第一銀行
First Bank

2017 ANNUAL REPORT

第一銀行 · First Bank　第一銀行 · First Bank

Contents

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Highlights

(in millions)	12.31.2017 NTD	12.31.2016 NTD	12.31.2017 USD
Major financial data at year end			
Total assets	2,569,916	2,485,253	86,587
Loan discounted, net	1,580,080	1,544,206	53,237
Deposits and remittances	2,019,708	1,975,467	68,049
Common stock	89,064	89,064	3,001
Equity	192,259	190,631	6,478
Operating results			
Net interest income	29,547	28,449	996
Net non-interest income	13,933	13,743	469
Pre-tax income	17,855	20,639	602
Income tax	(2,713)	(2,940)	(91)
Net income	15,142	17,699	510
Capital adequacy ratio	13.67%	13.51%	
World rank			
The Banker - by tier 1 capital (12/15)	214	208	
The Banker - by total assets (12/15)	216	207	
Distribution network			
Domestic full/mini/sub-branches	188/0/0	189/0/0	
Overseas branches/sub-branches/rep. offices/OBU	19/8/2/1	19/7/2/1	
First Commercial Bank (USA)	1 main office and 6 branches	1 main office and 7 branches	
Number of employees	7,494	7,452	

*NT$29.68:US$1.00

*The Major Financial Data and Operating Results of 2017 and 2016 are Accordance with IFRS.

History

First Commercial Bank has grown strongly and steadily with Taiwan's economic development over the last 118 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 .

Message to Our Shareholders

Business Report for 2017

Ray-Beam Dawn
Chairman of the Board

Overview of Global Markets

The world economy stayed on track for further recovery in 2017, despite the many difficult economic and geopolitical headwinds. With little indication of accelerated monetary tightening among major economies, loose monetary conditions and a broad-based economic recovery helped underpin global growth. The world's major forecasters and economic agencies repeatedly raised their forecast for economic growth, encouraged by a recovery in global crude and commodity prices, robust import demand from advanced economies and a pick-up in trade. The International Monetary Fund (IMF) estimated that world merchandise trade volume grew 4.9% in 2017, up from 2.5% in 2016. Among the world's largest economies, the U.S. saw a steady recovery, accompanied by solid employment gains, strong private consumption, improved corporate sentiment and an upturn in energy-related investment amid the U.S. Fed's measured pace of normalization and rising oil prices. The pace of U.S. economic growth quickened quarter after quarter with domestic demand, including consumer spending and investment, being the main growth engine. The eurozone was seen expanding at a moderate pace, supported by the ECB's accommodative monetary policy measures, rising oil prices and reduced deflationary risks, though it faced political uncertainties including key elections in EU member states, the Brexit deal and the Catalan independence referendum. Japan's economy continued to grow in 2017. A combination of higher exports driven by global demand, an increase in household spending fueled by continual improvement in the labor market, and the impact of the 2020 Tokyo Olympic games on business investment more than offset the fading effects of Japanese Prime Minister Shinzo Abe's massive policy stimulus. In China, investment slowed to a gradual pace due to continued rebalancing of the economy, accelerated deleveraging and tighter risk control. Chinese exports, meanwhile, remained strong as the global economic outlook brightened. Higher export volume growth, coupled with policy measures to promote financial and macroeconomic stability, led to the first annual acceleration for the economy since 2010 with the growth figure beating Beijing's official target.

Overview of Domestic Economy

Grace M. L. Jeng
President

Taiwan ended 2017 with a 13.17% increase in exports amid a pick-up in global economic activity, strong semiconductor and machine-tool demand and rising global prices in crude and base metals. While capital formation declined due to slowing capital investments of local semiconductor firms, private consumption continued to be supported by improving employment, a buoyant stock market and increased outbound travel. Taiwan's economy grew 2.86% in 2017, its fastest growth in three years and up from a pace of 1.41% in 2016. Taiwan's real interest rates were kept at a reasonable level throughout the year, compared with those of the world's major economies. The Central Bank of R.O.C. (Taiwan) decided to leave the discount rate unchanged at 1.375% in view of uncertainties in global economic conditions, tamed inflation, tightening financial conditions caused by the local currency's appreciation and the need to support economic growth. The New Taiwan dollar strengthened markedly due partly to weakness in the U.S. Dollar Index and partly to an influx of foreign investment as investors chased higher yields offered by Taiwan stocks at a time of abundant liquidity and low interest rates. During the past year, the pressure Taiwan faced for being put on a U.S. monitoring list of potential currency manipulators prompted the Taiwan government to move toward a more market-oriented exchange rate system.

Domestic banks enjoyed higher profits in 2017, against a favorable backdrop of robust economic growth at home and abroad and increased demand for personal and corporate loans. The total outstanding loan balances and aggregate pre-tax profit of banks reached NT$27.0563 trillion and NT$305.9 billion in 2017, up 3.41% and 1.96% from the prior year. The average non-performing loan ratio and the loan-loss coverage ratio of all banks were at 0.28% and 492.92% as of December 2017, up 0.01 percentage point and down 10.01 percentage points from a year earlier.

Changes in Organizational Structure

In March 2017, we established the Anti-Money Laundering Department under the Compliance Division to oversee the prevention of money laundering and terrorist financing and the reporting of any suspicious activity linked to money laundering or terrorist financing. In May of the same year, the Digital Technology

Security Division was formed and charged with the responsibility of planning, implementing and managing an organization-wide digital security strategy. It has two departments: the Security Operation Management Department and the Security Technology Control Department. In November 2017, the Digital Banking Division undertook several naming changes, with its Digital Application Department renamed the Digital Innovation & Application Department and the CRM & Marketing Division renamed the Data Analytics & Application Department. Meanwhile, the Information Technology Division added a new unit, the Emerging Technology Application Department. In order to address the threats of money laundering and terrorist financing and to assure more proactive monitoring and reporting of suspicious transactions, we created the Anti-Money Laundering/Combating the Financing of Terrorism Committee in December 2017. Other major changes to our organization that occurred in March 2018 include the separation of the legal function into an independent office named the Legal Affairs Office; the renaming of the Loan Syndication Department and the Cross-Border Marketing Department to the Loan Syndication & Project Financing Department and the Conglomerate Marketing Department, both of which operate under the Corporate Banking Business Unit; the creation of the Personal Banking Development Department within the Personal Banking Business Administration Division; the renaming of the Personal Banking Management Department and the Product Marketing Department to the Personal Banking Management Department and the Marketing Planning Department; the creation of Credit Approval Departments 1 and 2 within the Credit Approval Division for the review and approval of loan applications received from domestic and foreign branches (including the Offshore Banking Unit).

Performance in 2017

During 2017, we identified "Going Digital with First Bank: Leading Through Transformation" to be our annual theme and focused on five priorities that underlined our management actions and financial planning. These five priorities were: creating diversified customer value; accelerating digitalization; driving overseas business scale; strengthening governance and control; and creating an excellent enterprise with a happy culture.

Our success in the past year would not have been possible without the dedication and hard work of our employees. The following is a summary of financial and operational results for 2017.

Sustained core profit growth and performance improvements

We reported net profit of NT$17.609 billion, down by NT$2.915 billion, or 14.2%, from the prior year. The earnings decline reflected the impact of loan-loss provisions, which increased by NT$5.225 billion year-over-year to account for questionable loans made to Ching Fu Shipbuilding. Despite the impact of provisioning on earnings, which we deemed as necessary to cover expected losses and ensure the long-term viability of our organization, our annual profit after tax surpassed NT$10 billion for the seventh straight year.

During 2017, we saw continuous improvements in key operating metrics. Our net interest income increased by NT$1.045 billion, or 3.76%. Gains from our trading and investing activities increased by NT$1.078 billion, or 20.36%. Our average deposit and lending balances rose 1.78% and 3.86%, separately. In particular, the average balances of our foreign currency-denominated deposits and loans, which generate a higher spread than the local currency counterparts, rose 3.95% and 4.93%, respectively. These indicators demonstrate that our earnings momentum remains intact.

Asia expansion in support of government-led "New Southbound Policy"

We continued our Asian expansion last year with the aim of becoming a regional bank. We also made substantial progress towards our goal of being the preferred partner for cross-border financing and transaction services. In order to capture the demographic dividend, complete industry chains and high interest spread Southeast Asia has on offer, we increased the number of our locations in Cambodia to eight after opening a sub-branch in Siem Reap in November 2017.

Currently, we have 35 international locations, including 19 branches, eight sub-branches, two representative offices and a U.S.-based subsidiary bank that operates six branches. Among them, seven branches, seven sub-branches and two representative offices are situated in eight of the 18 specific countries targeted by the Taiwan government's New Southbound Policy including Cambodia, Vietnam, Laos, Myanmar, Thailand, Singapore, the Philippines and Australia. As of the end of 2017, loans made to these eight countries stood at US$1.994 billion, up 30.37% from a year earlier, underscoring our continuing commitment to growing and serving the Southeast Asian market.

We have been expanding the scale and reach of our operations by driving collaboration across borders and keeping localizing in different markets. Our international clientele ranges from Taiwan-based multinational companies, Taiwanese-owned foreign-domiciled businesses to non-Taiwanese individuals and corporations. Loans and profits from foreign branches (including the Offshore Banking Unit) as a percentage of our total loan portfolio and earnings set all-time highs last year, at 18.39% and 48.36% respectively.

Dedicated financing support for SMEs and startups

We remained Taiwan's largest provider of SME loans for the eighth consecutive year with a market share of 10.78% and a loan book valued at NT$657.8 billion. In 2017, we were recognized for leadership in providing capital and other financing support to SMEs and young entrepreneurs with various awards from the Financial Supervisory Commission and the Small and Medium Enterprise Credit Guarantee Fund of Taiwan.

The government has identified seven sectors of the economy to be the key to Taiwan's future including green energy, the Internet of Things (also referred to as Asia Silicon Valley), biomedical, defense, smart machinery, high-value agriculture and the circular economy. In support of the policy, we offer loans with preferential terms and conditions to companies operating in these strategically important sectors to meet their funding needs at different stages of their business cycle. The outstanding balance of such loans totaled NT$398.9 billion as of the end of 2017.

Last year, we started providing preferential loans for the reconstruction and rehabilitation of buildings that are in a derelict condition or considered too dangerous to live in. As of the end of 2017, we approved loans to participants of 29 urban regeneration projects with an outstanding amount of NT$7.664 billion.

Digital transformation enabled by physical/ virtual integration

We continued to upgrade and optimize many of our banking services last year. We began offering a digitized account opening process by integrating photo-taking, identification of optical character recognition for identity documents and the verification of identity into one seamless process. Other new offerings that combine digital services with access to the physical branch include: a customer service chatbot powered by machine learning capabilities and language processing; an application for branch/ATM search with augmented reality technology; and an online scheduling app for booking appointments for financial advisory services. In 2017, we used chatbots and Pepper, a humanoid robot built to perform services, for customer service so that our customers could get personalized assistance, as well as product recommendations tailored to their needs, upon every interaction.

Another highlight of the year was the launch of a multifunction point-of-sale (POS) cash register on June 28, 2017. Developed jointly with FinTech partner Turn Cloud Tech, this system is packed with features and functions from processing credit cards, accepting cash, tracking customer data to managing E-receipts all in a single compact unit. Last year also marked a milestone in our mobile payment strategy. We, as a launch partner for Taiwan Pay and several other international payment methods, saw our customers add 31,208 cards to Android Pay and 9,277 cards to Taiwan Pay, with more cards enrolled in mobile payment apps than any other government-run bank.

Value creation through capital efficiency and governance

Our capital adequacy ratio and tier 1 capital ratio stood at 13.42% and 11.25% as of December 2017, respectively, well above the minimum requirements set to take effect in 2019. In March 2017, we created a dedicated position (currently assumed by the Compliance Officer) to oversee the Anti-Money Laundering Department, a new department responsible for the prevention of money laundering and terrorist financing. In May of the same year, the Digital Technology Security Division was formed and tasked with planning, implementing and managing an organization-wide digital security strategy. We also made substantial progress in the areas of information security, compliance, internal control and credit risk management in order to balance growth with a focus on maintaining high standards of governance.

Sustainability as a core value

In celebration of the United Nations World Oceans Day, a day designated on June 8, we introduced Living Green Card, a green credit card scheme designed to promote sustainable spending habits and recognized by Visa as an Excellent Green Environment Protection Product. We partnered with an app to offer Living Green Card members the opportunity of earning reward points for their everyday purchases.

We have a strong commitment to age-friendliness in order to reach, engage and serve the aging population. To date, the Wan-Hua, Tsao-Tun, Chia-Li and Tung-Kang branches have undergone extensive renovations, while a branch within our head office and the Chia-Yi branch have added customized, easy-to-access digital tools to address older adults' needs. These locations are all equipped with the appropriate facilities to help ease the mobility of older adults, enhance their banking experience and promote their wellness. During the year, we organized 266 events for charitable, environmental and educational purposes. We drew upon the support of our customers, shareholders and employees to implement social responsibility programs, serve the disadvantaged communities and contribute to the creation of a sustainable future where businesses, the environment and the wider society could coexist in harmony.

We made strong headway on our sustainability goals in 2017. After extensive remodeling, 17 of our properties obtained the highest "Diamond" grade under a locally recognized green building rating system. Our push for paperless and energy-efficient operations has resulted in significant reduction in carbon emissions over the past four years, or approximately the annual amount of carbon held by green space equivalent to 136 Da-an Forest Parks. We were named a Gold winner, the highest honor for all award winners, for the third straight year at the 2017 ROC Enterprises Environmental Protection Award in recognition of our efforts to reduce carbon footprint.

Budget Implementation, Growth and Profitability

Our net revenue increased by NT$1,377 million to NT$42,914 million in 2017. Our pre-tax profit declined by NT$2,915 million, or 14.21%, to NT$17,609 million, reaching 85.90% of our pre-tax profit target.

- Deposits
  The average balance of deposits outstanding was NT$1,948,670 million, an increase of NT$34,127 million, or 1.78%, compared with the prior year. The percentage of target achieved for 2017 was 99.57%.
- Loans
  The average balance of loans outstanding was NT$1,546,339 million, an increase of NT$57,418 million, or 3.86%, compared with the prior year. The percentage of target achieved for 2017 was 98.03%.
- Trust Business
  The assets held under trust decreased by NT$56,980 million, or 14.57%, to NT$334,130 million, reaching 80.63% of our given target.
- Custodian Business
  The assets under custody increased by NT$65,602 million, or 8.58%, to NT$830,351 million as of 2017 year-end, reaching 107.00% of our given target.

Research Support

To stay in touch with the fast-changing environment, we tracked the latest developments of global economies, markets and industries and published reports on them regularly. We conducted research on local regulatory changes as they arose and recommended solutions in response to those changes. We continued to enhance the breadth and depth of our research and regulatory knowledge in order to support our organization's future growth.

Business Plans for 2018

Our annual theme for the year ahead is "Going Digital with First Bank, Your Partner for Transformation and Growth." 2018 will be a year of further development as we lay the groundwork for future growth. We will drive further improvements in profitability, service, governance and controls while extending the progress we have made in the past two years, a period when we integrated resources, transformed our business model and realigned many areas of the organization from talent development, distribution, operations to systems – all with the goal of becoming a leading bank in Taiwan. Our digitalization initiatives will continue and incorporate the latest technology trends and developments, as part of our commitment to fast and personalized service. In sum, the five strategic actions we are to implement in 2018 are: developing and deepening core capabilities; accelerating transitions to digital banking; globalizing with localizing; strengthening governance and compliance; and creating an excellent enterprise with a happy culture. These actions will position us to achieve our vision to be a regional bank with an Asia-wide presence; a digital bank with deep technology expertise; and a "happy" bank that embraces a culture of well-being.

2018 Strategies

Developing and deepening core capabilities

We will launch new "green" corporate loans, consumer loans, credit cards and investment products to encourage sustainable consumption and promote environmentally responsible lending and investment. We also plan to provider our elder customers with services that help them transfer their wealth, monetize their assets and plan for retirement. While we continue to grow in our core segments, we will explore new products and ideas, such as financing programs for regional clusters of industries and rehabilitation/reconstruction loans, by leveraging our established market position and extensive international network.

Another main initiative for 2018 is to develop efficient and effective customer service operations, drive fee income as a percentage of total revenue, and increase penetration in priority segments and customers. We will achieve those objectives through the assignment of a single account officer as one point of contact for all banking transactions of our priority customers, a task-oriented and responsive approach to marketing management, the creation of sales force automation systems and sales incentive programs that track and motivate sales performance.

Accelerating transitions to digital banking via use of analytics

We will address four focus areas including "smart" services, channel migration, cross-industry partnerships and digitized platforms in the transformation of operations. Our goals are to: enable the delivery of intelligent banking solutions; extract the full economic value of our channels; drive innovation in FinTech; and lay the groundwork for building and growing our digital platforms. We aim to distinguish ourselves through an operating model that is open, AI-enabled, synergetic, integrated and secure. We also plan to use open data and data collection tools to build accurate customer profiles, optimize data analytics models and improve the effectiveness of targeted marketing through cross-industry partnerships. Data analytics is becoming a key tool for our institutional banking business for its ability to identify potential loan customers, generate client lists for marketing purposes, improve the outcomes of risk management and prediction, implement screening and provide early-warning of emerging risks.

Globalizing with localizing

We plan to set up new representative offices and upgrade existing offices into full-service branches in the countries targeted by the New Southbound Policy. In addition, we will pursue opportunities for acquisitions, mergers, equity participation and joint ventures throughout Southeast Asia. Another priority for us is to keep up with the changing political and economic environments so that we could identify and develop strategic markets. Additional resources will be allocated to our foreign branches in order to adapt their offerings to the dynamics of the markets they operate in. For instance, our branches in global financial hubs will focus on loan syndications and trading to capitalize on their proximity to a large potential customer base of international institutions. Meanwhile, we will strive to become the primary bank for treasury and cash management transactions for our multinational customers, leveraging our strength in supply-chain financing and transaction capabilities. We also will develop select lines of business, such as builder financing and micro-financing, in order to improve our competitive position in foreign markets. This, coupled with our ongoing efforts to grow new business, cover new geography and acquire new customers, should contribute to reaching our targets on loans and profits from foreign branches.

Strengthening governance and compliance

We will further strengthen our capital structure by applying credit risk mitigation and enhancing the deployment of capital. The use of account officers is essential to gaining further penetration into our customer base as we enter into new, value-added lines of business, maximize the lifetime value of customers and optimize capital efficiency. We will ensure strict implementation of credit underwriting, post-loan management and SOPs in order to reduce operational risks and to maintain the quality of our asset portfolio. Meanwhile, we will build and upgrade our core information system to support our governance and control functions and to combat the threat of money laundering and terrorist financing. To that end, we are integrating our operations system and management platform to enable organization-wide monitoring and evaluation of risks, as well as improvements in processes and procedures concerning compliance, audit, control and cybersecurity. These efforts underline our commitment to operating in full compliance with laws and regulations, implementing an internal control framework that ensures objectives are achieved as planned, and adhering to the highest standards of corporate governance.

Creating an excellent enterprise with a happy culture

In 2018, our CSR activities will be focused on corporate governance, customer engagement, employee welfare, environmental sustainability and philanthropy. We will embed CSR into the core of our business to ensure that we make a positive impact on the communities we operate in, contribute to the sustainability of the environment, and promote financial inclusion for the underserved. A new committee will be created to oversee the development and implementation of our green finance strategy. We rely on the support we receive from our clients, shareholders and employees as we push ahead to realize our vision for a sustainable future where businesses, the environment and the wider society coexist in harmony.

