Level 3 are primarily equity investments in unlisted stocks.

In accordance with "First Financial Holding's Regulations for Equity Investment Valuation", the Bank's equity instruments without an active market are valued using the market approach, income approach, or asset approach. By using publicly available information, valuation results are close to market conditions, and sources for information are independent, reliable, in agreement with other sources and represent exercisable prices. Inputs, information and other necessary fair value adjustments for the valuation model are updated periodically to ensure that the valuation results are reasonable. Relevant valuation results are recorded after the Bank's internal review and approval.

(2) Management objective and policy for financial risk

A. Scope

The Bank's and its subsidiaries' financial risk management objective incorporates the general operating strategy and financial targets. It considers risk appetite and external regulations along with other elements, through effective risk management policies, including but not limited to risk identification, evaluation, monitoring and reporting, and takes appropriate measures to control business risks and potential financial losses within an endurable range in order to ensure a sound business development for the Bank and its subsidiaries and accomplish the objective of maintaining a reasonable risk and return, to further increase shareholders' value.

The primary risks arising from operations of the Bank and its subsidiaries includes but are not limited to credit risks incident upon on-balance-sheet and off-balance-sheet transactions, market risks, operating risks and liquidity risks. In order to put into effect the risk management culture and strategy, the Bank and its subsidiaries has established a risk management policy, system, process and method. The bank and its subsidiaries abides by relevant regulations and evaluates and adjusts in a timely manner. Through managing risks, prescribing limits on each risk, monitoring and reporting periodically, as well as through the internal control and internal audit mechanisms and monitoring of high level committees, the primary risks are effectively identified, evaluated, monitored, and controlled, in order to abide regulations, accomplish strategic objectives and provide reliable financial reporting information.

B. Organization structure for risk management

Bank

The Bank's Board of Directors has the ultimate approval right in risk management. Major management risk items include overall risk management policy, risk tolerance limit, and authority wich must be approved by the Board of Directors.

Under the Board of Directors, there is a Risk Management Committee (RMC), which is headed by the Bank's President and comprised of several committee members including Executive Vice President. Besides, Credit Review Division, Credit Analysis Division, Loan Asset Management Division, and Legal Affairs Division are required to participate in the committee. Risk Management Division is a business line under Risk Management Committee. It is responsible for handling of overall affairs for the committee. RMC is responsible for integration of review, supervision, reporting and coordinating interaction between each division for firm-wide risk management. Besides, the committee needs to resolve affairs related to risk management policies, system and procedures, risk tolerance limits and authorities, risk measurement methods, assessment procedures and monitoring system, implementation of risk management and status report on anti-money laundering and countering the financing of terrorism, and then deliver orders to each business segment in accordance with their responsibilities and approval procedures. RMC also submits regular reports about the risk evaluation of the Bank to the Board of Directors and supervisors.

The Auditing department regularly reviews the execution of risk management based on relevant internal control system to ensure the effective operation for risk management and assessment control, which should be reported to the Board of Directors regularly.

The Subsidiary, FCB Leasing

FCB Leasing's Board of Directors has the ultimate approval right in risk management. Major items of risk control include risk management policy, risk tolerance limit, and authority, which shall all be approved by the Board of Directors. FCB Leasing also set up Department of Management I and II to take charge of implementation and management of overall risk management strategies.

C. Credit risk

(A) Source and definition of credit risk

Financial instruments held by the Bank and its subsidiaries may incur losses if counterparties are not able to fulfill their obligations at the maturity date. Credit risk may happen due to items in or off the balance sheet. For items in the balance sheet, credit risk exposure of the Bank and its subsidiaries mainly comprises of bill discounted and loans and credit card business, leases, deposits and call loans from banks, debt instrument and derivatives, etc. Off balance sheet items include finance guarantee, bank acceptance, letter of credit, and loan commitment.

(B) Policy for credit risk management

Risk management program and procedures are as follows:

a. Establishing the qualification condition and credit limit of the counterparty and granting different credit limits by referring to information from domestic and foreign credit rating institutions or by establishing its own rating system before each transaction;

b. Avoiding the concentration risk, that is, through limiting the amount of financing to or investing in a single customer, single industry, single conglomerate, single stock, or related parties;

c. Monitoring credit risk by industry, counterparty (individual and group) and country through the limits;

d. Setting up loan approval and review procedure for credit extension business as well as specific review policy for complicated credit extension cases;

e. Establishing policy of loan percentage on collateral, collateral appraisal, management and disposal in relation to credit extension;

f. Reporting to the senior management with regard to the summary of credit risk information.

In addition, each foreign operating entity of the Bank and its subsidiaries sets aside the loss reserve and appraises the assets quality, unless otherwise indicated by competent authorities of the domestic countries in which the subsidiaries reside, in conformity with risk management policy of each operating entity.

The Bank and its subsidiaries classify debt instruments and credit assets into 5 categories by referring to internal ratings and external rating institutions. Comparisons between the internal rating and external long-term rating scales are as follows:

No direct correlation between the internal rating of credit assets and external rating of debt investments has been shown in the following table, but merely shows two different rating scales of the same category.

Credit quality category	Internal rating of credit assets	The Debt investments	
		External rating (Note)	Taiwan rating
Low risk	Level 1 to level 7	Above level BB	Above level twBBB+
Medium risk	Level 8 to level 9	Level BB- to level B+	twBBB～twBB+
Medium-high risk	Level 10	Level B (including the debt investments of non rating)	twBB～twBB-
High risk	Level 11 to level 12	Level B- to level C	twB+～twCCC+
Default	Level 13	Level D	

(Note) These are ratings of Moody's, Fitch and S&P.

Procedures and methods used in credit risk management for the core businesses of the Bank and its subsidiaries are as follows:

a. Credit business (including accounts receivable of lease business, loan commitments and guarantees of the lease subsidiaries):

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

(a)Credit asset classification

Credit assets are classified into five types. Other than normal credit assets shall be classified as Category One, the remaining unsound assets are assessed based on the collateral provided and the time period of overdue payment as follows: Category Two for assets requiring special mention. Category three for assets deemed recoverable. Category Four for assets that are doubtful. Category Five for assets that are not recoverable. In order to manage credit extension, the Bank and its subsidiaries established Operation Guidelines for Credit Extension Assets Risks, Regulations Governing the Setting Aside of Asset Losses Valuation and Non-Performing Loans, Guidelines for Claims Receivables, Standard Procedures for Collection of Overdue receivables as the principles for managing non-performing and overdue payments.

(b)Internal risk rating

In response to the characteristics and scale of business, the Bank and its subsidiaries implement a credit risk internal evaluation module or set up a credit rating table in order to management risk.

The Bank and its subsidiaries, mainly by the statistic and professional judgement of expertise and consideration of client information, developed an objective indicator for evaluating client's credit risk. That is the "Borrower's risk rating" of the Bank and its subsidiaries, among which 13 thresholds are set up based on the default possibility, and then divided into 5 sub-categories as follows:

I. Low risk: Level 1 to level 7 have a default rate lower than 2%. Clients in this threshold usually have ability to sustain the payment of interest and principal even under the adverse impact of economic environment, and the default rate is low.

II. Medium risk: Level 8 to level 9 have a default rate ranging around 2-5%. Clients in this threshold usually have potential issues and adverse economic environment that could damage the borrower's willingness and capacity to make the payment of interest and principal.

III. Medium-high risk: Level 10 has a default rate ranging around 5-10%. Clients' ability to make the payment of interest and principal are relatively lower and easily affected by the economic fluctuation.

IV. High risk: Level 11 to level 12 have a default rate ranging from 10% and above to less than 100%. Clients' ability the make the payment of interest and principal are extremely weak with a high possibility of default.

V. Default: Level 13 has a default rate of 100%. Definition of default includes interest or principal payments that have been overdue for more than 60 days, overdue or non-performing loans transferred, suspended interest, C Chart, debt negotiation records and others.

The Bank should perform credit rating to the corporations at least once a year and to those who sign a mid-long-term credit contract at least once a year during the contract term. Same applies to the collective credit extension. Credit rating mainly processed by investigation division and regional center that are independent from operating units and only cases with certain amount and below may be processed by operating units.

Petty loans and mortgage loans are assessed through internal credit rating module, and the rest of retail banking are assessed by experts. Methods used in rating credit for petty loans and mortgage loans are as follows:

I. Credit rating for petty loans:

The credit rating results, Possibility of Default (PD), Loss Given Default (LGD) and Expected Loss (EL) are assessed by credit evaluation module of the borrowers, from which 3 categories were divided as follows: 'Low risk', 'Medium high risk' and 'High risk'.

II. Credit rating for mortgage loans:

Possibility of default (PD), loss given default (LGD) and exposure at default (EAD) of the borrowers assessed by credit evaluation module are used to calculate the expected loss (EL). The expected loss (EL) together with cost of capital, operation cost, and service fee are integrated into information on cost aspect. In addition, information on income aspect such as interest income and service fee income are assessed based on the credit line and interest rate at the time the borrowers applied for loans to produce 'expected profit' (revenue minus cost) and expected loss. Based on the expected default frequency within the next year, the credit rating results are classified into four levels, which are 'low risk', 'medium risk', 'medium-high risk' and 'high risk', respectively.

b. Deposits and call loans

The Bank regularly reviews the limit (including limit of call loan) set up for every counterparty in the financial industry. The credit approval unit, with reference to credit risk limit granted based on long-term credit rating of external rating institutions, is responsible for individual assessment and implementation.

c. Debt investment and derivatives

The risk management of the Bank's and its subsidiaries' debt instruments is based on credit rating of external institutions, credit quality of bonds, condition by geographical location and counterparty risk to identify the credit risk.

The counterparties of the derivative instruments are mostly financial institutions being rated at BB or above, and the credit extension (including the extension of call loan) granted to each financial institution counterparty is regularly reviewed and controlled by the credit granting segment. Those counterparties without credit rating or being rated below BB should apply risk limit to the credit granting segment by case which is then managed and controlled individually. If the counterparties are general clients, controlling is implemented through risk limits and conditions of derivatives as approved by general credit extension procedures to manage credit exposure of counterparties.

(C) Recognition and measurement of expected credit losses

In the assessment of impairment and calculation of expected credit losses, the Bank considers reasonable and supportable information (including forward-looking information) about past events, current conditions and reasonable and supportable forecasts of future economic conditions. The Bank determines at the balance sheet date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and recognises expected credit loss according to which stage the asset belongs: no significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit impaired (Stage 3). 12-month expected credit losses are recognised for assets in Stage 1, and lifetime expected credit loses are recognised for assets in Stage 2 and Stage 3.

The definition of and expected credit losses recognised for each stage are as follows:

	Stage 1	Stage 2	Stage 3
Definition	There has been no significant deterioration of the credit quality of the financial asset since initial recognition, or the financial asset is considered low-risk at the balance sheet date.	There has been significant deterioration of the credit quality of the financial asset since initial recognition, but the asset is not yet credit impaired.	The financial asset is credit impaired at the financial reporting date.
Expected credit losses recognition	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

(a) Credit business

The Bank considers reasonable and supportable information (including forward-looking information) when determining whether there has been significant increase in credit risk. The main indicators that are taken into account are as follows:

I. The borrower is over 30 days past due.

II. Placed on the warning list of the Bank.

III. Both internal and external credit ratings have deteriorated:

   i. Internal rating: The rating on the rating date has dropped more than 3 scales compared to the rating on the initial recognition date.

   ii. External rating: The external rating agency has lowered the rating by more than 2 scales to a non-investment grade.

IV. Record of bad credit after assessment, including the following circumstances:

   i. Approved the delay of principal payments by borrower while continuing the collection of interest payments due to the deterioration of the financial condition of borrower or concern that loan is not recoverable.

   ii. Terms of the loan agreement have been modified, before being classified as non-performing, so that borrower can pay back principal and interest in installments due to the deterioration of the financial condition of the borrower or concern that loan is not recoverable.

   iii. Borrower makes partial interest payments with the unpaid amount recorded as owed.

   iv. The length of the loan is repeatedly extended.

   v. The debtor is on a “No business transaction” list.

   vi. The pledged collateral of the debtor is seised by another bank.

   vii. The debtor is no longer in business.

   viii. The auditor issues an opinion expressing material uncertainty over the company’s ability to continue as a going concern.

   ix. The Bank reported a returned check issued by debtor.

   x. The credit of the borrower has deteriorated or subsidiaries, affiliates, or parents of the borrower have ceased operations.

   xi. The debtor has other records of bad credit.

If the internal and external credit ratings of a credits asset satisfies the following conditions, it is considered to be “low-risk at the balance sheet date” and assumed to have no significant increase in credit risk.

I. According to internal credit ratings of the Bank, the asset meets the requirements of a “low-risk level” asset, which is estimated to have a default probability less than 2%, and is considered to be “low-risk at the financial reporting date”.

II. External credit ratings: investment grade or above.

The Bank will periodically review and assess the appropriateness of the criteria used to determine where there has been a significant increase in credit risk.

(b) Bond investments

If there is a change in a credit risk indicator that crosses a threshold since initial recognition, it is considered to have significant increase in credit risk. The thresholds for changes in the stage of credit risk indicators are as follows:

I. Bonds are over 30 days past due.

II. The final external credit rating has lowered by 2 scales or more, and the bond is rated as non-investment grade at the reporting date.

III. The cost of the financial asset measured at amortised cost compared to its fair value: The market price of the instrument is not more than 50% of its original investment cost, and the decrease is not the result of changes in market interest rates.

IV. Bond is on the Bank's warning list.

A bond investment of the Bank that is not considered to be in Stage 2 or Stage 3 of credit impairment is considered to have no significant increase in credit risk or an asset with low credit risk (Stage 1).

After the impairment assessment of bond investments the associated sales unit will review and confirm the results of the assessment and report to senior management. Data on impairment parameters should be reviewed periodically and updated if necessary; parameters should be updated at least once every year.

a. Definitions of financial assets in default and credit-impaired financial assets

According to the definition stated in Appendix A of IFRS 9, a financial asset is credit-impaired when one or more events that have occurred and have a significant impact on the expected future cash flows of the financial asset.

(a) Credit business

I. Principal or interest payments over 3 months (90 days) past due, or the bank has begun collection procedures or liquidation of collateral.

II. New payment schedule is negotiated so that loan is not classified as non-performing.

III. Non-performing loans in negotiation according to the rules of the Debt Negotiation Mechanism issued by the Bankers Association in 2006 (including pre-mediation).

IV. Loans that have gone through pre-mediation and have signed agreements in accordance with the Consumer Debt Clearance Act (excluding secured loans where the original terms of the loans are enforced).

V. Cases where the court has initiated reorganisation or liquidation proceedings.

VI. Declaration of bankruptcy in court.

VII. Reclassified as overdue receivables.

VIII. Special criterion for credit card products: credit card accounts closed by the issuer.

IX. Debtor's loans from other banking institutions have been recognised as non-performing, and reclassified as non-accrual or written off as uncollectible.

X. Debtor has filed for bankruptcy, reorganisation, or other debt clearance proceedings.

XI. Debtor renews, extends the length of, and negotiates new payment terms on the loan in accordance with applicable rules issued by the Bankers Association.

XII. Non-performing loans with negotiated payment installment plan.

XIII. Loans classified as "in default" according to the Bank's internal credit rating model.

(b) Bond or bill investments

A bond or bill investment by the Bank is considered credit impaired if any of the following conditions apply:

I. Principal or interest payments are over 3 months (90 days) past due.

II. The S&P credit rating of the bond is "in default" or the equivalent rating is assigned by another credit rating agency.

III. Court has initiated reorganisation or liquidation proceedings.

IV. Declaration of bankruptcy in court.

V. Bond or bill issuer has led for bankruptcy, reorganisation, or other debt clearance proceedings.

b. Write-off policy

If any of the following conditions apply, the Bank writes off its non-performing and non-accrual loans as uncollectible, less the estimated recoverable amount:

(a) The loan cannot be fully or partially recovered due to the dissolution of, disappearance of, settlement with, or declaration of bankruptcy by the debtor.

(b) The collateral and assets of the primary and secondary debtors cannot be used to recover the loan due to low appraisal value, liquidity preference, or high administrative costs associated with seizure and liquidation.

(c) The collateral and assets of the primary and secondary debtors could not be auctioned off after multiple attempts.

(d) The non-performing and non-accrual loans are two years past due, and could not be recovered from collection procedures.

c. Measurement of expected credit losses

Expected credit losses (ECL) are calculated from the following three parameters: probability of default (PD), loss given default (LGD), and exposure at default (EAD).

(a) Credit business

I. Probability of default (PD)

The estimation and grouping of the PD of domestic credit assets is based on the product type and internal credit ratings, with the one-year PD and multi-year PD estimated separately.

i. One-year PD: Calculate the actual one-year PD from historical data and use it to estimate the one-year PD parameter.

ii. Multi-year PD: The multi-year PD is estimated using a Markov Chain with a transition matrix constructed from historical one-year credit ratings, assuming the credit rating transition probability remains constant in each period. Applying the multi-year PD to each loan requires selecting the corresponding lifetime. The lifetime of the loan is estimated based on the length of the remaining contract.

II. Loss given default (LGD)

Loans are grouped according to type (corporate or consumer) and the presence of collateral, and the LGD of each group is calculated based on historical recovery experience .

III. Exposure at default (EAD)

i. On balance sheet-Loans and loan receivables: calculated from credit balance.

ii. Off balance sheet-Loan commitments and financial guarantees: off balance sheet figures multiplied by the credit conversion factor (CCF). The credit conversion factor is estimated according to the rules described in the "Calculation Method of Equity Capital and Risky Assets and Accompanying Forms-Credit Risk Standard Rules" and the Bank's and its subsidiaries' internal historical information on actual drawn down amount.

(b) Bond or bill investments

I. PD calculated based on external credit ratings, incorporating forward-looking information.

II. LGD: Average LGD published by external credit rating agencies.

III. EAD:

i. Stage 1 and stage 3: Total carrying amount (including interest receivable).

ii. Stage 2: The cash flows as determined by the bond issuance agreement in lifetime.

Total carrying amount is the amortised cost of the financial asset before any adjustment to the loss allowance .

d. Consideration of forward-looking information

(a) Credit business

The Bank incorporates forward-looking information when determining whether there has been a significant increase in credit risk since initial recognition and measuring expected credit loss.

I. Pertaining to significant increase in credit risk

i. The Bank's credit approval process includes evaluation of forward-looking information such as business potential, financial condition, industry outlook, loan collateral, and ability to repay.

ii. Identify customers with potential risk through the Bank's early warning system

II. Pertaining to measuring expected credit loss

Reflected in the adjustment of model parameters including PD and LGD. Historical data is used to identify the important economic factors that affect the credit risk and expected credit loss of each asset portfolio, including the economic growth rate, inflation, unemployment rate, and real estate prices.

Subsequent predictions of the important economic factors are made, including the best estimates for the economy in the coming year. In addition to the basic economic scenario, the Bank also evaluates other possible economic scenarios and relevant information that is weighted accordingly.

By nature, the predicted values and estimated probabilities are highly uncertain, and the actual results may be very different from the predictions. However, the Bank believes the predictions provide the best estimates of the most probable outcomes.

(b) Bond or bill investments

The forward-looking estimate of PD incorporates changes in the business cycle, which can be measured based on economic growth rates. The overall process of the point-intime (PIT) framework begins with constructing country-specific models, then the PD derived from the country-specific models are linked to GDP growth factor of each nation through regression modeling. The regression models are then adjusted using correction factors in order to obtain the PD rate for each credit rating level and the term structure of conditional default rate.

(D) Credit risk hedging and mitigation policy

a. Collateral

The Bank and its subsidiaries adopt a series of policies and measures to mitigate credit risks in relation to credit business, and one of the most common methods is requesting the borrower for the collateral. The Bank sets up the scope of collateral that can be recovered and the appraisal, as well as the management and disposing procedures to ensure the credit right. On the other hand, the loan security, terms of collateral, conditions to writing-off are addressed in the credit extending contract. The reduced facility, shortened repayment period or whether or not a loan is deemed matured are all well defined to mitigate credit risk in case that the credit event does incur.

b. Credit risk limit and risk concentration control

The Bank complies with the Banking Act in relation to the provision of business credit to the same individual, the same related parties, or the same affiliated companies as well as residential architecture, corporate architecture. In order to effectively control credit risk concentration, the Bank sets up risk assumption limit by rating, industry types, groups, countries and listed securities based on risk management strategy, change in market environment, business complexity, and report to senior management regularly. Assessment and modification shall be performed to various credit risk assumption limit based on overall economic cycle, finance environment and business development strategy regularly (at least once a year) or irregularly.

c. Net settlement with gross agreement

The transactions of the Bank and its subsidiaries are usually carried out by gross settlement. Despite that, net settlement is signed in a form of agreement with some trading counterparties, and is executed when a default occurs and all transactions were to terminate in order to further mitigate credit risk.

d. Other credit enhancements

Primarily refers to guarantees by a third-person or credit providing institutions.

(E) Maximum credit risk exposure and concentration of the Bank and its subsidiaries

<u>Maximum credit risk exposure</u>

The maximum risk exposure of assets in the consolidated balance sheet, without consideration of the collateral or other credit enhancements, is equivalent to the carrying amount. The maximum credit risk exposure relating to accounts off the balance sheet (without consideration of collaterals or the maximum exposure of other credit enhancements) are the unused loan commitments, unused credit commitments for credit cards, unused letters of credit and other guaranteed commitments. As of December 31, 2018 and 2017, please see Note 9 for details.

The management of the Bank and its subsidiaries believes that through a series of stringent evaluation procedures and follow-up reviews afterwards, credit risk exposure off the balance sheet of the Bank and its subsidiaries can be minimized and continuously controlled.

The total carrying amount of loans discounted - The Bank's and First Commercial Bank (USA) largest credit risk exposure as follows:

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December 31, 2018	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Total
Level of risk					
Low risk	$ 1,364,434,185	$ 27,622,855	$ -	$ -	$ 1,392,057,040
Medium risk	243,133,182	26,494,080	-	-	269,627,262
Medium-high risk	10,040,935	13,975,337	-	-	24,016,272
High risk	217,386	18,005,323	294,059	-	18,516,768
Default	-	-	12,912,937	-	12,912,937
Gross carrying amount of financial assets	1,617,825,688	86,097,595	13,206,996	-	1,717,130,279
Allowance for doubtful account (total impairment recognised under IFRS 9)	(5,541,577)	(2,192,411)	(3,682,094)	-	(11,416,082)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	(10,012,159)	(10,012,159)
Net	$ 1,612,284,111	$ 83,905,184	$ 9,524,902	($ 10,012,159)	$ 1,695,702,038

Credit risk concentration of the credit assets in the balance sheet

The credit risks are deemed significantly concentrated when the financial instrument transactions significantly concentrate on a single person, or when there are multiple trading counterparties engaging in similar business activities with similar economic characteristics making the effects on their abilities of fulfilling the contractual obligation due to economy or other forces similar.

The credit risks of the Bank and its subsidiaries concentrate on accounts in and off balance sheet that occurs through obligation fulfilling or implementation of transactions (either products or services), or through trans-type exposure portfolio, including loans, placements and call loan from the banks, securities investment, receivables and derivatives. The nature that the debtor engages in could be a sign of credit risk concentration. The credit business of bank and its subsidiaries is one of the core businesses; however, the Bank does not significantly carry out transactions with single client or single counterparty, nor does any of total trading volume to a single client or a single counterparty account for more than 5% the balance of loans discounted and overdue receivable. The credit risk concentration of the bills discounted, overdue receivables and lease business of the Bank and its subsidiaries by industry, location and collateral are shown as follows:

Loans discounted, overdue receivable and receivable of the Bank and its subsidiaries by industry are shown as follows:

	December 31, 2018		December 31, 2017	
Industry	Amount	%	Amount	%
Private enterprises	$ 867,811,108	50.54	$ 823,798,533	51.42
Private individual	579,492,525	33.75	535,658,841	33.43
Overseas and others	263,883,405	15.37	238,055,131	14.86
Non-profit organizations	3,536,292	0.20	4,354,109	0.27
Government institutions	451,323	0.02	316,385	0.02
State-owned enterprises	2,023,439	0.12	-	-
Total	$ 1,717,198,092	100.00	$ 1,602,182,999	100.00

Loans discounted, overdue receivable and receivable of the Bank and its subsidiaries by location (Note) are shown as follows:

	December 31, 2018		December 31, 2017	
Geographical location	Amount	%	Amount	%
Asia	$ 1,588,265,495	92.49	$ 1,480,359,151	92.40
North America	79,541,218	4.63	78,450,433	4.90
Oceania	28,760,580	1.68	23,438,610	1.46
Europe	20,630,799	1.20	19,934,805	1.24
Total	$ 1,717,198,092	100.00	$ 1,602,182,999	100.00

Note: the above geographical location is made on the basis of the branch of debtor.

Loans discounted, overdue receivable and receivable of the Bank and its subsidiaries by collateral are shown as follows:

	December 31, 2018		December 31, 2017	
Collateral type	Amount	%	Amount	%
Unsecured loans	$ 418,716,973	24.38	$ 387,329,864	24.18
Secured loans				
-Real estate	900,114,178	52.42	837,146,899	52.25
-Guarantee	76,402,952	4.45	77,081,840	4.81
-Financial collateral	44,748,879	2.61	42,124,780	2.63
-Other collateral	23,088,408	1.34	34,320,747	2.14
Overseas and others	254,126,702	14.80	224,178,869	13.99
Total	$ 1,717,198,092	100.00	$ 1,602,182,999	100.00

The affected financials from collateral, net settled master netting arrangements and other credit enhancement for the Bank and its subsidiaries assets exposed to credit risk are as follows :

Expressed: In thousands of New Taiwan Dollars

December 31, 2018	Collateral	Net settled master netting arrangements	Other credit enhancement	Total
On balance sheet items				
Financial assets measured at fair value through profit or loss				
Debt instruments	$ -	$ -	$ 8,227,283	$ 8,227,283
Derivative instruments	1,760,197	1,994,273	-	3,754,470
Others	-	-	307,350	307,350
Receivables				
Credit card business	5,983	-	-	5,983
Others	4,675,732	-	279,077	4,954,809
Loans discounted	1,122,225,716	-	81,057,254	1,203,282,970
Financial assets at fair value through other comprehensive income				
Bond investment	-	-	15,252,353	15,252,353
Others	-	-	307,350	307,350
Off-balance sheet items				
Irrevocable loan commitments	2,660,216	-	296,938	2,957,154
Unused letters of credit issued	4,785,231	-	1,502,582	6,287,813
All types of guarantees	8,894,580	-	4,352,723	13,247,303
Total	$ 1,145,007,655	$ 1,994,273	$ 111,582,910	$ 1,258,584,838

Expressed: In thousands of New Taiwan Dollars

December 31, 2017	Collateral	Net settled master netting arrangements	Other credit enhancement	Total
On balance sheet items				
Financial assets measured at fair value through profit or loss				
Debt instruments	$ -	$ -	$ 3,676,992	$ 3,676,992
Derivative instruments	1,780,330	1,808,134	-	3,588,464
Others	-	-	296,800	296,800
Receivables				
Credit card business	4,663	-	-	4,663
Others	3,796,439	-	394,526	4,190,965
Loans discounted	1,053,498,045	-	84,266,130	1,137,764,175
Available-for-sale financial assets				
Bond investment	-	-	7,847,694	7,847,694
Others	-	-	296,800	296,800
Held-to-maturity financial assets				
Bond investment	-	-	4,996,800	4,996,800
Other financial assets				
Others	120	-	-	120
Off-balance sheet items				
Irrevocable loan commitments	5,355,109	-	957,720	6,312,829
Unused letters of credit issued	3,588,353	-	1,664,557	5,252,910
All types of guarantees	12,112,851	-	4,335,247	16,448,098
Total	$ 1,080,135,910	$ 1,808,134	$ 108,733,266	$ 1,190,677,310

Note1:"Collateral" refers to fixed and non-fixed asset liens, as well as non-fixed asset or equity pledges and guarantees; Collateral for credit assets refer to the lower of appraisal value and maximum exposure.

Note 2: Details of improvement to net settlement master netting arrangements and other credits are provided in Note 12(2) C.(c).

The Bank and subsidiaries closely monitor the value of collateral of financial instruments, taking into account credit-impaired financial assets for which impairment should be recognised. Information on credit-impaired financial assets and the value of collateral that can offset potential losses was as follows:

Expressed: In thousands of New Taiwan Dollars

December 31, 2018	Gross carrying amount	Total impairment recognised under IFRS 9	Total risk exposure (amortised cost)	Fair value of collateral
Impaired financial assets				
On balance sheet items				
Receivables				
Credit card business	$ 176,080	$ 84,932	$ 91,148	$ -
Others	2,847	2,561	286	-
Loans discounted	13,206,996	3,682,094	9,524,902	6,634,671
Off-balance sheet items				
Irrevocable loan commitments	799	323	476	-
Unused letters of credit issued	1,337,124	188,210	1,148,914	-
Total	$ 14,723,846	$ 3,958,120	$ 10,765,726	$ 6,634,671

As of December 31, 2018, the Bank's written-off financial assets that are still under recourse procedures amounted to $9,131,143.

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(F) The changes in the Bank's and its subsidiaries' allowance for bad debt, accumulative impairment and provision for financial assets are as follows:

a. Credit business

(a) For the year ended December 31, 2018, the reconciliation of the balance of allowance for uncollectible accounts from expected credit losses was as follows:

I. Loans discounted

For the year ended December 31, 2018	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	$ 5,644,705	$ 1,723,942	$ 4,300,009	$ 11,668,656	$ 8,293,494	$ 19,962,150
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	23,299	(22,680)	(619)	-	-	-
-Transferred to lifetime expected credit losses	(913,154)	948,332	(35,178)	-	-	-
-Transferred to credit-impaired financial asset	(987,892)	(218,656)	1,206,548	-	-	-
-Additional provision and reversal	1,350,564	(48,052)	327,558	1,630,070	-	1,630,070
Originated or purchased	3,094,631	398,335	1,187,728	4,680,694	-	4,680,694
Derecognised	(2,702,370)	(546,384)	(357,312)	(3,606,066)	-	(3,606,066)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	1,718,665	1,718,665
Write-off of uncollectible amount	(11,728)	(35,216)	(2,957,884)	(3,004,828)	-	(3,004,828)
Foreign exchange and other changes	43,522	(7,210)	11,244	47,556	-	47,556
Balance at the end of the period	$ 5,541,577	$ 2,192,411	$ 3,682,094	$ 11,416,082	$ 10,012,159	$ 21,428,241

II. Receivables

For the year ended December 31, 2018	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	$ 79,519	$ 328,512	$ 178,419	$ 586,450	$ 67,093	$ 653,543
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	1,050	(1,035)	(15)	-	-	-
-Transferred to lifetime expected credit losses	(7,471)	7,516	(45)	-	-	-
-Transferred to credit-impaired financial asset	(12,888)	(14,765)	27,653	-	-	-
-Additional provision and reversal	14,380	12,595	(10,115)	16,860	-	16,860
Originated or purchased	138,774	12,400	41,325	192,499	-	192,499
Derecognised	(64,518)	(39,497)	(24,904)	(128,919)	-	(128,919)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	(62,775)	(62,775)
Write-off of uncollectible amount	(81)	(537)	(25,414)	(26,032)	-	(26,032)
Foreign exchange and other changes	(662)	(507)	(2,628)	(3,797)	-	(3,797)
Balance at the end of the period	$ 148,103	$ 304,682	$ 184,276	$ 637,061	$ 4,318	$ 641,379

III. Other financial assets

For the year ended December 31, 2018	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	$ 13	$ -	$ 3,092,247	$ 3,092,260	$ 551	$ 3,092,811
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	-	-	-	-	-	-
-Transferred to lifetime expected credit losses	-	-	-	-	-	-
-Transferred to credit-impaired financial asset	-	-	-	-	-	-
-Additional provision and reversal	-	-	209,417	209,417	-	209,417
Originated or purchased	7	-	160,001	160,008	-	160,008
Derecognised	(13)	-	(58)	(71)	-	(71)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	14,220	14,220
Write-off of uncollectible amount	-	-	(2,739,049)	(2,739,049)	-	(2,739,049)
Foreign exchange and other changes	-	-	2,799	2,799	-	2,799
Balance at the end of the period	$ 7	$ -	$ 725,357	$ 725,364	$ 14,771	$ 740,135

IV. Provision for loan commitments, provision for guarantee liabilities, and other provisions

For the year ended December 31, 2018	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	Allowance for bad debts
Balance at the beginning of the period	$ 1,230,833	$ 234,394	$ 273,533	$ 1,738,760	$ 131,879	$ 1,870,639
Changes from financial instruments recognised at the beginning of the period:						
-Transferred to 12-month expected credit losses	5,817	(5,816)	(1)	-	-	-
-Transferred to lifetime expected credit losses	(16,133)	16,134	(1)	-	-	-
-Transferred to credit-impaired financial asset	(307)	(109)	416	-	-	-
-Additional provision and reversal	(194,955)	(75,198)	(78,567)	(348,720)	-	(348,720)
Originated or purchased	477,337	16,302	11	493,650	-	493,650
Derecognised	(782,407)	(113,865)	(4,914)	(901,186)	-	(901,186)
Difference in impairment recognised under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	212,469	212,469
Write-off of uncollectible amount	(28)	(18)	(854)	(900)	-	(900)
Foreign exchange and other changes	(1,772)	(2,381)	(915)	(5,068)	-	(5,068)
Balance at the end of the period	$ 718,385	$ 69,443	$ 188,708	$ 976,536	$ 344,348	$ 1,320,884

(b) Material changes to the total carrying amount for the year ended December 31, 2018.

Material changes to the total carrying amount of allowance for uncollectible accounts for loans discounted are described as follows:

The Board of Directors approved the write-off of uncollectible accounts in the amount of $6,507,797 for the year ended December 31, 2018.

Changes to the gross amount of loans discounted is as follows:

For the year ended December 31, 2018	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total
Balance at the beginning of the period	$ 1,520,266,644	$ 64,546,383	$ 17,296,793	$ 1,602,109,820
Changes from financial instruments recognised at the beginning of the period:				
-Transferred to 12-month expected credit losses	8,308,585	(8,138,758)	(169,827)	-
-Transferred to lifetime expected credit losses	(30,690,320)	31,985,474	(1,295,154)	-
-Transferred to credit-impaired financial asset	(3,341,882)	(1,234,134)	4,576,016	-
-Additional provision and reversal	(62,670,496)	(2,532,191)	(542,823)	(65,745,510)
Originated or purchased	800,740,218	26,155,643	1,271,266	828,167,127
Derecognised loans discounted	(614,081,117)	(24,330,311)	(2,939,820)	(641,351,248)
Write-off of uncollectible amount	(1,011,884)	(489,333)	(5,006,580)	(6,507,797)
Foreign exchange and other changes	305,940	134,822	17,125	457,887
Balance at the end of the period	$ 1,617,825,688	$ 86,097,595	$ 13,206,996	$ 1,717,130,279

(c) The simplification of loans, accounts receivable, contract assets and lease receivables

The Bank and FCBL included loans and accounts receivable in the impairment assessment, and the results were as follows:

	Overdue day of Loans and receivables					
	Not overdue	Overdue for 1–90 days	Overdue for 91-180 days	Overdue for 181-360 days	Overdue for more than 361 days	Total
Percentage of expected credit losses	1%	3%	10%	50%	100%	-
Gross amount	$ 4,418,217	$ 58,750	$ 133,445	$ 62,424	$ 26,403	$ 4,699,239
Amount of expected credit losses	(51,837)	(1,762)	(13,344)	(31,212)	(26,403)	(124,558)
Net value of loans and receivables	$ 4,366,380	$ 56,988	$ 120,101	$ 31,212	$ -	$ 4,574,681

b. Debt instruments

(a) The reconciliation of the balance of the cumulative impairment for the year ended December 31, 2018 was as follows:

I. Financial assets at fair value through other comprehensive Income

For the year ended December 31, 2018	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Other equity
Balance at the beginning of the period	$ 56,602	$ -	$ -	$ 56,602	$ 56,602
Changes from financial instruments recognised at the beginning of the period:					
-Transferred to 12-month expected credit losses	-	-	-	-	-
-Additional provision and reversal	(2,539)	-	-	(2,539)	(2,539)
Originated or purchased	27,070	-	-	27,070	27,070
Derecognised	(19,247)	-	-	(19,247)	(19,247)
Foreign exchange and other changes	(2,535)	-	-	(2,535)	(2,535)
Balance at the end of the period	$ 59,351	$ -	$ -	$ 59,351	$ 59,351

II. Investments in debt instruments carried at amortised cost

For the year ended December 31, 2018	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (credit-impaired financial assets that were neither purchased nor originated)	Total impairment recognised under IFRS 9	Accumulated impairment
Balance at the beginning of the period	$ 22,410	$ -	$ -	$ 22,410	$ 22,410
Changes from financial instruments recognised at the beginning of the period:					
-Transferred to 12-month expected credit losses	-	-	-	-	-
-Additional provision and reversal	1	-	-	1	1
Originated or purchased	38,670	-	-	38,670	38,670
Derecognised	(21,898)	-	-	(21,898)	(21,898)
Foreign exchange and other changes	160	-	-	160	160
Balance at the end of the period	$ 39,343	$ -	$ -	$ 39,343	$ 39,343

(b) There has been no material changes to the cumulative impairment of debt instruments for the year ended December 31, 2018.

c. The credit risk quality of loans discounted and receivables, and securities investments

December 31, 2017	Positions that are neither past due nor impaired					Positions that are past due but not impaired(B)	Impaired amount (C)	Total	Recognized losses(D)		Net
	Low risk	Medium risk	Medium-high risk	High risk	Subtotal (A)			(A)+(B)+(C)	With individual impaired evidence	With no individual impaired evidence	(A)+(B)+(C)-(D)
Due from the central bank and call loans to banks (Note1)	$ 172,514,416	$ -	$ -	$ -	$ 172,514,416	$ -	$ -	$ 172,514,416	$ -	$ 31,569	$ 172,482,847
Receivables	9,680,076	-	-	-	9,680,076	22,954	718,766	10,421,796	466,962	145,767	9,809,067
Loans discounted (Note2)	1,213,177,031	341,041,154	26,287,742	18,791,957	1,599,297,884	3,925,641	22,396,820	1,625,620,345	7,387,053	16,791,017	1,601,442,275
Available-for-sale financial assets											
-Bonds investment	134,444,178	-	-	-	134,444,178	-	-	134,444,178	-	-	134,444,178
-Others	1,484,983	-	-	-	1,484,983	-	-	1,484,983	-	-	1,484,983
Held-to-maturity financial assets											
-Certificates of time deposit purchased	342,035,000	-	-	-	342,035,000	-	-	342,035,000	-	-	342,035,000
-Bonds investment	40,286,073	3,500,000	-	-	43,786,073	-	-	43,786,073	-	-	43,786,073
-Others	784,040	-	-	-	784,040	-	-	784,040	-	-	784,040
Other financial assets											
-Investment deposits	2,729,400	-	-	-	2,729,400	-	-	2,729,400	-	-	2,729,400
Total	$ 1,917,135,197	$ 344,541,154	$ 26,287,742	$ 18,791,957	$ 2,306,756,050	$ 3,948,595	$ 23,115,586	$ 2,333,820,231	$ 7,854,015	$ 16,968,353	$ 2,308,997,863

Note 1: Inter-bank clearing fund not included.

Note 2: Loans (including credit cards), interest receivable derived from loans, accounts unrelated to loans that are reclassified to overdue receivables: guaranty, acceptances and accounts factoring included.

d. In relation to loans discounted of the Bank and its subsidiaries that were neither past due nor impaired and loans and receivables (including amounts due from Central Bank and inter-bank lending), the credit quality analysis is based on the credit quality rating by client:

December 31, 2017	Positions that are neither past due nor impaired				
	Low risk	Medium risk	Medium-high risk	High risk	Total
Other receivables (note)	$ 182,194,492	$ -	$ -	$ -	$ 182,194,492
Credit card business	4,616,073	1,375,780	307,994	107,147	6,406,994
Consumer banking	435,160,570	4,973,898	965,348	111,515	441,211,331
Corporate banking	645,606,659	246,824,740	24,039,131	17,252,089	942,722,619
Overseas and others	118,793,729	87,866,736	975,269	1,321,206	208,956,940
Total	$ 1,395,371,523	$ 341,041,154	$ 26,287,742	$ 18,791,957	$ 1,781,492,376

Note: other receivables as mentioned above includes due from the central bank and call loans to banks.

e. Aging analysis of overdue financial assets with no impairment of the Bank and its subsidiaries:

The delayed processing of the borrower and other administrative reasons may give rise to an overdue financial asset with no impairment. According to the internal risk management policy of the Bank and its subsidiaries, financial assets overdue for less than 90 days are usually not deemed impaired unless other evidence indicates otherwise.

Aging analysis of the overdue financial assets with no impairment of the Bank and its subsidiaries:

Items	December 31, 2017		
	Overdue for less than 1 month	Overdue for 1~3 months	Total
Receivables	$ -	$ 22,954	$ 22,954
Loans discounted (Note)			
Credit card business	12,675	23,884	36,559
Consumer banking	2,129,924	485,114	2,615,038
Corporate banking	828,739	445,305	1,274,044
Total	$ 2,971,338	$ 977,257	$ 3,948,595

Note: includes loans (credit cards); interest receivable arising from loans; non-loan guarantees, acceptances, and account factoring transferred as overdue receivables.

f. Analysis of impaired financial assets of the Bank and its subsidiaries

Items			Loans discounted (Note 1)	Impaired amount
			December 31, 2017	December 31, 2017
With individual objective evidence of impairment	Individual assessment	Corporate loans-secured	$ 14,798,667	$ 6,021,756
		Residential mortgage loans	167,515	28,256
		Overseas and others (Note 2)	3,712,152	364,222
	Collective assessment	Corporate loans-secured	1,412,285	467,080
		Residential mortgage loans	1,956,241	374,205
		Overseas and others (Note 2)	349,960	131,534
Without individual objective evidence of impairment	Collective assessment	Corporate loans-secured	943,923,480	9,863,704
		Residential mortgage loans	413,663,934	4,549,024
		Overseas and others (Note 2)	245,636,111	2,378,289
Total			$ 1,625,620,345	$ 24,178,070

Note 1: includes loans (credit cards); interest receivable arising from loans; non-loan guarantees, acceptances, and account factoring transferred as overdue receivables.

Note 2: other includes small credit loans, consumer loans, debit & credit cards etc.

Items			Total receivables (Note)	Impaired amount (Note)
			December 31, 2017	December 31, 2017
With individual objective evidence of impairment	Individual assessment	Receivables	$ 718,766	$ 466,962
		Overseas and others	-	-
Without individual objective evidence of impairment	Collective assessment	Receivables	124,382,362	45,145
		Overseas and others	57,835,084	132,191
Total			$ 182,936,212	$ 644,298

Note: total receivables as mentioned above includes due from the central bank and call loans to banks.

(G) Policy for assumed collateral management

The collaterals assumed by the Bank and its subsidiaries as of December 31, 2018 and 2017 are of the nature of land and property and the carrying amounts were both $0.

The assumed collateral shall be disposed once it is disposable and the proceeds of disposal shall be used to offset the remaining unpaid loan. Collaterals are classified under other assets in the consolidated balance sheet.

(Blank below)

(H)Disclosures made in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks

a. Asset quality

Date & year			December 31, 2018				
Business / Items			Non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (%) (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate Banking	Secured loans		$ 3,457,354	$ 704,393,029	0.49%	$ 7,697,138	222.63%
	Unsecured loans		1,234,695	515,411,563	0.24%	6,222,651	503.98%
Consumer Banking	Residential mortgage loans (Note 4)		732,785	446,560,272	0.16%	6,919,199	944.23%
	Cash cards		-	970	-	117	-
	Micro credit loans (Note 5)		5,063	4,972,473	0.10%	57,564	1136.95%
	Others (Note 6)	Secured	18,623	31,768,097	0.06%	332,523	1785.55%
		Unsecured	-	11,054	-	216	-
Gross loans business			5,448,520	1,703,117,458	0.32%	21,229,408	389.64%
			Non-performing loans	Balance of receivables	Non-performing loan ratio (%)	Allowance for doubtful accounts	Coverage ratio
Credit card services			10,519	6,719,120	0.16%	106,103	1008.68%
Without recourse factoring (Note 7)			-	8,257,100	-	82,685	-
Date & year			December 31, 2017				
Business / Items			Non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (%) (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate Banking	Secured loans		$ 3,697,279	$ 676,021,728	0.55%	$ 7,816,566	211.41%
	Unsecured loans		961,994	466,582,493	0.21%	6,852,351	712.31%
Consumer Banking	Residential mortgage loans (Note 4)		1,340,423	416,072,052	0.32%	6,893,109	514.25%
	Cash cards		-	1,490	-	149	-
	Micro credit loans (Note 5)		9,612	3,888,893	0.25%	52,909	550.45%
	Others (Note 6)	Secured	104,540	27,187,227	0.38%	306,124	292.83%
		Unsecured	-	21,626	-	422	-
Gross loans business			6,113,848	1,589,775,509	0.38%	21,921,630	358.56%
			Non-performing loans	Balance of receivables	Non-performing loan ratio (%)	Allowance for doubtful accounts	Coverage ratio
Credit card services			12,047	6,703,742	0.18%	144,109	1196.22%
Without recourse factoring (Note 7)			-	5,228,477	-	56,184	-

Note:

1. The amount recognized as non-performing loans is in compliance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. The amount included in overdue accounts for credit cards is in compliance with the Jin-Guan-Yin (4) No. 0944000378 dated July 6, 2005.

2. Non-performing loan ratio=non-performing loans/gross loans. Non-performing loan ratio of credit cards ＝Non-performing loan ratio of credit cards /balance of accounts receivable.

3. Coverage ratio for loans=allowance for doubtful accounts of loans/non-performing loans. Coverage ratio for accounts receivable of credit cards＝allowance for doubtful accounts for accounts receivable of credit cards/ Non-performing loan ratio of credit cards.

4. For residential mortgage loans, the borrower provides his/her (or spouse’s or minor child’s) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to own house.

5. Small amount of credit loans apply to the norms of the Jin-Guan-Yin (4) No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

6. Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loans, cash card services and small amount of credit loans, and excluding credit card services.

7. Pursuant to the Jin-Guan-Yin (5) Letter No. 094000494 dated July 19, 2005 amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

(Blank below)

b. Non-performing loans and overdue receivables exempted from reporting to the competent authority

	December 31, 2018	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Amounts exempted from reporting to the competent authority under debt negotiation and the contract (Note 1)	$ 693	$ 14,429
Perform in accordance with debt liquidation program and restructuring program (Note 2)	30,104	132,408
Total	$ 30,797	$ 146,837

	December 31, 2017	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Amounts exempted from reporting to the competent authority under debt negotiation and the contract (Note 1)	$ 1,069	$ 19,187
Perform in accordance with debt liquidation program and restructuring program (Note 2)	34,128	131,244
Total	$ 35,197	$ 150,431

Note:

1. The Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt negotiation in accordance with the Jin-Guan-Yin (1) No. 09510001270 of the FSC dated April 25, 2006.

2. The supplementary disclosure about credit reporting and information disclosure is pursuant to provisions relating to cases such as preliminary negotiation, preliminary conciliation, restructuring and liquidation led by banks under the “Customer Debt Clearance Act”, as regulated in Jin-Guan-Yin-(I)-Zi Letter No. 09700318940 on September 15, 2008 and Jin-Guan-Yin-Fa Letter No. 10500134790 on September 20, 2016.

c.Profile of concentration of credit risk and credit extensions of the Bank

December 31, 2018			
Ranking (Note 1)	Type of industry (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount/FCB net worth of the current year (%)
1	Group A–Marine Freight Forwarder	$ 18,976,418	9.25%
2	Group B–Plastic Sheets, Pipes and Tubes Manufacturing	16,252,218	7.92%
3	Group C–Hand-crafted Fiber Spinning	14,567,718	7.10%
4	Group D–Iron and Steel Rolls over Extends and Crowding	10,514,327	5.12%
5	Group E–Real Estate Development	10,397,878	5.07%
6	Group F–Unclassified Electronic Components Manufacturing	9,654,553	4.71%
7	Group G–Cardboard Manufacturing	9,088,143	4.43%
8	Group H–Electric Wires and Cables Manufacturing	8,354,042	4.07%
9	Group I–Computers, Electronic and Optical Products Manufacturing	7,657,312	3.73%
10	Group J–Manufacture of Integrated Circuits	7,642,254	3.73%

December 31, 2017			
Ranking (Note 1)	Type of industry (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount/FCB net worth of the current year (%)
1	Group A–Marine Freight Forwarder	$ 19,628,351	10.21%
2	Group B–Hand-crafted Fiber Spinning	12,045,579	6.27%
3	Group C–Real Estate Development	11,684,064	6.08%
4	Group D–Iron and Steel Rolls over Extends and Crowding	10,656,414	5.54%
5	Group E–Property Leasing	9,081,728	4.72%
6	Group F–Hand-crafted Fiber Woven Fabrics	7,720,153	4.02%
7	Group G–Investment Consulting	7,641,329	3.97%
8	Group H–Wireless Telecommunication	7,194,982	3.74%
9	Group I–Electric Wires and Cables Manufacturing	7,153,641	3.72%
10	Group J–Ships, Boats and Floating Facilities Manufacturing	7,041,477	3.66%

Note:

1. Ranking the top 10 enterprise groups other than government and government enterprise according to their total outstanding loan amount.

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

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

D. Liquidity risk

(A) Definition and resource of liquidity risk

The liquidity risk of the Bank and its subsidiaries refer to a financial loss when assets are not convertible or not enough financing aid can be obtained to inject fund for the financial liabilities soon to be matured. For instance, the client terminates the deposit contract in advance, or financing channel of call loan becomes difficult due to market influence, or deterioration on the credit default rate giving rise to unusual fund collection, difficulty in converting the financial instrument and interest sensitive insurer exercise the right to terminate contract in advance. Above events may mitigate the cash inflows from loan origination, transactions and investing activities from the lease subsidiaries.

Liquidity risk exists in the Bank's operation, which may be given rise by specific event of various industries or overall market movement, such as liquidation protocol of deposit or call loan payment, source of loan or time required for asset liquidation are affected by various industries or certain overall market events, including but not limited to insufficient depth of market, market disorder, low liquidity on funds, credit event, merging or acquisition activities, systematic impact and natural disasters.

Working capital of FCBL is sufficient, therefore there is no liquidity risk regarding inability to raise fund for meeting contractual obligations.

(B) Procedures and evaluation method used for liquidity risk management

In order to prevent liquid risk that gives rise to operating risk, crisis reaction procedures have been set up in relation to liquidity risk and fund liquidity gap shall be monitored on a regular basis.

Management procedure and evaluation method for the liquidity risk of the Bank and its subsidiaries are as follows:

<u>Procedure</u>

In consideration of the operating demand, the sources of fund need to be diverse and stable. The use of fund should avoid high concentration, and the liquid assets held should take precedence of highly liquid earning assets of high quality.

In accordance with the "Management policy of assets and liabilities" and "Management principle of liquidity and interest risk", risk management division is the investigation unit for liquidity risk indicator. Finance division is the execution unit for fund transferring. Also, attention needs to be paid on the movement of market condition and day-to-day capital liquidity to ensure appropriate liquidity and long-term profitability. Unless otherwise indicated by offshore branches, sufficient liquidity shall be maintained in accordance with the local competent authorities.