Discussion on Operating Environment

External Competitive environment

China announced in April 2018 that it would remove foreign ownership restrictions for Chinese banks and financial-asset managers. It would raise the ownership limit to 51% for brokerages and insurers, and fully scrap the restriction in three years. As China opens its financial services sector wider to foreign capital, Taiwanese financial companies operating in China are facing intensifying competition. Notwithstanding the pressure, Taiwanese financial players still enjoy distinct advantages due partly to their management, products and risk management expertise and partly to a long history of trade, economic and financial sector cooperation between Taiwan and China (the latter being Taiwan's single largest trade and investment partner). In the face of the emergence of the ASEAN economic bloc, Taiwan's cabinet continued to push forward its New Southbound Policy. This policy identifies five flagship projects and three high-potential fields with the objectives of promoting economic collaboration, facilitating talent exchange, sharing resources and boosting connectivity with ASEAN member countries, South Asia, New Zealand and Australia. In 2018, the government is expected to increase its budget for the New Southbound Policy in order to strengthen the ties and to reinforce the sense of economic community with its partners. Taiwan's financial companies have demonstrated their support by venturing into Southeast Asia and developing the geographical reach and capabilities needed to follow their clients into the region. Despite the progress they have made towards serving cross-border customers and increasing their local presence, they face the difficult challenge of balancing risks and growth opportunities.

Regulatory Environment

The government enacted the Financial Technology Development and Innovative Experimentation Act on January 31, 2018 with the goals of addressing the FinTech trends, facilitating innovation in the financial services and related sectors, and increasing the efficiency, quality and accessibility of financial services through technology. A "regulatory sandbox" allows financial institutions as well as non-financial players to experiment with FinTech solutions in a safe environment where actual products or services are provided to the customers but within a well-defined space and duration. Specific regulatory and operational requirements are relaxed in order to allow promising FinTech innovations to develop and flourish while maintaining the stability of the financial system and protecting consumers' rights. The government also made specific revisions to several regulations, including the Trust Enterprise Act, the Act Governing Electronic Payment Institutions and the Act Governing Issuance of Electronic Stored Value Cards, in an aim to create a supportive environment for financial innovation and to help improve the competitiveness of Taiwan's financial sector.

In its latest response to strengthening internal control in banks and financial services holding companies, the Financial Supervisory Commission announced draft amendments to the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries on December 29, 2017. The proposed changes, designed to reinforce best practices in risk management, cover the following: requiring members of a financial holding company to implement anti-money laundering and terrorist financing measures if they involve in lending activities; enhancing the mechanism for assessing the effectiveness of risk-based internal auditing in banks; implementing size-based thresholds that subject a bank to more stringent compliance requirements once it exceeds a certain amount of assets; establishing guidelines for whistleblowing for financial institutions; and raising awareness about the importance of cybersecurity across the banking sector.

On June 28, 2017, the Investigation Bureau of the Ministry of Justice put into effect the Standards for Determining the Scope of Politically Exposed Persons Entrusted with Prominent Public Function, Their Family Members and Close Associates, as part of a broader effort to combat money laundering and terrorist financing and to prepare for the third round of mutual evaluations among members of the Asia/Pacific Group on Money Laundering. On the same day, the Financial Supervisory Commission published the Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business, Electronic Payment Institutions and Electronic Stored Value Card Issuers, with the move bringing Taiwan's regulatory regime more closely in line with global standards and enabling greater transparency in the financial system.

Overall Operating Environment

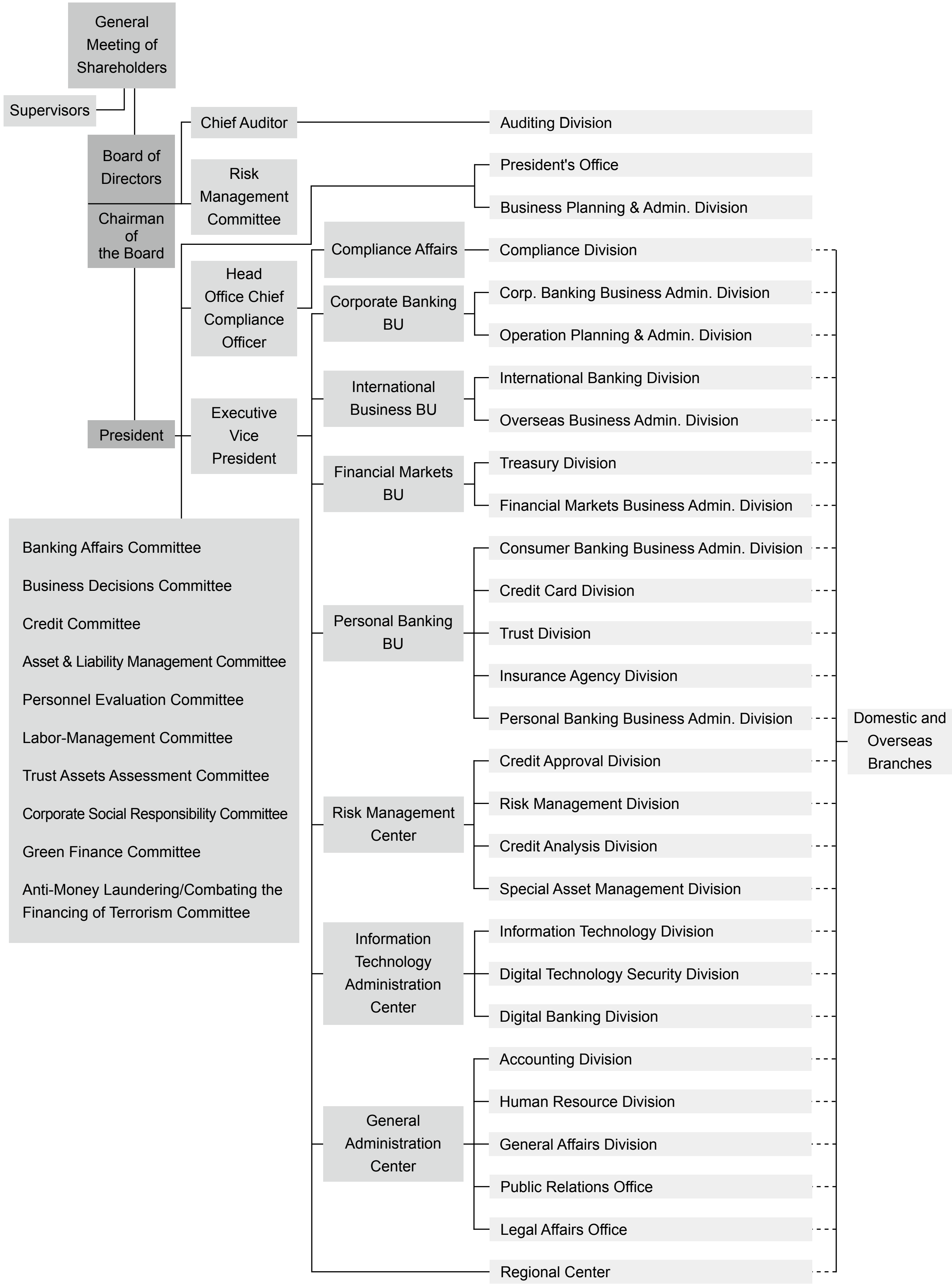
The world economy is on track for steady growth in 2018, but uncertainty remains. The U.S. Fed's tightened monetary policy stance could reduce liquidity, while China's control over its financial system could negatively impact its growth prospects. The rise of protectionism may further curb global trade and investment activity. Non-economic factors, such as geopolitical tension and climate change, will likely weigh on the world growth outlook. The U.S., in our view, will grow at a moderate pace in 2018. The increase in activity will depend on household spending growth, underpinned by the continued strengthening of the labor market and record-low unemployment rates, solid economic fundamentals and the corporate investment incentives at the center of U.S. President Donald Trump's tax overhaul. Uncertainties around U.S. protectionist trade policies, however, may undermine the country's economic prospects. The eurozone's growth momentum is projected to continue amid continued improvement in the labor market and buoyant corporate and consumer sentiment. Recently, calls from some members of the ECB's Executive Board to unwind the quantitative easing program suggest that a return to normalization could be on the horizon. Other risk factors that could be potential headwinds for the region's economic growth include persistent debt problems, Italy's political impasse following the 2018 general election and the uncertainties of Brexit. In Japan, domestic demand is expected to remain strong amid accommodative monetary and fiscal policies, as well as massive investment in the run-up to the 2020 Olympics. The country's growth momentum, however, could lose support from external demand if China's economy slows down further. China's economic growth may see downward pressure ahead due to Beijing's efforts to tighten credit conditions, curb the property market, step up environmental protection and reduce excess capacity. The economic recovery in emerging economies is expected to continue strengthening in 2018, driven by stable commodity prices, sustained infrastructure investment and strong external demand. In its World Economic Outlook update in April 2018, the IMF said it expected expansion of 3.9% this and next year, unchanged from its earlier forecast in January 2018 and higher than its 3.8% growth estimate for 2017. Growth in trade of goods and services was revised up 0.5 percentage point to 5.1% in 2018 and 0.3 percentage point to 4.7% in 2019. The IMF's global forecasts paint a picture of sustained economic growth driven by the continued recovery in world manufacturing activity and global trade. According to the forecast published by Taiwan's Directorate General of Budget, Accounting, and Statistics in February 2018, Taiwan's real GDP would grow at a rate of 2.42% in 2018, slightly down from the 2.86% pace in 2017 but still solid against a higher comparison base of the previous year.

According to the Ministry of the Interior, the number of building transactions in Taiwan increased by 8.43% to 266,086 last year. A variety of factors contributed to the growth, including a lower comparison base of the previous year when the government introduced changes in the property tax system, which impacted the property industry massively; discounts offered by home builders to lure buyers; and a low interest rate environment that made home buying more attractive. The average mortgage rate offered by Taiwan's largest five home loan lenders reached 1.632% in December 2017, nearing the historic low of 1.616% set in May 2010. While global growth is likely to continue through 2018, risk factors, including the global rise in trade protectionism, faster-than-expected monetary tightening, and geopolitical tensions over the Korean Peninsula, the Middle East and Europe, could affect an otherwise robust growth outlook. On the domestic front, the outlook for the property market remains clouded as it is unclear yet whether the government's plans to stimulate infrastructure investment and foster innovation and competitiveness in key sectors of the economy will achieve their objectives. Moreover, long-term real wage stagnation and uncertainty around the 2018 elections for county magistrates and city mayors could hurt homebuyer sentiment. As such, new home sales volume is expected to remain flat or increase modestly while home prices could move in a narrow range or drop slightly in 2018.

Credit-rating Results

Rating Institution	Published Date	ST	LT	Outlook
Standard & Poor's	September 28, 2017	A-2	A-	Stable
Moody's	December 20, 2017	P-1	A2	Stable
Taiwan Ratings Co.	September 28, 2017	twA-1+	twAA+	Stable

Organization Chart



May 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.	Ray-Beam Dawn	Nov. 21'17	■ Ph.D. in Economics, Vanderbilt University, USA Director, Financial Research Division of the Taiwan Institute for Economic Research; Chairman, Bank of Kaohsiung; President, Taiwan Sugar Corporation; President, FFHC; Managing Director, FCB; Director-General, Finance Bureau, Kaohsiung City Government; Chairman, Taiwan Tobacco & Liquor Corporation; Chairman, Central Deposit Insurance Corporation; President, Mega Financial Holding Company; Chairman, Mega Bills Finance Corporation; Chair Professor, the Dept. of Finance, Dean of College of Business, China University of Technology; Chairman, EasyCard Investment Holdings Co., Ltd.; Chairman, Taipei Rapid Transit Corporation	Chairman, First Financial Holding Co., Ltd. (FFHC); Chairman, The First Education Foundation Supervisor, Taiwan Stock Exchange Corporation; Director, National Credit Card Center of R.O.C.
Managing Director	R.O.C.	Grace M. L. Jeng	Dec. 25'14	■ B.S., National Taiwan University Chief of Administration & Planning Dept., Personal Finance Dept., Director, President, FFHC; SVP & Chief of Personal Banking Business Admin. Division; Branch General Manager, EVP, Director, FCB; Director, Chairman, First Commercial Bank (USA); Director, MSIG Mingtai Insurance Co.,Ltd.; Director, National Investment Trust Co., Ltd.; Director, First Insurance Agency; Director, First Securities Investment Trust Co., Ltd.; Chairperson, Wealth Management Business Committee, The Bankers Association of the Republic of China; Director, Taiwan Asset Management Corporation; Director, The First Education Foundation	Director, FFHC; Chairman, First Commercial Bank (USA); Vice Chairman, The First Education Foundation; Director, Taiwan Small Business Integrated; Director, Member of Training and Research Steering Committee, Taiwan Academy of Banking and Finance
Managing Director	R.O.C.	Tien-Yuan Chen	Oct. 22'97	■ B.A., Tamkang University Chairman, Taiwan Coca-Cola Co., Ltd.	Director, FFHC; Director, The First Education Foundation; Chairman, Golden Garden Investment Co., Ltd.; Chairman, Golden Gate Motor Co., Ltd.; Chairman, Golden Gate Investment Co., Ltd.
Managing Director	R.O.C.	Hsien-Feng Lee	July 13'06	■ Ph.D., Bielefeld University, Germany Lecturer of Dept. of Economics, CEO of Public Economics Research Center, National Taiwan University; Advisory Committee Consultant, National Development Council (Council for Economic Planning and Development, Executive Yuan); Director, Farmers Bank of China	Director, FFHC; Director, Yuanta-Polaris Research Institute; Director, Sino-German Education Foundation; Chairman, Sino-German Cultural and Economic Association; Executive Director, Chunghua Association of Public Finance; Member of Public Debt Committee, MOF; Member of Taiwan Lottery Supervisory Committee, MOF; Associate Professor of Dept. of Economics, National Taiwan University
Independent Managing Director	R.O.C.	Hau-Min Chu	July 24'15	■ Ph.D., Brown University Dean & Professor of Dept. of Money & Banking, National Chengchi University; President, Hsing Kuo University of Management; Director, Taiwan Futures Exchange; Managing Director, The Export-Import Bank of the R.O.C; Director, Taiwan Financial Holding Co., Ltd..; Managing Director, Land Bank of Taiwan; Independent Managing Director, FCB	Independent Director, FFHC; Independent Director, WahLee Industrial Corp.; Independent Director, Gamma Optical Co., Ltd.; Adjunct Professor of Dept. of Money & Banking, National Chengchi University; Chair Professor, Takming University of Science & Technology
Independent Director	R.O.C.	Dung-Chun Tsai	July 24'15	■ Ph.D., in Business Administration., University of Illinois. Professor, Associate Professor, Dean of Institute of International Business and Dept. of Transportation & Communication Management Science, CEO of Executive Master of Business Administration, National Cheng Kung University	Professor of Dept. of Transportation & Communication Management Science and Institute of Telecommunications Management, National Cheng Kung University
Director	R.O.C.	Chien-Hao Lin	Feb. 23'18	■ B.L., National Taiwan University VP & Division Chief, Strategy Administration Division; VP & Division Chief, Business Planning & Admin. Division; Branch General Manager; Overseas Branch General Manager; Chief Auditor, FFHC; EVP, Chief of Strategy Planning Department, FFHC	Director, President, FFHC; Supervisor, First Securities Inc.; Director, Taiwan Asset Management Corporation
Director	R.O.C.	Chia-Yin, Hung	Apr. 28'11	■ Ph.D. in Law, National Chengchi University Member of Complaint Review Board for Government Procurement, Taipei City Government; Member of Legal Affairs Committee, MOEA; Member of Petitions and Appeals Committee, MOF; Director, Taiwan Administrative Law Association; Dean of Dept. of Law, Soochow University	Dean of School of Law, Soochow University Supervisor, Taiwan Depository & Clearing Corporation
Director	R.O.C.	Jan-Yan Lin	Aug. 22'08	■ Ph.D. in Business Administration, National Chengchi University Dean of Academic Affairs, Kainan University; Secretary General, Chinese Professional Management Association	Professor of Dept. of Business Administration, Dean of Center for Global Taiwanese Business Studies, Chung Yuan Christian University
Director	R.O.C.	Shang-Wu Yu	Sep. 25'08	■ Ph.D., University of Birmingham, U.K. Chief Secretary for Chairperson, Fair Trade Commission, Executive Yuan; VP, Dean of College of Management, Tungnan University; Dean, College of Management and Language, Yuanpei University; Director, FFHC; Director, Global Link Securities Co., Ltd; Dean, College of Business Management, JinWen University of Science & Technology	Independent Director, TXC Corporation; Director, Taiwan Stock Exchange; Independent Director, Taisun Int'l (Holdings) Corp.; Chair Professor, College of Management & Design, Ming Chi University of Technology
Director	R.O.C.	Lung-Fa Hsieh	Mar. 21'13	■ Ph.D., National Chengchi University; Director, REIJU Constuction Co. Ltd.; Supervisor, Taiwan Life Insurance Co. Ltd.; Dean, College of Management, Dayeh University; Supervisor, Director, Taiwan Depository & Clearing Corporation; VP, Dayeh University; Supervisor, WeShare Education & Charity Fund; Director, Connect secondly with limited company, headhunter of enterprise	Independent Director, Vedan International (Holdings) Ltd.,; Independent Director, Y.C.C. Parts MFG Co. Ltd.; President of Commerce Development Research Institute
Director	R.O.C.	Chun-Tien Hu	July 24'15	■ Ph.D. in Economics, Princeton University Adjunct Associate Professor, Professor, National Taiwan University; Research Fellow, Academia Sinica; Professor, Dean of College of Management, National Kaohsiung University of Applied Science; Professor, Dean of Dept. of Economics, Chinese Culture University; Managing Director, Taipei Agricultural Products Marketing Corporation; Consultant, Taipei City Government	Director, China Foundation for the Promotion of Education and Culture; Adjunct Research Fellow, Academia Sinica
Director	R.O.C.	Hwey-Jane Lin	July 24'15	■ M.A., Doctoral Program, Accounting Dept., The Wharton School, University of Pennsylvania CEO, Taiwan Accounting Education Foundation; CEO & Committee Member, Education & Training Committee, Accounting Research and Development Foundation; Committee Member, Administrative Commission of the Cable Radio and Television Development Fund, Government Information Office, Executive Yuan; Associate Professor, Dept. of Accounting, Fu Jen Catholic University; CPA; National Chiao Tung University; Associate Professor, Dept. of Accounting, National Taiwan University; Standing Supervisor, FCB; Supervisor, First-Aviva Life Insurance Co., Ltd.	Supervisor, CareerJust Accounting Service; Director, CEO, Taiwan Accounting Education Foundation; Supervisor, NTU Innovation & Incubation Co., Ltd; Adjunct Associate Professor, Dept. of Accounting, National Taiwan University
Director	R.O.C.	Hsiao-Ling Tseng	July 26'12	■ LL.B., Fu Jen Catholic University Lawyer of Lord's International Law Office; Branch Deputy Manager, Deputy Manager of Special Asset Management Division, Branch Deputy General Manager, FCB	Branch Deputy General Manager, FCB; President, First Commercial Bank Industrial Union; Director, First Investment Limited; Member of Labor Funds Supervisory Committee, Ministry of Labor

(to be continued)