Risk management division sets up liquid position or indicator limit by the duration and implements after obtaining the approval from assets and liabilities management committee and Board of Directors. Each liquidity risk monitoring indicator are assessed and appraised regularly in the meeting of assets and liabilities management committee.

Risk management division is responsible for reporting the assets and liabilities management committee, risk management committee and Board of Directors to represent the liquidity risk and other monitoring result.

<u>Evaluation method</u>

The content of the liquidity risk report mainly used to estimate cash flow from various business line and the effects on fund transferring so that early warning area and target goal can be set up for cash gap and relevant indicator in order to control both under the tolerable risk limit.

Risk Management Division regularly makes "Analysis table for cash flow gap" and "Adjustment table for cash flow gap" to ensure that the cash flow gap is within the granted limit and reports to the management in relation to fund liquidity matters. Given that the limit has been reached or an obvious deteriorated indicator shown internally or externally, immediate escalation should be made to the assets and liabilities management committee for further response action and report to the Board of Directors. Given the liquidity risk, action shall be taken in accordance with "Contingent plan for liquidity risk".

(C) Duration analysis for the financial assets and liabilities held for liquidity risk management are as follows:

a. Financial assets held for the management of liquidity risk

The Bank and its subsidiaries hold cash and highly liquid, high quality interest generating assets to support payment obligations and potential emergency fund demands in the market. Assets hold for the management of liquidity risk include: cash and cash equivalents, due from the central bank and call loans to banks, financial assets measured at fair value through profit or loss, loans discounted, receivables, available-for-sale financial assets, and bond investments without an active market etc.

b. Duration analysis for the financial assets and liabilities held for liquidity risk management

The following table illustrates the cash inflow and outflow of financial assets and liabilities of the Bank and its subsidiaries held for liquidity risk management based on the remaining maturity from the balance sheet date to the contract expiration date. While the amounts disclosed in the table are not discounted by contract cash flow, certain accounts may differ from the responding accounts in the balance sheet.

December 31, 2018	0 - 30 days	31 - 90 days	91 - 180 days	181 days – 1 year	Over 1 year	Total
1.Primary capital inflow upon maturity						
Non-derivative financial instruments						
Cash and due from other banks	$ 85,920,227	$ 5,754,074	$ 6,126,213	$ 8,640,747	$ 31,507,216	$ 137,948,477
Call loans and overdrafts	85,867,887	26,559,061	2,780,642	2,248,178	-	117,455,768
Securities investment	328,542,111	28,652,862	24,770,687	143,974,457	249,346,957	775,287,074
Loans discounted	196,994,326	181,244,471	174,965,854	200,527,102	963,680,316	1,717,412,069
Other capital inflow upon maturity	69,146,228	7,839,283	2,864,307	1,939,216	4,121,041	85,910,075
Derivative financial instruments	655,210	1,334,563	414,097	326,842	2,101,621	4,832,333
Total	767,125,989	251,384,314	211,921,800	357,656,542	1,250,757,151	2,838,845,796
2.Primary capital outflow upon maturity						
Non-derivative financial instruments						
Call loans, overdrafts and due to other banks	171,459,136	61,167,751	4,762,953	3,181,680	-	240,571,520
Demand deposits	56,396,916	57,950,835	59,042,265	86,678,445	1,080,532,786	1,340,601,247
Time deposits	148,188,106	217,652,837	178,178,101	272,355,895	21,042,704	837,417,643
Financial liabilities at fair value through profit and loss – non-derivatives	-	4,308,770	6,341,921	4,745,699	13,136,877	28,533,267
Financial Bonds Payable	-	-	-	8,200,000	28,950,000	37,150,000
Other capital outflow upon maturity	93,513,136	13,018,618	4,749,380	2,257,204	45,100,741	158,639,079
Derivative financial instruments	553,101	385,621	405,469	265,523	3,010,170	4,619,884
Total	470,110,395	354,484,432	253,480,089	377,684,446	1,191,773,278	2,647,532,640
3.Gap upon maturity	$ 297,015,594	($ 103,100,118)	($ 41,558,289)	($ 20,027,904)	$ 58,983,873	$ 191,313,156

December 31, 2017	0 - 30 days	31 - 90 days	91 - 180 days	181 days – 1 year	Over 1 year	Total
1.Primary capital inflow upon maturity						
Non-derivative financial instruments						
Cash and due from other banks	$ 77,775,201	$ 6,618,253	$ 6,805,589	$ 7,785,825	$ 28,847,981	$ 127,832,849
Call loans and overdrafts	77,211,743	19,107,751	2,392,069	1,642,590	-	100,354,153
Securities investment	316,225,539	29,890,083	13,056,098	89,286,547	192,994,667	641,452,934
Loans discounted	158,499,192	168,638,448	172,464,776	183,551,352	919,028.399	1,602,182,167
Other capital inflow upon maturity	54,415,940	7,672,263	2,990,246	1,509,572	6,211,348	72,799,369
Derivative financial instruments	862,134	730,389	441,874	482,582	2,209,879	4,726,858
Total	684,989,749	232,657,187	198,150,652	284,258,468	1,149,292,274	2,549,348,330
2.Primary capital outflow upon maturity						
Non-derivative financial instruments						
Call loans, overdrafts and due to other banks	116,394,391	30,806,575	5,270,080	1,369,923	-	153,840,969
Demand deposits	58,154,484	60,427,455	62,803,810	89,075,612	1,013,316,700	1,283,778,061
Time deposits	136,664,524	200,097,324	142,413,814	237,896,631	16,610,084	733,682,377
Financial liabilities at fair value through profit and loss – non-derivatives	-	-	6,388,204	-	21,251,889	27,640,093
Financial Bonds Payable	-	-	4,150,000	-	25,150,000	29,300,000
Other capital outflow upon maturity	85,369,854	5,497,103	5,789,279	1,887,145	35,320,914	133,864,295
Derivative financial instruments	2,003,489	1,692,652	522,122	598,493	1,941,458	6,758,214
Total	398,586,742	298,521,109	227,337,309	330,827,804	1,113,591,045	2,368,864,009
3.Gap upon maturity	$ 286,403,007	($ 65,863,922)	($ 29,186,657)	($ 46,569,336)	$ 35,701,229	$ 180,484,321

Note: Derivative financial instruments and financial liabilities are disclosed at present value.

Maturity analysis for above demand deposits are amortized to each period based on historical experience of banking subsidiary. Given that all the demand deposits have to be paid in the shortest period, as of December 31, 2018 and 2017, the payment on period of 0-30 days will be increased by $1,284,204,331 and $1,225,623,577, respectively.

(D)Maturity analysis for items off the balance sheet

The loans, loan commitment and letters of credit include unused loan commitments and unused letters of credit issued. Financial guarantee contract refers that the Bank and its subsidiaries represent a guarantor and the issuer of the guaranteed letter of credit.

Please refer to the below table for maturity analysis for items off the balance sheet of the Bank and its subsidiaries:

Financial instruments contracts	December 31, 2018		
	Within one year	More than one year	Total
Unused loan commitments (Note)	$ 11,399,837	$ 125,277,234	$ 136,677,071
Unused credit commitments for credit cards	89,253,643	-	89,253,643
Unused letters of credit issued	32,517,425	1,944,892	34,462,317
Various guarantees	27,971,836	43,093,766	71,065,602
Total	$ 161,142,741	$ 170,315,892	$ 331,458,633

Financial instruments contracts	December 31, 2017		
	Within one year	More than one year	Total
Unused loan commitments (Note)	$ 5,277,928	$ 125,859,400	$ 131,137,328
Unused credit commitments for credit cards	67,426,775	-	67,426,775
Unused letters of credit issued	30,746,610	2,101,388	32,847,998
Various guarantees	35,055,785	34,110,238	69,166,023
Total	$ 138,507,098	$ 162,071,026	$ 300,578,124

Note: Above unused loan commitments include irrevocable loan commitment except for the significant adverse movement.

(E)Maturity analysis on lease contract and capital expense commitment

Lease commitment of the Bank and its subsidiaries includes operating lease and finance lease.

Operating lease commitment is the minimum rental that the Bank and its subsidiaries should make as a lessee or lessor under the lease term not revocable.

Capital expenditure commitment of the Bank and its subsidiaries refers to the capital expenses spent on the contract commitment in order to acquire the building and equipment.

Please refer to the below table for maturity analysis of lease contract commitment and capital expenditure commitment of the Bank and its subsidiaries:

December 31, 2018	Less than 1 year	1 to 5 years	More than 5 years	Total
Lease commitment				
Operating lease expense (Lessee)	$ 765,904	$1,243,426	$ 483,697	$ 2,493,027
Operating lease income (Lessor)	(370,543)	(1,072,008)	(494,603)	(1,937,154)
Total	$ 395,361	$ 171,418	($ 10,906)	$ 555,873

December 31, 2017	Less than 1 year	1 to 5 years	More than 5 years	Total
Lease commitment				
Operating lease expense (Lessee)	$ 579,012	$1,139,790	$ 766,454	$2,485,256
Operating lease income (Lessor)	(431,955)	(978,092)	(540,133)	(1,950,180)
Total	$ 147,057	$ 161,698	$ 226,321	$ 535,076

The present value of finance lease has been recognized under finance lease liabilities. As the amount is immaterial and the liquidity risk is low, no analysis on its maturity value will be taken.

(F)Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a. Structure analysis of NTD time to maturity of the Bank

Expressed In Thousands of New Taiwan Dollars

	December 31, 2018						
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary capital inflow upon maturity	$2,199,714,088	$ 308,936,491	$ 269,537,708	$ 185,600,151	$ 172,474,937	$ 321,132,756	$ 942,032,045
Primary capital outflow upon maturity	(2,897,888,815)	(146,373,669)	(194,061,411)	(403,256,477)	(422,399,374)	(490,120,064)	(1,241,677,820)
Gap	($ 698,174,727)	$ 162,562,822	$75,476,297	($ 217,656,326)	($249,924,437)	($ 168,987,308)	($ 299,645,775)

	December 31, 2017						
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary capital inflow upon maturity	$2,022,921,517	$ 314,377,095	$220,085,857	$ 175,560,051	$ 155,875,938	$ 247,051,064	$ 909,971,512
Primary capital outflow upon maturity	(2,623,598,815)	(141,716,655)	(198,765,270)	(382,690,014)	(342,265,125)	(422,343,341)	(1,135,818,410)
Gap	($ 600,677,298)	$ 172,660,440	$ 21,320,587	($ 207,129,963)	($186,389,187)	($ 175,292,277)	($ 225,846,898)

b. Structure analysis of USD time to maturity of the Bank

Expressed In Thousands of US Dollars

	December 31, 2018					
	Total	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary capital inflow upon maturity	$ 28,322,525	$ 10,681,892	$ 6,800,806	$ 2,758,454	$ 1,642,506	$ 6,438,867
Primary capital outflow upon maturity	(33,703,517)	(10,589,325)	(7,415,269)	(4,350,907)	(5,927,087)	(5,420,929)
Gap	($ 5,380,992)	$ 92,567	($ 614,463)	($ 1,592,453)	($ 4,284,581)	$ 1,017,938

December 31, 2017						
	Total	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary capital inflow upon maturity	$ 27,035,794	$ 10,958,597	$ 7,105,575	$ 2,066,356	$ 1,452,045	$ 5,453,221
Primary capital outflow upon maturity	(32,695,895)	(9,536,101)	(6,393,517)	(4,424,415)	(5,505,000)	(6,836,862)
Gap	($ 5,660,101)	$ 1,422,496	$ 712,058	($ 2,358,059)	($ 4,052,955)	($ 1,383,641)

E. Market risk

(A) Market risk definition

Market risk occurs when the market price fluctuates leading to movement in fair value of financial instrument held by the Bank and its subsidiaries in or off the balance sheet or the future cash flow. The risk factors that could give rise to market price movement usually include interest rate, exchange rate, equity securities and instrument price. Any movement in above risk factors could result in risk of fluctuation on net profit or value of investment portfolio held by the Bank and its subsidiaries.

The market risks that the Bank and First Commercial Bank (USA) faces mainly are equity securities, interest rate and exchange rate risk. Market risk position of equity securities mainly include domestic listed stocks, domestic stock index options and stock index futures and call and put warrants, etc. Positions with interest rate risk mainly include: bonds and interest-derivative instruments, such as fixed and floating interest swap and bond option, etc. Positions with exchange rate risk mainly include: the consolidated positions invested by the subsidiaries, indirect subsidiaries of the Bank and its subsidiaries, such as various derivatives denominated in foreign currency, credit-linked bonds, US government bonds, and other foreign bonds, etc.

The subsidiaty, FCB Leasing, is engaged in interest rate swap contracts for the purpose of financial hedging Gains or losses arising from changes in interest rates and gains or losses on hedged items are offset substantially. As a result, market price risk is deemed insignificant.

(B) Goal of market risk management

The Bank and First Commercial Bank (USA) have various market risk management policies, standards, key points and the regulations from competent authorities and the Bank to comply.

The Bank sets up “Management policy for market risk”, “Management standards for market risk”, “Management standards for liquidity and interest rate risk” and “Management guidelines for market risk” and others in an attempt to effectively regulate market risk and ensure that the market risk is under the Bank and the First Commercial Bank (USA)’s bearable capacity.

The Bank divided market risk management into trading book and banking book. Interest rate risk management in relation to trading book and banking book is provided in Note 12(2)E(F), (G) and (H). ‘Trading book’ refers to :

a. positions held with an intention to earn profit from interest rate movement or price variance between the purchase price and selling price,

b. positions held for hedging purpose, and

c. interest rate related instruments positions and equity securities positions held for brokerage or proprietary trading on which regular market value assessment and capital provision against market risk shall be made. Financial instrument positions not classified as trading book are classified into the scope of 'banking book'.

(C) Policy and procedure for market risk management

In order to identify, evaluate, control and monitor market risks that the Bank and its subsidiaries faces and strengthen managing mechanism for market risks, management policies and procedures have been set up to effectively manage market risk and ensure that market risk is controlled under a bearable capacity.

Policy

The Board of the bank is the highest command and supervisory unit in charge of the granting of risk management policy, major risk assumption limit and relevant authorization. The Risk Management Committee under the Board of Directors executes various risk management implementations as resolved and granted by the Board and performs risk supervision. In addition, risk management division set up independent from the business unit is responsible for establishing market risk management structure for the market risk management.

Procedures

The risk management division of the Bank assesses various risk indicators regularly as required by the policies and monitors various risk indicators to be within the limits authorized by the Board of Directors. Any excess over the limits and the usage level of risk limits are summarized and reported to the Board of Directors, risk management committee, general manager, vice-general manager and other related segments.

Business unit, before the engagement in new transaction or developing new market, should identify and evaluate risk in compliance with related procedures. The evaluation module before adoption should be verified through module testing technicians in order to effectively identify various market risks. For financial instruments that cannot be assessed by market price or module evaluation, the risks should be transferred by back-to-back method to avoid that the Bank may assume uncertain market risk.

(D) Management procedure for market risk

The Bank's management procedure for market risk of interest rate risk, exchange risk and equity securities are as follows:

a. Identification and evaluation

Risk identification: When there is any new product, market or currency of a financial instrument, market risk factors and market risk source should first be identified before the underwriting is permitted.

Risk evaluation: Establish appropriate risk indicators and prescribe risk limits for management. The significant risk indicators of the subsidiaries include, but are not limited to positions, gains and losses, and sensitivity measures (PV01, Delta, Vega, and Gamma). The evaluation of investment portfolios are affected by interest risk, exchange rate risk and equity securities.

b. Monitoring and report

For financial instrument evaluated by the market price, the information of independent source should be assessed at least once a day. For those evaluated by modules, the assumption and input used in the evaluation module as provided by the market data of Reuters and Bloomberg, after the module experience is tested and granted, the calculation on evaluation and sensitivity may be carried on, which is used to control the risk incurred through investment portfolio.

The key subsidiaries of the Bank establish risk reporting programs and procedures. The risk management division should regularly present the daily report, monthly report and other risk management report to the Board of Directors and senior management based on the needs of segment heads, general manager, general president or the Board of Directors to report interest risk, exchange risk and equity securities exposure, including gain and loss, trading position, various risk indicators, risk limit usage, all limit excess or fault and so on, and regularly follow-up and send out warning reminder to ensure corrective action has been taken in a timely manner and in compliance with regulations.

(E) Risk evaluation method (market risk evaluation technique)

In order to effectively evaluate the market risks, the Bank establishes appropriate risk indicators and measurement instruments based on each investment portfolio and business characteristics of trading book and banking book. Meanwhile, by setting up risk limits and controlling mechanism, risk limit control is regularly reported to each responsible segment and reported to the Board of Directors on a weekly/monthly basis. Above risk indicators include: positions, gains and losses, sensitivity indexes (Delta, Gamma, Vega), Value-at-Risk of equity securities (VaR), stress losses and others.

Definitions of various indicators:

PV01: It is the change in related amount of interest rate instrument when the interest rate moves by 1 unit (1bp = 0.01%).

Delta: When the price of underlying asset moves by 1 unit that leads to related movement in Delta ratio of the derivative, by which is multiplied the nominal amount to measure to Delta position.

Vega: It is the change in related amount of derivative instrument when the value of underlying asset moves by 1 unit. It is the change in related amount of the interest rate instrument when the interest rate moves by 100 basic units.

Gamma: It is the change in related amount of Delta when the underlying asset value moves by 1 unit.

Interest rate-sensitive instruments are the change in related amount of PV01 that incurred to the interest rate instrument when interest rate moves by unit.

Exchange rate-sensitive instruments are the change in related amount of Delta that incurred to the exchange rate instrument when exchange rate moves by 1% of the unit.

Stress loss: Provided that all other conditions remain constant, it is the effects from ±100bp interest rate movement, ±15% overall market movement of equity securities, ±3% exchange rate fluctuation on New Taiwan Dollars versus major currencies or ±5% exchange rate fluctuation on New Taiwan Dollars versus other currencies.

(F) Policy and procedures of trading book risk management

Trading book includes financial instruments held for trading or financial instruments and physical commodity positions held for hedging purposes against trading book positions. Positions of financial instruments held for trading refers to positions held for a short-term period with the intention of selling or with the intention of profiting or fixing arbitrage profits from actual or expected short-term price fluctuations. For example, proprietary positions, agency positions (such as transaction match-making brokerage) or positions generated through market making transaction, or positions held to offset all or the majority of risks of asset or portfolio positions on the trading book. Positions not included in the above trading book positions are banking book position.

The Bank establishes specific policies and procedures for their trading strategy of trading book position in order to manage the potential market risk of trading positions and control the risk within limits.

a. Strategy

In order to effectively control market risk and ensure the mobility and adaptability of the trading strategy implemented by sale units, market risk limit of the trading book is set at the level of "investment portfolio" to carry out various assessments and controls. In addition, risk limits of each portfolio are set up according to the trading strategy, types of trading instruments and annual profit objective for better management.

b. Policy and procedure of risk management

In principle, management policy is carried out based on annually revised risk limits of each investment portfolio.

c. Evaluation policy and procedure

Generally, financial instruments are assessed through Mark-to-Market, however, Mark-to-Model may be adopted if there is no fair value in the market. Nonetheless, the model should be independently verified before adoption and relevant guideline model management needs to be set up and implemented accordingly.

Evaluation procedure: The risk management unit confirms that the risk evaluation is consistent with the position information posted on the evaluation system at day-end and the market data adopted. In addition, the risk management unit monitors daily evaluation and risk limit and regularly report risk quota usage and limit exceeding event.

d. Evaluation method

The Bank executes stress testing on ±100bp interest rate movement, ±15% equity securities movement, ±3% exchange rate fluctuation and ±5% circumstance movement on a monthly basis and reports to the risk management committee regularly.

(G) Interest risk management for trading book

Risk management on the interest rate of trading book for the Bank is as follows:

a. Interest risk definition

Interest risk occurs when there is an adverse movement of interest rate resulting in change in fair value of trading book position held.

b. Management objective

The management objective of interest risk lies in effective identification, evaluation, controlling and monitoring of interest rate to enhance managing mechanism of market risk.

c. Management policy and procedure

In principle, annual risk limits are controlled based on investment portfolio of trading book with interest rate revised annually.

d. Evaluation method

Evaluation is calculated based on the risk-sensitive index verified by system calculation. In addition, stress testing is performed based on +/-100bp annual interest rate movement and reported to the risk management committee regularly.

(H) Risk management for banking book interest

Interest risk is the risk that a bank suffers from an adverse movement of interest rate or financial condition of the Bank. Interest movement might change the Bank's net interest income and other interest-sensitive incomes which further affects the Bank's earnings. Meanwhile, interest movement could also affect positions in and off the Bank's balance sheet.

The banking book risk management of the Bank is as follows:

a. Strategy

The objective of interest rate management is to improve banks' adaptability so that the earnings and economic value in the balance sheet can be assessed and managed through avoiding the impact from interest rate movement.

b. Policy and procedure of risk management

According to "Management policy of asset and liability" and "Management guideline for liquidity and interest risk" of the Bank, risk management division is the monitoring unit that is responsible for interest risk index, analysis and monitoring interest-sensitive position, and regular reporting the monitoring result of interest risk to the asset and liability management committee, risk management committee and Board of Directors.

If various interest risk indexes and stress testing results fall in the warning threshold, risk management division should issue warning notice to the asset and liability management committee. However, if interest risk index exceed the planned threshold, it should be reported to the asset and liability management committee for discussing the responding measures, which is followed by relevant business unit and reported to the Board of Directors.

c. Evaluation method

The interest rate risk of the Bank is mainly the repricing gap risk resulting from the difference between maturities and repricing date of banking book assets and liabilities and off balance sheet accounts. In order to stabilize long-term profit and business development at the same time, Risk Management Division sets up various monitoring indicators for interest rate of most common period and executes stress testing, and tests the effects on net interest income and net fair economic value within one year when the market interest rate moves by +/-200 bps, that is Interest Rate Shock from the perspective of earnings and economic value. Every interest rate risk indicator and stress testing result should be reported to management for review.

(I) Risk management for foreign exchange

a. Definition of foreign exchange

Foreign exchange risk occurs when the net foreign position held fluctuates with the currency exchange rate giving rise to an exchange gain or loss. The foreigner exchange risks of financial instruments held by the Bank and its subsidiaries mainly include foreign investment position, spot exchange and forward contract, FX option and other derivative or non-derivative instruments. Major currencies involving foreign exchange risks include: USD, EUR, JPY, HKD, AUD, CAD, RMB, etc.

b. Objective

The objective of foreign exchange lies in effective identification, evaluation, controlling and monitoring foreign exchange risk of the Bank and enhancement of management mechanism for market risk.

c. Management policy and procedure

Management policy for market risk is adjusted based on the annual risk limit revised by foreign exchange trading investment portfolio annually.

d. Evaluation method

Through risk sensitive indicators calculated by the validated system as a benchmark, the Bank regularly carries out testing and reports the results to the risk management committee given that the currency movement is provided at +/-3% and other currency movement at +/-5%.

(J) Risk management for equity securities

a. Definition of equity securities risk

The market risk of the equity securities held by the Bank includes the individual risk resulting from market price movement of each equity securities and general market risk resulting from overall market price movement.

b. Risk management objective

The objective for equity risk management lies in effective identification, evaluation, risk controlling and monitoring for the equity securities of the Bank and its subsidiaries and enhancement of managing mechanism for market risk.

c. Management policy

Management policy for market risk is adjusted based on the annual risk limit revised by stock trading investment portfolio annually.

d. Evaluation method

The Bank executes stress testing on +/-15% weighted average index of taiwan stock movement on a monthly basis and reports to the risk management committee regularly.

(K) Market risk assessment techniques

Vale at Risk (VaR)

The VaR model is utilised to measure the maximum potential loss, caused by changes in market risk factors, for investment portfolios under a specific time frame and confidence level. For transaction positions, the Bank utilise the VaR model as an instrument to control market risk. Currently, the Bank's standard of measuring market risk is electing the historical simulation method to estimate VaR and setting the maximum potential loss under a 99% confidence interval. The VaR of the Bank continually undertakes backtesting in order to assess the accuracy of the model.

Expressed in thousands of NTD

	December 31, 2018		
	Average	Maximum	Minimum
Foreign exchange VaR	40,546	77,847	15,371
Interest VaR	20,450	29,730	9,797
Equity securities VaR	19,724	36,885	4,631
Total VaR	80,720	144,462	29,799

Expressed in thousands of NTD

	December 31, 2017		
	Average	Maximum	Minimum
Foreign exchange VaR	57,442	138,881	31,702
Interest VaR	29,268	45,307	11,046
Equity securities VaR	119,879	156,561	83,376
Total VaR	206,589	340,749	126,124

(L) Foreign exchange risk gap

As of December 31, 2018 and 2017, the following table summarizes financial instruments of foreign denominated assets and liabilities by currency of which the foreign exchange exposure is presented by the carrying amount:

Expressed In Thousands of New Taiwan Dollars

	December 31, 2018	
	USD	RMB
Financial assets		
Cash and cash equivalents	$ 7,007,371	$ 3,970,609
Due from the Central Bank and call loans to other banks	50,008,565	31,315,681
Financial assets at fair value through profit or loss	38,593,013	946,713
Financial assets at fair value through other comprehensive income	67,378,992	19,356,836
Loans discounted	276,606,362	17,448,449
Receivables	30,550,807	1,885,659
Investments in debt instruments at amortised cost	3,462,482	290,419
Other financial assets	1,419	5,139,350
Subtotal-financial assets	$ 473,609,011	$ 80,353,716
Financial liabilities		
Due to Central Bank and others	$ 161,432,734	$ 4,052,980
Deposits and remittances	439,313,999	62,751,741
Financial liabilities at fair value through profit or loss	30,724,199	187
Other financial liabilities	13,166,409	325,611
Payables	34,342,048	1,094,380
Subtotal-financial liabilities	$ 678,979,389	$ 68,224,899

Expressed In Thousands of New Taiwan Dollars

	December 31, 2017	
	USD	RMB
Financial assets		
Cash and cash equivalents	$ 9,237,064	$ 6,402,944
Due from the Central Bank and call loans to other banks	47,818,887	28,417,361
Financial assets at fair value through profit or loss	19,128,045	431,124
Available-for-sale financial assets	46,002,275	14,619,648
Loans discounted	245,169,990	20,117,655
Receivables	19,505,159	2,249,838
Held-to-maturity financial assets	3,489,221	4,457,935
Other financial assets	8,838	2,729,400
Subtotal-financial assets	$ 390,359,479	$ 79,425,905
Financial liabilities		
Due to Central Bank and others	$ 89,878,829	$ 3,791,784
Deposits and remittances	421,288,904	60,332,426
Financial liabilities at fair value through profit or loss	28,946,330	691
Other financial liabilities	14,205,486	237,462
Payables	33,330,758	2,887,770
Subtotal-financial liabilities	$ 587,650,307	$ 67,250,133

Note: As of December 31, 2018 and 2017, the exchange rate of USD to NTD was 30.735, and 29.680, respectively. In addition, as of December 31, 2018 and 2017, the exchange rate of RMB to NTD were 4.469, and 4.549, respectively.