Title	Nationality or Place of Registration	Name	Date of First Appointment	Education and Career Background	Other Incumbent Post
Standing Supervisor	R.O.C.	Ming-Yuan Chiu	Oct. 24'13	■ Ph. D., Bulacan State University Lecturer, Associate Professor, Professor, Director of Accounting Office, Dean of Academic Affairs Dept.and General Affair Dept., Southern Taiwan University of Science and Technology; President, Tung Fang Design Institute	Standing Supervisor, Association of Private Universities and Colleges of Taiwan; President, Ching Kuo Institute of Management and Health Professor, Graduate School of Health Industry Managment
Supervisor	R.O.C.	Yih-Cherng Yang	July 19'00	■ M.S., National Taiwan University Director, FCB; Managing Director, Standing Supervisor, China Bills Finance Corp.; Director, Amcad Biomed Corporation; President, Taiwan Small Business Integrated Assistance Center; Director, Taiwan Incubator SME Development Corporation	Consultant, Taiwan Incubator SME Development Corporation; Supervisor, Yiu Hwa Management Consultant Co., Ltd.; Independent Director, Amcad Biomed Corporation
Supervisor	R.O.C.	Liang Chen	June 30'11	■ MBA, Finance, Bernard M. Baruch College, The City University of New York Vice President, 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.; Director, 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; Professor of Accounting Dept., Dean of Fintech Center, Soochow University
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	Vice President, Professor, Hsing Wu University; Supervisor, R.O.C. Earthquake Insurance Foundation

February 28, 2018

Executive Officers

Title	Nationality or Place of Registration	Name	Date of First Appointment	Education and Career Background	Other Incumbent Post
President	R.O.C.	Grace M. L. Jeng	Aug. 28'17	■ B.S., National Taiwan University SVP & Chief of Personal Banking Business Admin. Division; SVP & General Manager of Yuan-Shan Branch; EVP, FCB; Director, First Insurance Agency; President, FFHC; Director, First Securities Investment Trust Co., Ltd.; Director, Taiwan Asset Management Corporation	Director, FFHC; Managing Director, FCB; Chairman, First Commercial Bank (USA); Vice Chairman, The First Education Foundation; Director, Taiwan Small Business Integrated; Director, Taiwan Academy of Banking and Finance
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	Director, First-Aviva Life Insurance Co., Ltd; Supervisor, Taiwan Small Business Integrated
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)
EVP	R.O.C.	Miao-Fen Tuan	Dec. 24'15	■ MBA., The Chinese University of Hong Kong SVP & Head of Corporate Banking Business Admin. Division, FCB; Supervisor, Financial Information Service Co., Ltd.; Director, First Securities Inc.; Supervisor, Taiwan Small Business Integrated Assistance Foundation	Director, Taipei Financial Center Corporation
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.	Pei-Wen Liu	Nov. 30'16	■ 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.	Ching-Hui, Chou	Aug. 25'17	■ B.S., Southern Taiwan University of Science and Technology SVP & Division Chief of Treasury Division, FCB	Supervisor, TAIFX
EVP	R.O.C.	Shun-Jung, Huang	Aug. 25'17	■ SVP & General Manager of Yen-Cheng Branch, Hsiao-Kang Branch, Kang-Shan Branch and Hsin-Hsing Branch, SVP & Chief of Credit Approval Division, SVP & Head of Kaohsiung District Center, FCB	Advisor & Head of Risk Management Department, FFHC; Director, Taiwan Asset Management Corp.
EVP	R.O.C.	Ma-Li, Shih	Feb. 23'18	■ 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	None
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 13, 2018

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	2.20
Vanguard Emerging Markets Stock Index Fund	1.44
Chunghwa Post Co., Ltd.	1.26
Dimensional Emerging Markets Value Fund	1.20
Vanguard Total International Stock Index Fund, A Series of Vanguard Star Funds	1.01
Government of Singapore	0.99
China Life Insurance	0.92

February 28, 2018

Banking Operations

Scope of Operations

Banking Business Line

1. Receive all kinds of deposits.
2. Issue financial bonds.
3. Extend loans.
4. Discount bills and notes.
5. Invest in securities.
6. Engage in domestic remittances.
7. Engage in acceptance of commercial drafts.
8. Issue local letters of credit.
9. Guarantee the issuance of corporate bonds.
10. Engage in domestic guarantee business.
11. Act as collecting and paying agent.
12. Act as agent to sell government bonds, treasury bills, corporate bonds and stocks.
13. Act as securities underwriter.
14. Engage in securities trading on its own account.
15. Engage in warehousing and custodian services.
16. Engage in rental safe deposit box.
17. Engage in agency services related to the business listed on business license or approved by the competent authorities.
18. Engage in credit card business.
19. Act as agent to sell gold bullions, gold and silver coins.
20. Purchase and sale of gold bullions, gold and silver coins.
21. Engage in guarantee business of import and export of foreign trade, outward and inward remittances, foreign currency deposits and foreign currency loans.
22. Engage in outward and inward remittances and foreign currency deposits business.
23. Purchase and sale of foreign currency cash and traveler's checks.
24. Engage in derivative financial products business approved by the competent authorities.
25. Engage in trust business as regulated.
26. Handle the investment in foreign securities under non-discretionary trust of money service.
27. Purchase and sale of government bonds.
28. Act as broker, dealer, registrar and underwriter for short-term debt instruments.
29. Provide financial consultation service for financing.
30. Act as agent to sell charity lottery tickets approved by the competent authorities.
31. Engage in foreign exchange margin trading.
32. Sale of domestic mutual funds under non-discretionary trust of money service.
33. Handle the investment in domestic securities investment trust funds under non-discretionary trust of money service.
34. Purchase and sale of corporate bonds and financial bonds.
35. Act as agent to collect and make payments for real transactions.
36. Cooperate with or assist foreign institutions in engaging in activities associated with electronic payment business within the territory of the Republic of China.
37. Concurrently conduct personal insurance agency business and simultaneously open property insurance agency business.
38. Other related business approved by the competent authorities.

Trust Business Line

1. Trust Business
   - Trust of money
   - Trust of loans and related security interests
   - Trust of securities
   - Trust of real estate
   - Trust of superficies
   - Handling discretionary investment business by means of trust
2. Affiliated business
   - Act as agent for issuance, transfer, registra-tion of securities, and for distribution and payment of dividends and bonuses.
   - Provide consultation services for securities issuance and subscription.
   - Provide registration for securities.
   - Act as trustee for issuance of bonds and engage in agency services related to the business.
   - Provide custody services.
   - Act as custodian of securities investment trust funds.
   - Provide consultation services in connection with investments, assets and real estate development.
   - Concurrently conduct securities investment consulting business.
   - Manage the real estate of elderly and disabled persons as an affiliated trust business.
   - Other related business approved by the com-petent authorities.

Main Figures for Business Operations

		2017 NT$,000	%	2016 NT$,000	%
Deposits at year end					
Current Deposits	Checking deposits	48,756,852	2.3	48,538,316	2.3
	Demand deposits	564,472,795	26.1	548,478,692	26.3
	Savings deposits	663,517,255	30.8	645,789,149	30.9
	Subtotal	1,276,746,902	59.2	1,242,806,157	59.5
Time Deposits	Time deposits	410,340,788	19.0	394,200,404	18.9
	Time savings deposits	317,721,647	14.7	324,094,454	15.5
	Subtotal	728,062,435	33.7	718,294,858	34.4
Others	Due to other banks	922,810	0.1	1,726,225	0.1
	Overdrafts from other banks	819,393	0.0	1,178,371	0.1
	Call loans from other banks	152,108,877	7.0	123,307,988	5.9
	Subtotal	153,851,080	7.1	126,212,584	6.1
Total		**2,158,660,417**	**100.0**	**2,087,313,599**	**100.0**
Loans at year end					
Corporate		783,552,622	49.5	784,269,046	50.7
Consumer		445,638,366	28.2	433,357,392	28.0
Domestic branches In foreign currencies		51,090,952	3.2	48,204,787	3.1
Foreign branches		300,675,845	19.0	279,654,708	18.1
Import-export negotiations		965,690	0.1	1,577,834	0.1
Total		**1,581,923,475**	**100.0**	**1,547,063,767**	**100.0**
Foreign Trade and Payment (US$,000)					
FX buy	Export negotiations and collections	4,150,497	2.0	4,039,038	2.3
	Inward remittances	111,987,049	52.8	90,011,595	52.5
	Subtotal	116,137,546	54.8	94,050,633	54.8
FX sell	Import L/Cs and collections	5,233,718	2.4	4,581,033	2.7
	Outward remittances	90,727,252	42.8	72,858,060	42.5
	Subtotal	95,960,970	45.2	77,439,093	45.2
Total		**212,098,516**	**100.0**	**171,489,726**	**100.0**
Total Revenues					
Interest income		42,575,709	49.5	40,359,605	49.0
Fees and commissions		8,987,053	10.5	9,661,541	11.7
Gains on financial assets and liabilities		5,867,497	6.8	3,288,059	4.0
Income from equity investments accounted for under the equity method		280,178	0.3	205,078	0.2
Foreign exchange gains		75,651	0.1	997,173	1.2
Other non-interest income		28,257,114	32.8	27,927,513	33.9
Total		**86,043,202**	**100.0**	**82,438,969**	**100.0**
Total Expenses					
Interest expense		13,732,522	20.1	12,561,786	20.3
Fees and commissions		1,530,389	2.2	1,626,287	2.6
Provision for credit losses		6,839,495	10.0	2,050,028	3.4
Business and administrative expenses		18,465,738	27.0	18,963,492	30.6
Other non-interest expenses and losses		27,866,278	40.7	26,713,619	43.1
Total		**68,434,422**	**100.0**	**61,915,212**	**100.0**

NT$,000		2017	2016
Trust Business			
Balance at year end	Custody of funds and other investment assets	830,351,126	764,749,270
	Domestic trust assets	69,380,157	70,348,893
	Foreign trust assets	136,967,668	131,029,009
	Trustee accounts	-	60,695,534
	Family wealth trust assets	1,773,211	2,392,247
	Employee bonus trust assets	1,020,336	1,111,409
	Real estate trust assets	23,355,956	21,427,911
	Securities trust assets	88,223,538	88,611,646
	Securitization trustee assets	-	100,059
	Project trust assets	10,898,895	13,166,054
	Real estate escrow trust assets	1,104,126	738,846
	Collective management accounts	219,182	224,739
	Individual management accounts	-	-
Transaction volume	Registrar for issuance of securities	23,459,459	36,163,539
E-Banking Business			
Corporate online banking		4,552,656,000	4,335,714,000
Individual online banking		250,124,000	246,868,000
Mobile banking		99,228,000	65,856,000
Investment Business			
Transaction volume	Bills outright buy/sell (OB/OS)	306,614,811	266,847,699
	Bills repurchase/resale (RP/RS)	-	-
	Bills underwriting	13,050,000	23,320,000
Balance at year end	Bonds	217,979,814	224,271,841
	Stocks (short-term investment)	5,563,604	4,078,597
Credit Card Business			
Number of active cards		654,065	640,575
Transaction volume		50,630,025	48,941,838
Revolving balance of credit cards		1,471,166	1,470,622
Wealth Management Business (transaction volume)			
Mutual funds		100,294,603	78,516,262
Insurance		36,421,240	34,216,868

Market Analysis

International Network

We have 188 branches in Taiwan as of the end of 2017. As our clients expand internationally, they increasingly rely on our services and support in markets across Europe, Asia, North America and Oceania. Situated primarily in metropolitan areas and key financial hubs, our foreign locations include 27 branches, two representative offices and a U.S.-based subsidiary bank that operates six branches. Going forward, our expansion strategy will focus on Greater China, Southeast Asia and developed economies including the eurozone, the U.S., Japan and Australia. Our goal is to become an Asia-focused bank with a global network that supports and facilitates seamless delivery of financial services.

Supply, Demand and Growth Conditions Underlying the Banking Market

The Supply Side

Taiwan's banking sector is highly competitive and near the saturation level due to a large number of players. A combination of persistently low interest rates, competition from non-financial firms and the rise of internet finance sector has weighed on lending growth and profitability. Against this challenging backdrop, we continue to maintain strong credit discipline, enter new markets to boost profit, explore opportunities arising from economic and geopolitical events, and closely monitor changes in the currency market to hedge against unexpected increases in volatility. We have introduced digital banking facilities, including Virtual Teller Machines, to deliver services beyond the traditional counter set-ups, and helped our employees develop skills that they need to thrive in the age of digital banking. In addition, we have been forming partnerships across the ecommerce ecosystem to capitalize on the trends in internet-based shopping and banking.

The Demand Side

Taiwan's financial institutions have been expanding in the burgeoning economies of Asian countries through partnerships and acquisition with the aim of exploring new sources of growth and diversifying risk across geographies. Many of them share the same aspiration of becoming regional champions. Meanwhile, the rise of FinTech is raising the need for banks to harness technology-driven innovation. Amid this rapidly evolving landscape, the Financial Supervisory Commission has focused its efforts on regulatory reforms, consumer protection, cybersecurity and data capabilities. The regulator also has allowed more banking services to be processed online and promoted mobile payments in order to create a supportive environment for digital banking. Noting the trends in demographics, including increasing longevity and decreasing fertility rates, banks are offering products designed to help people deal with the challenges of aging and fund their retirement years, including trusts for elderly individuals and reverse mortgages.

Competitive Advantages, Favorable and Unfavorable Factors that Affect Development Prospects and Responsive Measures

We are widely recognized for the strength of our execution capabilities, innovative thinking, successful expansion strategy, deep client relationships, and a track record of financial performance that balances return and risk. As we build on our success and prepare for the future, we are steadfast in our support of the "New Southbound Policy" and the seven sectors of the economy that the government has identified to be the key to Taiwan's future: renewable energy, the Internet of Things (also referred to as Asia Silicon Valley), biomedical, defense, smart machinery, high-value agriculture and the circular economy. Looking ahead, we will align our strategy with the trends that are shaping the environment to meet challenges and realize new opportunities.

Favorable Factors

- a century-old brand with a management philosophy aiming for stable growth
- a market-leading presence, an extensive branch network and deep client relationships
- a high level of internalization and global footprint that spans Europe, the U.S. and Greater China
- a growing presence in Southeast Asia and comprehensive coverage in Asia-Pacific region
- a track record of profitable growth supported by our core strength in corporate banking
- a comprehensive portfolio of cross-border receivables financing and supply and distribution chain solutions
- a heightened focus on transition to digital channels and social media engagement
- synergies created by connecting and integrating resources of parent company First Financial Holdings
- balance sheet strength and sound risk management practices
- a concentrated shareholding structure and a stable management team
- a long-standing commitment to talent development in the context of international competition
- an increase in credit demand from SMEs amid a gradual economic recovery

Unfavorable Factors

- slowing growth in the financial services sector, which negatively impacts economic growth
- the rise of direct finance and alternative sources to raise capital, which weaken the roles played by banks as financial intermediaries
- a banking market characterized by too many players, poor profitability and fierce price competition
- highly homogeneous products and services and a lack of innovative capacity
- relatively small-scale operations of local banks compared to those of global counterparts
- increased volatility in financial markets and macro-economic situations

Responsive Measures

- respond to changes in the business environment by leveraging market knowledge and sector expertise
- take an integrated approach to business processes and procedures, with this integrated operational model laying the groundwork for future growth
- accelerate the transition to digital channels, create smart, intuitive services through technology and use big data analytics in marketing
- create value through selective application of capital and promote value-added products and services that increase customer stickiness and retention
- continue expansion in South Asia and Southeast Asia in support of the "New Southbound Policy," broaden the scope of business in foreign offices and speed up their migration to full-service branches, and combine a global reach with deep local insight
- strengthen sales capabilities, develop potential successors and build a globally-minded talent pool
- embed citizenship into our core business and make a positive, lasting impact on society

Business Plans for 2018

Corporate Banking

- develop efficient customer service operations, drive fee income as a percentage of total revenue and drive penetration into priority segments through the assignment of a single account officer as one point of contact for all banking transactions of priority customers while taking a task-oriented approach to the formation of marketing team
- support alternative energy resources, such as methane from biogas, solar energy and wind power, by providing loans and other financing to green enterprises, operators of renewable energy facilities, biogas plants and companies operating in the seven strategically-important sectors of the economy targeted by the government
- gain deep knowledge about clients' overseas investment activity and drive collaboration between domestic and foreign branches in the syndication of international loan facilities and foreign-denominated loans, as part of a broader effort to support the "New Southbound Policy"
- use data analytics to reach target customers, identify potential customers and create opportunities to sell loans
- apply artificial intelligence to drive customer acquisitions and facilitate the online application process for micro-business loans
- draw on the strength of the corporate banking franchise to develop new, high value products, such as loans for the reconstruction of aged and damaged buildings

- penetrate prospective customers by leveraging supply chain relationships and generate new business leads across the entire value chain of clients
- increase the volume of loans granted with the credit guarantee facility in order to gain maximum advantage from capital mitigation
- explore new branch design concepts to enrich customer interactions and give branches unique functionalities that reflect the local surroundings and the specific customer groups they serve
- create a seamless consumer experience through innovative customer-centric technologies, such as video teller machines and Pepper the humanoid robot

Foreign Exchange and Overseas Business

- use data analytics to reach potential customers with targeted marketing messages and penetrate more deeply into the targeted segment of import/ export companies
- optimize the income potential of the Bank's foreign exchange portfolio by promoting fee-based, capital-light currency exchange and trade finance services and create integrated marketing plans to upsell foreign deposit clients into additional products and services
- freshen up marketing campaigns with new thinking and creative ideas – for instance, limited time/quantity offer – in order to capture the market's attention
- use two-factor authentication when transferring funds through the SWIFT system in order to add an extra layer of security and enhance risk controls
- continue expansion in Southeast Asia and South Asia in support of the "New Southbound Policy" and assess the possibility of adding new locations based on the pace of economic growth in advanced economies
- become the primary bank for treasury and cash management transactions for corporate clients by leveraging the Bank's international business network and cross-border transaction capabilities that encompass the settlement system, the remittance service platform and the second-generation China National Advanced Payments System
- encourage foreign branches to develop supply chain financing based on the characteristics of customers and to penetrate more deeply into their existing customer base
- help foreign branches understand the markets they operate in, use that knowledge to promote select lines of business, such as mortgages, supply-chain financing and micro-financing, and develop distinct advantages relative to their rivals
- offer a competitive compensation package to employees stationed abroad and the opportunities to advance their career and develop new skills through personnel rotation between foreign branches

Treasury and Markets

- work closely with account officers to deepen pocket share of existing clients through relationship building and with a focus on driving derivatives trades while acquiring new accounts with a diverse product line-up and integrated solutions
- participate in the decision-making process concerning credit evaluation and approval, syndicated loans and supply chain financing to help identify potential unmet needs of customers through the use of data analytics

Treasury and Markets

- offer a diverse range of structured products that include Dual Currency Investment (DCI), increase the frequency of issuing this short-term currency-linked structured product, and make it more appealing to invest into by highlighting DCI's high turnover rate and probability of profiting
- develop loans linked to derivative instruments and expand the range of trading tools available to target customers
- partner with foreign banks to drive the volume of transactions in structured products from professional investment institutions
- increase exposure to foreign markets with investment in foreign stocks and bonds to diversify sources of income and achieve balanced income growth
- reduce exposure to Europe and increase holdings in emerging Asian markets, which offer higher return potential, and North America, which enjoys a sustained recovery in the economy, to enhance investment performance
- keep informed of green bond issues at home and abroad and evaluate the benefits and risks of investing in them, taking into consideration credibility of the issuer and the structure of the issue
- trade for short, medium to long-term periods in line with market volatility and combine short-term trading with buy-and-hold investing to enhance return on capital
- use gap trading to reduce cost of funds, leverage the advantages of an international business network to secure funding at a lower cost of capital, and earn a spread through the interbank lending market
- look for opportunities to launch bonds on the International Board of the Taipei Stock Exchange depending on the market conditions, the liquidity profile and the market-going interest rates so as to raise foreign currency to improve the Bank's funding availability and ability to enhance spread and profitability

Personal Banking

- develop niche advantages in the wealth-management sector via trust products that support retirement spending, prepare for the transfer of wealth and help families, especially those of business owners and successful entrepreneurs, accomplish their estate planning goals, complemented by reverse mortgages and long-term care insurance
- partner with leading asset managers to become their custodian of new funds and introduce a wide, diverse variety of fund products, including international bond funds of varying currencies, terms to maturity and dividend
- build effective marketing lists through predictive analytics, drive sales of offshore funds and funds with a back-end load, which normally generate higher commission revenues, increase penetration into customer accounts via the promotion of automatic investment plans, and grow the size of trust assets
- expand the insurance product line-up in line with consumer preferences by introducing new investment-linked policies and insurance-cum-savings products that offer policyholders flexible options to pay either in lump sum or regularly throughout policy term

- provide front-line staff with advice and guidance from internal experts on how to maintain relationships with high priority customers, especially the high net worth ones, with expert advice
- develop lasting relationships with holders of corporate salary accounts, consumer banking clients and deposit holders and serve them with tailored offerings to increase upsell and cross-sell opportunities
- create a sales force automation system for use throughout the organization to facilitate customer relationship management and drive future business
- develop robo-advisors that provide automated portfolio analysis and investment recommendations tailored to clients' financial objectives
- penetrate the revolving mortgage segment and increase customer lifetime value and loyalty
- integrate artificial intelligence with the online mortgage calculator to help loan applicants know how much money they can borrow and at what rates, thus enabling more efficient home loan application process and better customer experience
- promote the multifunction POS cash register that was developed jointly with Turn Cloud Tech and encourage operators of electronic payment and e-ticketing systems to adopt this all-in-one POS solution in their transactions
- develop a tag library to capture the dynamic behavior of credit card consumers, identify their potential needs and enhance online services available to them
- use data analytics in the review of loans during the loans' life cycle to predict default probability and improve the effectiveness of risk management

Risk Management

- use artificial intelligence in property valuation to improve the appraisal process and lay the groundwork for generating new business
- enhance controls around the detection of suspicious activity to reduce fraud risk
- allow more flexibility in determining group-level credit and investment risk tolerance, implement risk reporting infrastructures and improve credit and risk management
- improve the analytic content of credit scoring reports on conglomerates
- improve the credit evaluation system and integrate it with existing databases to more accurately and precisely assess the credit worthiness of conglomerates seeking credit
- link internal and external databases with automation tools to increase the volume of loan applications being evaluated
- base credit underwriting decisions on the anticipated returns on capital employed, using analytics that calculate and determine the minimum acceptable rate of return on capital
- shorten the time it takes developers to build risk models through Big Data Risk Analysis, which allows for more accurate decision-making and more effective risk mitigation
- monitor high-risk loans via early warning alerts to optimize collection efficiency

- apply rolling wave planning to better manage delinquent credit and improve collection performance

Digital Banking and Information Technology

- invest in interface design – referred to as the user interface (UI) and user experience (UX) – to reinvent the mobile banking experience and facilitate the delivery of high-quality banking services
- launch the next-generation corporate banking portal that features enhanced transaction capability and easy navigation on all browsers and integrate customer data and analytics into the consumer banking website to enable more personalized services
- plan and develop programs to introduce artificial intelligence into the organization, streamline operational processes and procedures and optimize the digital channel experience
- use enterprise mobility management solutions to secure and manage apps and content across a variety of mobile devices
- use the breadth and depth of data available to enable a wide range of applications, including precision marketing for consumers, precision marketing for corporations (facilitated by CRM software), early and predictive warning of high-risk clients and opinion mining
- keep up with the latest trends shaping the banking sector and continue cooperation with major partners to bring expertise in FinTech innovation
- plan and assess the impact of upgrading the core banking system
- develop an application programming interface platform to enable flexible integration of software applications inside and outside of the organization
- adopt new agile development and testing automation tools to enable shorter turnaround time and faster, more responsive support
- ensure network separation, i.e. the physical isolation of sensitive networks from the internet, between domestic and foreign branches to protect internal data from external hacking and strengthen the organization's overall security
- implement programs that address advanced persistent threat and enhance the detection and early warning of other cybersecurity problems

Administration

- use online channels, including cloud, to attract and recruit prospective employees and improve company image
- align talent management strategy with business strategy, help employees develop a diverse range of capabilities that are needed by the organization, and grow the internal talent pool to meet the needs of the future
- provide compliance and anti-money laundering training to instill a culture of compliance and increase employees' awareness of the importance of protecting the information that they handle
- allocate assets to achieve optimal results across the organization
- make green finance a priority, fulfill sustainability development goals and act responsibly as a corporate citizen

- volunteer time and expertise towards the communities, invite customers to contribute to philanthropic causes, and use digital media to influence public interactions and improve corporate image

Compliance

- develop organizational systems and controls to monitor, manage and mitigate the risks of money laundering and terrorist financing
- strengthen the control processes and procedures, as well as the risk assessment, for combating money laundering and terrorist financing
- reinforce compliance in foreign branches by taking a tiered approach to managing the compliance and control functions
- anticipate and respond to changes in the regulatory environment with appropriate actions
- identify, address and take accountability of potential compliance and money laundering risks involving new products, services and initiatives
- improve the efficacy of the compliance function by strengthening the processes and procedures for compliance tests and employee appraisals
- ensure employees' adherence to regulatory requirements and increase their knowledge of legal matters

Corporate Governance

Item	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?	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?	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?		
	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	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
	2. The Bank has established a spokesperson system, customer feedback hotline and email, and set up a customer service message 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 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. 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? 2. Does the bank use other methods?	1. Annual Report, major financial statements and corporate governance are publicized on the Bank's website. 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; Ms. Miao-Fen Tuan, EVP is appointed spokesperson.	no deficiency no deficiency
E. Does the bank has other information related to corporate governance?	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	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
	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." 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. 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. 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. 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 no deficiency no deficiency no deficiency no deficiency
F . Does the bank has corporate governance self-assessment report?	subject to implementation of 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 methodology for calculating capital requirements: standardized approach.

The Credit Exposures after Risk Mitigation and Minimum Capital Requirements by the Standardized Approach as of December 31, 2017 (in NT$,000)

Type of risk	Credit exposures after risk mitigation	Minimum capital requirements
Sovereigns	484,697,600	170,020
Non-central government public sector entities	13,651	916
Banks (including multilateral development banks)	253,762,858	6,892,040
Corporates (including securities firms and insurance co.)	902,349,296	68,912,422
Regulatory retail portfolios	272,843,951	16,565,866
Residential property	424,533,296	17,886,572
Equity investments	4,209,729	336,778
Other assets	75,460,970	3,483,017
Total	2,417,871,351	114,247,631

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, 2017

Item	Minimum capital requirements (in NT$,000)
Interest rate risk	716,384
Equity position risk	909,063
Foreign exchange risk	835,138
Commodities risk	0
Total	2,460,585

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, 2017

Year	Operating profit	Minimum capital requirements (in NT$,000)
2017	42,667,023	
2016	40,555,484	-
2015	38,299,521	
Total	121,522,028	5,945,768

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, 2017

(in NT$,000)

Type	Purchased or Held Securitized Products Exposure	Minimum capital requirements
Banking book		
Collateralized Mortgage Obligations	174,116	2,786
Assets Backed Securities	594,848	23,794
Trading book	-	-
Total	768,964	26,580

Information on Securitized Products as of December 31, 2017 (in NT$,000)

Items	Accounting category	Original cost	Gain/ Loss of accumulated valuation	Accumulated impairment	Book value
CMO	Held-to-maturity financial assets	173,981	-	-	173,981
ABS	Financial assets designated as at fair value through profit or loss	296,800	451	-	297,251
	Available-for-sale financial assets	296,800	1,158	-	297,958

Corporate Responsibility and Ethical Behavior

The Bank has always endeavored to fulfill its social responsibility. In 2017, we continued to carry out public-benefit activities summarized below:

- ▸ Made donation to "Financial Services Industry Educational Foundation" for underprivileged students and remote & isolated community.
- ▸ Made donation to "Financially-at-Ease Program" for NCKU students.
- ▸ Co-sponsored with Ministry of Finance to hold "Uniform Invoice Cup Race", originating a uniform invoice-donation activity for disadvantaged groups.
- ▸ Provided food and supplies to socially disadvantaged groups or residents in remote areas through 80 volunteering programs, benefiting as many as 11,467 people.
- ▸ Gave our overseas volunteer medical consultation in Pursat Province, Cambodia.

■ Environmental Sustainability

Took part in Earth Hour (March 25) and Earth Day (April 22) events by switching off lights for an hour to show our support of energy conservation and reduction of carbon footprint.

■ The First Education Foundation

The Foundation fostered the following public-benefit activities in 2017:

- Sponsored three elementary schools, and provided psychological counseling and after-school academic assistance for children in need.
- Three large public-benefit concerts were held in Taipei, Taichung and Kaohsiung in March, June and November respectively.
- Invited music and dance groups made of patients and the physically challenged to perform at National Taiwan University Hospital, thus offering a creative outlet to patients and bringing to them the healing power of arts.
- Held arts exhibitions every month at the Headquarters to promote and integrate arts into everyday life, make the office space aesthetically pleasing and enrich service experience.
- Invited doctors and professors to give health lectures, thus promoting health knowledge to employees.
- Gave our volunteer medical consultation in remote & isolated community.

■ Employee Ethical Behavior

To prevent employees from unethical behavior and doing harm to corporate image, we have not only strengthened employees ethical evaluation but have also established an abnormal behavior reporting and follow-up guidance management mechanism designed to manifest staff care management and understand their work, physical, mental, and financial status. Staff behavior is strictly regulated, and violations of moral rules are handled in accordance with the law.

Significant Financial Information - Consolidated

Condensed balance sheets (IFRS compliant)

NT$,000	**12.31.2017**	12.31.2016	12.31.2015	12.31.2014	12.31.2013
Cash and cash equivalents, due from the Central Bank and call loans to banks	239,344,421	271,425,310	301,787,880	240,659,807	215,115,150
Financial assets at fair value through profit or loss	100,249,302	83,253,379	87,332,352	50,114,468	41,551,918
Available-for-sale financial assets, net	149,792,285	139,290,914	88,705,301	77,674,581	85,532,583
Derivative financial assets for hedging	-	-	-	-	-
Securities purchased under resell agreements	-	-	-	-	-
Receivables, net	63,380,967	54,763,105	67,658,175	55,159,359	59,683,527
Current tax assets	437,888	416,404	1,610,276	2,420,478	2,633,667
Assets classified as held for sale	-	-	-	-	-
Loan discounted, net	1,580,079,849	1,544,205,607	1,480,108,873	1,497,006,908	1,431,260,245
Held-to-maturity financial assets, net	386,605,113	344,583,594	356,817,150	307,625,308	304,110,961
Investments measured by equity method, net	1,829,956	1,770,970	1,748,629	2,072,059	856,625
Restricted assets	-	-	-	-	-
Other financial assets, net	8,115,659	7,682,304	12,871,246	25,650,264	28,242,811
Property and equipment, net	26,660,231	26,707,125	26,988,698	27,546,466	27,729,949
Investment property, net	6,942,132	6,960,837	6,975,756	6,429,494	5,848,151
Intangible assets, net	394,255	360,736	347,268	382,777	288,446
Deferred tax assets, net	3,019,820	1,585,551	1,764,265	1,609,952	1,604,808
Others assets, net	3,063,629	2,247,288	2,364,782	2,391,093	2,224,759
Total assets	**2,569,915,507**	**2,485,253,124**	**2,437,080,651**	**2,296,743,014**	**2,206,683,600**
Deposits from the Central Bank and banks	153,890,754	126,253,621	129,174,491	126,095,434	141,375,782
Due to the Central Bank and banks	82,364	95,859	63,088	80,968	69,243
Financial liabilities at fair value through profit or loss	34,398,308	23,923,922	30,513,494	23,464,824	14,906,202
Derivative financial liabilities for hedging	-	-	-	-	7,973
Notes and bonds issued under repurchase agreements	11,588,250	7,532,897	2,608,441	4,922,050	10,966,322
Payables	76,374,564	66,594,839	63,328,273	62,324,815	56,305,037
Current tax liabilities	2,523,826	1,582,953	2,106,651	2,207,686	2,422,777
Liabilities related to assets classified as held for sale	-	-	-	-	-
Deposits and remittances	2,019,708,298	1,975,466,701	1,949,300,514	1,826,398,350	1,734,623,649
Bank notes payable	29,300,000	37,300,000	37,300,000	34,900,000	42,700,000
Preferred stock liabilities	-	-	-	-	-
Other financial liabilities	32,883,096	40,304,757	22,000,339	47,474,760	57,020,964
Provisions	6,001,360	5,902,962	6,293,640	5,732,685	5,636,839
Deferred income tax liabilities	6,356,729	5,721,707	5,720,501	5,724,379	5,750,211
Other liabilities	4,548,792	3,941,820	5,187,166	4,206,145	3,310,974
Total liabilities	**2,377,656,341**	**2,294,622,038**	**2,253,596,598**	**2,143,532,096**	**2,075,095,973**
Equity attributable to owners of parent	**192,259,166**	**190,631,086**	**183,484,053**	**153,210,918**	**131,587,627**
Common stock	89,064,000	89,064,000	86,244,000	75,859,000	66,351,000
Capital surplus	34,848,216	34,848,216	34,848,216	22,669,729	19,669,729
Retained earnings	62,587,008	60,184,504	53,778,098	47,650,662	41,759,944
Other equity interest	5,759,942	6,534,366	8,613,739	7,031,527	3,806,954
Treasury shares	-	-	-	-	-
Non-controlling interests	-	-	-	-	-
Total equity	**192,259,166**	**190,631,086**	**183,484,053**	**153,210,918**	**131,587,627**
Total liabilities and equity	**2,569,915,507**	**2,485,253,124**	**2,437,080,651**	**2,296,743,014**	**2,206,683,600**

Condensed Statements of Income (IFRS compliant)

NT$,000	**2017**	2016	2015	2014	2013
Interest incomes	43,355,647	41,088,913	42,021,429	42,198,166	37,465,086
Interest expenses	(13,808,263)	(12,639,626)	(13,905,978)	(14,406,492)	(11,994,966)
Net interest income	29,547,384	28,449,287	28,115,451	27,791,674	25,470,120
Net non-interest income	13,932,907	13,743,171	10,939,218	10,425,907	7,926,668
Net income	43,480,291	42,192,458	39,054,669	38,217,581	33,396,788
Bad debts expense and guarantee liability provision	(6,808,128)	(2,221,178)	(506,456)	(3,933,456)	(4,027,156)
Operating expenses	(18,817,603)	(19,332,057)	(19,365,772)	(18,284,896)	(16,680,386)
Income from continuing operations before income tax	17,854,560	20,639,223	19,182,441	15,999,229	12,689,246
Tax expense	(2,712,676)	(2,940,687)	(3,082,350)	(2,618,078)	(2,044,519)
Income from continuing operations, net of tax	15,141,884	17,698,536	16,100,091	13,381,151	10,644,727
Income from discontinued operations	-	-	-	-	-
Profit	15,141,884	17,698,536	16,100,091	13,381,151	10,644,727
Other comprehensive income, net of tax	(1,213,804)	(2,099,071)	994,557	3,242,140	1,165,003
Total comprehensive income	13,928,080	15,599,465	17,094,648	16,623,291	11,809,730
Profit, attributable to owners of parent	15,141,884	17,698,536	16,100,091	13,381,151	10,644,727
Profit, attributable to non-controlling interests	0	0	0	0	0
Comprehensive income attributable to owners of parent	13,928,080	15,599,465	17,094,648	16,623,291	11,809,730
Comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share (In NT dollars) Basic and diluted earnings per share	1.70	1.99	1.93	1.69	1.35

Financial Ratios (IFRS compliant)

(%)	**2017**	2016	2015	2014	2013
Financial structure					
Debt ratio (total liabilities to total assets)	92.48	92.30	92.44	93.33	94.04
Property & equipment to net worth	13.87	14.01	14.71	17.98	21.07
Solvency					
Liquidity reserve ratio	30.36	27.33	27.71	25.88	24.81
Operating performance					
Loans to deposits	79.45	79.23	77.09	83.18	83.65
NPL ratio	0.38	0.20	0.19	0.20	0.47
Total assets turnover (times)	0.02	0.02	0.02	0.02	0.02
Profitability					
ROA (net income to average total assets)	0.6	0.72	0.68	0.59	0.50
ROE (net income to average shareholders' equity)	7.91	9.46	9.56	9.40	8.35
Profit margin ratio	34.82	41.95	41.22	35.01	31.87
Cash flows					
Cash flow adequacy ratio	219.22	332.59	669.76	745.02	423.41
Capital adequacy					
Capital adequacy ratio	13.67	13.51	13.94	11.81	11.08
Tier-one capital ratio	11.30	11.01	10.98	9.13	8.36

Significant Financial Information - Standalone

Condensed balance sheets (IFRS compliant)

NT$,000	**12.31.2017**	12.31.2016	12.31.2015	12.31.2014	12.31.2013
Cash and cash equivalents, due from the Central Bank and call loans to banks	236,640,640	268,521,556	297,902,883	236,031,307	211,378,183
Financial assets at fair value through profit or loss	100,249,302	83,253,379	87,332,352	50,114,468	41,551,918
Available-for-sale financial assets, net	149,482,009	138,955,127	88,493,506	77,463,047	85,244,237
Derivative financial assets for hedging	-	-	-	-	-
Securities purchased under resell agreements	-	-	-	-	-
Receivables, net	59,818,878	51,348,689	62,919,918	50,202,758	54,367,660
Current tax assets	428,701	415,046	1,610,273	2,420,475	2,633,664
Assets classified as held for sale	-	-	-	-	-
Loan discounted, net	1,567,853,879	1,531,757,945	1,468,743,031	1,487,013,101	1,422,151,000
Held-to-maturity financial assets, net	386,445,449	344,456,759	356,678,138	307,529,119	304,053,858
Investments measured by equity method, net	6,665,615	6,760,097	6,707,786	6,921,652	4,560,836
Restricted assets	-	-	-	-	-
Other financial assets, net	8,115,659	7,682,304	12,871,246	25,636,828	28,230,177
Property and equipment, net	26,531,962	26,563,033	26,836,010	27,528,019	27,709,269
Investment property, net	6,942,132	6,960,837	6,975,756	6,429,494	5,848,151
Intangible assets, net	392,146	357,803	346,386	381,417	286,389
Deferred tax assets, net	2,846,352	1,335,428	1,479,200	1,381,797	1,384,874
Others assets, net	1,875,448	921,586	760,964	893,667	1,059,493
Total assets	**2,554,288,172**	**2,469,289,589**	**2,419,657,449**	**2,279,947,149**	**2,190,459,709**
Deposits from the Central Bank and banks	153,891,049	126,253,977	128,624,163	125,462,454	141,376,177
Due to the Central Bank and banks	82,364	95,859	63,088	80,968	69,243
Financial liabilities at fair value through profit or loss	34,398,308	23,923,922	30,513,494	23,464,824	14,906,202
Derivative financial liabilities for hedging	-	-	-	-	7,973
Notes and bonds issued under repurchase agreements	11,588,250	7,532,897	2,608,441	4,922,050	10,966,322
Payables	76,298,979	66,527,381	63,252,342	62,188,524	56,180,601
Current tax liabilities	2,529,886	1,584,746	2,091,567	2,187,360	2,419,451
Liabilities related to assets classified as held for sale	-	-	-	-	-
Deposits and remittances	2,007,810,178	1,963,243,664	1,937,614,944	1,815,526,003	1,723,640,108
Bank notes payable	29,300,000	37,300,000	37,300,000	34,900,000	42,700,000
Preferred stock liabilities	-	-	-	-	-
Other financial liabilities	29,933,504	37,405,279	18,011,070	43,466,110	52,821,627
Provisions	5,995,387	5,897,347	6,284,623	5,727,436	5,631,201
Deferred income tax liabilities	6,331,031	5,708,001	5,710,999	5,713,268	5,713,261
Other liabilities	3,870,070	3,185,430	4,098,665	3,097,234	2,439,916
Total liabilities	**2,362,029,006**	**2,278,658,503**	**2,236,173,396**	**2,126,736,231**	**2,058,872,082**
Equity attributable to owners of parent	**192,259,166**	**190,631,086**	**183,484,053**	**153,210,918**	**131,587,627**
Common stock	89,064,000	89,064,000	86,244,000	75,859,000	66,351,000
Capital surplus	34,848,216	34,848,216	34,848,216	22,669,729	19,669,729
Retained earnings	62,587,008	60,184,504	53,778,098	47,650,662	41,759,944
Other equity interest	5,759,942	6,534,366	8,613,739	7,031,527	3,806,954
Treasury shares	-	-	-	-	-
Non-controlling interests	-	-	-	-	-
Total equity	**192,259,166**	**190,631,086**	**183,484,053**	**153,210,918**	**131,587,627**
Total liabilities and equity	**2,554,288,172**	**2,469,289,589**	**2,419,657,449**	**2,279,947,149**	**2,190,459,709**