(M) Sensitivity analysis

a. Interest rate risk

If the market yield curve shifts upwards or downwards by 20 bps, it could affect the assessed fair value and interest income. Items being assessed include all assets of the trading book position and banking book position, of which the interest income of banking book assets that could be affected is one year.

The Bank and its subsidiaries assumes that yield curve is the only variable when all the other interest curves remain constant and sums up the gain and loss resulting from changes in each yield curve. According to the above estimated net interest income and assessed gain and loss on fair value, sensitivity analysis is as follows:

b. Foreign exchange risk

Assuming that all the other variables remain constant, for the year ended December 31, 2018, if NTD to USD depreciates/appreciates by 3%; AUD depreciates/appreciates by 3%; RMB to other currencies depreciates/appreciates by 4%; and for the year ended December 31, 2017, if NTD to USD depreciates/appreciates by 3%; RMB depreciates/appreciates by 3%; AUD to other currencies depreciates/appreciates by 4%; then the gain or loss sensitivity analysis for the Bank holding the above foreign exchange net positions is as the table below.

c. Equity securities risk

Assuming that all the other variables remain constant, if equity prices rise/fall by 5% (the average rate of rises or falls in the Taiwan Stock Exchange Market Index in the most recent three years); then fair value valuation gains or losses of investment positions in listed and over-the-counter stocks in the trading book held by the Bank are as the table below.

d. Sensitivity analysis is summarized as follows:

December 31, 2018 (Expressed In Thousands of New Taiwan Dollars)

Main risk	Movements	Effect on gain or loss	Effect on equity
Foreign exchange risk	NTD to USD depreciate by 3%, NTD to AUD depreciate by 3%, NTD to RMB and other currencies depreciate by 4%.(Note 1)	9,534	-
Foreign exchange risk	NTD to USD appreciate by 3%, NTD to AUD appreciate by 3%, NTD to RMB and other currencies appreciate by 4%.(Note 2)	(9,534)	-
Interest rate risk	Main interest rate curve increases by 20 bps	(340,382)	(1,235,448)
Interest rate risk	Main interest rate curve decreases by 20 bps	337,885	1,216,122
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market rises by 5%.	12,024	294,036
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market falls by 5%.	(12,024)	(294,036)

December 31, 2017 (Expressed In Thousands of New Taiwan Dollars)

Main risk	Movements	Effect on gain or loss	Effect on equity
Foreign exchange risk	NTD to USD depreciate by 3%, NTD to AUD depreciate by 3%, NTD to RMB and other currencies depreciate by 4%.(Note 3)	152,558	-
Foreign exchange risk	NTD to USD appreciate by 3%, NTD to AUD appreciate by 3%, NTD to RMB and other currencies appreciate by 4%.(Note 4)	(152,558)	-
Interest rate risk	Main interest rate curve increases by 20 bps	(321,379)	(864,614)
Interest rate risk	Main interest rate curve decreases by 20 bps	297,896	859,357
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market rises by 5%.	37,226	168,141
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market falls by 5%.	(37,226)	(168,141)

Note 1: NTD to USD depreciate by 3%, NTD to AUD depreciate by 3%, NTD to RMB and other currencies respectively depreciate by 4%, the effects on profit (loss) will be \$146,206, \$4,197, (\$145,645) and \$4,776, respectively.

Note 2: NTD to USD appreciate by 3%, NTD to AUD appreciate by 3%, NTD to RMB and other currencies respectively appreciate by 4%, the effects on profit (loss) will be (\$146,206), (\$4,197), \$145,645 and (\$4,776), respectively.

Note 3: NTD to USD depreciate by 3%, NTD to AUD depreciate by 3%, NTD to RMB and other currencies respectively depreciate by 4%, the effects on profit (loss) will be \$255,657, \$3,076, (\$132,003)and \$25,828, respectively.

Note 4: NTD to USD appreciate by 3%, NTD to AUD appreciate by 3%, NTD to RMB and other currencies respectively appreciate by 4%, the effects on profit (loss) will be (\$255,657), (\$3,076), \$132,003 and(\$25,828), respectively.

(N) Disclosure made in accordance with Regulations Governing the Preparation of Financial Reports by Public Banks

Sensitivity analysis of interest rate for assets and liabilities (NTD)
December 31, 2018
(Expressed In Thousands of New Taiwan Dollars, %)

Item	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	1,608,256,914	42,886,881	147,089,614	155,803,098	1,954,036,507
Interest-rate-sensitive liabilities	364,379,497	1,106,079,124	121,859,633	37,811,867	1,630,130,121
Interest-rate-sensitive gap	1,243,877,417	(1,063,192,243)	25,229,981	117,991,231	323,906,386
Net					205,160,003
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					119.87%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					157.88%

Sensitivity analysis of interest rate for assets and liabilities (NTD)
December 31, 2017
(Expressed In Thousands of New Taiwan Dollars, %)

Item	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	1,534,536,605	16,126,034	89,441,199	156,779,207	1,796,883,045
Interest-rate-sensitive liabilities	344,733,926	1,004,874,847	99,243,992	32,862,473	1,481,715,238
Interest-rate-sensitive gap	1,189,802,679	(988,748,813)	(9,802,793)	123,916,734	315,167,807
Net					192,259,166
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					121.27%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					163.93%

Note: The amounts listed above represent the items denominated in NTD for the Bank, excluding contingent assets and contingent liabilities.

Sensitivity analysis of interest rate for assets and liabilities (USD)
December 31, 2018
(Expressed In Thousands of USD, %)

Item	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	22,484,848	3,002,834	1,003,741	873,314	27,364,737
Interest-rate-sensitive liabilities	16,701,563	6,973,566	1,945,409	9,325	25,629,863
Interest-rate-sensitive gap	5,783,285	(3,970,732)	(941,668)	863,989	1,734,874
Net					6,675,126
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					106.77%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					25.99%

Sensitivity analysis of interest rate for assets and liabilities (USD)
December 31, 2017
(Expressed In Thousands of USD, %)

Item	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	22,415,840	2,130,015	818,627	514,465	25,878,947
Interest-rate-sensitive liabilities	14,495,415	8,016,129	1,687,357	14,801	24,213,702
Interest-rate-sensitive gap	7,920,425	(5,886,114)	(868,730)	499,664	1,665,245
Net					6,477,735
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					106.88%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					25.71%

Explanation:The amounts listed above represent the items denominated in USD for the Bank, excluding contingent assets and contingent liabilities.

Note：

A.Interest-rate-sensitive assets and liabilities are those interest earned assets and interest bearing liabilities, revenues and costs which are sensitive to changes in interest rates.

B.Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities =Interest-rate-sensitive assets / interest-rate-sensitive liabilities.

C.Interest-rate-sensitive gap = Interest-rate-sensitive assets － interest-rate-sensitive liabilities.

E. Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety.

During the Bank's and its subsidiaries' activities, the transferred financial assets that do not meet derecognition conditions are mainly debt instruments with purchase agreements. The cash flow of the contract has been transferred and related liabilities of transferred financial assets that will be repurchased at a fixed price in the future have been reflected. The Bank and its subsidiaries may not use, sell or pledge the transferred financial assets during the valid period of the transaction. The financial assets were not derecognised as the Bank and its subsidiaries are still exposed to interest rate risk and credit risk.

December 31, 2018 Unit: NTD thousand

Category of financial asset	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets at fair value through other comprehensive income		
Repurchase agreement	$ 14,100,906	$ 13,408,357
Debt instruments at amortised cost		
Repurchase agreement	614,700	580,812

December 31, 2017 Unit: NTD thousand

Category of financial asset	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Available-for-sale financial assets		
Repurchase arrangements	$ 9,295,580	$ 9,018,893

F. Offsetting financial assets and financial liabilities

The Bank and its subsidiaries have financial instruments that meet the offsetting criteria in paragraph 42 of IAS 32, the gross financial liability is set off against the gross financial asset, resulting in the presentation of a net amount presented in the balance sheet.

The Bank and its subsidiaries have transactions that do not meet the offsetting criteria but follow the net settled master netting arrangements or other similar arrangements, i.e. global master repurchase agreement, global securities lending agreement or similar agreement with repurchase agreements or reverse repurchase agreement. The above transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; the above transactions are settled on a gross basis if both parties do not choose to use net settlement. However, if one party breaches the contract, the counterparty can choose to use net settlement.

The offsetting of financial assets and financial liabilities are set as below:

(Blank below)

December 31, 2018

Unit: In thousands of New Taiwan Dollars

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

Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	$ 4,737,166	$ -	$ 4,737,166	$ 1,994,273	$ 1,760,197	$ 982,696
Total	$ 4,737,166	$ -	$ 4,737,166	$ 1,994,273	$ 1,760,197	$ 982,696

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

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

Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	$ 4,619,884	$ -	$ 4,619,884	$ 1,994,273	$ 620,627	$ 2,004,984
Repurchase arrangements	13,989,169	-	13,989,169	13,989,169	-	-
Total	$ 18,609,053	$ -	$ 18,609,053	$ 15,983,442	$ 620,627	$ 2,004,984

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

December 31, 2017

Unit: In thousands of New Taiwan Dollars

Financial assets that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	$ 4,591,795	$ -	$ 4,591,795	$ 1,808,134	$ 1,780,330	$ 1,003,331
Total	$ 4,591,795	$ -	$ 4,591,795	$ 1,808,134	$ 1,780,330	$ 1,003,331

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

Financial liabilities that are offset, or can be settled under agreements of net settled master netting arrangements or similar arrangements						
Description	Gross amounts of recognised financial assets (a)	Gross amounts of recognised financial liabilities set off in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial instruments	$ 6,758,214	$ -	$ 6,758,214	$ 1,808,134	$ 904,033	$ 4,046,047
Repurchase arrangements	9,018,893	-	9,018,893	9,018,893	-	-
Total	$ 15,777,107	$ -	$ 15,777,107	$ 10,827,027	$ 904,033	$ 4,046,047

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

(3) Capital management

In addition, in order to establish evaluation process for capital adequacy and maintain proper self-owned capital structure of each significant subsidiary within the Bank and its subsidiaries, also to develop business and control risk on both sides for better improvement of capital utilization, subsidiaries have established capital management policies to implement the strategies of senior management and the related information shall be disclosed or reported accordingly.

The management objectives and procedures for capital management of the significant subsidiaries within the Bank and its subsidiaries are as follows:

A. Objective of capital management

(A) To ensure that the Bank and its subsidiaries comply with regulations governing capital adequacy and minimum requirements set up by competent authorities of each industry. To comply with statutory minimum requirement of eligible capital, and statutory minimum self-owned capital and risk assets ratio as shown in "Regulations Governing the Capital Adequacy and Capital Category of Banks" of competent authority.

(B) In response to the capital required from each subsidiary's operation plan, and to make them have sufficient capital for various risks derived from capital demand, capital allocation is distributed under a goal of utilization of capital arrangement. To attain capital requirement for the business plan, to have sufficient capital for acceptance of various risks including credit risk, market risk, and operating risk, and to manage risk through capital allocation to realize risk-adjusted performance management and optimal capital allocation.

(C) To have sufficient capital and provisions in response to possible losses in stress scenario while performing regular stress testing in accordance with relevant regulations by competent authority.

B. Capital management procedures

The Board of Directors of the Bank is the highest authority of the Bank and its subsidiaries. The general manager supervises all units of the head office to ensure the implementation of the Board of Directors' capital strategy. The responsible segments of significant banking, securities and life insurance subsidiaries and others should effectively identify, evaluate, monitor and control related risks, and disclose relevant information according to the requirements of the competent authorities with an attempt to reflect evaluation and management situation on the capital required. The Bank also sets up separately a team for capital planning and holds a meeting to ensure the implementation of the Board's capital strategies on a regular basis in respect of capital adequacy managing objectives, fund gap, responding measures that could impose an effect on risk assets or qualifying self-owned capital and so on.

Major procedures of evaluation on capital included:

(A) Before the start of each fiscal year, the Bank follows the business plan to set up capital adequacy ratio target in compliance with relevant regulations. The target will be implemented upon approval of the Board of Directors.

(B) To assess capital requirements for various key risks according to the capital adequacy ratio target on a monthly basis.

(C) To perform regular stress testing in order to assess whether current capital and provisions that have been made are sufficient to cope with possible losses in stress scenario.

(D) Besides, to estimate impact on self-owned capital, risk-weighted assets, and capital adequacy ratio target based on significant capital utilization, changes in market and business, and plans such as capital increase/reduction or bonds issuance in order to take countermeasures timely.

C. Capital adequacy ratio

Combined capital adequacy ratio

UNIT：In thousands of NT Dollars

Items			December 31, 2018	December 31, 2017
Self-owned capital	Tier 1 Capital of common equity		$ 181,861,970	$ 175,762,425
	Other Tier 1 Capital		11,942,706	406,171
	Tier 2 Capital		36,384,728	36,950,738
	Self-owned capital		230,189,404	213,119,334
Total risk - weighted assets	Credit risk	Standardized Approach	1,566,517,847	1,452,444,722
		Internal Ratings Based Approach	-	-
		Asset securitization	685,759	668,522
	Operation risk	Basic Indicator Approach	-	-
		Standardized Approach/Alternative Standardized Approach	80,388,393	75,694,622
		Advanced Measurement Approaches	-	-
	Market risk	Standardized Approach	19,187,833	30,757,314
		Internal Models Approach	-	-
	Total risk-weighted assets		1,666,779,832	1,559,565,180
Capital adequacy ratio			13.81%	13.67%
Total risk assets based Tier 1 Capital of Common equity, net Ratio			10.91%	11.27%
Total risk assets based Tier 1 Capital, net Ratio			11.63%	11.30%
Leverage ratio			6.39%	6.46%

Note 1: The self-owned capital, risk-weighted assets and exposures amount in the table above should be filled in accordance with “Regulations Governing the Capital Adequacy and Capital Category of Banks” and “the method for calculating Bank’s regulatory capital and risk weighted assets”.

Note 2: The relevant formulas are as follows:

(1) Self-owned capital = Tier 1 Capital of Common equity + Other Tier 1 Capital + Tier 2 Capital。

(2) Total risk-weighted assets = credit risk-weighted assets + (operation risk + market risk) * 12.5

(3) Capital adequacy ratio = Self-owned capital / Total risk-weighted assets

(4) Total risk assets based Tier 1 Capital of Common equity Ratio＝ Tier 1 Capital of Common equity / Total risk-weighted assets

(5) Total risk assets based Tier 1 Capital Ratio＝(Tier 1 Capital of Common equity + Other Tier 1 Capital) / Total risk-weighted assets

(6) Gearing ratio = Tier 1 capital/ exposures amount

(4) Profitability

Units：%

Items		For the years ended December 31, 2018	2017
Return on total assets (%)	Before tax	0.76	0.71
	After tax	0.64	0.60
Return on stockholders' equity (%)	Before tax	10.32	9.33
	After tax	8.71	7.91
Net profit margin ratio (%)		37.66	34.82

Note 1: Return on total assets = Income before (after) income tax/average total assets.
Note 2: Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.
Note 3: Net profit margin ratio = Income after income tax / total operating revenues.
Note 4: The term "Income before (after) income tax" represents net income from January 1 to the balance sheet date of the reporting period.

(5) Content and amount of investment trust business in accordance with Trust Enterprise Act

UNIT：In thousands of NT Dollars

Balance Sheet of Trust Accounts

Trust assets	December 31, 2018	December 31, 2017
Bank deposits	$ 9,338,719	$ 8,847,304
Bonds	2,261,848	2,227,317
Stocks	89,790,144	91,668,549
Mutual funds	207,733,251	205,062,214
Accounts receivable	-	781
Structured notes	1,902,909	1,910,000
Real estate	23,673,830	23,007,723
Net assets under collective management accounts	5,621	219,182
Customers' securities under custody	322,252,755	340,883,400
Total	$ 656,959,077	$ 673,826,470
Trust liabilities		
Payables-customers securities under custody	$ 322,252,755	$ 340,883,400
Payables	97	68
Trust capital	334,444,985	332,679,483
Various reserves and accumulated profit or loss	261,240	263,519
Total	$ 656,959,077	$ 673,826,470

As of December 31, 2018 and 2017, the Offshore Banking Unit had book balance of $3,617,773 and $4,089,066 for designated money trust funds investing in foreign securities ; the Offshore Banking Unit had book balance of $424,147 and $349,097 for designated money trust funds investing in local securities, respectively.

UNIT：In thousands of NT Dollars

Property List of Trust Accounts

Investment items	December 31, 2018	December 31, 2017
Bank deposits	$ 9,338,719	$ 8,847,304
Bonds	2,261,848	2,227,317
Stocks	89,790,144	91,668,549
Mutual funds	207,733,251	205,062,214
Accounts receivable	-	781
Structured notes	1,902,909	1,910,000
Real estate	23,673,830	23,007,723
Net assets under collective management accounts	5,621	219,182
Customers' securities under custody	322,252,755	340,883,400
Total	$ 656,959,077	$ 673,826,470

UNIT：In thousands of NT Dollars

Income Statement of Trust Accounts

	For the years ended December 31,	
Trust revenues	2018	2017
Interest income	$ 6,937,890	$ 5,811,459
Dividend income	6,609	3,515
Realized gain on bonds	10,859	38
Realized gain on stocks	30	12,805
Realized gain on mutual funds	2,852,409	3,980,502
Gain on translation	283	2,920
Other income	174	246
Total trust revenues	9,808,254	9,811,485
Trust expenses		
Management fee	(1,004)	(1,030)
Other expense	(49)	(52)
Service fee	(960)	(1,355)
Realized loss on bonds	(3,597)	(759,586)
Realized loss on stocks	(323)	(153)
Realized loss on mutual funds	(3,117,859)	(2,739,993)
Losses on disposal of property	-	(240)
Loss on translation	(1,789)	(2,484)
Total trust expenses	(3,125,581)	(3,504,893)
Net gain before tax	6,682,673	6,306,592
Income tax expense	-	(9)
Net gain after tax	$ 6,682,673	$ 6,306,583

UNIT：In thousands of NT Dollars

(6) Information with respect to the transferring of financial assets and extinguishing of liabilities:

Please refer to Note 12(2) F for the transfer of financial assets.

(7) Adjustment of key organization and significant change in regulatory system:

None.

(8) Significant impact arising from changes in government laws and regulations:

None.

(9) Information with respect to the subsidiary holding the capital stock of parent company:

None.

(10) Information for private placement securities:

None.

(11) Information for discontinued operations:

None.

(12) Major operating assets or liabilities transferred from (or to) other financial institutions:

None.

(13) Information of the Bank's and its subsidiaries' engagement in co-marketing:

The Bank has entered into co-marketing contracts with First-Aviva Life Insurance Co., Ltd., First Securities Inc., First Venture Capital Co., Ltd., First Financial Management Consulting Co., Ltd., First Financial Asset Management Co., Ltd., and FCB Leasing Co., Ltd. The contracts are effective from the respective contract dates but are not allowed to be terminated except with the written consent of FFHC. The contracts cover joint usage of operation sites and facilities as well as the arrangement of personnel for co-marketing affairs. Expenses arising from joint usage of operation sites or facilities are allocated in accordance with separate agreements of the contracting parties. Remuneration apportionment and expenses allocation for co-marketing personnel follow the provisions under the "First Financial Group Integrated Co-marketing Scope and Remuneration Rules".

The Bank has entered into cooperative contracts with First Financial Holding Co., Ltd., First-Aviva Life Insurance Co., Ltd., and First Financial Asset Management Co., Ltd. for the joint usage of information equipment and the planning, development, implementation, operation, maintenance and management of information systems. Calculation methodologies for remuneration apportionment and expenses allocation have also been established.

(14) Effects on initial application of IFRS 9

1. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below for 2017.

(1) Financial assets and financial liabilities

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

A. Financial assets

All financial assets held by the Bank and its subsidiaries are in compliance with IFRSs as endorsed by FSC, classified into following five categories:

"loans and receivables", "financial assets at fair value through profit and loss", "available-for-sale financial assets", "held-to-maturity financial assets" and "other financial assets".

(A) Regular way purchase or sale

Acquisition or disposal of financial assets under general transaction practices are accounted for using trade date accounting or settlement date accounting. Treatment for acquisition and disposal of financial assets of the same category should be consistent. Financial assets held by the Bank and its subsidiaries are all accounted for using trade date accounting.

(B) Loans and receivables

The loans and receivables are the non-derivative financial assets with no quoted prices in an active market. Such financial assets with fixed or determinable receivable amounts include those originated and those not originated by the Bank and its subsidiaries. The former originated directly from money, product or service that the Bank and its subsidiaries provide to the debtors, while the latter refers to all the other loans and receivables.

Loans and receivables are measured at initial fair value of the transaction price, and are recognized on the basis of fair value plus significant transaction cost, expense or significant service fee charge, discount or premium. Subsequently, the loans and receivables shall be measured using effective interest method. However, pursuant to"Regulations Governing the Preparation of Financial Reports by Public Banks", if there is no material effect from discounting, measurement at the initial cost is permitted.

If there is any objective evidence of impairment, impairment is recognized as impairment losses. The impairment loss is recognized in the credit side of the financial assets, which is recognized as "bad debt expense and reserve for guarantee policy".

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

These includes financial assets at fair value through profit and loss and those designated as financial assets at fair value through profit and loss at initial recognition.

When the financial assets of the Bank and its subsidiaries are held to repurchase or resell or when the portfolio belongs to derivative instruments, or are held in a short-term profit seeking model, then they should be classified as financial assets at fair value through profit and loss and measured by fair value at initial recognition.

Criteria to designate financial assets and financial liabilities as at fair value through profit or loss at initial recognition are as follows:

a. The designation can eliminate or significantly mitigate a measurement or recognition inconsistency as a result of different measuring basis of assets or liabilities; or

b. The performance of financial instruments is assessed by fair value; or

c. Hybrid instruments include embedded derivatives.

Any change in fair value of financial assets at fair value through profit and loss and financial asset designated at fair value through profit and loss at initial recognition are recognized under " Gain or loss on financial assets and financial liabilities at fair value through profit and loss" in the consolidated statements of comprehensive income.

(D) Available-for-sale financial assets

Available-for-sale financial assets include assets designated as available-for-sale, financial assets not held to maturity, financial assets at fair value through profit and loss, non-derivative financial assets such as loans and receivables. Equity or debt investments are initially recognized at fair value plus the transaction cost of acquisition or issuance.

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

Impairment loss is recognized when there is objective evidence of impairment of available-for-sale financial assets. If the financial asset has not been derecognized, cumulative loss is reclassified from 'other comprehensive income' to 'profit or losses'. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss and any subsequent change in equity is recognized in other comprehensive income. If in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss is reversed through profit or loss.

Equity instruments with no quoted price in an active market are initially recognized at fair value plus acquisition or issuance cost. The fair value can be reasonably estimated when the following criteria are met at the balance sheet date: (a) the variance of the reasonable estimate of an instrument's fair value is insignificant or (b) the possibility of the estimate in the interval can be reasonably evaluated and used to estimate fair value.

(E) Held-to-maturity financial assets

Held-to-maturity financial assets are the non-derivative financial assets with fixed or determinable payments and fixed maturities and the Bank and its subsidiaries have positive intention and ability to hold to maturity, excluding loans and receivables, assets designated as available-for-sale financial assets and financial assets designated as at fair value through profit and loss upon initial recognition which shall not be treated as held-to-maturity financial assets.

Held-to-maturity financial assets are recognized at fair value plus the acquisition cost. Subsequently, held-to-maturity financial assets shall be measured using effective interest method. If there is any objective evidence of impairment, the impairment is recognized in the credit side of the financial assets' carrying amount as "asset impairment loss".

(F) Other financial assets

Other financial assets include bonds investment without an active market and financial assets measured at cost.

a. Bond investments with no active market

Such financial instruments are initially recognized at fair value plus acquisition or issuance cost. Gains or losses are recognized when the investments are derecognized. Bond investments with no active market shall be subsequently measured at amortized cost using effective interest method.

b. Financial assets measured at cost

Equity instruments with no active market initially are recognized at fair value plus the acquisition or issuance cost. At the balance sheet date, if the interval of reasonable fair value estimates could be significant and the possibility of different estimates cannot be reasonably evaluated, cost is adopted for measurement. For financial assets measured at cost, an impairment loss shall be recognized if there is an objective evidence of impairment. The impairment loss shall not be reversed.