Condensed Statements of Income (IFRS compliant)

NT$,000	**2017**	2016	2015	2014	2013
Interest incomes	42,575,709	40,359,605	41,314,707	41,472,499	36,776,302
Interest expenses	(13,732,522)	(12,561,786)	(13,818,844)	(14,334,673)	(11,910,850)
Net interest income	28,843,187	27,797,819	27,495,863	27,137,826	24,865,452
Net non-interest income	14,070,826	13,739,458	11,089,682	10,381,690	7,911,031
Net income	42,914,013	41,537,277	38,585,545	37,519,516	32,776,483
Bad debts expense and guarantee liability provision	(6,839,495)	(2,050,028)	(472,808)	(3,920,704)	(3,922,121)
Operating expenses	(18,465,738)	(18,963,492)	(18,997,266)	(17,737,017)	(16,269,940)
Income from continuing operations before income tax	17,608,780	20,523,757	19,115,471	15,861,795	12,584,422
Tax expense	(2,466,896)	(2,825,221)	(3,015,380)	(2,480,644)	(1,939,695)
Income from continuing operations, net of tax	15,141,884	17,698,536	16,100,091	13,381,151	10,644,727
Income from discontinued operations	-	-	-	-	-
Profit	15,141,884	17,698,536	16,100,091	13,381,151	10,644,727
Other comprehensive income, net of tax	(1,213,804)	(2,099,071)	994,557	3,242,140	1,165,003
Total comprehensive income	13,928,080	15,599,465	17,094,648	16,623,291	11,809,730
Profit, attributable to owners of parent	15,141,884	17,698,536	16,100,091	13,381,151	10,644,727
Profit, attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to owners of parent	13,928,080	15,599,465	17,094,648	16,623,291	11,809,730
Comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share (In NT dollars) Basic and diluted earnings per share	1.70	1.99	1.93	1.69	1.35

Financial Ratios (IFRS compliant)

(%)	**2017**	2016	2015	2014	2013
Financial structure					
Debt ratio (total liabilities to total assets)	92.44	92.25	92.38	93.28	93.99
Property & equipment to net worth	13.80	13.93	14.63	17.97	21.06
Solvency					
Liquidity reserve ratio	30.36	27.33	27.71	25.88	24.81
Operating performance					
Loans to deposits	79.30	79.07	76.96	83.12	83.64
NPL ratio	0.38	0.20	0.19	0.20	0.47
Total assets turnover (times)	0.02	0.02	0.02	0.02	0.02
Profitability					
ROA (net income to average total assets)	0.60	0.72	0.69	0.60	0.50
ROE (net income to average shareholders' equity)	7.91	9.46	9.56	9.40	8.35
Profit margin ratio	35.28	42.61	41.73	35.66	32.48
Cash flows					
Cash flow adequacy ratio	217.71	335.89	670.70	728.53	407.30
Capital adequacy					
Capital adequacy ratio	13.42	13.27	13.67	11.50	10.90
Tier-one capital ratio	11.25	10.95	10.93	9.02	8.31
Market share					
Assets	5.45	5.49	5.51	5.46	5.61
Net worth	5.53	5.70	5.84	5.30	5.05
Deposits	5.36	5.50	5.61	5.58	5.62
Loans	5.86	5.93	5.85	6.04	6.08

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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 of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Public 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Impairment evaluation of loans discounted

Description

For the accounting policy for the impairment evaluation of discounted loans, please refer to Note 4(9) of the consolidated financial statements; for accounting judgements, estimates and assumption uncertainty of impairment losses of discounted loans, please refer to Note 5(2) of the consolidated financial statements; for explanations on the details of discounted loans, please refer to Note 6(5) of the consolidated financial statements. Loans discounted and allowance for bad debts recognized for the year ended December 31, 2017, was $1,602,182,999 thousand and $22,130,150 thousand, respectively.

Credit services of the Bank and its subsidiaries, which are its main business activity, are primarily corporate credit facilitations. Impairment losses on loans discounted are losses of estimated future cash flows in which there is existing objective evidence of impairment that loans may not be recovered. The Bank and its subsidiaries's impairment evaluation of loans discounted is conducted in accordance with the related requirements of IAS 39, 'Financial Instruments: Recognition and Measurement' and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and the related regulations required by the competent authority. If there is existing objective evidence of impairment for significant credit facilitations which exceed a certain amount or major monitored credit facilitations, then they are individually evaluated. Impairment loss is primarily provisioned according to the overdue time, current circumstances of the borrower, collateral, guarantee status of external institutions, and historical experience; if there is no existing objective evidence of impairment or if there is existing objective evidence of impairment but the credit facilitation does not exceed a certain amount, then evaluation is conducted on a group basis and impairment losses are estimated according to impairment parameters such as impairment probability, recovery rate, and effective interest rate of each group by products.

The aforementioned provision of impairment loss for loans discounted includes the determination of future cash flows of individual evaluations and impairment parameters for group evaluations. Because this involves subjective judgment and numerous assumptions and estimates, the results of the measurement will directly affect the related amount recognized. Also, considering that loans

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account for approximately 62% of total assets, we have thus included the individual and group impairment evaluation of the Bank and its subsidiaries's loans discounted as one of the key audit matters in our audit for the year ended December 31, 2017.

How our audit addressed the matter

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

1. Understood and assessed the related policies, internal control system, and operation procedures of assumptions and parameters (including the impairment probability, recovery rate, future cash flows, and effective interest rate) used by the Group in provisioning impairment losses for discounted loans.
2. Sampled and tested the effectiveness of conducting internal controls related to the provision of impairment loss, including the identification of objective evidence for impairment loss, annual reviews, management of collateral and their value assessment, controls for changing impairment parameters, and approval for provisioning of impairment loss.
3. Group evaluations
   (1) Evaluated the model assumption parameters of the Bank and its subsidiaries's group assessments. For example, the appropriateness of the impairment probability, recovery rate, and effective interest rate of various groups, as well as the status of periodic updates.
   (2) Sampled and tested the completeness of impairment classification balances and the accuracy of classifications.
   (3) Filtered client accounts under product groups using the system logic which incorporated the Bank's policy to sample and test the accuracy of their respective impairment probability, recovery rate, and effective interest rates, as well as to examine their consistency with the system reports.
4. Individual evaluations
   (1) Sampled and tested the completeness of the "Higher Risk Verified Accounts" list.
   (2) Sampled and compared the consistency of samples and systematical judgements as those which had objective evidence of impairment.
   (3) Assessed the reasonableness of parameter assumptions (including the borrower's time in arrears, financial and operational status, guarantee status by external institutions, and historical experience) for estimated future cash flows and the accuracy of calculation results for estimated future cash flows.
   (4) Sampled and tested whether the method of calculating effective interest rates was in conformity with policy requirements.

Fair value of derivative instruments

Description

For the accounting policy for derivative instruments, please refer to Note 4(10) of the consolidated financial statements; for critical accounting judgements, estimates, and assumption uncertainty of derivative instruments, please refer to Note 5(1) of the consolidated financial statements; for the details on derivative instruments (accounted under financial assets and liabilities at fair value through profit or loss), please refer to Note 6(3) and Note 6(14) of the consolidated financial statements; for information on the fair value and its hierarchy of derivative instruments, please refer to Note 12(1) of the consolidated financial statements. The fair values of derivative instruments (involving estimation), which belongs to level 2, were classified as assets and liabilities as of December 31, 2017, and amounted to $4,591,795 thousand and $6,758,214 thousand, respectively.

The fair value of the Bank and its subsidiaries's derivative instruments without an active market or public quotes are calculated using valuation models and methods widely accepted by market participants. Assumptions and parameters used in valuation models reference observable market data as much as possible. However, a number of data or parameters may not be directly observable in the market and model assumptions may be subjective in nature. Under such circumstances, the measurement of fair value is evaluated using historical data or other appropriate assumptions. When fair value is determined using valuation models, all valuation models and assumptions are periodically examined and verified to ensure that outputs reflect actual data and market prices.

The aforementioned fair value measurement of derivative instruments includes the determination of assumptions and parameters used 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 the Bank and its subsidiaries's derivative instruments as one of the key audit matters in our audit.

How our audit addressed the matter

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

1. Understood and assessed the reasonableness of written policies, internal controls, and valuation procedures for valuing derivative instruments.
2. Sampled and tested the settings of valuation models to determine whether they have been periodically verified.

3. Sampled and tested "Examination of valuation data of financial products" documents and inspected the contents to assess whether management periodically assessed valuation parameter; sampled market data (e.g. interest rates, exchange rates etc.) inputs used in the valuation models to assess the completeness and accuracy of such inputs.

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, 2017 and 2016.

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 Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank and its subsidiaries'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 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's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries'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 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's to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group the Bank and its subsidiaries audit. We remain solely responsible for our audit opinion.

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

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

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

Chou Chien Hung Chi, Shu-Mei

Chou, Chien-Hung Chi, Shu-Mei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2018

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 AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	ASSETS	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
11000	Cash and cash equivalents	6(1) and 7	$ 61,433,560	2	$ 59,275,747	3
11500	Due from the Central Bank and call loans to banks	6(2) and 7	177,910,861	7	212,149,563	9
12000	Financial assets at fair value through profit or loss	6(3) and 7	100,249,302	4	83,253,379	3
13000	Receivables, net	6(4)	63,380,967	3	54,763,105	2
13200	Current tax assets		437,888	-	416,404	-
13500	Loans discounted, net	6(5) and 7	1,580,079,849	62	1,544,205,607	62
14000	Available-for-sale financial assets	6(6) and 8	149,792,285	6	139,290,914	6
14500	Held-to-maturity financial assets	6(7) and 8	386,605,113	15	344,583,594	14
15000	Investments accounted for using equity method, net	6(8)	1,829,956	-	1,770,970	-
15500	Other financial assets, net	6(9)	8,115,659	-	7,682,304	-
18500	Property and equipment, net	6(10) and 7	26,660,231	1	26,707,125	1
18700	Investment property, net	6(11)	6,942,132	-	6,960,837	-
19000	Intangible assets, net		394,255	-	360,736	-
19300	Deferred tax assets, net	6(35)	3,019,820	-	1,585,551	-
19500	Other assets, net	6(12) and 8	3,063,629	-	2,247,288	-
	Total Assets		$ 2,569,915,507	100	$ 2,485,253,124	100

(Continued)

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

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

	LIABILITIES AND EQUITY	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
21000	Deposits from the Central Bank and banks	6(13) and 7	$ 153,890,754	6	$ 126,253,621	5
21500	Due to the Central Bank and banks		82,364	-	95,859	-
22000	Financial liabilities at fair value through profit or loss	6(14) and 7	34,398,308	2	23,923,922	1
22500	Notes and bonds issued under repurchase agreements	6(15)	11,588,250	1	7,532,897	-
23000	Payables	6(16)	76,374,564	3	66,594,839	3
23200	Current tax liabilities	7	2,523,826	-	1,582,953	-
23500	Deposits and remittances	6(17) and 7	2,019,708,298	79	1,975,466,701	79
24000	Financial bonds payable	6(18)	29,300,000	1	37,300,000	2
25500	Other financial liabilities	6(19)	32,883,096	1	40,304,757	2
25600	Provisions	6(20)	6,001,360	-	5,902,962	-
29300	Deferred tax liabilities	6(35)	6,356,729	-	5,721,707	-
29500	Other liabilities	6(21)	4,548,792	-	3,941,820	-
	Total Liabilities		2,377,656,341	93	2,294,622,038	92
	Equity					
31101	Common stock	6(22)	89,064,000	3	89,064,000	4
31500	Capital surplus	6(22)	34,848,216	1	34,848,216	1
32000	**Retained earnings**					
32001	Legal reserve	6(22)	41,193,426	2	35,883,865	2
32003	Special reserve	6(22)	4,157,452	-	4,072,621	-
32011	Unappropriated earnings	6(23)	17,236,130	1	20,228,018	1
32500	**Other equity interest**	6(24)	5,759,942	-	6,534,366	-
	Total Equity		192,259,166	7	190,631,086	8
	Total Liabilities and Equity		$ 2,569,915,507	100	$ 2,485,253,124	100

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

FIRST COMMERCIAL BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31				Changes Percentage
			2017		2016		
	Items	Notes	AMOUNT	%	AMOUNT	%	(%)
41000	Interest income		$ 43,355,647	100	$ 41,088,913	98	6
51000	Less: Interest expense		(13,808,263)	(32)	(12,639,626)	(30)	9
	Net interest income	6(25) and 7	29,547,384	68	28,449,287	68	4
	Net non-interest income						
49100	Net service fee income	6(26) and 7	7,478,924	17	8,069,709	19	(7)
49200	Gains on financial assets or liabilities measured at fair value through profit or loss	6(3)(27)	5,097,688	12	2,583,280	6	97
49300	Realized gains on available-for-sale financial assets	6(28)	769,809	2	704,779	2	9
45000	Gains (losses) on reversal of impairment loss on assets	6(29)	6,818	-	(251)	-	(2816)
49750	Share of profit or loss of associates accounted for using equity method	6(8)	105,311	-	86,930	-	21
49600	Foreign exchange gains		75,650	-	997,173	2	(92)
48013	Gains on investments in debt instrument without active market	6(30)	-	-	559,726	1	(100)
49800	Net other non-interest income	6(31) and 7	398,707	1	741,825	2	(46)
	Net profit		43,480,291	100	42,192,458	100	3
58200	Provision for bad debt expense and guarantee liability	6(5)(20)	(6,808,128)	(16)	(2,221,178)	(5)	207
	Operating expenses						
58500	Employee benefits expenses	6(32) and 7	(12,103,384)	(28)	(12,580,077)	(30)	(4)
59000	Depreciation and amortization expenses	6(33)	(963,675)	(2)	(998,826)	(2)	(4)
59500	Other general and administrative expenses	6(34) and 7	(5,750,544)	(13)	(5,753,154)	(14)	-
61001	**Income from continuing operations before income tax**		17,854,560	41	20,639,223	49	(13)
61003	Income tax expense	6(35)	(2,712,676)	(6)	(2,940,687)	(7)	(8)
64000	**Net income**		15,141,884	35	17,698,536	42	(14)
	Other comprehensive income						
65201	Remeasurement of defined benefit plan		(529,374)	(1)	(23,732)	-	2131
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(35)	89,994	-	4,034	-	2131
	Items that may be reclassified subsequently to profit or loss						
65301	Exchange differences on translation of foreign financial statements	6(24)	(3,164,578)	(7)	(2,468,657)	(6)	28
65302	Unrealized gains on valuation of available-for-sale financial assets	6(24)	2,295,592	5	467,700	1	391
65306	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(8)(24)	107,250	-	(75,657)	-	(242)
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(24)(35)	(12,688)	-	(2,759)	-	360
	Other comprehensive loss, net of tax		(1,213,804)	(3)	(2,099,071)	(5)	(42)
	Total comprehensive income		$ 13,928,080	32	$ 15,599,465	37	(11)
	Net income, attributable to						
	Owners of parent		$ 15,141,884	35	$ 17,698,536	42	(14)
	Comprehensive income, attributable to						
	Owners of parent		$ 13,928,080	32	$ 15,599,465	37	(11)
	Earnings per share (In NT dollars)	6(36)					
	Basic and diluted earnings per share		$	1.70	$	1.99	

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

FIRST COMMERCIAL BANK AND 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	Total
For the year ended December 31, 2016								
Balance at January 1, 2016	$ 86,244,000	$ 34,848,216	$ 31,053,838	$ 4,074,753	$ 18,649,507	$ 3,555,197	$ 5,058,542	$ 183,484,053
Appropriation and distribution of 2015 earnings								
Legal reserve	-	-	4,830,027	-	(4,830,027)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(8,452,432)	-	-	(8,452,432)
Stock dividends of ordinary shares	2,820,000	-	-	-	(2,820,000)	-	-	-
Net income for the year	-	-	-	-	17,698,536	-	-	17,698,536
Other comprehensive income for the year	-	-	-	-	(19,698)	(2,544,314)	464,941	(2,099,071)
Reversal of special reserve	-	-	-	(2,132)	2,132	-	-	-
Balance at December 31, 2016	$ 89,064,000	$ 34,848,216	$ 35,883,865	$ 4,072,621	$ 20,228,018	$ 1,010,883	$ 5,523,483	$ 190,631,086
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
Appropriation and distribution of 2016 earnings								
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)
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)
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

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

FIRST COMMERCIAL BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

(Expressed in thousands of New Taiwan dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from continuing operations before income tax	$ 17,854,560	$ 20,639,223
Adjustments to reconcile profit before tax to net cash used in operating activities		
Income and expenses		
Provision for bad debt expense and guarantee liability	9,590,177	4,570,634
Depreciation of property and equipment	770,092	787,357
Depreciation of investment property	8,260	8,210
Amortization expense	185,323	203,259
Interest income	(43,355,647)	(41,088,913)
Interest expense	13,808,263	12,639,626
Dividend income	(638,518)	(655,543)
Share of profit of associates accounted for using equity method	(105,311)	(86,930)
Losses on disposal of property and equipment	15,854	3,126
Gains on disposal of plant and equipment	(1,327)	(69)
Gains on disposal of investment property	(24,108)	(11,082)
Reversal of impairment (gains) losses on assets	(6,818)	251
Changes in operating assets and liabilities		
Changes in operating assets		
Increase in due from the Central Bank	(469,798)	(1,581,496)
(Increase) decrease in financial assets at fair value through profit or loss	(16,995,923)	4,078,973
(Increase) decrease in receivables	(8,530,205)	12,537,725
Increase in loans discounted	(44,961,289)	(68,291,632)
Increase in available-for-sale financial assets	(8,205,779)	(50,117,913)
(Increase) decrease in held-to-maturity financial assets	(42,021,519)	12,233,556
(Increase) decrease in other financial assets	(433,355)	5,188,942
Changes in operating liabilities		
Increase (decrease) in deposits from the Central Bank and banks	27,637,133	(2,920,870)
Increase (decrease) in financial liabilities at fair value through profit or loss	10,474,386	(6,589,572)
Increase in payables	9,294,075	3,273,365
Increase in deposits and remittances	44,241,597	26,166,187
(Decrease) increase in other financial liabilities	(7,421,661)	18,304,418
Decrease in liability provisions	(531,364)	(394,516)
Increase (decrease) in other liabilities	606,972	(1,245,346)
Cash flows used in operations	(39,215,930)	(52,349,030)
Interest received	43,021,614	41,466,617
Interest paid	(13,322,613)	(12,646,425)
Dividend received	641,302	655,543
Income tax paid	(2,515,656)	(2,089,193)
Net cash flows used in operating activities	(11,391,283)	(24,962,488)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments accounted for using the equity method	-	(20,000)
Acquisition of property and equipment	(765,083)	(522,035)
Acquisition of investment property	(4,215)	(291)
Increase in intangible assets	(220,163)	(224,830)
Proceeds from disposal of property and equipment	1,625	212
Proceeds from disposal of investment property	39,196	17,957
(Increase) decrease in other assets	(809,523)	117,238
Net cash flows used in investing activities	(1,758,163)	(631,749)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in due to the Central Bank and banks	(13,495)	32,771
Increase in notes and bonds issued under repurchase agreements	4,055,353	4,924,456
Decrease in financial bonds payable	(8,000,000)	-
Payment of cash dividends	(12,300,000)	(8,452,432)
Net cash flows used in financing activities	(16,258,142)	(3,495,205)
Effect of exchange rate changes on cash and cash equivalents	(3,124,323)	(2,846,927)
Net decrease in cash and cash equivalents	(32,531,911)	(31,936,369)
Cash and cash equivalents at beginning of year	219,830,368	251,766,737
Cash and cash equivalents at end of year	$ 187,298,457	$ 219,830,368
The components of cash and cash equivalents		
Cash and cash equivalents reported in the statement of financial position	$ 61,433,560	$ 59,275,747
Due from Central Bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	125,864,897	160,554,621
Cash and cash equivalents at end of year	$ 187,298,457	$ 219,830,368

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, 2017 and 2016
(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, 2017, 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, 2017.

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

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

3. Application of new standards, amendments, and interpretations

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

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

New Standards, Interpretations, and Amendments	Effective Date by IASB
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016

New Standards, Interpretations, and Amendments	Effective Date by IASB
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

(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 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date by IASB
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments'with IFRS 4'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfer of investment property (amendments to IAS 40)	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 followings, 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. The quantitative impact will be disclosed when the assessment is complete.

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 in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The 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.

When adopting the new standards endorsed by the FSC effective from 2018, the adoption of IFRS 15 has no significant impact to the Bank and its subsidiaries. The Bank and its subsidiaries will elect not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of other reserves of the current period. The effects of applying the new standards as of January 1, 2018 are summarised below:

Affected items	The carrying amount of compliancing with IAS 39	Effect of adoption of new standards	The carrying amount of compliancing with IFRS 9	Remark
January 1, 2018				
Financial assets at fair value through profit or loss	$ 100,249,302	($ 4,385,432)	$ 95,863,870	B, C
Financial assets at fair value through other comprehensive income	-	203,969,307	203,969,307	A, C
Financial assets at amortised cost	-	348,535,282	348,535,282	B, E
Receivables, net	63,380,967	19,419	63,400,386	B, C
Loans discounted, net	1,580,079,849	2,141,000	1,582,220,849	F
Available-for-sale financial assets	149,792,285	(149,792,285)	-	A, C
Held-to-maturity financial assets	386,605,113	(386,605,113)	-	B, C
Other financial assets,net	8,115,659	(7,560,293)	555,366	A, B, F
Deferred tax assets	3,019,820	-	3,019,820	
Other assets	278,672,512	-	278,672,512	
Total affected assets	$ 2,569,915,507	$ 6,321,885	$ 2,576,237,392	
Provisions	$ 6,001,360	$ 991,000	$ 6,992,360	F
Deferred tax liabilities	6,356,729	-	6,356,729	
Other liabilities	2,365,298,252	-	2,365,298,252	
Total affected liabilities	2,377,656,341	991,000	2,378,647,341	
Share capital	89,064,000	-	89,064,000	
Capital surplus	34,848,216	-	34,848,216	
Retained earnings	62,587,008	(72,144)	62,514,864	B, C, D, E
Other equity interest	5,759,942	5,403,029	11,162,971	A, C, D
Total affected equity	192,259,166	5,330,885	197,590,051	
Total affected liabilities and equity	$ 2,569,915,507	$ 6,321,885	$ 2,576,237,392	

A. In accordance with IFRS 9, the Bank and its subsidiaries expect to reclassify available-for-sale financial assets and “other financial assets, net- financial assets at cost” in the amounts of $13,863,124 and $3,680,893, respectively, and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income, increasing other equity interest in the amounts of $22,106,639 and $4,562,622, respectively.

B. In accordance with IFRS 9, the Bank and its subsidiaries expect to reclassify financial assets at fair value through profit or loss, held-to-maturity financial assets and “other financial assets, net- investments in debt instruments without active market” of $1,037,500, $344,759,812 and $2,729,400, respectively, by increasing investments in debt instruments at amortised cost, receivables and retained earnings in the amounts of $348,557,692, $3,943 and $34,923, respectively.

C. In accordance with IFRS 9, the Bank and its subsidiaries expect to reclassify financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets of $3,347,932, $135,929,161 and $41,845,301, respectively, by increasing financial assets at fair value through other comprehensive income, receivables and other equity interest in the amount of $181,862,668, $15,476 and $783,805, respectively, and by decreasing retained earnings in the amounts of $$28,055.

D. In line with the regulations under IFRS 9 on provision for impairment, the Bank and its subsidiaries expect to provide the impairment loss on financial assets at fair value through other comprehensive income. Other equity interest will have to be increased by $56,602 and retained earnings decreased by $56,602.

E. In line with the regulations under IFRS 9 on provision for impairment, financial assets at amortised cost will have to be reduced by $22,410, retained earnings decreased by $22,410.

F. In line with the regulations under IFRS 9 on provision for impairment, allowance for uncollectible accounts-discounts and loans, net will have to be reduced by $2,141,000, allowance for uncollectible accounts-other financial assets, net increased by $1,150,000 and provision will have to be increased by $991,000.

G. To conclude, under IFRS 9, the Bank and its subsidiaries expect to increase assets, liabilities and equity by $6,321,885, $991,000 and $5,330,885, respectively.

(3)<u>IFRSs issued by IASB but not yet endorsed by the FSC</u>

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

New Standards, Interpretations, and Amendments	Effective Date by IASB
Prepayment features with negative compensation (amendments to IFRS 9)	January 1, 2019
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Plan amendment, curtailment or settlement (amendments to IAS 19)	January 1, 2019
Long-term interests in associates and joint ventures (amendments to IAS 28)	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 followings, 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. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 16, 'Leases'

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

4. Summary of significant accounting policies

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

(1) Compliance statement

The consolidated financial statements of the Bank and 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, liability reserve for defined benefit plans of actuarial value 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 group's 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.

(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, 2017	December 31, 2016
FCB	First Commercial Bank (USA)	Banking services	100	100
FCB	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) Securities purchased or sold under resell or repurchase agreements

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

(7) Financial assets 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 four 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

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 the 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, loan commitment with a lower-than-market interest rate and the financial liabilities incurred due to continuing engagement or that the transferring of a financial asset does not meet the requirement of derecognition.

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.

(8) Offsetting financial instruments

Financial assets and 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 recognized amounts; and (2) there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(9) 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.

(10) 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.

(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 is 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 is 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 recognizes 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

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”.

(20) Employee benefits

A. Short-term employee benefits

The Bank and its subsidiaries recognizes 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 adopts 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 10.7 and 10.10 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 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

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's 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 (including 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) Impairment losses of discounted loans

Aside from complying with the regulations of competent authorities, the Bank and its subsidiaries establish modeles and individual case evaluations according to factors such as the risk characteristics of clients and whether there are collateral, assessing cash flows and calculating impairment amounts on a monthly basis by using the effective discount rate. When determining whether to recognize impairment loss, the Bank and its subsidiaries primarily judge whether there is any evidence of impairment that indicate impairment has occurred. Such evidence includes the payment condition of the debtor, events related to overdue payment, and national or local economic situation that have given rise to a significant adverse movement, etc. When evaluating the future cash flows, overdue payment of the debtor, current position of the borrower, collateral, guarantee from external institutions and historical data should all be considered. Impairment occurrence rate, impairment recovery rate and effective rate used in the portfolio assessment are estimated through different product types and historical data. The Bank and its subsidiaries regularly examine the assumptions used and the reasonableness of input to ensure the appropriateness of various assumptions and inputs.

(3) 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, 2017	December 31, 2016
Cash on hand	$ 13,041,870	$ 12,715,905
Checks for clearance	22,275,375	20,562,987
Due from other banks	26,116,315	25,996,855
Total	$ 61,433,560	$ 59,275,747

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

	December 31, 2017	December 31, 2016
Reserve for deposits-account A	$ 17,290,422	$ 32,969,544
Reserve for deposits-account B	48,522,065	47,947,248
Inter-Bank clearing fund	5,428,014	6,028,438
Deposits of national treasury account	96,393	100,723
Deposits of overseas branches with foreign Central Banks	6,269,146	5,869,994
Reserve for deposits- foreign currency	463,898	393,084
Call loans and overdrafts to other banks	99,872,492	118,853,325
Total	177,942,430	212,162,356
Less: Allowance for bad debt expense - call loans to banks	(31,569)	(12,793)
Total	$ 177,910,861	$ 212,149,563

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.

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

	December 31, 2017	December 31, 2016
In conformity with cash and cash equivalents as defined by IAS No.7	$ 125,864,897	$ 160,554,621
Not in conformity with cash and cash equivalents as defined by IAS No.7		
Reserve for deposits-account B	48,522,065	47,947,248
Deposits by overseas branches with foreign Central Banks (Note)	3,555,468	3,660,487
Total	$ 177,942,430	$ 212,162,356

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

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

	December 31, 2017	December 31, 2016
Financial assets held for trading		
Short-term bills	$ 48,722,898	$ 23,439,935
Stocks	1,182,417	480,755
Bonds (government and corporate bonds)	11,926,817	20,030,321
Derivative financial instruments	4,726,858	9,541,613
Valuation adjustment for financial assets held for trading	50,683	11,699
Subtotal	66,609,673	53,504,323
Financial assets designated as at fair value through profit or loss upon initial recognition		
Bonds	33,285,879	29,746,325
Valuation adjustment for financial assets designated at fair value through profit or loss upon initial recognition	353,750	2,731
Subtotal	33,639,629	29,749,056
Total	$ 100,249,302	$ 83,253,379

A. Details of (losses) gains on financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2017 and 2016 are as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Net gain on financial assets and liabilities held for trading	$ 5,091,478	$ 1,687,762
Net gain on financial assets designated as at fair value through profit or loss	6,210	895,518
Total	$ 5,097,688	$ 2,583,280

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.

(4) Receivables, net

	December 31, 2017	December 31, 2016
Spot exchange receivable	$ 35,499,101	$ 26,380,333
Factoring receivable	5,228,477	5,727,798
Interest receivable	4,728,719	4,394,686
Acceptances receivable	5,895,523	6,286,176
Credit card accounts receivable	6,703,742	6,518,479
Other receivables	6,070,243	6,195,031
Subtotal	64,125,805	55,502,503
Less: Allowance for bad debts	(744,838)	(739,398)
Net amount	$ 63,380,967	$ 54,763,105

(5) Loans discounted, net

	December 31, 2017	December 31, 2016
Bills and notes discounted	$ 2,984,819	$ 3,369,797
Overdrafts	685,978	587,142
Short-term loans	484,130,361	453,750,881
Medium-term loans	458,391,121	452,490,993
Long-term loans	647,172,996	647,928,861
Import-export bills negotiations	965,690	1,577,834
Loans transferred to non-accrual loans	7,852,034	3,667,274
Subtotal	1,602,182,999	1,563,372,782
Less: allowance for bad debts	(22,103,150)	(19,167,175)
Net amount	$ 1,580,079,849	$ 1,544,205,607

A. For the Bank's and its subsidiaries' discounted loans and receivables as of December 31, 2017 and 2016, please refer Analysis on quality and overdue impairment of financial assets of the Bank and its subsidiaries as addressed under Note12(2)C(E).

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 years ended December 31, 2017 and 2016 were as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016
Loans discounted (including other related receivable derived from loans)		
Beginning balance	$ 19,313,189	$ 21,107,131
Provision	9,203,723	4,275,564
Write-off	(4,222,166)	(5,988,840)
Foreign exchange and other movements	(116,676)	(80,666)
Ending balance	$ 24,178,070	$ 19,313,189
Receivables		
Beginning balance	$ 656,270	$ 887,487
Provision	285,636	295,070
Write-off	(277,124)	(218,555)
Foreign exchange and other movements	(20,484)	(307,732)
Ending balance	$ 644,298	$ 656,270

As of December 31, 2017 and 2016, the recoveries of write-offs, which were accounted as deductions to bad debts expense, was $2,782,049and $2,349,456, respectively.

(6) Available-for-sale financial assets

	December 31, 2017	December 31, 2016
Stocks – listed	$ 7,251,593	$ 6,270,369
Short-term bills	-	1,097,271
Bonds	133,239,738	125,596,041
Other marketable securities	1,483,629	805,500
Valuation adjustment for available-for-sale financial assets	7,817,325	5,521,733
Total	$ 149,792,285	$ 139,290,914

A. Please refer to Note 8 for details of the above available-for-sale financial assets pledged as collateral as of December 31, 2017 and 2016.

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 and 2016, was $11,506,480 and $5,752,845, respectively.

(7) Held-to-maturity financial assets

	December 31, 2017	December 31, 2016
Purchased certificates of time deposits	$ 342,035,000	$ 292,270,000
Bonds	43,786,073	52,233,044
Short-term bills	784,040	80,550
Total	$ 386,605,113	$ 344,583,594

A. Please refer to Note 8 for details of the above held-to-maturity financial assets pledged as collateral as of December 31, 2017 and 2016.

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 and 2016, was $0 and $1,610,805, respectively.

C. For the years ended December 31, 2017 and 2016, the interest income generated from held-to-maturity financial assets amounted to $2,628,266 and $3,056,051, respectively.

(8) Investments accounted for using equity method-net

A. Investments accounted for using equity method:

Affiliated Companies	December 31, 2017 Amount	December 31, 2017 Percentage of ownership (%)	December 31, 2016 Amount	December 31, 2016 Percentage of ownership (%)
East Asia Real Estate Management Co., Ltd.	$ 15,309	30	$ 15,446	30
FCBL Capital International (B.V.I) Ltd.	1,798,874	100	1,735,524	100
Turn Cloud Technology Service Inc.	15,773	40	20,000	40
	$ 1,829,956		$ 1,770,970	

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, 2017	For the year ended December 31, 2016
Gain from countinuing operations	$ 105,311	$ 86,930
Other comprehensive income (loss)	107,250	(75,657)
Total comprehensive income	$ 212,561	$ 11,273

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, 2017 and 2016, 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. 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, 2017	December 31, 2016
Investment in time deposits without active market	$ 2,729,400	$ 3,976,640
Stock investments carried at cost	3,680,893	3,681,020
Non-accrual loans transferred from other accounts (excluding loans)	3,646,047	71,853
Exchanged bills negotiated	2,130	2,884
Subtotal	10,058,470	7,732,397
Less: Allowance for bad debts - overdue receivable	(1,942,811)	(50,093)
	$ 8,115,659	$ 7,682,304

A. As the Bank's and its subsidiaries' investments in unlisted stocks lack quoted marked price and their fair values cannot be measured reliably; 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, please refer to Note 12 (1) D.

(10) Property and equipment - net

Changes in the property and equipment of the Bank and its subsidiaries for the years ended December 31, 2017 and 2016 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, 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)
Book value	$ 18,971,597	$ 6,052,149	$ 677,227	$ 135,090	$ 588,475	$ 157,541	$ 78,152	$ 26,660,231

	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, 2016	$ 18,955,022	$ 11,952,787	$ 2,999,541	$ 826,131	$ 2,315,733	$ 977,634	$ 55,303	$ 38,082,151
Additions	-	49,950	153,190	33,987	127,075	26,846	130,987	522,035
Transfers	-	91,874	8,593	1,858	17,134	22,584	(142,043)	-
Disposals	-	-	(564,137)	(58,570)	(31,251)	(42,858)	-	(696,816)
Foreign exchange	(1,209)	(10,625)	(2,597)	(1,135)	(4,873)	(7,081)	-	(27,520)
At December 31, 2016	18,953,813	12,083,986	2,594,590	802,271	2,423,818	977,125	44,247	37,879,850
Accumulated depreciation								
At January 1, 2016	-	(5,485,391)	(2,372,954)	(682,534)	(1,769,481)	(783,093)	-	(11,093,453)
Depreciation	-	(310,667)	(248,939)	(41,177)	(130,979)	(55,595)	-	(787,357)
Disposals	-	-	562,992	58,182	30,627	41,746	-	693,547
Foreign exchange	-	960	4,314	621	3,698	4,945	-	14,538
At December 31, 2016	-	(5,795,098)	(2,054,587)	(664,908)	(1,866,135)	(791,997)	-	(11,172,725)
Book value	$ 18,953,813	$ 6,288,888	$ 540,003	$ 137,363	$ 557,683	$ 185,128	$ 44,247	$ 26,707,125

There was no interest capitalized on property and equipment acquired for the years ended December 31, 2017 and 2016.

(11) Investment property– net

Please see below table for the investment property of the Bank and its subsidiaries for the years ended December 31, 2017 and 2016:

	Lands and land improvements	Buildings and structures	Total
Cost			
At January 1, 2017	$ 6,709,547	$ 488,347	$ 7,197,894
Transferred from property and equipment	-	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

	Lands and land improvements	Buildings and structures	Total
Cost			
At January 1, 2016	$ 6,716,547	$ 488,056	$ 7,204,603
Additions	-	291	291
Disposals	(7,000)	-	(7,000)
At December 31, 2016	6,709,547	488,347	7,197,894
Accumulated depreciation			
At January 1, 2016	-	(228,847)	(228,847)
Depreciation	-	(8,210)	(8,210)
At December 31, 2016	-	(237,057)	(237,057)
Investment property– net	$ 6,709,547	$ 251,290	$ 6,960,837

A. As of December 31, 2017 and 2016, the investment property at fair value of the Bank and its subsidiaries was $17,176,004 and $16,542,809, 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, 2017 and 2016, the rental income from investment property were $82,929 and $87,476, respectively, the operating expenses from investment property were $66,003 and $75,581, respectively.

(12) Other assets - net

	December 31, 2017	December 31, 2016
Leased assets-vehicles	$ 1,820,360	$ 2,000,434
Less: Accumulated depreciation	(735,291)	(754,279)
Leased assets - net	1,085,069	1,246,155
Foreclosed assets		
Cost	61,731	68,548
Less: Accumulated impairment	(61,731)	(68,548)
Net foreclosed assets	-	-
Guarantee deposits paid	1,584,261	361,946
Prepayments	348,362	362,058
Temporary payments and suspense accounts	510	234,010
Others	45,427	43,119
Total	$ 3,063,629	$ 2,247,288

Please refer to Note 8 for details of other assets pledged as collateral as of December 31, 2017 and 2016.