B. Financial liabilities

Financial liabilities held by the Bank and its subsidiaries include financial liabilities at fair value through profit and loss and financial liabilities measured at amortized cost.

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

These includes financial liabilities at fair value through profit and loss and those designated as financial liabilities at fair value through profit and loss at initial recognition.

Such as financial liabilities incurred with a purpose of repurchasing in a short period of time, identifiable portion of financial instruments in the portfolio belonging to the consolidated management at initial recognition with evidence indicating that its latest operating model is in a short-term profit seeking, are classified as held for trading purpose. Derivative instruments are designated as held for trading excluding those designated as effective hedging instruments or financial guarantee contracts.

Financial liabilities held for trading also include the obligation of the financial assets borrowed from short seller. Above financial liabilities are recognized in "financial liabilities at fair value through profit and loss" in the consolidated balance sheet.

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

In relation to financial liabilities held for trading and those designated as financial liabilities at fair value through profit and loss at initial recognition, any change in fair value is recognized as "gain and loss on financial assets and liabilities at fair value through profit and loss" in the consolidated statement of comprehensive income. However, if the change in fair value of those designated as financial liabilities at fair value through profit and loss is generated by credit risk, it shall be recognized as other comprehensive income except for avoiding accounting mismatch or belonging to loan commitments and financial guarantee contract.

(B) Financial liabilities carried at amortized cost

Financial liabilities carried at amortized cost include liabilities not classified as financial liabilities at fair value through profit and loss, financial guarantee contracts.

C. Derecognition of financial instruments

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

(A) The contractual rights to receive the cash flows from the financial asset expire.

(B) The contractual rights to receive cash flows of the financial asset have been transferred and the Bank and its subsidiaries have transferred substantially all risks and rewards of ownership of the financial asset.

(C) The contractual rights to receive cash flows of the financial asset have been transferred; however, the Bank and its subsidiaries have not retained control of the financial asset.

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

(2) Impairment evaluation, provision, and reversal of loans discounted and receivables

If there is any objective evidence indicating that an individual or a group of financial assets are impaired from estimated future cash flow after initial recognition, impairment exists and is recognized as impairment losses.

Impairment of loans discounted and receivables is evaluated based on individual or group classification; loans and receivables are evaluated based on whether objective evidence of significant impairment exists or whether they belong to significant monitored cases. When objective evidence of significant impairment does not exist, the assets shall be included in group of financial assets with similar characteristics and evaluate the impairment losses.

The criteria that the Bank uses to determine whether there is objective evidence of impairment loss is as follows:

A. There is no principal or interest payment after the lapse of 3 full months, or with regard to which the Credit Cooperative has sought payment from primary/subordinate debtors or has disposed of collateral.

B. If a restructured loan meets payment terms agreement, the loan may be exempted from reporting as a non-performing loan.

C. If a loan's negotiated terms meet regulations by the Bankers Association of the Republic of China in 2006, the loan may be exempted from reporting as a non-performing loan.

D. Cases approved and signed in the negotiations in accordance with the Statute for Consumer Debt Clearance.

E. Cases that are in clearance or settlement proceedings by the court's ruling.

F. Cases that have begun being reorganized by the court's ruling.

G. Cases that have been declared for bankruptcy by the court.

H. Cases that meet the self-made evaluation items of the Bank.

In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized (for example, the upgraded credit rating of the debtor), the previously recognized impairment loss is reversed through the allowance for bad debt to the extent that the carrying amounts do not exceed the amortized cost that would have been determined had no impairment loss been recognized in prior years. The reversal is recognized as current profit and loss.

The above-mentioned evaluation process for loans discounted and receivables and provision of allowance for bad debt reference "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" promulgated by the FSC and Jin-Guan-Yin-Fa-Zi No. 10410001840 promulgated by the FSC on April 23, 2015, regarding strengthening the monitoring and risk endurance ability of domestic banks to exposures in China.

(3) Derivative instruments

Derivative instruments are initially recognized at fair value at the contract date and subsequently measured at fair value. The fair value includes the public quoted price in an active market or the latest trade price (such as options traded in Stock Exchange Corporation), and evaluation techniques such as cash flow discounting model or option pricing model (such as swap contract and foreign exchange transaction). All derivative assets are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

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

(4) Financial guarantee contract

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

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

Subsequently, the Bank and its subsidiaries should measure the contract at the higher of:

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

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

The best estimate of the liability amount requires management to exercise their judgment and historical loss data based on the similar transaction experiences.

The increase in liabilities due to financial guarantee contract is recognized in “bad debt expenses and guaranty policy reserve”.

(Blank below)

2. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Amount under IAS 39 at December 31, 2017	Reclassification	Remeasurement	Amount under IFRS 9 at January 1, 2018	Effect from retained earnings at January 1, 2018	Effect from other equity at January 1, 2018	Note
Financial assets at fair value through profit or loss	$ 100,249,302	$ -	$ -	$ 100,249,302	$ -	$ -	
Deduction:							
To amortised at cost(IFRS 9)	-	(1,033,557)	-	(1,033,557)	-	-	(1)
To at fair value through other comprehensive income (IFRS 9)	-	(3,332,456)	-	(3,332,456)	-	-	(1)
To receivables	-	(19,419)	-	(19,419)	-	-	(1)
Financial assets at fair value through profit or loss	$ 100,249,302	($ 4,385,432)	$ -	$ 95,863,870	$ -	$ -	
Financial assets at fair value through other comprehensive income	$ -	$ -	$ -	$ -	$ -	$ -	
Addition-debt instrument:							
From available-for-sale (IAS 39)	-	135,929,161	-	135,929,161	-	-	(5)
From held-to-maturity (IAS 39)	-	41,845,301	755,750	42,601,051	-	755,750	(3)
From fair value through profit or loss (choice of fair value under IAS 39)-condition not conform to the choice of fair value	-	3,332,456	-	3,332,456	(28,055)	28,055	(1)
Deduction-debt instrument:							
Adjustment of loss on impairment	-	-	-	-	(56,602)	56,602	(4)
Addition-equity instrument:							
From available-for-sale (IAS 39)	-	13,863,124	-	13,863,124	-	-	(2)
From measured at cost (IAS 39)	-	3,680,893	4,562,622	8,243,515	-	4,562,622	(2)
Financial assets at fair value through other comprehensive income	$ -	$ 198,650,935	$ 5,318,372	$ 203,969,307	($ 84,657)	$ 5,403,029	

	Amount under IAS 39 at December 31, 2017	Reclassification	Remeasurement	Amount under IFRS 9 at January 1, 2018	Effect from retained earnings at January 1, 2018	Effect from other equity at January 1, 2018	Note
Investments in debt instruments at amortised cost	$ -	$ -	$ -	$ -	$ -	$ -	
Addition:							
From held-to-maturity (IAS 39)	-	344,759,812	-	344,759,812	-	-	(5)
From debt instruments without active market (IAS 39)	-	2,729,400	-	2,729,400	-	-	(5)
From fair value through profit or loss (choice of fair value under IAS 39)-condition conform to the choice of fair value	-	1,033,557	34,923	1,068,480	34,923	-	(1)
Deduction:							
Adjustment of loss on impairment	-	-	(22,410)	(22,410)	(22,410)	-	(4)
Investments in debt instruments at amortised cost	$ -	$ 348,522,769	$ 12,513	$ 348,535,282	$ 12,513	$ -	
Receivables	$ 63,380,967	$ -	$ -	$ 63,380,967	$ -	$ -	
Addition:							
From fair value through profit or loss (choice of fair value under IAS 39)-condition not conform to the choice of fair value	-	19,419	-	19,419	-	-	(1)
Receivables	$ 63,380,967	$ 19,419	$ -	$ 63,400,386	$ -	$ -	

(A) Debt instrument investments for which the designation of fair value through profit or loss was removed:

The Bank and its subsidiaries originally held debt instruments in the amount of $4,385,432 that were designated as financial assets at fair value through profit or loss due to hybrid contracts. Under the transition rules of IFRS 9, the Bank and its subsidiaries classified $3,332,456 of these instruments as financial assets at fair value through other comprehensive income and $1,068,480 of these instruments as debt instrument investments measured at amortised cost. Accordingly, accounts receivable increased by $19,419, retained earnings increased by $6,868 and other equity interest increased by $28,055. The effective interest rate of these instruments range from 2.18% to 4.20% per annum, and the interest income from these instruments was $149,506 for the year ended December 31, 2018.

(B) Investments in equity instruments designated as fair value through other comprehensive income:

In accordance with IFRS 9, the Bank and its subsidiaries have made an irrevocable election to designate certain equity investments in its portfolio not held for trading purposes, including strategic investments and high dividend yield stocks, as financial assets at fair value through other comprehensive income in the amount of $22,106,639. Accordingly, other equity interest increased by $4,562,622. These equity investments were previously classified as other financial assets—financial assets measured at cost in the amount of $3,680,893 and available-for-sale financial assets in the amount of $13,863,124. Changes in fair value of these equity investments will not be transferred to profit or loss when sold in the future.

(C) Held-to-maturity financial assets reclassified:

The Bank and its subsidiaries originally held held-to-maturity financial assets in the amount of $41,845,301; with the transition to IFRS 9, the instruments meet the requirements of the cash flow test, and the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; therefore, they are classified as financial assets at fair value through other comprehensive income in the amount of $42,601,051, and, accordingly, other equity interest is increased by $755,750.

(D) Under the impairment rules of IFRS 9, recognition of impairment of financial assets at fair value through other comprehensive income, debt instruments and measured at amortised cost:

Under the impairment rules of IFRS 9, the Bank and its subsidiaries recognised impairment of financial assets at fair value through other comprehensive income and debt instruments measured at amortised cost. The debt instruments measured at amortised cost was decreased by $22,410, retained earnings decreased by $79,012 and other equity interest increased by $56,602.

(E) Aside from reasons stated above, the following debt investments were reclassified in accordance with IFRS 9. The primary reason is that the categories stated in IAS 39 no longer exist under IFRS 9, not because of change in measurement basis.

(a) Investments previously classified as available-for-sale financial assets in the amount of $135,929,161 were reclassified as financial assets at fair value through other comprehensive income.

(b) Investments previously classified as held-to-maturity in the amount of $344,759,812 were reclassified as measured at amortised cost.

(c) Investments previously classified as other financial assets—debt instruments without active market in the amount of $2,729,400 were reclassified as measured at amortised cost.

(F) Investments in the amount of $1,033,557 were reclassified from financial assets at fair value through profit or loss to debt instruments measured at amortised cost. The fair value of these investments were $1,031,250 as of December 31, 2018. If no reclassification was made, then the loss of $38,321 in fair value would have been recognised in profit or loss for the year ended December 31, 2018.

(G) Investments in the amount of $3,332,456 were reclassified from financial assets at fair value through profit or loss to financial assets (debt instruments) measured at fair value through other comprehensive income. If no reclassification was made, then a loss of $24,558 in fair value would have been recognised in profit or loss for the year ended December 31, 2018.

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3. The reconcilation of allowance for impairment and provision from December 31, 2017 , as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

	Allowance for impairment under IAS 39 at December 31, 2017, and provision under IAS 37	Reclassification	Remeasurement	Allowance for impairment under IFRS 9 at January 1, 2018	Note
Loans and receivables (IAS 39)/ Financial assets at amortised cost (IFRS 9)					
Due from the central bank and call loans to banks	$ 31,569	$ -	$ -	$ 31,569	
Receivables	744,838	-	-	744,838	
Loans and discounted	22,103,150	-	(2,141,000)	19,962,150	
Other financial assets	1,942,811	-	1,150,000	3,092,811	
Total	$ 24,822,368	$ -	($ 991,000)	$ 23,831,368	
Available-for-sale financial instruments (IAS 39)/ Financial assets at fair value through other comprehensive income (IFRS 9)					
Bond investments	$ -	$ -	$ 56,602	$ 56,602	(4)
Held to maturity(IAS 39)/ Financial assets at amortised cost (IFRS 9)					
Bond investments	$ -	$ -	$ 22,410	$ 22,410	(4)
Loan commitments and guarantee liabilities	$ 879,639	$ -	$ 991,000	$ 1,870,639	

4. The significant accounts as of December 31, 2017 and for the year 2017, are as follows:

A. Financial assets at fair value through profit or loss

	December 31, 2017
Financial assets held for trading	
Short-term bills	$ 48,722,898
Stocks	1,182,417
Bonds (government and corporate bonds)	11,926,817
Derivative financial instruments	4,726,858
Valuation adjustment for financial assets held for trading	50,683
Subtotal	66,609,673
Financial assets designated as at fair value through profit or loss upon initial recognition	
Bonds	33,285,879
Valuation adjustment for financial assets designated at fair value through profit or loss upon initial recognition	353,750
Subtotal	33,639,629
Total	$ 100,249,302

(A) Details of (losses) gains on financial assets and liabilities at fair value through profit or loss for the year ended December 31, 2017 are as follows:

	For the year ended December 31, 2017
Net gain on financial assets and liabilities held for trading	$ 5,091,478
Net gain on financial assets designated as at fair value through profit or loss	6,210
Total	$ 5,097,688

(B) The Bank's and its subsidiaries' financial assets measured at fair value through profit or loss upon initial recognition are hybrid contracts that contain one or more embedded derivative instruments, and are designed to eliminate recognition inconsistency, that are designated as fair value through profit or loss in its entirety.

B. Receivables, net

	December 31, 2017
Spot exchange receivable	$ 35,499,101
Factoring receivable	5,228,477
Interest receivable	4,728,719
Acceptances receivable	5,895,523
Credit card accounts receivable	6,703,742
Other receivables	6,070,243
Subtotal	64,125,805
Less: Allowance for bad debts	(744,838)
Net amount	$ 63,380,967

C. Loans discounted, net

	December 31, 2017
Bills and notes discounted	$ 2,984,819
Overdrafts	685,978
Short-term loans	484,130,361
Medium-term loans	458,391,121
Long-term loans	647,172,996
Import-export bills negotiations	965,690
Loans transferred to non-accrual loans	7,852,034
Subtotal	1,602,182,999
Less: allowance for bad debts	(22,103,150)
Net amount	$ 1,580,079,849

(A) For the Bank's and its subsidiaries' discounted loans and receivables as of December 31, 2017, please refer Analysis on quality and overdue impairment of financial assets of the Bank and its subsidiaries as addressed under Note12(2)C(F).

(B) Movement of allowance for bad debts

The Bank and its subsidiaries assesses loans discounted and receivables to appropriately provision allowance for bad debts. The details and movements of allowance for doubtful accounts of loans discounted and receivables for the year ended December 31, 2017 were as follows:

	For the year ended December 31, 2017
Loans discounted (including other related receivable derived from loans)	
Beginning balance	$ 19,313,189
Provision	9,203,723
Write-off	(4,222,166)
Foreign exchange and other movements	(116,676)
Ending balance	$ 24,178,070
Receivables	
Beginning balance	$ 656,270
Provision	285,636
Write-off	(277,124)
Foreign exchange and other movements	(20,484)
Ending balance	$ 644,298

As of December 31, 2017, the recoveries of write-offs, which were accounted as deductions to bad debts expense, was $2,782,049.

D. Available-for-sale financial assets

		December 31, 2017
Stocks – listed	$	7,251,593
Bonds		133,239,738
Other marketable securities		1,483,629
Valuation adjustment for available-for-sale financial assets		7,817,325
Total	$	149,792,285

(A) Please refer to Note 8 for details of the above available-for-sale financial assets pledged as collateral as of December 31, 2017.

(B) The par value of available-for-sale financial assets that were bonds provided as the underlying for repo trade agreements at December 31, 2017 was $11,506,480.

E. Held-to-maturity financial assets

		December 31, 2017
Purchased certificates of time deposits	$	342,035,000
Bonds		43,786,073
Short-term bills		784,040
Total	$	386,605,113

(A) Please refer to Note 8 for details of the above held-to-maturity financial assets pledged as collateral as of December 31, 2017.

(B) The par value of held-to-maturity financial assets that were bonds provided as the underlying for repo trade agreements at December 31, 2017 was $0.

(C) For the year ended December 31, 2017, the interest income generated from held-to-maturity financial assets amounted to $2,628,266.

F. Other financial assets – net

		December 31, 2017
Investment in time deposits without active market	$	2,729,400
Stock investments carried at cost		3,680,893
Non-accrual loans transferred from other accounts (excluding loans)		3,646,047
Exchanged bills negotiated		2,130
Subtotal		10,058,470
Less: Allowance for bad debts - overdue receivable	(	1,942,811)
Total	$	8,115,659

A. As the Bank's and its subsidiaries' investments in unlisted stocks lack quoted marked price and their fair values cannot be measured reliably as of December 31, 2017; those financial assets are accounted for at cost.

B. For methods and assumptions used to measure fair value of debt instruments with no active market as of December 31, 2017, please refer to Note 12 (1) D.

G. Provisions

The Bank's and its subsidiaries' reconciliation of provision for guarantee liabilities was as follows:

	For the year ended December 31, 2017
Beginning balance	$ 779,251
Provisions	100,818
Foreign exchange and other movements	(430)
Ending balance	$ 879,639

H. Other equity interest

	Exchange differences on translation of foreign financial statements	Unrealised gain or loss on available-for-sale financial assets	Total
Balance, January 1, 2017	$ 1,010,883	$ 5,523,483	$ 6,534,366
Available-for-sale financial assets			
- Valuation adjustment	-	2,591,194	2,591,194
- Realised	-	(295,602)	(295,602)
Exchange difference on the financial statements of foreign entities	(3,164,578)	-	(3,164,578)
Share of the profit or loss of associates accounted for using the equity method	107,250	-	107,250
Income tax related to components of other comprehensive income that may be reclassified to profit or loss	-	(12,688)	(12,688)
Balance, December 31, 2017	($ 2,046,445)	$ 7,806,387	$ 5,759,942

I. Realized gains or losses on available-for-sale financial assets

	For the year ended December 31, 2017
Gain on disposal	
Bonds	$ 179,377
Stock	123,773
Subtotal	303,150
Loss on disposal	
Bonds	(5,858)
Stock	(1,690)
Subtotal	(7,548)
Dividends income	474,207
Total	$ 769,809

13. Supplementary disclosures

(1) Significant transaction information

A. Cumulative purchases or sales of the same investee's capital stock over the amount of NT $300 million dollars or 10% of issued capital stock as of December 31, 2018:

None.

B. Acquisition of real estate over the amount of NT $300 million dollars or 10% of issued capital stock as of December 31, 2018:

None.

C. Disposal of real estate over the amount of NT $300 million dollars or 10% of issued capital stock as of December 31, 2018:

None.

D. Handling fee discounts for transactions with related parties over the amount of NT $5 million dollars as of December 31, 2018:

None.

E. Receivables from related parties over the amount of NT $300 million dollars or 10% of issued capital stock as of December 31, 2018:

The company listed current income tax assets	Counterparty	Relationship	Accounts receivable from related party as of December 31, 2018	Turnover rate	Amount overdue		Accounts receivable from related party	Amount of allowance
					Amount	Action taken		
First Commercial Bank	First Financial Holding Co., Ltd.	Parent company of the Bank	$ 637,650	-	$ -	-	$ -	$ -

F. Information regarding non-performing loans of subsidiaries:

None.

G. Information and categories of securitized assets which are apporved by authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act :

None.

H. Significant transactions between parent company and subsidiaries for the year ended December 31, 2018:

(Expressed In Thousands of New Taiwan Dollars)

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of total consolidated net revenues or assets (Note 3)
0	FCB	First Commercial Bank (USA)	1	Due to overseas bank	$ 253	No significant difference from general customers	0.00%
0	FCB	First Commercial Bank (USA)	1	Deposits of overseas bank	46,311	No significant difference from general customers	0.00%
0	FCB	First Commercial Bank (USA)	1	Interest income	3	No significant difference from general customers	0.00%
1	First Commercial Bank (USA)	FCB	2	Interest expense	3	No significant difference from general customers	0.00%
1	First Commercial Bank (USA)	FCB	2	Due to overseas bank	46,311	No significant difference from general customers	0.00%
1	First Commercial Bank (USA)	FCB	2	Deposits of overseas bank	253	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Deposits and remittances	$ 175,773	No significant difference from general customers	0.01%
0	FCB	FCBL	1	Payables	9	No significant difference from general customers	0.00%

(Expressed In Thousands of New Taiwan Dollars)

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of total consolidated net revenues or assets (Note 3)
0	FCB	FCBL	1	Other liabilities	1	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Net other non-interest income	3,967	No significant difference from general customers	0.01%
0	FCB	FCBL	1	Interest expense	106	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Business and administrative expense	3,251	No significant difference from general customers	0.01%
0	FCB	FCBL	1	Net service fee income	417	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Cash and cash equivalents	175,773	No significant difference from general customers	0.01%
2	FCBL	FCB	2	Receivables	9	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Other assets	1	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Business and administrative expense	4,369	No significant difference from general customers	0.01%
2	FCBL	FCB	2	Interest income	106	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Net other non-interest income	3,251	No significant difference from general customers	0.01%
2	FCBL	FCB	2	Net service fee income	15	No significant difference from general customers	0.00%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

I. Other significant transactions that may affect the decisions made by financial statement users as of December 31, 2018:

None.

(2) Information on investees

A. Loans to others:

The Bank’s subsidiary, First Commercial Bank (USA), engages in banking operations that are banking businesses as regulated under the Banking Act of The Republic of China and is thus a financial institution. Thus, not applicable; in addition, aside from those of the following table, other subsidiaries of the Bank have not provided loan to others.

(Expressed In Thousands Of New Taiwan Dollars)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest Rate (%)	Nature of Loan (Note)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted
1	FCB Leasing Co. Ltd.	HANKY Co., Ltd.	Other receivables-direct financing	N	$ 375,305	$ 187,139	$ 187,139	3.58~4.58	Short-term financing	$ -	Operation turnover	$ -	Real estate	$ 240,000	$ 940,660	$ 1,254,213
2	FCB Leasing Co. Ltd.	Che Cheng Industrial Co., Ltd.	Other receivables-direct financing	N	18,858	17,274	17,274	4.08~5.08	Short-term financing	-	Operation turnover	-	Real estate	72,000	940,660	1,254,213
3	FCB Leasing Co. Ltd.	Hlsc Logistics Co., Ltd.	Other receivables-direct financing	N	4,111	779	779	5.54~6.54	Short-term financing	-	Operation turnover	-	Deposit	3,000	940,660	1,254,213
4	FCB Leasing Co. Ltd.	Yuan Gji Medicines Co. Ltd.	Other receivables-direct financing	N	2,680	691	691	7.80~8.80	Short-term financing	-	Operation turnover	-	Deposit	600	940,660	1,254,213
5	FCB Leasing Co. Ltd.	Tendril Co. Ltd.	Other receivables-direct financing	N	35,250	-	-	5.23~6.23	Short-term financing	-	Operation turnover	-	Real estate	39,687	940,660	1,254,213
6	FCB Leasing Co. Ltd.	Chuangjian health cause Co., Ltd.	Other receivables-direct financing	N	3,870	568	568	5.80~6.80	Short-term financing	-	Operation turnover	-	Real estate	9,600	940,660	1,254,213
7	FCB Leasing Co. Ltd.	Jinhe Yu Le Industrial Co., Ltd.	Other receivables-direct financing	N	49,500	48,900	48,900	3.62~4.62	Short-term financing	-	Operation turnover	-	Real estate	74,513	940,660	1,254,213
8	FCB Leasing Co. Ltd.	100 Mountain Enterprises Ltd.	Other receivables-direct financing	N	19,300	11,620	11,620	3.95~4.95	Short-term financing	-	Operation turnover	-	Real estate	24,194	940,660	1,254,213
9	FCB Leasing Co. Ltd.	Emerald Bay Biotechnology Co., Ltd.	Other receivables-direct financing	N	48,500	38,595	38,595	3.86~4.86	Short-term financing	-	Operation turnover	-	Real estate	34,619	940,660	1,254,213
10	FCB Leasing Co. Ltd.	Xinyue Construction Co., Ltd.	Other receivables-direct financing	N	34,650	30,450	30,450	4.25~5.25	Short-term financing	-	Operation turnover	-	Real estate	50,406	940,660	1,254,213
11	FCB Leasing Co. Ltd.	Chong Yu International Co., Ltd.	Other receivables-direct financing	N	20,000	15,200	15,200	4.34~5.34	Short-term financing	-	Operation turnover	-	Real estate	24,000	940,660	1,254,213
12	FCB Leasing Co. Ltd.	Guang Cheng Co. Ltd.	Other receivables-direct financing	N	20,000	18,000	18,000	3.93~4.93	Short-term financing	-	Operation turnover	-	Real estate	34,306	940,660	1,254,213
13	FCB Leasing Co. Ltd.	Guang Zhan Cheng Co. Ltd.	Other receivables-direct financing	N	6,000	3,580	3,580	5.49~6.49	Short-term financing	-	Operation turnover	-	Real estate	4,734	940,660	1,254,213
14	FCB Leasing Co. Ltd.	Billion Best Co. Ltd.	Other receivables-direct financing	N	45,000	41,120	41,120	4.16~5.16	Short-term financing	-	Operation turnover	-	Real estate	69,371	940,660	1,254,213