(13) Deposits from the Central Bank and banks

	December 31, 2017	December 31, 2016
Call loans from other banks	$ 152,108,877	$ 123,307,988
Transfer deposits from Chunghwa Post Co. Ltd.	539,327	871,126
Overdrafts from other banks	819,393	1,178,371
Due to other banks	383,188	854,743
Due to the Central Bank	39,969	41,393
Total	$ 153,890,754	$ 126,253,621

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

	December 31, 2017	December 31, 2016
Financial liabilities for trading purpose		
Derivative instruments	$ 6,758,124	$ 7,707,009
Financial liabilities designated at fair value through profit or loss upon initial recognition	26,415,200	16,065,800
Financial liabilities designated at fair value through profit or loss upon initial recognition– valuation adjustment	1,224,894	151,113
Total	$ 34,398,308	$ 23,923,922

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, 2017 and 2016, were ($267,006) and ($134,017), respectively.

C. The Bank sold the financial debentures at the face value. As of December 31, 2017 and 2016, 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, 2017	December 31, 2016
Government bonds	$ 2,569,357	$ 2,868,111
Bank debentures	9,018,893	4,664,786
Total	$ 11,588,250	$ 7,532,897

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 $11,620,567 and $7,552,227 as of December 31, 2017 and 2016, respectively.

(16) Payables

	December 31, 2017	December 31, 2016
Accounts payable	$ 24,004,400	$ 22,434,244
Spot exchange payable	35,448,640	26,372,777
Bank acceptances	6,175,800	6,496,502
Accrued expenses	4,107,006	4,490,803
Interest payable	2,825,327	2,339,677
Other payables	3,813,391	4,460,836
Total	$ 76,374,564	$ 66,594,839

(17) Deposits and remittances

	December 31, 2017	December 31, 2016
Checking accounts deposits	$ 48,752,084	$ 48,534,574
Demand deposits	570,378,531	554,004,728
Time deposits	405,227,826	387,419,788
Negotiable certificates of deposits	11,110,114	13,481,359
Savings account deposits	981,238,902	969,883,603
Remittances Outstanding	2,984,869	2,122,996
Others	15,972	19,653
Total	$ 2,019,708,298	$ 1,975,466,701

(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. 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$6,300 million
Issue price	At par
Coupon rate	Fixed rate:1.65% /1.72%
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 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	No expiry date

	Second issues, 2014
Issue date	November 26, 2014
Issue amount	US $300 million ($140 million of Category A debentures were redeemed in advance)
Issue price	At par
Coupon rate	A:This is a zero-coupon debenture with the implicit interest rate is 4.10% B: This is a zero-coupon debenture with the implicit interest rate is 4.07%
Interest and repayment terms	A: The debenture 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 debenture 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 debenture 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 debenture 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

As of December 31, 2017 and 2016, the range of interest rates of the above mentioned corporate bonds was1.43%~4.07% and 1.43%~4.10%, respectively.

As of December 31, 2017 and 2016, the outstanding balances of the above-mentioned bank debentures amounted to $55.715 and $53.366 billion New Taiwan dollars, respectively. Among the preceding mentioned bank debentures, the senior and the subordinate bank debentures with face value of $26.415 billion and $12.566 billion, $0 billion and $3.5 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, 2017	December 31, 2016
Received principal of structured notes	$ 29,880,377	$ 37,402,635
Commercial papers payable	2,049,592	1,849,478
Short-term borrowing	900,000	1,050,000
Others	53,127	2,644
Total	$ 32,883,096	$ 40,304,757

These short-term borrowings were credit borrowings as of December 31, 2017 and 2016, the interest rate range were 0.89%, and 0.89%~0.90%, respectively.

(20) Provisions

	December 31, 2017	December 31, 2016
Provisions for employee benefit	$ 5,120,108	$ 5,122,017
Reserve for guarantees	879,639	779,251
Others	1,613	1,694
Total	$ 6,001,360	$ 5,902,962

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

	December 31, 2017	December 31, 2016
Consolidated balance sheet:		
Defined benefit plans	$ 4,094,722	$ 4,267,782
Preferential saving plan for employees	805,764	759,199
Total	$ 4,900,486	$ 5,026,981

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, 2017 and 2016, the pension costs of the Bank and its subsidiaries under the defined contribution plan were $163,005 and $150,618 respectively.

For employees working overseas, pension expenses under defined contribution plans are recognized according to the local regulations. For the years ended December 31, 2017 and 2016, pension expenses of current period were $16,175 and $17,240, 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 not enough to pay the pension calculated by the aforementioned method, to the labors expected to be qualified for retirement next year, the Company will make contribution for the deficit by next March.

The net pension costs under defined contribution pension plans of the Bank for the years ended December 31, 2017 and 2016 were $371,955 and $395,177, respectively. As of December 31, 2017 and 2016, the balances of the pension fund deposited in the Bank of Taiwan were $6,915,693 and $6,527,341, respectively.

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

	December 31, 2017	December 31, 2016
Present value of funded obligations	$ 11,048,060	$ 10,836,395
Fair value of plan assets	(6,953,338)	(6,568,613)
Net defined benefit liability	$ 4,094,722	$ 4,267,782

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

	Present value of defined benefit obligations	Fair value of plan asset	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 (revenue)	158,066	(98,775)	59,291
	11,300,968	(6,667,388)	4,633,580
Remeasurements (Note):			
Return on plan asset	-	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

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	$ 11,142,814	($ 6,405,425)	$ 4,737,389
Current service cost	329,972	-	329,972
Interest expense (revenue)	152,148	(91,306)	60,842
	11,624,934	(6,496,731)	5,128,203
Remeasurements (Note):			
Return on plan asset	-	44,813	44,813
Change in financial assumptions	(115,222)	-	(115,222)
Experience adjustments	92,850	-	92,850
	(22,372)	44,813	22,441
Pension fund contribution	-	(882,862)	(882,862)
Paid Pension	(766,167)	766,167	-
Balance at December 31	$ 10,836,395	($ 6,568,613)	$ 4,267,782

Note: Return on plan asset 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, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

For the year ended 2017 and 2016, actual return on plan assets were $79,296 and $46,493, respectively.

For the year ended 2017 and 2016, defined benefit plan recognized through other comprehensive income a remeasurement of $(529,374) and ($23,732), respectively, for net defined benefit liability.

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

	For the year ended 2017	For the year ended 2016
Discount rate	1.20%	1.50%
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, 2017			
Discount rate	±0.25%	($ 284,776)	$ 296,560
Future salary increases	±0.25%	$ 294,924	($ 284,639)

	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, 2016			
Discount rate	±0.25%	($ 279,907)	$ 291,668
Future salary increases	±0.25%	$ 290,937	($ 280,584)

(E) 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 calculate net pension liability in the balance sheet are the same. As of December 31, 2017, 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 in the year ended December 31, 2018 are $509,269.

C. Employee preferential savings plan

The Bank to pay 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 $457,102 and $427,330 for the years ended December 31, 2017 and 2016, respectively. Please see Note 4(20)B for details.

(A) As of December 31, 2017 and 2016, net liability in the balance sheet was $805,764and $759,199, respectively.

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

	Present value of defined benefit obligations	Fair value of plan asset	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

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	$ 716,858	$ -	$ 716,858
Interest expense	26,755	-	26,755
	743,613	-	743,613
Remeasurements:			
Change in financial assumptions	5,408	-	5,408
Experience adjustments	224,543	-	224,543
	229,951	-	229,951
Pension fund contribution	-	(214,365)	(214,365)
Paid Pension	(214,365)	214,365	-
Balance at December 31	$ 759,199	$ -	$ 759,199

(C) For the years ended December 31, 2017 and 2016, there are no actuarial loss, recognized in other comprehensive income.

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

	For the year ended 2017	For the year ended 2016
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, 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)

	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, 2016			
Discount rate of employee preferential savings	±0.25%	($ 11,481)	$ 11,825
Return rate of capital deposited	±0.25%	($ 94,328)	$ 94,328
Annual diminishing rate of account balance	±0.25%	($ 11,137)	$ 11,428
Potential future variable rate of preferential saving	±10.00%	$ 151,480	($ 151,480)

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 calculate net pension liability in the balance sheet are the same.

(E) Expected contributions to the employee preferential savings plan of the Bank in the year ended December 31, 2018 are $106,033.

D. Movements in reserve for guarantees were as follows:

	For the years ended	
	2017	2016
Beginning balance	$ 779,251	$ 799,145
Provision	100,818	-
Foreign exchange and other movements	(430)	(19,894)
Ending balance	$ 879,639	$ 779,251

(21) Other liabilities

	December 31, 2017	December 31, 2016
Guarantee deposits received	$ 3,095,063	$ 2,646,981
Advance receipts	1,339,595	1,197,282
Temporary receipts and suspense accounts	1,444	1,320
Others	112,690	96,237
Total	$ 4,548,792	$ 3,941,820

(22) Equity

A. Common stock

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

Through the resolution by its Board of Directors on April 28, 2016 and the resolution by the Board of Directors in the capacity of the stockholders' meeting on June 27, 2016, the Bank resolved to increase its capital by $2,820,000 through its unappropriated earnings, issuing 282,000 thousand shares with a par value of $10. The capital increase date was on August 16, 2016. Total capital after the capital increase was $89,064,000 with 8,906,400 thousand outstanding shares and a par value of $10 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, 2017 and 2016, the details on the Bank's capital surplus are as follows:

	December 31, 2017		December 31, 2016	
Share premium	$	3,460,326	$	34,460,326
Share-based payments		387,890		387,890
Total	$	3,848,216	$	34,848,216

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.

B. 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.

C. 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.

D. The appropriation of 2016 and 2015 earnings were resolved by the stockholders at the stockholders' meeting dated June 30, 2017 and June 27, 2016, respectively. Relevant information was as follows:

	For the year ended 2016		For the year ended 2015	
	Earnings distribution	Dividend per share (NT dollar)	Earnings distribution	Dividend per share (NT dollar)
Legal reserve	$ 5,309,561	$ -	$ 4,830,027	$ -
Special reserve	88,493	-	-	-
Cash dividends on common stock	12,300,000	1.3810	8,452,432	0.9801
Stock dividends on common stock	-	-	2,820,000	0.3270
	$ 17,698,054	$ 1.3810	$ 16,102,459	$ 1.3071

(24) Other equity interest

	Exchange difference on translation of foreign financial statements	Unrealized 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
- Realized	-	(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
Effect from income tax	-	(12,688)	(12,688)
Balance, December 31, 2017	($ 2,046,445)	$ 7,806,387	$ 5,759,942

	Exchange difference on translation of foreign financial statements	Unrealized gain or loss on available-for-sale financial assets	Total
Balance, January 1, 2016	$ 3,555,197	$ 5,058,542	$ 8,613,739
Available-for-sale financial assets			
- Valuation adjustment	-	763,014	763,014
- Realized	-	(295,314)	(295,314)
Exchange difference on the financial statements of foreign entities	(2,468,657)	-	(2,468,657)
Share of the profit or loss of associates accounted for using the equity method	(75,657)	-	(75,657)
Effect from income tax	-	(2,759)	(2,759)
Balance, December 31, 2016	$ 1,010,883	$ 5,523,483	$ 6,534,366

(25) Net interest income

	For the year ended 2017	For the year ended 2016
Interest income		
Interest income on loans discounted	$ 34,585,995	$ 33,315,882
Interest income on securities investment	5,536,186	4,997,422
Interest income due from bank	2,661,110	2,345,558
Interest income on credit cards recurrence	165,570	163,384
Other interest income	406,786	266,667
Subtotal	43,355,647	41,088,913
Interest expense		
Interest expense for deposits	(10,678,684)	(10,562,747)
Interest expense due to Central Banks and banks	(2,276,828)	(1,250,387)
Interest expense, bank debentures	(614,686)	(652,145)
Interest expense of bonds payable under repurchase agreements	(101,648)	(47,057)
Interest expense on structured notes	(110,154)	(92,170)
Other interest expense	(26,263)	(35,120)
Subtotal	(13,808,263)	(12,639,626)
Total	$ 29,547,384	$ 28,449,287

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(26) Net service fee income

	For the year ended 2017	For theyear ended 2016
Service fee income		
Trust business	$ 1,954,553	$ 1,427,089
Custodian business	512,737	499,832
Insurance agency	2,378,960	3,454,448
Foreign exchange	906,031	923,701
Credit extension	1,290,064	1,306,908
Credit card	821,341	835,773
Other service fee income on deposits and remittances	466,810	544,366
Overseas branches excluding OBU	688,380	716,300
Subtotal	9,018,876	9,708,417
Service fee expense		
Trust business	(93,753)	(84,647)
Custodian business	(135,540)	(119,233)
Insurance agency	(353,818)	(493,149)
Foreign exchange	(38,117)	(38,315)
Credit extension	(60,419)	(58,231)
Credit card	(411,617)	(429,137)
Other service fee expense on deposits and remittances	(415,864)	(385,580)
Overseas branches excluding OBU (Note)	(30,824)	(30,416)
Subtotal	(1,539,952)	(1,638,708)
Total	$ 7,478,924	$ 8,069,709

Note：

A. As of December 31, 2017 and 2016, the fee income generated by the Bank and its subsidiaries concurrently in electronic payment business amounted to $1,224 and $403, respectively.

B. Due to the Bank and its subsidiaries concurrently in electronic payment business, as of December 31, 2017 and 2016, the interest earned from utilizing funds received from users amounted to $11 and $10, 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 or losses on financial assets and financial liabilities at fair value through profit or loss

	For the year ended 2017	For the year ended 2016
Gain and loss from disposal of financial assets and financial liabilities at fair value through profit or loss		
Short-term bills	($ 65,236)	($ 84,485)
Bonds	(136,342)	(119,080)
Stocks	94,059	59,200
Interest rate	210,939	189,523
Exchange rate	3,590,149	1,524,201
Options	117,402	324,903
Futures	2,718	(426)
Exchange of commodities	-	1,239
Subtotal	3,813,689	1,895,075
Evaluation gain and loss on financial assets and financial liabilities at fair value through profit or loss		
Short-term bills	(6,049)	6,024
Bonds	252,849	788,294
Stocks	(17,162)	(12,891)
Interest rate	313,923	(567,191)
Exchange rate	452,449	9,859
Options	27,267	(62,530)
Futures	11	(1,661)
Exchange of commodities	3,349	(8,109)
Credit risk valuation adjustment	7,382	14,228
Subtotal	1,034,019	166,023
Coupon payment and bonus income on financial assets at fair value through profit or loss	21,289	27,283
Interest income on financial assets at fair value through profit or loss	1,243,864	1,290,419
Interest expense on financial liabilities at fair value through profit or loss	(1,015,173)	(795,520)
Total	$ 5,097,688	$ 2,583,280

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) Realized gains or losses on available-for-sale financial assets

	For the year ended 2017	For the year ended 2016
Gain on disposal		
Bonds	$ 179,377	$ 256,913
Beneficiary certificate	-	2,171
Stock	123,773	81,398
Subtotal	303,150	340,482
Loss on disposal		
Bonds	(5,858)	(8,284)
Stock	(1,690)	(36,884)
Subtotal	(7,548)	(45,168)
Dividends income	474,207	409,465
Total	$ 769,809	$ 704,779

(29) Gains (losses) on reversal of impairment loss on assets

	For the year ended 2017	For the year ended 2016
Gains (losses) on reversal of impairment loss on collaterals	$ 6,818	($ 251)

(30) Investment gains on debt instruments without an active market

	For the year ended 2017	For the year ended 2016
Investment gains on preferred stock of Taiwan High Speed Rail	$ -	$ 559,726

Taiwan High Speed Rail Corporation was in arrears with preferred stock dividends from January 5, 2007 to August 6, 2015 for “Class A convertible bearer preferred stock” held by the Bank. In order to execute the supporting measures of the “Taiwan High Speed Rail Corporation’s Financial Solution Plan”, pursuant to the resolution by Taiwan High Speed Rail Corporation’ extraordinary stockholders’ meetings on September 10, 2015, unpaid preferred stock dividends will be satisfied in the form of compensation. The Bank has received the compensation remitted by Taiwan High Speed Corporation on January 20, 2016.

(31) Net other non-interest income

	For the year ended 2017	For the year ended 2016
Net gain on financial assets carried at cost	$ 143,022	$ 218,795
Net income and losses from rent	251,468	263,678
Gain on disposal of property	27,523	16,177
Loss on retired assets	(15,558)	(3,127)
Other net income and losses	(7,748)	246,302
Total	$ 398,707	$ 741,825

(32) Employee benefit expenses

	For the year ended 2017	For the year ended 2016
Wages and salaries	$ 10,296,656	$ 10,810,443
Labor and health insurance fees	559,000	546,625
Pension costs	1,008,237	990,365
Other employee benefit	239,491	232,644
Total	$ 12,103,384	$ 12,580,077

A. The calculation for the employee benefit expense is based on the number of employee of 7,636 and 7,597 for the years of 2017 and 2016, respectively. (Pension expenses include preferential interest deposit for retired employees amounted to $457,102 and $427,330 for the years of 2017 and 2016, 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 still has cumulative deficits, an amount to cover those deficits shall first be retained.

C. As of December 31, 2017 and 2016, the Bank's and its subsidiaries' estimated employees' compensation were $685,935 and $855,658 respectively. The aforementioned amounts are accounted for under employee benefit expenses.

After considering earnings, employees' compensation for 2017 and 2016 were estimated on a 1% to 6% basis. Employees' compensation for 2016 as resolved by the Board of Directors in 2017 was $850,112. This was, as compared to employees' compensation in the 2016 financial statement, a $26,043 decrease. The difference in amounts was due to estimation difference (as of December 31, 2016 and 2015, the changes in estimate amounted to $1,445 and $24,598, respectively.) The changes amount in estimate in 2016 is treated as a change in accounting estimate, where the difference was recognized as profit or loss in 2017.

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.

(33) Depreciation and amortization

	For the year ended 2017	For the year ended 2016
Depreciation expense	$ 778,352	$ 795,567
Amortization expense	185,323	203,259
Total	$ 963,675	$ 998,826

(34) Other business and administrative expenses

	For the year ended 2017	For the year ended 2016
Taxes	$ 2,043,497	$ 2,081,783
Rental	1,142,042	1,135,204
Insurance premium	561,119	545,211
Post and cable	252,111	244,712
Water, electricity and gas	134,561	140,346
Stationery	107,423	106,918
Maintenance	189,878	182,275
Entrustment of investigate and research	163,338	160,334
Police and security	134,344	136,174
Land occupancy	145,654	137,588
Advertising	167,342	166,836
Others	709,235	715,773
Total	$ 5,750,544	$ 5,753,154

(35) Income tax expenses

A. Income tax expense

	For the year ended 2017	For the year ended 2016
Current tax		
Current tax on profits for the period	$ 3,445,388	$ 2,805,907
Adjustments for over provisions of prior years' income tax expense and others	(10,771)	(46,415)
Total current tax	3,434,617	2,759,492
Origination and reversal of temporary differences	(721,941)	181,195
Income tax expense	$ 2,712,676	$ 2,940,687

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

	For the year ended 2017	For the year ended 2016
Income tax from pretax income calculated at regulated tax rate	$ 3,396,953	$ 3,656,760
Adjustments for over provisions of prior years' income tax expense and others	(10,771)	(46,415)
Adjusted effects on income tax exemption and other income tax	(673,506)	(669,658)
Income tax expense	$ 2,712,676	$ 2,940,687

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

	For the year ended 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

	For the year ended 2016			
	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	$ 1,078,761	($ 415,287)	$ -	$ 663,474
Impairment loss of foreclosed assets	19,467	(7,814)	-	11,653
Unappropriated employee benefit liabilities reserve	832,691	(22,574)	4,034	814,151
Overseas branches and overseas subsidiary	472,556	190,959	(46)	663,469
Others	(639,210)	74,727	(2,713)	(567,196)
Deferred tax assets-net	$ 1,764,265	($ 179,989)	$ 1,275	$ 1,585,551
Deferred tax liabilities:				
Increment tax on land value	$ 5,710,999	($ 3,004)	$ -	$ 5,707,995
Others	9,502	4,210	-	13,712
Deferred tax liabilities:-net	$ 5,720,501	$ 1,206	$ -	$ 5,721,707

D. The Bank's filed income tax returns through 2012 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 2015 have been assessed and approved by the Tax Authority.