(Expressed In Thousands Of New Taiwan Dollars)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest Rate	Nature of Loan (Note)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
15	FCB Leasing Co. Ltd.	Chi an Development Co. Ltd.	Other receivables-direct financing	N	$ 20,000	$ 19,000	$ 19,000	3.36~4.36	Short-term financing	$ -	Operation turnover	$ -	Real estate	$ 34,273	$ 940,660	$ 1,254,213
16	FCB Leasing Co. Ltd.	Fengxin Development Co. Ltd.	Other receivables-direct financing	N	20,000	18,800	18,800	4.26~5.26	Short-term financing	-	Operation turnover	-	Stock	21,978	940,660	1,254,213
17	FCB Leasing Co. Ltd.	Yi Fang Co., Ltd.	Other receivables-direct financing	N	10,000	9,000	9,000	4.59~5.59	Short-term financing	-	Operation turnover	-	Real estate	12,184	940,660	1,254,213
18	FCB Leasing Co. Ltd.	An Chien Technologies Co., Ltd.	Other receivables-direct financing	N	3,000	2,685	2,685	4.42~5.42	Short-term financing	-	Operation turnover	-	Real estate	3,600	940,660	1,254,213
19	FCB Leasing Co. Ltd.	Wei Xiang Security Co., Ltd.	Other receivables-direct financing	N	8,000	6,266	6,266	5.04~6.04	Short-term financing	-	Operation turnover	-	Real estate	9,600	940,660	1,254,213
20	FCB Leasing Co. Ltd.	Yuans of biological Science Technologies Co., Ltd.	Other receivables-direct financing	N	9,103	2,255	2,255	7.61~8.61	Short-term financing	-	Operation turnover	-	Real estate	14,400	940,660	1,254,213
21	FCB Leasing Co. Ltd.	Ever Spring Marine Aquaculture Co., Ltd.	Other receivables-direct financing	N	16,992	9,445	9,445	6.56~7.56	Short-term financing	-	Operation turnover	-	Personal Property	6,900	940,660	1,254,213
22	FCB Leasing Co. Ltd.	Xiang Wei Trading Co., Ltd.	Other receivables-direct financing	N	24,179	10,530	10,530	6.71~7.71	Short-term financing	-	Operation turnover	-	Real estate	28,664	940,660	1,254,213
23	FCB Leasing Co. Ltd.	Songyuan Co., Ltd.	Other receivables-direct financing	N	2,312	1,783	1,783	4.02~5.02	Short-term financing	-	Operation turnover	-	Real estate	5,347	940,660	1,254,213
24	FCB Leasing Co. Ltd.	Long Life Tien Trading Co., Ltd.	Other receivables-direct financing	N	5,164	-	-	6.08~7.08	Short-term financing	-	Operation turnover	-	Real estate	18,886	940,660	1,254,213
25	FCB Leasing Co. Ltd.	Yu Chiun International Development Co. Ltd.	Other receivables-direct financing	N	10,231	3,603	3,603	7.67~8.67	Short-term financing	-	Operation turnover	-	Real estate	5,729	940,660	1,254,213
26	FCB Leasing Co. Ltd.	Zhenwang Store	Other receivables-direct financing	N	15,000	5,538	5,538	5.26~6.26	Short-term financing	-	Operation turnover	-	Deposit	1,600	940,660	1,254,213
27	FCB Leasing Co. Ltd.	Xingdeli Co. Ltd.	Other receivables-direct financing	N	20,000	7,518	7,518	5.57~6.57	Short-term financing	-	Operation turnover	-	Real estate	2,400	940,660	1,254,213

(Expressed In Thousands Of New Taiwan Dollars)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest Rate	Nature of Loan (Note)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted
28	FCB Leasing Co. Ltd.	Ba li Food Co. Ltd.	Other receivables-direct financing	N	$ 16,000	$ 14,014	$ 14,014	8.05~9.05	Business contact	$ 16,000	Operation turnover	$ 1,401	Real estate	$ 12,324	$ 313,553	$ 1,254,213
29	FCB Leasing Co. Ltd.	Hongshunshin Marine Transport Co. Ltd.	Other receivables-direct financing	N	60,000	51,311	51,311	6.57~7.57	Short-term financing	-	Operation turnover	-	Vessel	75,530	940,660	1,254,213
30	FCB Leasing Co. Ltd.	Farm Eat Life Co. Ltd.	Other receivables-direct financing	N	15,000	10,000	10,000	6.98~7.98	Short-term financing	-	Operation turnover	-	Deposit	3,000	940,660	1,254,213
31	FCB Leasing Co. Ltd.	An Li Marine Transport Co. Ltd.	Other receivables-direct financing	N	15,000	12,569	12,569	4.27~5.27	Short-term financing	-	Operation turnover	-	Pledged stock	12,380	940,660	1,254,213
32	FCB Leasing Co. Ltd.	Xiang Hao Fishery Co., Ltd.	Other receivables-direct financing	N	120,000	110,000	110,000	3.48~4.48	Short-term financing	-	Operation turnover	-	Vessel	144,000	940,660	1,254,213
33	FCB Leasing Co. Ltd.	AI SHENG Medical Clinic	Other receivables-direct financing	N	8,000	8,000	8,000	5.24~6.24	Short-term financing	-	Operation turnover	-	Real estate	8,550	940,660	1,254,213
34	FCB Leasing Co. Ltd.	World Way Marine Transportation & Logistic Co., Ltd.	Other receivables-direct financing	N	289	289	289	5.21~6.21	Short-term financing	-	Operation turnover	-	Real estate	18,848	940,660	1,254,213
35	FCB Leasing Co. Ltd.	Holmes Chez International Co., Ltd.	Other receivables-direct financing	N	17,846	4,566	4,566	5.45~6.45	Short-term financing	-	Operation turnover	-	Deposit	3,000	940,660	1,254,213
36	FCB Leasing Co. Ltd.	Zongsheng Industrial Co., Ltd.	Other receivables-direct financing	N	19,596	17,090	17,090	5.47~6.47	Short-term financing	-	Operation turnover	-	Real estate	25,910	940,660	1,254,213
37	FCB Leasing Co. Ltd.	Tair Feng Yu Construction Co., Ltd.	Other receivables-direct financing	N	90,000	27,653	27,653	3.31~4.31	Business contact	330,000	Operation turnover	-	Real estate	90,204	313,553	1,254,213
38	FCB Leasing Co. Ltd.	Yijia Security Co.Ltd.	Other receivables-direct financing	N	3,000	1,550	1,550	7.68~8.68	Short-term financing	-	Operation turnover	-	Real estate	1,387	940,660	1,254,213
39	FCB Leasing Co. Ltd.	Guarantee Changhua Beidou Farm	Other receivables-direct financing	N	10,000	6,835	6,835	7.52~8.52	Short-term financing	-	Operation turnover	-	Mortgage Personal Property	12,000	940,660	1,254,213

(Expressed In Thousands Of New Taiwan Dollars)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest Rate	Nature of Loan (Note)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
40	FCB Leasing Co. Ltd.	Hai Gong Co. Ltd.	Other receivables-direct financing	N	$ 20,000	$ 12,665	$ 12,665	4.50~5.50	Short-term financing	$ -	Operation turnover	$ -	Pledged stock	$ 40,017	$ 940,660	$1,254,213
41	FCB Leasing Co. Ltd.	Toptrue Construction Co., Ltd.	Other receivables-direct financing	N	20,000	13,576	13,576	5.50~6.50	Short-term financing	-	Operation turnover	-	Personal Property	11,503	940,660	1,254,213
42	FCB Leasing Co. Ltd.	Yu De Construction Co., Ltd.	Other receivables-direct financing	N	20,000	18,373	18,373	5.19~6.19	Short-term financing	-	Operation turnover	-	Real estate	28,026	940,660	1,254,213
43	FCB Leasing Co. Ltd.	Leo Construction Co., Ltd.	Other receivables-direct financing	N	48,000	44,640	44,640	3.95~4.95	Short-term financing	-	Operation turnover	-	Real estate	60,264	940,660	1,254,213
44	FCB Leasing Co. Ltd.	Chi Ren Dental Clinic	Other receivables-direct financing	N	3,000	2,283	2,283	5.99~6.99	Short-term financing	-	Operation turnover	-	Personal Property	3,060	940,660	1,254,213

Note: 1. The amount of loans granted to individual companies or firms due to business transactions shall not exceed 10% of the Bank's subsidiaries' net asset value of its latest financial statements. The total amount of loans granted due to business transactions shall not exceed 40% of the Bank's subsidiaries' net value of its latest financial statements.

2. The amount of necessary short-term facilitations to individual companies or firms which do not have business transactions with the Bank's subsidiaries shall not exceed 30% of the Bank's subsidiaries' net asset value of its latest financial statements. The amount of necessary short-term facilitations to individual companies or firms with business transactions with the Bank's subsidiaries shall not exceed 40% of the Bank's subsidiaries' net asset value of its latest financial statements. If the borrower of the loan is a subsidiary, the amount of loans shall not exceed 40% of the Bank's subsidiaries' net asset value of its latest financial statements.

3. The total amount of loans of the above two shall not exceed 40% of the Bank's subsidiaries' net asset value of its latest financial statements.

B. Endorsements and guarantees provided for others:

Indirect investees belong to financial industry and securities industry and no disclosure is required except for First Commercial Bank (USA).

No.	Endorsing and guarantee company	Endorsed and guaranteed company		Limit for endorsement and guarantee for single enterprise	Maximum balance accumulated as of the month	Ending balance of endorsement and guarantee	Actually used amount	Property-backed endorsement and guarantee	The ratio of accumulated endorsement and guarantee amount and the net value of the latest financial statements	Maximum limit	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China
		Name of company	Relationship										
1	FCB Leasing Co., Ltd.	FCBL Capital International (B.V.I) Ltd.	Subsidiary	$ 9,406,596	$ 2,357,355	$ 1,536,750	$ 1,060,358	None	49.01%	$ 31,355,320	N	N	N
2	FCB Leasing Co., Ltd.	FCB International Leasing Ltd.	Sub-Subsidiary	9,406,596	2,531,274	2,296,480	600,544	None	73.24%	31,355,320	N	N	Y
3	FCB Leasing Co., Ltd.	First Financial Leasing (Xiamen) Ltd.	Sub-Subsidiary	9,406,596	1,036,775	1,036,515	156,415	None	33.06%	31,355,320	N	N	Y

Note: Subsidiaries of the Bank, for business needs, may resolve through its Board of Directors to provided guarantees for external parties.

C. Securities held at the end of period:

Indirect investees belong to financial industry and securities industry and no disclosure is required except for First Commercial Bank (USA).

(Expressed In Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

December 31,2018

Investor	Name Of Investee And Type Of Securities		Relationship	Account	Shares / Units (in thousands)	Book value	Ownership Percentage (%)	Market Value (Note 1)	Note
FCBL	FCBL Capital International (B.V.I) Ltd.	Stocks	An investee of FCBL under the equity method	Equity investments accounted for under the equity method	60,050	$ 1,858,600	100%	$ 1,858,600	Note 2
FCBL Capital International (B.V.I) Ltd	FCB International Leasing Ltd.	Stocks	An investee of FCBL Capital International (B.V.I) Ltd under the equity method	Equity investments accounted for under the equity method	USD 30,000 thousands	648,628	100%	648,628	Note 2
FCBL Capital International (B.V.I) Ltd	FCB Leasing (Xiamen) Ltd.	Stocks	An investee of FCBL Capital International (B.V.I) Ltd under the equity method	Equity investments accounted for under the equity method	USD 30,000 thousands	928,446	100%	928,446	Note 2

Note 1：No transactions in active market, no clear market price.

Note 2：Long-term investments in the above table remain free of pledge or guarantee..

D. Cumulative purchases or sales of the marketable securities up to NT$300 million or over 10% of the issued capital stock:

Indirect investees belong to financial industry and securities industry and no disclosure is required except for First Commercial Bank (USA).

E. Information of derivative instrument transactions:

None.

F. Information regarding reinvested business and consolidated stock holdings:

Name of investee company (Note1)	Address	Major operating activities	Percentage of ownership (%) at the end of current period	Carrying value of investment	Investment income (loss) recognized by the Company for current period	The combined ownership of the investee company's common shares held by the Bank and its related parties (Note 1): Number of owned shares (in thousands)	Number of pro forma shares (Note 2)	Total: Number of shares (in thousands)	Total: Percentage of ownership (%)
FIRST COMMERCIAL BANK(USA)	200 East Main Street, Alhambra, CA91801, USA	Note 3	100	$ 3,867,994	$ 257,125	7,000	-	7,000	100
FCBL	6F, 94, ChungHsiaoE.Road., Sec. 2, Taipei, Taiwan	Note 4	100	3,150,295	127,265	300,000	-	300,000	100
EAREM	9F, 94, ChungHsiaoE.Road., Sec.2, Taipei, Taiwan	Note 5	30	15,489	1,380	1,500	-	1,500	30
FCBL Capital International (B.V.I) Ltd.	Citco Building, Wickhams Cay, P. O. Box 662, Road Town, Tortola, British Virgin Islands	Note 4	100	1,858,600	-	60,050	-	60,050	100
FCB International Leasing Ltd.	Rm. 1008, Jianwu Building, No. 188, Wangdun Rd., Suzhou, China	Note 4	100	648,628	-	USD 30,000 thousands	-	USD 30,000 thousands	100
FCB Leasing (Xiamen) Ltd.	20-21F., Huli Building, Wuyuanwan Business Operations Center, Huli District, Xiamen City	Note 4	100	928,446	-	USD 30,000 thousands	-	USD 30,000 thousands	100

Note 1:All the owned shares and pro forma shares of investee company held by the Bank, directors, supervisors, president, executive vice presidents, and its related parties defined under the R.O.C. Company Law shall be included.

Note 2:

(1) Pro forma shares are those shares obtained through a transfer, on the assumption of share transfer, from equity securities purchased or derivative instrument contracts signed linked to Investee Company's equity based on agreed transaction terms and undertaking intention, and for the purpose of investing in company under the provisions of Article 74 of the R.O.C. Company Law.

(2) The equity securities mentioned above are referred to as those securities under the provision of Article 11, Item 1 of the bylaws to the R.O.C. Securities and Exchange Law, for example, convertible bond and warrant.

(3) The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the IAS39, for example, stock option.

Note 3: Banking industry.

Note 4: Leasing, investment consulting, and business consulting.

Note 5: Examination and advisory on construction plans and certification of contracts.

(3) Information on investments in Mainland China

A. The Bank's investments in Shanghai branch for the year ended December 31, 2018 were as follows:

(Expressed In Thousands Of New Taiwan Dollars/ Thousands Of US Dollars/ Thousands Of CNY)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net income of investee	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)
First Commercial Bank Shanghai Branch	Banking businesses approved by local government	$ 4,676,508 (CNY 1,000,000)	(1)	$ 4,676,508 (USD 157,440)	$ -	$ -	$ 4,676,508 (USD 157,440)	$ 304,175	N/A	$ 304,175 (2)A

Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Accumulated Investments in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 5,594,790	$ -	$ 4,676,508 (USD 157,440)	$ 4,676,508 (USD 157,440)	$ 123,096,002

B. The Bank's investments in Chengdu branch for the year ended December 31, 2018 were as follows:

(Expressed In Thousands Of New Taiwan Dollars/ Thousands Of US Dollars/ Thousands Of CNY)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net income of investee	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)
					Outflow	Inflow				
First Commercial Bank Chengdu Branch	Banking businesses approved by local government	$ 4,896,697 (CNY1,000,000)	(1)	$ 4,896,697 (USD 162,269)	$ -	$ -	$ 4,896,697 (USD 162,269)	$ 244,377	N/A	$ 244,377 (2)A

Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Accumulated Investments in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 5,193,072	$ -	$ 4,896,697 (USD 162,269)	$ 4,896,697 (USD 162,269)	$ 123,096,002

C. The Bank's investments in Xiamen branch for the year ended December 31, 2018 were as follows:

(Expressed In Thousands Of New Taiwan Dollars/ Thousands Of US Dollars/ Thousands Of CNY)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net income of investee	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)
					Outflow	Inflow				
First Commercial Bank Xiamen branch	Banking businesses approved by local government	$ 5,132,801 (CNY 1,000,000)	(1)	$ 5,132,801 (USD 162,946)	$ -	$ -	$ 5,132,801 (USD 162,946)	$ 230,028	N/A	$ 230,028 (2)A

Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Accumulated Investments in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 5,111,952	$ -	$ 5,132,801 (USD 162,946)	$ 5,132,801 (USD 162,946)	$ 123,096,002

D. Information on FCB's investment in FCB International Leasing Ltd. through the indirect subsidiary-FCBL Capital International (B.V.I.) Ltd., are as follows:

(Expressed In Thousands Of New Taiwan Dollars/ Thousands Of US Dollars)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net income of investee	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)
					Outflow	Inflow				
FCB International Leasing Ltd.	Financial Leasing	$ 886,103 (USD 30,000)	(2)	$ 886,103 (USD 30,000)	$ -	$ -	$ 886,103 (USD 30,000)	$ 40,901	100%	$ 40,901 (2)A

Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Accumulated Investments in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 648,628	$ -	$ 886,103 (USD 30,000)	$ 886,103 (USD 30,000)	$ 1,881,319

E. Information on FCB's investment in FCB Leasing (Xiamen) Ltd. through the indirect subsidiary-FCBL Capital International (B.V.I) Ltd. as follows:

(Expressed In Thousands Of New Taiwan Dollars/ Thousands Of US Dollars)

Investee Company	Major Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net income of investee	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)
					Outflow	Inflow				
FCB Leasing (Xiamen) Ltd	Financial Leasing	$ 903,495 (USD 30,000)	(2)	$ 903,495 (USD30,000)	$ -	$ -	$ 903,495 (USD30,000)	$ 39,979	100%	$39,979 (2)A

Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Accumulated Investments in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 928,446	$ -	$ 903,495 (USD30,000)	$ 903,495 (USD30,000)	$ 1,881,319

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area (FCBL Capital International (B.V.I.) Ltd.), which then invested in the investee in Mainland China.

(3) Others

Note 2: In the 'Investment income (loss) recognised by the Bank for the year ended December 31, 2018' column:

(1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A.The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.(For interim and annual financial reports. For quarterly financial reports, they are financial statements that are reviewed by international accounting firm which has cooperative relationship with accounting firm in R.O.C..)

B.The financial statements that are audited and attested by R.O.C. parent company's CPA.(For interim and annual financial reports. For quarterly financial reports, they are financial statements that are reviewed by R.O.C. parent company's CPA.)

C.Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

14. Disclosure of financial information by segments

(1) General information

The Bank's and its subsidiaries' operation segment reports are consistent with the internal reports provided to the chief operating decision-maker ("CODM"). The CODM is a team that allocates resources to operating segments and evaluates their performance.

Inter-segmental transactions are arm's length transactions, and gains or losses arising from such transactions are eliminated by the parent company upon the preparation of the consolidated financial statements. Profit or loss directly attributable to various segments have been considered when segment performance is being evaluated.

The operating segments of the Bank comprise of loan businesses, deposit businesses, wealth management businesses, treasury businesses, overseas business (excluding OBU), and other businesses. The operating results are reviewed by the Bank's Board of Directors (CODM) regularly and are referenced when allocating resources and evaluating operational performances.

The Bank and its subsidiaries have a global market, comprising six major business segments; there was no change in the reporting segments during the period.

The operating results of the Bank's operating segments are from interest income and the Bank's Board of Directors evaluates segment performance based on the net interest income. The operating results have different income items due to different nature of the operating segments, and the Bank and its subsidiaries evaluates segment performance based on the net profit before tax of various segments. Therefore, performance of all reporting segments is presented by the net value of operating net profit less various operating expenses. Income from external clients provided for the CODM to review is measured on the same basis of the statement of comprehensive income.

Adjustments of internal pricing and transfer pricing are reflected in segment performance evaluation. Income from external clients has been allocated based on the regulated allocation standard between segments.

The internal management's operating reports are prepared based on net operating profit, including net interest income, net service fee income, recovered bad debts (provision), and loan impairment loss, net gain (loss) on financial instruments and other operating gain (loss). Measurement basis does not include non-recurring items, e.g. litigation expenses.

Segment information is mainly based on the internal management reports provided by various operating segments to the CODM, including segmental gain (loss), segmental assets, segmental liabilities and other related information.

(2)Information about segment gain (loss), assets and liabilities:

Financial information of the Bank and its subsidiaries by business for the years ended December 31, 2018 and 2017 were as follows:

For the year ended December 31, 2018

	Loan business	Deposit business	Wealth management business	Treasury business	Overseas business (excluding OBU)	Other businesses	Consolidated
Net interest income	$ 17,421,051	$ 4,268,363	$ -	($ 1,378,151)	$ 6,639,557	$ 2,538,736	$ 29,489,556
Net service fee income	1,707,358	2,342	4,346,081	(39,496)	680,646	887,531	7,584,462
Net gain and loss on financial instruments	32,410	472,498	41,249	7,457,682	308,187	706,273	9,018,299
Other net income	(661)	6,856	2,741	5,238	21,625	423,679	459,478
Bad debt expense, commitment and guarantee liability provisions	(4,346,952)	-	-	(611)	(606,795)	(575,905)	(5,530,263)
Operating gross margin after provision	$ 14,813,206	$ 4,750,059	$ 4,390,071	$ 6,044,662	$ 7,043,220	$ 3,980,314	41,021,532
Operating expenses							(20,233,051)
Net profit before tax after provision							$ 20,788,481

For the year ended December 31, 2017

	Loan business	Deposit business	Wealth management business	Treasury business	Overseas business (excluding OBU)	Other businesses	Consolidated
Net interest income	$ 17,380,582	$ 3,310,583	$ -	$ 820,791	$ 5,697,498	$ 2,337,930	$ 29,547,384
Net service fee income	1,712,813	3,735	4,263,287	(29,839)	657,556	871,372	7,478,924
Net gain and loss on financial instruments	32,339	420,975	50,426	5,209,682	(180,577)	665,772	6,198,617
Other net income	679	6,977	2,700	10,719	2,811	231,480	255,366
Bad debt expense, commitment and guarantee liability provisions	(3,399,537)	-	-	(4,307)	(340,116)	(3,064,168)	(6,808,128)
Operating gross margin after provision	$ 15,726,876	$ 3,742,270	$ 4,316,413	$ 6,007,046	$ 5,837,172	$ 1,042,386	36,672,163
Operating expenses							(18,817,603)
Net profit before tax after provision							$ 17,854,560

December 31, 2018	Loan business	Deposit business	Treasury business	Overseas business (excluding OBU)	Other businesses	Reconciliation and elimination	Consolidated
Segment assets	$ 1,472,703,506	$ -	$ 1,033,697,083	$ 350,613,159	$ 181,353,586	($ 176,831,194)	$ 2,861,536,140
Segment liabilities	7,590,643	2,054,406,553	335,818,278	302,259,444	126,114,069	(169,812,850)	2,656,376,137

December 31, 2017	Loan business	Deposit business	Treasury business	Overseas business (excluding OBU)	Other businesses	Reconciliation and elimination	Consolidated
Segment assets	$ 1,387,390,088	$ -	$ 906,297,698	$ 313,691,535	$ 160,829,802	($ 198,293,616)	$ 2,569,915,507
Segment liabilities	4,228,321	1,899,519,954	276,670,805	270,196,899	118,699,483	(191,659,121)	2,377,656,341

(3) Geographical information

The Bank and its subsidiaries' geographical information for the years ended December 31, 2018 and 2017 are as follows:

	For the year ended 2018	For the year ended 2017
Taiwan	$ 38,628,120	$ 37,572,555
Asia	5,238,977	3,349,153
North America	1,959,812	2,029,250
Others	724,886	529,333
Total	$ 46,551,795	$ 43,480,291

(4) Information on products

The Bank and its subsidiaries' information on products is consistent with their segment, please refer to Note 14(2).

(5) Major customer information

No single external customer is deemed significant by its transactions with the Bank generating revenues which accounted for more than 10% of the net profit of the Bank and its subsidiaries.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of First Commercial Bank

Opinion

We have audited the accompanying balance sheets of First Commercial Bank, Ltd. (the "Bank") as at December 31, 2018 and 2017, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

The Bank's key audit matters for the year ended December 31, 2018 are stated as follows:

Recognition and measurement of expected credit losses on loans discounted

Description

The recognition and measurement of expected credit losses on loans discounted complies with the regulations under IFRS 9 "Financial Instruments" and relevant regulations issued by the competent authority. For the accounting policy of recognition and measurement of expected credit losses on loans discounted, please refer to Note 4(8); for critical accounting judgements, estimates, and assumption uncertainty of the recognition and measurement of expected credit losses on loans discounted, please refer to Note 5(3). For information on loans discounted allowance for doubtful debts, which amounted to $21,229,408 thousand, as at December 31, 2018, please refer to Note 6(7); for disclosures of related credit risks, please refer to Note 12(2)C(C).

As stated in Notes 3 and 5(3), impairment assessment of loans discounted is based on the expected credit loss model. At each financial reporting date, financial instruments are categorised into three stages based on the degree of change in its credit risk since initial recognition. Provision for impairment loss is measured either using 12-month expected credit losses (stage 1, there has been no significant increase in credit risk since initial recognition) or lifetime expected credit losses (stage 2, there has been a significant increase in credit risk since initial recognition; or stage 3, the credit has been impaired). The measurement of expected credit losses is based on a complex model, which includes various parameters and assumptions and reflects reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. For example, the probability of default and loss given default are estimated using grouping and historical data and subsequently calibrated according to forward-looking information. Major exposure at default of on-balance sheet items is the outstanding loan balance.

The aforementioned recognition and measurement of expected credit losses on loans discounted use a complex model, which involves various assumptions, estimates, and judgements, as well as predictions and assessments of future economic conditions and credit behavior of debtors. The amounts, recognised in a manner consistent with regulations and interpretations, are directly subject to the measurement results. Thus, we have included recognition and measurement of expected credit losses on loans discounted as one of the key audit matters in our audit.

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

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

1. Understood and assessed the related written policies, internal control system, the expected credit loss impairment model and methodology (including various parameters and assumptions, reasonableness of the measurement criteria for the three stages of credit risk, and the relevancy of future economic condition criteria in forward-looking information), and the assessment and approval process.

2. Sampled and tested the implementation effectiveness of internal controls related to the recognition and measurement of expected credit losses, including management of collateral and its value assessment, controls for changes in parameters, and approval for provisioning of expected credit losses.

3. Sampled and tested the consistency of measurement criteria for the samples in the three stages of expected credit loss with the judgement results of the system.

4. Sampled and tested assumptions for the parameters of the expected credit loss model, including the reasonableness of historical data on probability of default, loss given default, and exposure at default.
5. Sampled and tested forward-looking information.
   (1) Sampled and tested the reliability of data on historical economic conditions (economic growth rate, annual inflation rate, etc.) adopted by management to determine whether there is significant increase in credit risk when measuring expected credit losses under IFRS 9.
   (2) Assessed the reasonableness of the forward-looking scenarios and their respective weights adopted by the management.
6. Assessed cases in stage 3 (credit impaired) with material amounts that were previously assessed individually.
   Assessed the reasonableness and calculation accuracy of the various assumed parameter values (including debtor due period, financial and operational conditions, guarantees by external parties and historical data) adopted in the estimation of future cash flows.

Fair value measurement of unlisted stocks without an active market

Description

For the accounting policy for unlisted stocks without an active market (included financial assets at fair value through other comprehensive income), please refer to Note 4(6); for critical accounting judgements, estimates, and assumption uncertainty of unlisted stocks without an active market, please refer to Note 5(2). For information on unlisted stocks of financial assets at fair value through other comprehensive income (fair value of Level 3), which amounted to $7,879,852 thousand, as at December 31, 2018, please refer to Notes 6(4) and 12(1)E.

The fair value of unlisted stocks is determined by valuation methods since these financial instruments have no quoted prices from active market. Management primarily relies on valuation reports prepared by management's expert for the fair value measurement of these financial instruments. These measurements are largely based on comparable listed companies in similar industries or recently published market multiples and subsequently discounted according to market liquidity or specified risk.

The aforementioned fair value measurement of unlisted stocks includes the determination of assumptions and parameters adopted in valuation models and methods. Because this involves subjective judgement and various assumptions and estimates, the measurement result of using these assumptions and estimates will directly affect the related recognised amounts. Thus, we have included the fair value measurement of stocks of unlisted companies with no active market as one of the key audit matters in our audit.

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How our audit addressed the matter

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

1. Understood and assessed the related written policies, internal control system, fair value measurement models and methodologies, and approval process of the fair value measurement of stocks of unlisted stocks.
2. Understood and assessed the independence, professionalism, and competency of management's expert.
3. Assessed whether the valuation models and methodologies used by management's expert are widely adopted in the applicable industries.
4. Assessed the reasonableness of the parameters and assumptions of comparable companies selected by management's expert.
5. Sampled and reviewed the inputs and calculation formulas of the valuation models described in the valuation report prepared by management's expert.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

Chou, Chien-Hung Chi, Shu-Mei

Chou, Chien-Hung Chi, Shu-Mei

For and on behalf of PricewaterhouseCoopers, Taiwan
March 15, 2019

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

FIRST COMMERCIAL BANK
BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	ASSETS	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
11000	Cash and cash equivalents	6(1) and 7	$ 50,292,876	2	$ 61,330,078	3
11500	Due from the Central Bank and call loans to banks	6(2) and 7	215,367,621	8	175,310,562	7
12000	Financial assets at fair value through profit or loss	6(3), 7 and 12(14)	138,999,510	5	100,249,302	4
12100	Financial assets at fair value through other comprehensive income	6(4) and 8	221,868,874	8	-	-
12200	Investment in debt instruments at amortised cost	6(5)	415,396,816	15	-	-
13000	Receivables, net	6(6) and 12(14)	72,794,883	2	59,818,878	2
13200	Current tax assets	7	1,296,515	-	428,701	-
13500	Loans discounted, net	6(7), 7 and 12(14)	1,681,888,050	59	1,567,853,879	62
14000	Available-for-sale financial assets	8 and 12(14)	-	-	149,482,009	6
14500	Held-to-maturity financial assets	8 and 12(14)	-	-	386,445,449	15
15000	Investments accounted for using equity method, net	6(8)	7,033,778	-	6,665,615	-
15500	Other financial assets, net	6(9) and 12(14)	152,384	-	8,115,659	-
18500	Property and equipment, net	6(10) and 7	26,361,611	1	26,531,962	1
18700	Investment property, net	6(11)	6,921,617	-	6,942,132	-
19000	Intangible assets, net		454,830	-	392,146	-
19300	Deferred tax assets, net	6(34)	2,519,986	-	2,846,352	-
19500	Other assets, net	6(12) and 8	1,525,639	-	1,875,448	-
	Total Assets		$ 2,842,874,990	100	$ 2,554,288,172	100

(Continued)

FIRST COMMERCIAL BANK
BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	LIABILITIES AND EQUITY	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
21000	Deposits from the Central Bank and banks	6(13) and 7	$ 240,743,582	9	$ 153,891,049	6
21500	Due to the Central Bank and banks		333,951	-	82,364	-
22000	Financial liabilities at fair value through profit or loss	6(14) and 7	33,153,145	1	34,398,308	1
22500	Notes and bonds issued under repurchase agreements	6(15)	15,840,590	1	11,588,250	1
23000	Payables	6(16)	85,438,615	3	76,298,979	3
23200	Current tax liabilities	7	1,831,126	-	2,529,886	-
23500	Deposits and remittances	6(17) and 7	2,166,264,926	76	2,007,810,178	79
24000	Financial Bonds Payable	6(18)	37,150,000	1	29,300,000	1
25500	Other financial liabilities	6(19)	39,532,588	2	29,933,504	1
25600	Provisions	6(20) and 12(14)	6,498,616	-	5,995,387	-
29300	Deferred tax liabilities	6(34)	6,679,557	-	6,331,031	-
29500	Other liabilities	6(21)	4,248,291	-	3,870,070	-
	Total Liabilities		2,637,714,987	93	2,362,029,006	92
	Equity					
31101	Common stock	6(22)	89,064,000	3	89,064,000	4
31500	Capital surplus	6(22)	34,462,221	1	34,848,216	1
32000	**Retained earnings**					
32001	Legal reserve	6(22)	45,735,991	2	41,193,426	2
32003	Special reserve	6(22)	4,229,939	-	4,157,452	-
32011	Unappropriated earnings	6(23)	19,497,140	1	17,236,130	1
32500	**Other equity interest**	6(24) and 12(14)	12,170,712	-	5,759,942	-
	Total Equity		205,160,003	7	192,259,166	8
	Total Liabilities and Equity		$ 2,842,874,990	100	$ 2,554,288,172	100

FIRST COMMERCIAL BANK
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

Code	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %	Changes Percentage (%)
			For the years ended December 31				
41000	Interest income		$ 47,251,910	103	$ 42,575,709	99	11
51000	Less: Interest expense		(18,582,602)	(41)	(13,732,522)	(32)	35
	Net interest income	6(25) and 7	28,669,308	62	28,843,187	67	(1)
	Net non-interest income						
49100	Net service fee income	6(26) and 7	7,563,317	16	7,456,664	17	1
49200	Gains on financial assets or liabilities measured at fair value through profit or loss	6(3)(27)	5,482,289	12	5,097,688	12	8
49300	Realized gains on available-for-sale financial assets	12(14)	-	-	769,809	2	(100)
43100	Realised gains on financial assets at fair value through other comprehensive income	6(4)(28)	1,220,695	3	-	-	-
45000	(Impairment losses) reversal of gains on assets	6(29)	(15,611)	-	6,818	-	(329)
49750	Share of profit or loss of associates accounted for using equity method	6(8)	386,194	1	280,178	1	38
49600	Foreign exchange gains		2,257,828	5	75,651	-	2885
49800	Net other non-interest income	6(30) and 7	426,688	1	384,018	1	11
	Net profit		45,990,708	100	42,914,013	100	7
58200	Bad debt expense, commitment and guarantee liability provisions	6(7)(20)	(5,462,966)	(12)	(6,839,495)	(16)	(20)
	Operating expenses						
58500	Employee benefit expenses	6(31) and 7	(12,896,404)	(28)	(11,860,972)	(28)	9
59000	Depreciation and amortization expenses	6(32)	(976,421)	(2)	(955,087)	(2)	2
59500	Other general and administrative expenses	6(33) and 7	(5,989,941)	(13)	(5,649,679)	(13)	6
61001	**Income from continuing operations before income tax**		20,664,976	45	17,608,780	41	17
61003	Income tax expense	6(34)	(3,134,229)	(7)	(2,466,896)	(6)	27
64000	**Net income**		17,530,747	38	15,141,884	35	16
	Other comprehensive income						
	Items that will not be reclassified to profit or loss						
65201	Remeasurement of defined benefit plan	6(20)	(692,393)	(1)	(529,374)	(1)	31
65204	Gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	6(4)	1,118,086	2	-	-	-
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(34)	179,881	-	89,994	-	100
	Items that may be reclassified subsequently to profit or loss						
65301	Exchange differences on translation of foreign financial statements	6(24) and 12(14)	992,022	2	(3,016,972)	(7)	(133)
65302	Unrealized gains on valuation of available-for-sale financial assets	12(14)	-	-	2,291,676	5	(100)
65307	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss	6(8)(24) and 12(14)	(18,872)	-	(38,124)	-	(50)
65308	Unrealised losses on valuation of debt instruments at fair value through other comprehensive income		(1,080,099)	(2)	-	-	-
65320	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	6(24)(34) and 12(14)	14,575	-	(11,004)	-	(232)
	Other comprehensive income (loss), net of tax		513,200	1	(1,213,804)	(3)	(142)
	Total comprehensive income		$ 18,043,947	39	$ 13,928,080	32	30
	Earnings per share (In NT dollars)	6(35)					
	Basic and diluted earnings per share		$ 1.97		$ 1.70		

FIRST COMMERCIAL BANK
STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

			Retained earnings			Other equity interest			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange difference on translation of foreign financial statements	Unrealized gain or loss on valuation of available-for-sale financial assets	Gain or loss on financial assets at fair value through other comprehensive income	Total
For the year ended December 31, 2017									
Balance at January 1, 2017	$ 89,064,000	$ 34,848,216	$ 35,883,865	$ 4,072,621	$ 20,228,018	$ 1,010,883	$ 5,523,483	$ -	$ 190,631,086
Net income for the year	-	-	-	-	15,141,884	-	-	-	15,141,884
Other comprehensive income for the year	-	-	-	-	(439,380)	(3,057,328)	2,282,904	-	(1,213,804)
Total comprehensive income	-	-	-	-	14,702,504	(3,057,328)	2,282,904	-	13,928,080
Legal reserve	-	-	5,309,561	-	(5,309,561)	-	-	-	-
Special reserve	-	-	-	88,493	(88,493)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(12,300,000)	-	-	-	(12,300,000)
Reversal of special reserve	-	-	-	(3,662)	3,662	-	-	-	-
Balance at December 31, 2017	$ 89,064,000	$ 34,848,216	$ 41,193,426	$ 4,157,452	$ 17,236,130	($ 2,046,445)	$ 7,806,387	$ -	$ 192,259,166
For the year ended December 31, 2018									
Balance at January 1, 2018	$ 89,064,000	$ 34,848,216	$ 41,193,426	$ 4,157,452	$ 17,236,130	($ 2,046,445)	$ 7,806,387	$ -	$ 192,259,166
Retrospective application and retrospective	-	-	-	-	(72,144)	-	(7,806,387)	13,209,416	5,330,885
Balance at 1 January after adjustments	89,064,000	34,848,216	41,193,426	4,157,452	17,163,986	(2,046,445)	-	13,209,416	197,590,051
Net income for the year	-	-	-	-	17,530,747	-	-	-	17,530,747
Other comprehensive income for the year	-	-	-	-	(512,512)	976,430	-	49,282	513,200
Total comprehensive income	-	-	-	-	17,018,235	976,430	-	49,282	18,043,947
Legal reserve	-	-	4,542,565	-	(4,542,565)	-	-	-	-
Special reserve	-	-	-	75,709	(75,709)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(10,088,000)	-	-	-	(10,088,000)
Other capital reserves									
Share-based payment transaction	-	(385,995)	-	-	-	-	-	-	(385,995)
Gain or loss on disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	17,971	-	-	(17,971)	-
Reversal of special reserve	-	-	-	(3,222)	3,222	-	-	-	-
Balance at December 31, 2018	$ 89,064,000	$ 34,462,221	$ 45,735,991	$ 4,229,939	$ 19,497,140	($ 1,070,015)	$ -	$ 13,240,727	$ 205,160,003

FIRST COMMERCIAL BANK
STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from continuing operations before income tax	$ 20,664,976	$ 17,608,780
Adjustments to reconcile profit before tax to net cash used in operating activities		
Income and expenses having no effect on cash flow		
Provision for bad debt expense, commitment and guarantee liability	8,479,516	9,621,544
Depreciation of property and equipment	773,330	762,546
Depreciation of investment property	8,613	8,260
Amortization expense	194,478	184,281
Interest income	(47,251,910)	(42,575,709)
Interest expense	18,582,602	13,732,522
Dividend income	(736,977)	(638,517)
Share of (profit) loss of associates accounted for using equity method	(386,194)	(280,178)
Gains on disposal of plant and equipment	-	(1,327)
Losses on retired property and equipment	2,629	15,558
Losses (gains) on disposal of investment property	7,053	(24,108)
(Impairment losses) reversal of gains on assets	15,611	(6,818)
Changes in operating assets and liabilities		
Changes in operating assets		
Increase in due from the Central Bank	(5,722,332)	(469,798)
Increase in financial assets at fair value through profit or loss	(43,135,640)	(16,995,923)
Increase in financial assets at fair value through other comprehensive income	(18,172,575)	-
Increase in investments in debt instruments at amortised cost	(67,038,131)	-
Increase in receivables	(11,615,654)	(8,324,689)
Increase in loans discounted	(120,104,565)	(45,192,964)
Increase in available-for-sale financial assets	-	(8,235,206)
Increase in held-to-maturity financial assets	-	(41,988,690)
Increase in other financial assets	(305,318)	(433,355)
Changes in operating liabilities		
Increase in deposits from the Central Bank and banks	86,852,533	27,637,072
(Decrease) increase in financial liabilities at fair value through profit or loss	(1,245,163)	10,474,386
Increase in payables	8,273,725	9,289,667
Increase in deposits and remittances	158,454,748	44,566,514
Increase (decrease) in other financial liabilities	9,599,084	(7,471,775)
Decrease in liability provisions	(629,901)	(531,334)
Increase in other liabilities	378,221	684,640
Cash outflow used in operations	(4,057,241)	(38,584,621)
Interest received	45,852,645	42,247,862
Interest paid	(17,716,691)	(13,250,591)
Dividend received	845,394	688,030
Income tax paid	(3,831,455)	(2,344,743)
Net cash flows generated from (used in) operating activities	21,092,652	(11,244,063)

(Continued)

FIRST COMMERCIAL BANK
STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31, 2018	For the years ended December 31, 2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	($ 607,131)	($ 762,275)
Acquisition of investment property	(1,885)	(4,215)
Increase in intangible assets	(257,736)	(219,857)
Proceeds from disposal of property and equipment	-	1,625
Proceeds from disposal of investment property	6,734	39,196
Disposal of investments using the equity method	14,167	-
Decrease (increase) in other assets	353,805	(947,044)
Net cash flows used in investing activities	(492,046)	(1,892,570)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to the Central Bank and banks	251,587	(13,495)
Increase in notes and bonds issued under repurchase agreements	4,252,340	4,055,353
Increase (decrease) in financial bonds payable	7,850,000	(8,000,000)
Payment of cash dividends	(10,088,000)	(12,300,000)
Share-based payment transaction	(382,792)	-
Net cash flows generated from (used in) financing activities	1,883,135	(16,258,142)
Effect of exchange rate changes on cash and cash equivalents	807,496	(2,937,163)
Net increase (decrease) in cash and cash equivalents	23,291,237	(32,331,938)
Cash and cash equivalents at beginning of year	184,594,676	216,926,614
Cash and cash equivalents at end of year	$ 207,885,913	$ 184,594,676
The components of cash and cash equivalents		
Cash and cash equivalents reported in the statement of financial position	$ 50,292,876	$ 61,330,078
Due from Central Bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	157,593,037	123,264,598
Cash and cash equivalents at end of year	$ 207,885,913	$ 184,594,676

FCB Subsidiaries & Affiliates

- First Commercial Bank
  - First Commercial Bank (USA)
    100% owned
  - FCB Leasing Co., Ltd.
    100% owned
    - FCBL Capital Int'l (B.V.I.) Ltd.
      100% owned
      - FCB International Leasing , Ltd.
        100% owned
      - FCB Leasing (Xiamen) Ltd.
        100% owned

December 31, 2018

Key Figures

As of and for the year ended December 31, 2018

(in NT$,000)

	Paid-in capital	Total assets	Total liabilities	Stockholder's equity	Operating Revenue	Operating profit	Net income	EPS (in dollars)
First Commercial Bank (USA)	2,101,600	17,973,320	14,105,326	3,867,994	769,002	369,548	257,125	36.73
FCB Leasing Co., Ltd.	3,000,000	7,902,982	4,767,450	3,135,532	633,347	36,016	119,834	0.40
FCBL Capital Int'l (B.V.I.) Ltd.	1,791,218	2,951,649	1,107,757	1,843,892	46,445	-124	80,333	0.04
FCB International Leasing, Ltd.	886,103	1,311,537	662,909	648,628	110,150	39,119	40,901	-
FCB Leasing (Xiamen) Ltd.	903,495	1,172,963	244,517	928,446	95,881	52,793	39,979	-

Domestic Offices Appointed to Conduct Foreign Exchange Business

Branch	Address	Tel
International Banking Division Swift: FCBKTWTP	3 & 4 FL. 30, Chung King S. Rd., Sec.1, Taipei 100, Taiwan	886-2-23481111
Business Division	1 & 2 FL. 30, Chung King S. Rd., Sec.1, Taipei 100, Taiwan	886-2-23481111
An-Ho Branch	184, Hsin Yi Rd., Sec.4, Ta An Dist., Taipei 106, Taiwan	886-2-23256000
Nan-Kang Branch	2FL-8, 3, Park St., Nan Kang Dist., Taipei 115, Taiwan	886-2-26558777
Xi-Men Branch	52, Xining S. Rd., Wan Hua Dist., Taipei 108, Taiwan	886-2-23119111
Chung-Hsiao-Road Branch	94, Chung Hsiao E. Rd., Sec.2, Chung Cheng Dist., Taipei 100, Taiwan	886-2-23416111
Tung-Hu Branch	483 & 489, Min Chuan E. Rd., Sec.6, Nei Hu Dist., Taipei 114, Taiwan	886-2-26348811
Ching-Mei Branch	28,Ching Chung St., Wen Shan Dist., Taipei 116, Taiwan	886-2-29303011
Ta-Chih Branch	588, Ming Shui Rd., Chung Shan Dist., Taipei 104, Taiwan	886-2-85095611
Ta-Tao-Cheng Branch	63, Ti Hua St., Sec.1, Ta Tung Dist., Taipei 103, Taiwan	886-2-25553711
Hsin-Wei Branch	368 & 370, Fu Hsin S. Rd., Sec.1, Ta An Dist., Taipei 106, Taiwan	886-2-27557241
Chien-Cheng Branch	40, Cheng Teh Rd., Sec.1, Ta Tung Dist., Taipei 103, Taiwan	886-2-25556231
Hua-Shan Branch	22, Chang An E. Rd., Sec.1, Chung Shan Dist., Taipei 104, Taiwan	886-2-25368111
Ta-Tung Branch	178, Chung King N. Rd., Sec.3, Ta Tung Dist., Taipei 103, Taiwan	886-2-25913251
Hsin-Sheng Branch	8, Nanking E. Rd., Sec.2, Chung Shan Dist., Taipei 104, Taiwan	886-2-25620256
Chien-Tan Branch	152, Cheng Teh Rd., Sec.4, Shih Lin Dist., Taipei 111, Taiwan	886-2-28802468
Yuan-Shan Branch	53, Min Chuan W. Rd., Chung Shan Dist., Taipei 104, Taiwan	886-2-25979234
Chung -Shan Branch	61, Chung Shan N. Rd., Sec.2, Chung Shan Dist., Taipei 104, Taiwan	886-2-25211111
Chung-Lun Branch	188, Nanking E. Rd., Sec.5, Sung Shan Dist., Taipei 105, Taiwan	886-2-27606969
Nanking-East-Road Branch	125, Nanking E. Rd., Sec.2, Chung Shan Dist., Taipei 104, Taiwan	886-2-25062111
Cheng-Tung Branch	103, Nanking E. Rd., Sec.3, Chung Shan Dist., Taipei 104, Taiwan	886-2-25062881
Min-Sheng Branch	131, Min Sheng E. Rd., Sec.3, Sung Shan Dist., Taipei 105, Taiwan	886-2-27138512
Sung-Chiang Branch	309, Sung Chiang Rd., Chung Shan Dist., Taipei 104, Taiwan	886-2-25017171
Min-Chuan Branch	365, Fu Hsing N. Rd., Sung Shan Dist., Taipei 105, Taiwan	886-2-27192009
Pa-Teh Branch	111, Tun Hua S. Rd., Sec.1, Ta An Dist., Taipei 106, Taiwan	886-2-27318878
Chang-Chun Branch	169, Fu Hsin N. Rd., Sung Shan Dist., Taipei 105, Taiwan	886-2-27192132
Nei-Hu Branch	143 & 145, Cheng Kung Rd., Sec.3, Nei Hu Dist., Taipei 114, Taiwan	886-2-27932311
Sung-Shan Branch	1 &2FL. 760, Pa Teh Rd., Sec.4, Sung Shan Dist., Taipei 105, Taiwan	886-2-27674111
Yen-Chi Branch	289, Chung Hsiao E. Rd., Sec.4, Ta An Dist., Taipei 106, Taiwan	886-2-27315741
Kwang-Fu Branch	16, Kwang Fu N. Rd., Sung Shan Dist., Taipei 105, Taiwan	886-2-25773323
Hsin-Ya Branch	167, Yon Gji Rd., Hsin Yi Dist., Taipei 110, Taiwan	886-2-27655935
Yung-Chun Branch	451, Chung Hsiao E. Rd., Sec.5, Hsin Yi Dist., Taipei 110, Taiwan	886-2-27682111
Neihu-Science-Park Branch	388, Nei Hu Rd., Sec.1, Nei Hu Dist., Taipei 114, Taiwan	886-2-87978711
Chi-Lin Branch	136, Chi Lin Rd., Chung Shan Dist., Taipei 104, Taiwan	886-2-25311677
Jen-Ai Branch	50, Jen Ai Rd., Sec.4, Ta An Dist., Taipei 106, Taiwan	886-2-27023111
Ta-An Branch	382, Hsin Yi Rd., Sec.4, Ta An Dist., Taipei 110, Taiwan	886-2-27556811
Hsin-Yi Branch	7, Hsin Yi Rd., Sec.3, Ta An Dist., Taipei 106, Taiwan	886-2-23256811
Fu-Hsing Branch	36-10, Fu Hsing S. Rd., Sec.1, Chung Shan Dist., Taipei 104, Taiwan	886-2-27722345
Tun-Hua Branch	267, Tun Hua S. Rd., Sec.2, Ta An Dist., Taipei 106, Taiwan	886-2-27362711
Jen-Ho Branch	376, Jen Ai Rd., Sec.4, Ta An Dist., Taipei 106, Taiwan	886-2-27556556
Shih-Mao Branch	65, Tun Hua S. Rd., Sec.2, Ta An Dist., Taipei 106, Taiwan	886-2-27849811
Mu-Cha Branch	11, Bao Yi Rd., Wen Shan Dist., Taipei 116, Taiwan	886-2-22345101
Sung-Mao Branch	18, Hsin Yi Rd., Sec.5, Hsin Yi Dist., Taipei 110, Taiwan	886-2-27236111
Hsin-Hu Branch	159, Xing Ai Rd., Nei Hu Dist., Taipei 114, Taiwan	886-2-27931811
Ku-Ting Branch	95, Roosevelt Rd., Sec.2, Ta An Dist., Taipei 106, Taiwan	886-2-23695222

Branch	Address	Tel
Nan-Men Branch	94, Nan Chang Rd., Sec. 1, Chung Cheng Dist., Taipei 100, Taiwan	886-2-23947162
Kung-Kuan Branch	293, Roosevelt Rd., Sec.3, Ta An Dist., Taipei 106, Taiwan	886-2-23623111
Ho-Ping Branch	151, Ho Ping E. Rd., Sec.2, Ta An Dist., Taipei 106, Taiwan	886-2-27035111
Wan-Hua Branch	87, Kang Ding Rd., Wan Hua Dist., Taipei 108, Taiwan	886-2-23719221
Shuang-Yuan Branch	42, Chung Hua Rd., Sec. 2, Wan Hua Dist., Taipei 108, Taiwan	886-2-23068620
Tien-Mu Branch	60 & 62, Chung Chen Rd., Sec. 1, Shih Lin Dist., Taipei 111, Taiwan	886-2-28369898
Pei-Tou Branch	133, Guang Ming Rd., Pei Tou Dist., Taipei 112, Taiwan	886-2-28913921
Shih-Lin Branch	456 & 458, Chung Cheng Rd., Shih Lin Dist., Taipei 111, Taiwan	886-2-28370011
Chien-Kuo Branch	161 & 163, Min Sheng E. Rd., Sec.2, Chung Shan Dist., Taipei 104, Taiwan	886-2-25060110
Wan-Lung Branch	347, Xing Long Rd., Sec. 2, Wen Shan Dist., Taipei 116, Taiwan	886-2-29326478
Shih-Pai Branch	100, Ming Teh Rd., Pei Tou Dist., Taipei 112, Taiwan	886-2-28209111
Pan-Chiao Branch	107, Szu Chuan Rd., Sec.1, Pan Chiao Dist., New Taipei City 220, Taiwan	886-2-29615171
Hua-Chiang Branch	329, Wen Hua Rd., Sec.1, Pan Chiao Dist., New Taipei City 220, Taiwan	886-2-22578091
Shu-Lin Branch	27-7 & 27- 8, Chung Shan Rd., Sec.1, Shu Lin Dist., New Taipei City 238, Taiwan	886-2-26833191
Tu-Cheng Branch	208, Chung Yang Rd., Sec. 3, Tu Cheng Dist., New Taipei City 236, Taiwan	886-2-22679611
Jiangzicui Branch	388, Wen Hua Rd., Sec. 2, Pan Chiao Dist., New Taipei City 220, Taiwan	886-2-82570111
Pei-Tu-Cheng Branch	37, Jin Cheng Rd., Sec. 3, Tu Cheng Dist., New Taipei City 236, Taiwan	886-2-22607811
Linkuo-Gong'er Branch	498, Chung Shan Rd., Lin Kou Dist., New Taipei City 244, Taiwan	886-2-26021101
San-Chung-Pu Branch	70, San Ho Rd., Sec.3, San Chung Dist., New Taipei City 241, Taiwan	886-2-29822111
Chang-Tai Branch	99, Chung Hsin Rd., Sec.2, San Chung Dist., New Taipei City 241, Taiwan	886-2-29884433
Lu-Chou Branch	12, Chung Shan 1st Rd., Lu Chou Dist., New Taipei City 247, Taiwan	886-2-82826788
Tou-Chien Branch	320, Hua Cheng Rd., Hsin Chuang Dist., New Taipei City 242, Taiwan	886-2-22762311
Wu-Ku Branch	90, Si Wei Rd., Wu Ku Dist., New Taipei City 248, Taiwan	886-2-29845577
Chung-Yang Branch	89, Chung Yang Rd., Sec.1, San Chung Dist., New Taipei City 241, Taiwan	886-2-29868822
Wu-Ku Ind. Zone Branch	117, Wu Gong Rd., Wu Ku Dist., New Taipei City 248, Taiwan	886-2-22997811
Tamsui Branch	183, Chung Cheng Rd., Tamsui Dist., New Taipei City 251, Taiwan	886-2-26202611
Hsin-Tien Branch	134, Chung Hsing Rd., Sec.3, Hsin Tien Dist., New Taipei City 231, Taiwan	886-2-29181835
Dapinglin Branch	82, Min Chuan Rd., Hsin Tien Dist., New Taipei City 231, Taiwan	886-2-22184651
Tai-Shan Branch	135 & 137, Ming Zhi Rd., Sec. 1, Tai Shan Dist., New Taipei City 243, Taiwan	886-2-29097111
Hsin-Chuang Branch	316, Chung Cheng Rd., Hsin Chuang Dist., New Taipei City 242, Taiwan	886-2-29929001
Ying-Ko Branch	1, Jen Ai Rd., Ying Ko Dist., New Taipei City 239, Taiwan	886-2-26791921
Chung-Ho Branch	152, Chung Shan Rd.,Sec.2, Chung Ho Dist., New Taipei City 235, Taiwan	886-2-22495011
Yung-Ho Branch	296, Fu Ho Rd., Yung Ho Dist., New Taipei City 234, Taiwan	886-2-29221711
Shuang-Ho Branch	91, An Le Rd., Chung Ho Dist., New Taipei City 235, Taiwan	886-2-29408000
Lien-Cheng Branch	258, Lien Cheng Rd., Chung Ho Dist., New Taipei City 235, Taiwan	886-2-82272111
Jui-Fang Branch	76, Ming Deng Rd., Sec. 3, Jui Fang Dist., New Taipei City 224, Taiwan	886-2-24967711
Pu-Chien Branch	1FL., 3, Min Sheng Rd., Sec.1, Pan Chiao Dist., Taipei 220, Taiwan	886-2-29599211
Dan-Feng Branch	669-1, Chung Cheng Rd., Hsin Chuang Dist., New Taipei City 242, Taiwan	886-2-29021111
Hsi-Chih Branch	280, Ta Tung Rd., Sec.1, Hsi Chih Dist., New Taipei City 221, Taiwan	886-2-26471688
Hsi-Ko Branch	133, Ta Tung Rd., Sec.2, Hsi Chih Dist., New Taipei City 221, Taiwan	886-2-86926000
Hsing-Fu Branch	1 & 2FL., 688, Hsing Fu Rd., Hsin Chuang Dist., New Taipei City 242, Taiwan	886-2-29989111
Keelung Branch	103, Hsiao 3rd Rd., Jen Ai Dist., Keelung City 200, Taiwan	886-2-24279121
Shao-Chuan-Tou Branch	1 & 2FL., 57, Yi 1st Rd., Chung Cheng Dist., Keelung City 202, Taiwan	886-2-24266141
I-Lan Branch	152, Chung Shan Rd., Sec.3, I Lan City, I Lan County 260, Taiwan	886-3-9324111
Lo-Tung Branch	165, Chung Cheng Rd., Lo Tung Township, I Lan County 265, Taiwan	886-3-9545611-8
Su-Ao Branch	12, Chung Shan Rd., Sec.1, Su Ao Township, I Lan County 270, Taiwan	886-3-9962711-6
Tao-Yuan Branch	55, Min Tsu Rd., Taoyuan Dist., Taoyuan City 330, Taiwan	886-3-3326111
Pei-Tao Branch	258 & 260, San Min Rd., Sec. 2, Taoyuan Dist., Taoyuan City 330, Taiwan	886-3-3353131
Ta-Nan Branch	919, Jie Shou Rd., Sec. 1, Pa Teh Dist., Taoyuan City 334, Taiwan	886-3-3661966
Nei-Li Branch	117, Hsin Yi Rd., Chung Li Dist., Taoyuan City 320, Taiwan	886-3-4552410

Branch	Address	Tel
Chung-Li Branch	14 Fu Hsing Rd., Chung Li Dist., Taoyuan City 320, Taiwan	886-3-4225111
Hsi-Li Branch	30, Chung Yang W. Rd., Sec. 2, Chung Li Dist., Taoyuan City 320, Taiwan	886-3-4918111
Ping-Cheng Branch	68, Huan Xi Rd., Chung Li Dist., Taoyuan City 320, Taiwan	886-3-4939211
Ta-Yuan Branch	63, Xin Sheng Rd., Ta Yuan Dist., Taoyuan City 337, Taiwan	886-3-3857111
Nan-Kan Branch	112 & 114, Chung Cheng Rd., Lu Chu Dist., Taoyuan City 338, Taiwan	886-3-3216882
Hui-Lung Branch	161, Wan Shou Rd., Sec. 1, Gui Shan Dist., Taoyuan City 333, Taiwan	886-3-82006111
Lin-Kou Branch	76 & 78, Wen Hua 2nd Rd., Gui Shan Dist., Taoyuan City 333, Taiwan	886-3-3186611
Ta-Hsi Branch	111, Kang Chuang Rd., Ta Hsi Dist., Taoyuan City 335, Taiwan	886-3-3882101
Lung-Tan Branch	80, Chung Cheng Rd., Lung Tan Dist., Taoyuan City 325, Taiwan	886-3-4991111
Hsin-Chu Branch Swift: FCBKTWTP301	3, Ing Ming St., North Dist., Hsinchu 300, P.O.Box 30, Hsinchu, Taiwan	886-3-5226111
Tung-Men Branch	216, Tung Men St., North Dist., Hsinchu 300, Taiwan	886-3-5249211
Hsinchu-Science-Park Branch	611, Kwang Fu Rd., Sec.1, East Dist., Hsinchu 300, Taiwan	886-3-5637111
Chu-Tung Branch	30, Tung Lin Rd., Chu Tung Township, Hsinchu County 310, Taiwan	886-3-5963251
Kuan-Hsi Branch	18, Cheng Yi Rd., Kuan Hsi Township, Hsinchu County 306, Taiwan	886-3-5872411
Chu-Pei Branch	210, Guang Ming 5th St., Chu Pei City, Hsinchu County 302, Taiwan	886-3-5559111
Miao-Li Branch	601, Chung Cheng Rd., Miao Li City, Miaoli County 360, Taiwan	886-37-322411
Chu-Nan Branch	53, Min Zu St., Chu Nan Township, Miaoli County 350, Taiwan	886-37-477111
Tou-Fen Branch	67, Chung Cheng Rd., Tou Fen Township, Miaoli County 351, Taiwan	886-37-672611
Taichung Branch Swift: FCBKTWTP401	144, Tzu Yu Rd., Sec.1, West Dist., Taichung 403, P.O.Box 7, Taichung, Taiwan	886-4-22233611
Nan-Taichung Branch	33 & 35, Fu Hsing Rd., Sec.4, East Dist., Taichung 401, Taiwan	886-4-22231111
Pei-Taichung Branch	501, Taiwan Blvd., Sec. 1, Central Dist., Taichung 400, Taiwan	886-4-22238111
Chung-Kang Branch	912, Taiwan Blvd., Sec. 2, Hsi Tun Dist., Taichung 407, Taiwan	886-4-23136111
Pei-Tun Branch	696, Wen Hsin Rd., Sec.4, Pei Tun Dist., Taichung 406, Taiwan	886-4-22366111
Chin-Hua Branch	236, Chin Hua N. Rd., North Dist., Taichung 404, Taiwan	886-4-22300311
Nan-Tun Branch	668, Wu Chuan W. Rd., Sec. 2, Nan Tun Dist., Taichung 408, Taiwan	886-4-23801515
Feng-Yuan Branch	423, Chung Shan Rd., Feng Yuan Dist., Taichung 420, Taiwan	886-4-25225111
Ta-Li Branch	43, 45 & 47, Tung Lung Rd., Ta Li Dist., Taichung 412, Taiwan	886-4-24838111
Taichung-Science-Park Branch	6-3, Chung Ko Rd., Ta Ya Dist., Taichung 428, Taiwan	886-4-25659111
Tung-Shih Branch	449, Feng Shih Rd., Tung Shih Dist., Taichung 423, Taiwan	886-4-25874121
Sha-Lu Branch	355, Chung Shan Rd., Sha Lu Dist., Taichung 433, Taiwan	886-4-26621331
Ta-Chia Branch	361 & 363, Shun Tien Rd., Ta Chia Dist., Taichung 437, Taiwan	886-4-26882981
Tai-Ping Branch	1 & 2FL., 50, Chung Hsing E. Rd., Tai Ping Dist., Taichung 411, Taiwan	886-4-22799011
Ching-Shui Branch	35-10, Guang Ming Rd., Ching Shui Dist., Taichung 436, Taiwan	886-4-26238111
Ta-Ya Branch	96, Chung Ching E. Rd., Ta Ya Dist., Taichung 428, Taiwan	886-4-25686111
Nan-Tou Branch	2, Chung Shan 1st St., Nan Tou City, Nantou County 540, Taiwan	886-49-2223111
Tsao-Tun Branch	256, Tai Ping Rd., Sec. 2, Tsao Tun Township, Nantou County 542, Taiwan	886-49-2338181
Pu-Li Branch	97, Xi An Rd., Sec. 1, Pu Li Township, Nantou County 545, Taiwan	886-49-2982711
Chang-Hua Branch	48, Ho Ping Rd., Chang Hua City, Changhua County 500, Taiwan	886-4-7232161
Yuan-Lin Branch	26, Yu-Ying Rd., Yuan Lin Township, Changhua County 510, Taiwan	886-4-8328811
Lu-Kang Branch	301, Chung Shan Rd., Lu Kang Township, Changhua County 505, Taiwan	886-4-7772111
Hsi-Hu Branch	166, Chang Shui Rd., Sec. 3, Hsi Hu Township, Changhua County 514, Taiwan	886-4-8824111
Pei-Dou Branch	35, Chung Shan Rd., Sec.2, Pei Dou Township, Changhua County 521, Taiwan	886-4-8782111
Ho-Mei Branch	84, 86 & 88, Ho Xian Rd., Ho Mei Township, Changhua County 508, Taiwan	886-4-7551111
Chia-Yi Branch	307, Chung Shan Rd., East Dist., Chiayi City 600, Taiwan	886-5-2272111
Hsing-Chia Branch	425 & 427, Hsing Ye W. Rd., West Dist., Chiayi City 600, Taiwan	886-5-2859833
Pu-Tzu Branch	135, Chung Cheng Rd., Pu Tzu City, Chiayi County 613, Taiwan	886-5-3795111
Dou-Liu Branch	16, Tai Ping Rd., Dou Liu City, Yunlin County 640, Taiwan	886-5-5324311
Pei-Kang Branch	96, Chung Cheng Rd., Pei Kang Township, Yunlin County 651, Taiwan	886-5-7833211

Branch	Address	Tel
Hsi-Lo Branch	189, Yan Ping Rd., Hsi Lo Township, Yunlin County 648, Taiwan	886-5-5862131
Hu-Wei Branch	83, Chung Cheng Rd., Hu Wei Township, Yunlin County 632, Taiwan	886-5-6322330
Tainan Branch Swift: FCBKTWTP601	82, Chung Yi Rd., Sec.2, West Central Dist., Tainan 700, P.O.Box 10, Tainan, Taiwan	886-6-2224131
Fu-Chiang Branch	31, Tung Men Rd., Sec. 3, East Dist., Tainan 701, Taiwan	886-6-2904453
Chih-Kan Branch	217, Cheng Kung Rd., West Central Dist., Tainan 700, Taiwan	886-6-2268111
Chu-Hsi Branch	98, Ta Tong Rd., Sec. 1, West Central Dist., Tainan 700, Taiwan	886-6-2160111
Chin-Cheng Branch	105, Xia Lin Rd., South Dist., Tainan 702, Taiwan	886-6-2248833
An-Nan Branch	500, Hai Dian Rd., Sec. 2, An Nan Dist., Tainan 709, Taiwan	886-6-2465111
Hsin-Ying Branch	150, Chung Shan Rd., Hsin Ying Dist., Tainan 730, Taiwan	886-6-6324211
Yen-Shui Branch	57, San Fu Rd., Yen Shui Dist., Tainan 737, Taiwan	886-6-6521611
Ma-Tou Branch	12, Hsing Chung Rd., Ma Tou Dist., Tainan 721, Taiwan	886-6-5729901
Shan-Hua Branch	366, Chung Shan Rd., Shan Hua Dist., Tainan 741, Taiwan	886-6-5817350
Chia-Li Branch	225, Wen Hua Rd., Chia Li Dist., Tainan 722, Taiwan	886-6-7226111
Hsin-Hua Branch	374, Chung Cheng Rd., Hsin Hua Dist., Tainan 712, Taiwan	886-6-5901111
Ta-Wan Branch	5, Yong Ta Rd., Sec. 2, Yung Kang Dist., Tainan 710, Taiwan	886-6-2713251
Tainan-Science-Park Branch	2FL., 15, Nan Ko 3rd Rd., Hsin Shi Dist., Tainan 744, Taiwan	886-6-5051111
Kuei-Jen Branch	55 & 57, Chung Shan Rd., Sec. 2, Kuei Jen Dist., Tainan 711, Taiwan	886-6-3300111
Yung-Kang Branch	109, Chung Cheng S. Rd., Yung Kang Dist., Tainan 710, Taiwan	886-6-2513211
Kaohsiung Branch Swift: FCBKTWTP701	28, Min Chuan 1st Rd., Ling Ya Dist., Kaohsiung 802, P.O.Box16, Kaohsiung, Taiwan	886-7-3350811
Yen-Cheng Branch	115, Ta Jen Rd., Yen Cheng Dist., Kaohsiung 803, Taiwan	886-7-5519201
Hsin-Hsing Branch	17, Chung Cheng 4th Rd., Hsin Hsing Dist., Kaohsiung 800, Taiwan	886-7-2719111
San-Min Branch	291, Chung Hua 3rd Rd., San Min Dist., Kaohsiung 807, Taiwan	886-7-2718111
Ling-Ya Branch	61, Wu Fu 3rd Rd., Qian Jin Dist., Kaohsiung 801, Taiwan	886-7-2822111
Tso-Ying Branch	411 & 413, Tso Ying Avenue, Tso Ying Dist., Kaohsiung 813, Taiwan	886-7-5815511
Nan-Tzu Branch	3, Nan Tzu Rd., Nan Tzu Dist., Kaohsiung 811, Taiwan	886-7-3511211
Wu-Fu Branch	161, Chung Cheng 2nd Rd., Ling Ya Dist., Kaohsiung 802, Taiwan	886-7-2225111
Shih-Chuan Branch	57, Zi You 1st Rd., San Min Dist., Kaohsiung 807, Taiwan	886-7-3112131
Chien-Cheng Branch	191, San Duo 3rd Rd., Chien Cheng Dist., Kaohsiung 806, Taiwan	886-7-3344191
Wan-Nei Branch	147, Ta Shun 2nd Rd., San Min Dist., Kaohsiung 807, Taiwan	886-7-3821526
Po-Ai Branch	426, Po Ai 2nd Rd., Tso Ying Dist., Kaohsiung 813, Taiwan	886-7-5588311
Hsiao-Kang Branch	182, Yan Hai 1st Rd., Hsiao Kang Dist., Kaohsiung 812, Taiwan	886-7-8066601
Wu-Chia Branch	1 & 2FL., 322, Bao Tai Rd., Feng Shan Dist., Kaohsiung 830, Taiwan	886-7-7260211
Feng-Shan Branch	1, Cheng Kung Rd., Feng Shan Dist., Kaohsiung 830, Taiwan	886-7-7463611
Lu-Chu Branch	1187, Chung Shan Rd., Lu Chu Dist., Kaohsiung 821, Taiwan	886-7-6963211
Kang-Shan Branch	275, Kang Shan Rd., Kang Shan Dist., Kaohsiung 820, Taiwan	886-7-6212111
Chi-Shan Branch	120, Chung Shan Rd., Chi Shan Dist., Kaohsiung 842, Taiwan	886-7-6621811
Lin-Yuan Branch	459, Lin Yuan N. Rd., Lin Yuan Dist., Kaohsiung 832, Taiwan	886-7-6436111
Tzu-Beng Branch	306, Chung Cheng Rd., Tzu Guan Dist., Kaohsiung 826, Taiwan	886-7-6172111
Ping-Tung Branch	308, Min Sheng Rd., Ping Tung City, Pingtung County 900, Taiwan	886-8-7325111
Chao-Chou Branch	107-1, Chung Shan Rd., Chao Chou Township, Pingtung County 920, Taiwan	886-8-7883771
Tung-Kang Branch	23, Chao Yang St., Tung Kang Township, Pingtung County 928, Taiwan	886-8-8350111
Heng-Chun Branch	17, Chung Cheng Rd., Heng Chun Township, Pingtung County 946, Taiwan	886-8-8893231
Wan-Luan Branch	29, Chung Cheng Rd., Wan Luan Township, Pingtung County 923, Taiwan	886-8-7811211
Hua-Lien Branch	22, Gong Yuan Rd., Hualien City, Hualien County 970, Taiwan	886-3-8324611
Tai-Tung Branch	397, Chung Hua Rd., Sec. 1, Taitung City, Taitung County 950, Taiwan	886-89-324211
Peng-Hu Branch	88, Guang Fu Rd., Ma Gong City, Penghu County 880, Taiwan	886-6-9273211

Overseas Network

Overseas Branches

- **Brisbane Branch**
  Mezzanine Fl., 199 George Street
  Brisbane QLD 4000, Australia
  Tel: 61-7-3211-1001
- **Chengdu Branch**
  Unit No.1,9,10, 16F, Chengdu IFS Tower 1, No.1 Hongxing Road Section 3, Jinjiang District, Chengdu, Sichuan Province, 610021 China
  Tel: 86-28-86586311
- **Guam Branch**
  665 South Marine Corps Drive, Suite 101, Tamuning, Guam 96913, U.S.A.
  Tel: 1-671-472-6864
- **Hanoi City Branch**
  8th Floor, Charmvit Tower
  117 Tran Duy Hung Road
  Trung Hoa Ward, Cau Giay District
  Hanoi City, Vietnam
  Tel: 84-43-9362-111
- **Ho Chi Minh City Branch**
  21 Fl., A&B Tower
  76A Le Lai Street, District 1
  Ho Chi Minh City, Vietnam
  Tel: 84-8-3823-8111
- **Hong Kong Branch**
  1702, 17F, Prudential Tower, The Gateway, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong
  Tel: 852-2868-9008
- **London Branch**
  Bowman House, 29, Wilson Street
  London EC2M 2SJ, U.K.
  Tel: 44-20-7417-0000
- **Los Angeles Branch**
  600, Wilshire Blvd., Suite 800
  Los Angeles, CA 90017, U.S.A.
  Tel: 1-213-362-0200
- **Macau Branch**
  16 Fl., Finance and IT Centre of Macau
  Avenida Comercial de Macau
  Tel: 853-2857-5088
- **Manila Branch**
  20F., Tower6789, 6789 Ayala Avenue, Makati City, Metro Manila, Philippines
  Tel: 63-2-9601111
- **New York Branch**
  750, Third Avenue, 34th Fl.,
  New York, NY 10017, U.S.A.
  Tel: 1-212-599-6868
- **Phnom Penh Branch**
  1F&2F 66, Norodom Blvd.
  Sangkat Cheychomnoas, Khan Daun Penh Phnom Penh, Cambodia
  Tel: 855-23-210026-8
- **Chamkar Mon Sub-Branch**
  1F, .216B, Norodom Blvd (41), Sangkat Tonel Bassac, Khan Chamkarmorn, Phnom Penh, Cambodia
  Tel: 855-23-726806~8
- **Chorm Chaov Sub-Branch**
  No.3,5,7&9, Prey Chisak Village, Chorm Chaov Commune, Dangkor District, Phnom Penh, Cambodia
  Tel: 855-23-865171~3
- **Chraoy Chongvar Sub-Branch**
  No.F08-F09, Street National Road No6, Phum3, Sangkat Chroy Changva, Khan Russey Keo, Phnom Penh, Cambodia
  Tel: 855-23-432156~8
- **Mean Chey Sub-Branch**
  No 14A & 15A, Street Chaom Chau, Phum Damnak Thum, Sangkat Stueng Meanchey, Khan Meanchey, Phnom Penh, Cambodia
  Tel: 855-92-888602~3
- **Olympic Sub-Branch**
  No. 30 ABC (Ground Floor, First Floor and Second Floor), St. 215, Sangkat Mittapheab, Khan 7 Makara, Phnom Penh, Cambodia
  Tel: 855-23-880392~4
- **Siem Reap Sub-Branch**
  No.602&604, Preah Sangreach Tep Vong Street, Phum Mondol 2, Sangkat Svay Dongkum, Siem Reap Province, Cambodia
  Tel: 855-63-963187~9
- **Tuol Kouk Sub-Branch**
  No.89, Street. 289, Phum 14, Sangkat Boeung Kak II, Khan Tuol Kork, Phnom Penh, Cambodia
  Tel: 855-23-885891~3
- **Shanghai Branch**
  86-90, Ronghua East Road (JH Gubei 88 Building), Changning District, Shanghai 201103, China
  Tel: 86-21-2227-0611
- **Shanghai Pilot Free Trade Zone Sub-Branch**
  Room 2210-2215, Tomson International Trade Building
  No.1 JiLong Road, Pudong New District
  Shanghai 200131, China
  Tel: 86-21-2069-0611
- **Singapore Branch**
  77, Robinson Road, #01-01 and #10-01
  Singapore 068896
  Tel: 65-6593-0888
- **Tokyo Branch**
  23F, Otemachi NOMURA building
  2-1-1, Otemachi Chiyoda-Ku,
  Tokyo, Japan 100-0004
  Tel: 81-3-3279-0888
- **Toronto Branch**
  5000 Yonge Street, Suite 1803
  Toronto, ON M2N 7E9, Canada
  Tel: 1-416-250-8788
- **Vancouver Branch**
  #100-5611 Cooney Road
  Richmond, BC V6X 3J6, Canada
  Tel: 1-604-207-9600
- **Vientiane Branch**
  No.61, 23 Singha Road, Phonxay Village, Saysettha District
  Vientiane Capital, Lao PDR
  Tel: 856-21-415318
- **Xiamen Branch**
  Unit EFGH, 30F, International Plaza, No.8 Lujiang Road, Siming District, Xiamen, Fujian Province, 361001 China
  Tel: 86-592-8169111

Overseas Representative Office

- **Bangkok Representative Office**
  9 Fl., Sathorn City Tower
  175, South Sathorn Road
  Tungmahamek, Sathorn
  Bangkok 10120, Thailand
  Tel: 662-679-5291
- **Yangon Representative Office**
  7, Nichol's Avenue
  Parami Road, Mayangone Township, Yangon, Myanmar
  Tel: 95-1-9669568

Subsidiary

First Commercial Bank (USA)

- **Head Office & Alhambra Branch**
  200 E. Main Street
  Alhambra, CA 91801, U.S.A.
  Tel: 1-626-300-6000
- **Arcadia Branch**
  1309 S. Baldwin Ave.
  Arcadia, CA 91007, U.S.A.
  Tel: 1-626-254-1828
- **Chino Hills Branch**
  2911 Chino Avenue, Unit F2, Chino Hills, CA 91709, U.S.A.
  Tel: 1-909-993-5888
- **City of Industry Branch**
  18725 E. Gale Ave. Suite 150
  City of Industry, CA 91748, U.S.A.
  Tel: 1-626-964-1888
- **Fremont Branch**
  47000 Warm Springs Boulevard, Suite 3, Fremont, CA 94539 U.S.A.
  Tel: 009-1-510-933-0270
- **Irvine Branch**
  4250 Barranca Parkway, Suite E
  Irvine, CA 92604, U.S.A.
  Tel: 1-949-654-2888
- **Silicon Valley Branch**
  1141 S. De Anza Blvd.
  San Jose, CA 95129, U.S.A.
  Tel: 1-408-253-4666

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