E. The balance of unappropriated earnings were as follows:

As of December 31, 2016, the balance of unappropriated earnings is generated on and after January 1, 1998.

F. The Bank along with its parent company (FFHC) and its subsidiaries elect the consolidated tax return to jointly declare and report their income tax. FFHC is the tax payer in the consolidated tax return. Aside from the Bank's investment gains that obtained tax credits which are included the Bank's imputation tax credit account, all taxes are included into FFHC. Under the amendments to the Income Tax Act which were promulgated by the President of the Republic of China on February 7, 2018, the imputation tax system will be abolished, the imputation credit account will no longer be applicable and the Bank's and its subsidiaries' applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase the Bank's and its subsidiaries' deferred tax assets and deferred tax liabilities by $417,565 and $110,805, respectively, which will be adjusted in the first quarter of 2018. As at December 31, 2016, the balance of the Bank's and its subsidiaries' imputation credit account amounted to $81,517.

(36) 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.

	For the year ended 2017		For the year ended 2016	
Profit or loss attributable to ordinary shareholders of the Bank (in thousand dollars)	$	15,141,884	$	17,698,536
Weighted average number of ordinary shares outstanding (in thousand shares)		8,906,400		8,906,400
Basic earnings per share (in dollars)		1.70		1.99

Note: For the years ended December 31, 2017 and 2016, 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
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

(3) Major balances and transactions with related parties:

A. Call loans to banks

	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

	December 31, 2016		
	Highest balance	Ending balance	Annual interest rate (%)
Other related parties			
Bank of Taiwan	$ 11,000,000	$ 2,700,000	0.170~0.440

For the years ended December 31, 2017 and 2016, the interest income on above related parties were $763 and $1,477, 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, 2017		
	Highest balance	Ending balance	Annual interest rate (%)
Other related parties			
Bank of Taiwan	$ 14,000,000	$ -	0.168~0.220

	December 31, 2016		
	Highest balance	Ending balance	Annual interest rate (%)
Other related parties			
Bank of Taiwan	$ 10,000,000	$ -	0.171~0.230

For the years ended December 31, 2017 and 2016, the interest expense on above related parties were $3,335 and $1,191, 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, 2017	
	Ending balance	Percentage of Due from banks(%)
Other related parties		
Bank of Taiwan	$ 287,796	1.10

	December 31, 2016	
	Ending balance	Percentage of Due from banks(%)
Other related parties		
Bank of Taiwan	$ 198,629	0.76

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, 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	FS	11,216	11,216	11,216		Other Collateral	None
Other loans	Sister company	FFAM	330,000	330,000	330,000	-	Real estate	None

December 31, 2016

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	33	$ 14,628	$ 14,317	$ 14,317	$ -	None	None
Residential mortgage loans	Other related parties	119	483,502	442,097	442,097	-	Real estate	None
Other loans	Other related parties	5	102,473	84,352	84,352	-	Certificates of deposits of the Bank、real estate、land	None
Other loans	Sister company	FFAM	330,000	330,000	330,000	-	Real estate	None

For the years ended December 31, 2017 and 2016, the interest income received from the above related parties were $10,204 and $7,985, 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, 2017		December 31, 2016	
	Ending balance	Percentage of Deposits(%)	Ending balance	Percentage of Deposits(%)
Parent company				
First Financial Holding Co., Ltd.	$ 1,893,285	0.09	$ 989,780	0.05
Sister company				
First-Aviva Life Insurance Co., Ltd.	65,824	-	234,389	0.01
First Securities Inc.	545,134	0.03	539,306	0.03
Others	385,813	0.02	293,140	0.01
Other related parties				
Others (Note)	1,578,252	0.08	1,599,847	0.08
Total	$ 4,468,308	0.22	$ 3,656,462	0.18

The interest expense paid to the above related parties for years ended December 31, 2017 and 2016 were $31,651 and $34,858, 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, 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	2017/12/4~2018/3/6	$ 4,067,644	$ 36,086	Valuation adjustment for trading assets – currency exchange rate	$ 36,086

December 31, 2016

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	2016/11/29~2017/2/2	$ 3,141,450	($ 22,473)	Valuation adjustment for trading liabilities – currency exchange rate	$ 22,473
Other related parties	Bank of Taiwan	Foreign exchange contracts	2016/5/23~2017/5/23	2,255,400	(26,593)	Valuation adjustment for trading liabilities – currency exchange rate	26,593

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 liabilities

	December 31, 2017	December 31, 2016
First Financial Holding Co., Ltd.(Note)	$ 1,023,792	$ 273,147

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

H. Financial liabilities at fair value through profit or loss

	December 31, 2017	December 31, 2016
First-Aviva Life Insurance Co., Ltd. (FALI)	$ 335,853	$ 350,337

For the years ended December 31, 2017 and 2016, the interest expense on above related parties were $13,443 and $13,696, respectively.

I. Handling charges income and other income

	For the years ended December 31,	
	2017	2016
Parent company		
First Financial Holding Co.,Ltd.	$ 24,588	$ 23,510
Subsidiary of FFHC		
First Securities Inc.	83,231	90,026
First Securities Investment Trust Co., Ltd.	55,252	43,873
First-Aviva Life Insurance Co., Ltd.	665,768	582,334
First P&C Insurance Agency	-	16,879
First Capital Management Inc.	10,369	8,195
First Financial Asset Management Co., Ltd.	4,577	4,762
Other related parties		
Others	5,393	6,158
	$ 849,178	$ 775,737

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

J. Rent expense and other expenses

	For the years ended December 31,	
	2017	2016
Parent company		
First Financial Holding Co.,Ltd.	$ 454	$ 1,065
Subsidiary of FFHC		
First Financial Asset Management Co,, Ltd.	84,392	83,929
First Securities Inc.	70,346	44,949
Other related parties		
Others	9,631	10,583
	$ 164,823	$ 140,526

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

K. Property transactions

The Bank and its subsidiaries entered into a contract with Turn Cloud Co., Ltd to purchase multi-payment POS system of 5000 sets amounting to $77,981. As of December 31, 2017, the Bank and its subsidiaries has paid $31,192 for 2000 sets and prepaid $1,560 for 500 sets. In addition, Turn Cloud Co., Ltd deposited performance guarantee of $4,094 in the Bank. Therefore, goods are sold based on the price lists in force and terms that would be available to third parties.

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

	For the years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	$ 81,894	$ 90,269
Post-employment benefits	2,090	5,447
Other long-term employee benefits	220	234
Total	$ 84,204	$ 95,950

8. Pledged assets

Pledged assets provided by the Bank and its subsidiaries as of December 31, 2017 and 2016 were as follows:

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 deposit, deposits with Federal Deposit Insurance Corporation (FDIC) and Federal Reserve Bank (FRB)
Refundable deposits	1,584,261	Guarantees deposited with the court for provisional seizure and deposits for the building lease.
	$ 6,230,488	

Items	December 31, 2016	Purpose of Pledge
Available-for-sale financial assets	$ 2,529,414	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	121,363	Guarantees deposited with the court for the provisional seizure, operating guarantee deposit, deposits with Federal Deposit Insurance Corporation (FDIC) and Federal Reserve Bank (FRB)
Refundable deposits	361,946	Guarantees deposited with the court for provisional seizure and deposits for the building lease.
	$ 3,012,723	

9. Significant contingent liabilities and unrecognized contractual commitments

(1) The Bank has the following commitments as of December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Unused loan commitments	$ 131,137,328	$ 130,148,898
Unused credit commitments for credit cards	67,426,775	66,917,079
Unused letters of credit issued	32,847,998	32,338,366
Guarantees	69,166,023	76,583,755
Collections receivable for customers	131,321,992	138,284,060
Collections payable for customers	265,798,431	272,463,199
Travelers' checks consignment-in	280,494	325,018
Guaranteed notes payable	47,178,790	61,404,207
Trust assets	673,826,470	752,112,799
Customers' securities under custody	512,371,420	422,629,544
Book-entry for government bonds under management	196,062,400	211,708,500
Depository for short-term marketable securities under management	80,456,450	80,106,646

(2) Significant litigations

Due to the collapse of the Tung Xin building caused by an earthquake on September 21, 1999, residents of the building filed a civil lawsuit for compensation of tort damages against Hong Cheng Building Co., Ltd., Hong Ku Construction Co., Ltd. (including the directors and supervisors of the aforementioned companies), and the Bank. The court of the third instance dismissed the appeal on October 2, 2014. As for criminal liability, the Supreme Court has ruled that the employees of the Bank are not guilty. However, due to a portion of the residents transferring their compensation claims concerning tort damages by the Bank to the Department of Urban Development, Taipei City Government, on September 21, 2016, the Taipei District Court ruled to repeal a portion of the Department of Urban Development, Taipei City Government's claims. On January 5, 2017, the Bank received a civil ruling from the Taiwan High Court that reversed the Taipei District Court's civil ruling on September 21, 2016. The Bank has filed an appeal. On October 27, 2017, the Supreme Court that reversed the Taiwan high court's ruling, which was remanded to the Taiwan High Court. The case was under the assessment of the Taiwan High Court, and the final result has not been determined.

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 Company 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.

Except for those listed in the table below, the carrying amount of some of the Company'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, 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	-

	December 31, 2016			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets-net	$ 344,583,594	$ 1,808,675	$ 343,188,546	$ -
Other financial assets- bond instruments without active market	3,976,640	-	3,976,640	-

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 adopts 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.

(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) Held-to-maturity financial assets: 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: 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 Group's 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 Group's 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, 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	$ -

Financial instruments measured at fair value	December 31, 2016			
	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	$ 23,451,613	$ -	$ 23,451,613	$ -
Stock investments	467,235	467,235	-	-
Bond investments	20,043,862	556,571	19,487,291	-
Financial assets designated as at fair value through profit or loss on initial recognition	29,749,056	-	29,749,056	-
Available-for-sale financial assets				
Stock investments	12,173,219	12,173,219	-	-
Short-term notes	1,096,900	-	1,096,900	-
Bond investments	125,206,756	3,038,194	122,168,562	-
Others	814,039	-	814,039	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designated as at fair value through profit or loss on initial recognition	16,216,913	-	16,216,913	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	9,541,613	120,394	9,421,219	-
Liabilities				
Financial liabilities at fair value through profit or loss	7,707,009	-	7,707,009	-
Total	$ 246,468,215	$ 16,355,613	$ 230,112,602	$ -

(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 years ended December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016.

(E) Sensitivity analysis of fair value to reasonable possible alternative assumptions for Level 3 fair value measurements

There were no financial instruments classified as Level 3 for the years ended December 31, 2017 and 2016.

(F) Quantitative information of fair value measurement for significant unobservable inputs (Level 3)

The Bank and its subsidiaries are not classified in Level 3 for the years ended December 31, 2017 and 2016 and the Bank and its subsidiaries are not quantitative information of fair value measurement for significant unobservable inputs (Level 3).

(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+ (including the debt investments of non rating)	twBBB～twBB+
Medium-high risk	Level 10	Level B	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) Credit risk hedging and mitigation policy

a. Collateral

The Bank and its subsidiaries adopts 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.

(D) Maximum credit risk exposure and concentration of the Bank and its subsidiaries

Maximum credit risk exposure

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, 2017 and 2016, 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.

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 from lease business of the Bank and its subsidiaries by industry are shown as follows:

	December 31, 2017		December 31, 2016	
Industry	Amount	%	Amount	%
Private enterprises	$ 823,798,533	51.42	$ 827,420,504	52.93
Private individual	535,658,841	33.43	514,147,428	32.89
Overseas and others	238,055,131	14.86	216,950,768	13.88
Non-profit organizations	4,354,109	0.27	4,188,370	0.26
Government institutions	316,385	0.02	665,712	0.04
Total	$ 1,602,182,999	100.00	$ 1,563,372,782	100.00

Loans discounted, overdue receivable and receivable from lease business of the Bank and its subsidiaries by location (Note) are shown as follows:

	December 31, 2017		December 31, 2016	
Geographical location	Amount	%	Amount	%
Asia	$ 1,480,359,151	92.40	$ 1,447,900,155	92.61
North America	78,450,433	4.90	77,384,403	4.95
Oceania	23,438,610	1.46	21,323,120	1.37
Europe	19,934,805	1.24	16,765,104	1.07
Total	$ 1,602,182,999	100.00	$ 1,563,372,782	100.00

Note: the above geographical location is made on the basis of the branch of debtor.

Loans discounted, overdue receivable and receivable from lease business of the Bank and its subsidiaries by collateral are shown as follows:

	December 31, 2017		December 31, 2016	
Collateral type	Amount	%	Amount	%
Unsecured loans	$ 387,329,864	24.18	$ 385,666,687	24.67
Secured loans				
-Real estate	837,146,899	52.25	809,718,336	51.79
-Guarantee	77,081,840	4.81	83,070,169	5.31
-Financial collateral	42,124,780	2.63	33,902,898	2.17
-Other collateral	34,320,747	2.14	42,798,672	2.74
Overseas and others	224,178,869	13.99	208,216,020	13.32
Total	$ 1,602,182,999	100.00	$ 1,563,372,782	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, 2017	Collateral	Net settled master netting arrangements	Other credit enhancement	Total
Items within the table				
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
Discounts and loans	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
Items outside the table				
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

Expressed: In thousands of New Taiwan Dollars

December 31, 2016	Collateral	Net settled master netting arrangements	Other credit enhancement	Total
Items within the table				
Financial assets measured at fair value through profit or loss				
Debt instruments	$ -	$ -	$ 3,221,286	$ 3,221,286
Derivative instruments	2,217,159	3,936,796	-	6,153,955
Others	-	-	322,200	322,200
Receivables				
Credit card business	5,003	-	-	5,003
Others	3,198,290	-	472,232	3,670,522
Discounts and loans	1,023,782,222	-	87,356,057	1,111,138,279
Available-for-sale financial assets				
Bond investment	-	-	7,453,395	7,453,395
Others	-	-	322,200	322,200
Held-to-maturity financial assets				
Bond investment	-	-	8,483,220	8,483,220
Other financial assets				
Others	1,630	-	-	1,630
Items outside the table				
Irrevocable loan commitments	5,228,160	-	293,250	5,521,410
Unused letters of credit issued	3,037,769	-	1,408,256	4,446,025
All types of guarantees	13,787,526	-	6,297,978	20,085,504
Total	$ 1,051,257,759	$ 3,936,796	$ 115,630,074	$ 1,170,824,629

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).

(E)Analysis on quality and overdue impairments of financial assets of the Bank and its subsidiaries

Because certain financial assets held by the Bank and its subsidiaries, such as cash and cash equivalents, financial assets at fair value through profit or loss, refundable deposits, operating deposits, settlement and clearing funds, and inter-bank clearing funds etc., have counterparties with a good credit rating, the Bank and its subsidiaries has judged that credit risk is extremely low. As a result, these financial assets are not included in the analysis of credit risk quality.

Other than the above-mentioned items, credit quality analysis for the remaining financial assets is as follows:

a. The credit risk quality of loans discounted, receivables, and securities investment:

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	$ 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 (Note)	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

December 31, 2016	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 (Note A)	$ 206,133,918	$ -	$ -	$ -	$ 206,133,918	$ -	$ -	$ 206,133,918	$ -	$ 12,793	$ 206,121,125
Receivables	7,832,145	-	-	-	7,832,145	110,140	882,902	8,825,187	546,075	97,402	8,181,710
Loans discounted (Note B)	1,198,038,936	316,934,039	26,701,747	22,502,101	1,564,176,823	6,747,987	13,181,638	1,584,106,448	3,182,304	16,130,885	1,564,793,259
Available-for-sale financial assets											
-Bonds investment	125,206,756	-	-	-	125,206,756	-	-	125,206,756	-	-	125,206,756
-Short-term bills	1,096,900	-	-	-	1,096,900	-	-	1,096,900	-	-	1,096,900
-Others	814,039	-	-	-	814,039	-	-	814,039	-	-	814,039
Held-to-maturity financial assets											
-Certificates of time deposit purchased	292,270,000	-	-	-	292,270,000	-	-	292,270,000	-	-	292,270,000
-Bonds investment	48,483,044	3,750,000	-	-	52,233,044	-	-	52,233,044	-	-	52,233,044
-Others	80,550	-	-	-	80,550	-	-	80,550	-	-	80,550
Other financial assets											
-Investment deposits	3,976,640	-	-	-	3,976,640	-	-	3,976,640	-	-	3,976,640
Total	$ 1,883,932,928	$ 320,684,039	$ 26,701,747	$ 22,502,101	$ 2,253,820,815	$ 6,858,127	$ 14,064,540	$ 2,274,743,482	$ 3,728,379	$ 16,241,080	$ 2,254,774,023

Note A: does not include inter-bank clearing funds.

Note B: includes loans (credit cards); interest receivable arising from loans; non-loan guarantees, acceptances, and account factoring transferred as overdue receivables.

b. In relation to loans discounted of the Bank and its subsidiaries that were neither past due nor impaired, the credit (including due from the central bank and call loans to bank) 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

December 31, 2016	Positions that are neither past due nor impaired				
	Low risk	Medium risk	Medium-high risk	High risk	Total
Other receivables (note)	$ 213,966,063	$ -	$ -	$ -	$ 213,966,063
Credit card business	4,490,295	1,362,509	322,666	114,952	6,290,422
Consumer banking	422,555,906	4,588,181	894,306	100,721	428,139,114
Corporate banking	646,627,294	246,905,940	22,950,276	19,585,138	936,068,648
Overseas and others	124,365,441	64,077,409	2,534,499	2,701,290	193,678,639
Total	$ 1,412,004,999	$ 316,934,039	$ 26,701,747	$ 22,502,101	$ 1,778,142,886

Note: other receivables as mentioned above includes due from the central bank and call loans to banks.

c. 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.

<u>Aging analysis of the overdue financial assets with no impairment of the Bank and its subsidiaries:</u>

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

Items	December 31, 2016		
	Overdue for less than 1 month	Overdue for 1~3 months	Total
Receivables	$ -	$ 110,140	$ 110,140
Loans discounted (Note)			
Credit card business	19,515	33,520	53,035
Consumer banking	3,170,307	490,941	3,661,248
Corporate banking	2,659,744	373,960	3,033,704
Total	$ 5,849,566	$ 1,008,561	$ 6,858,127

Note: includes loans (credit cards); interest receivable arising from loans; non-loan guarantees, acceptances, and account factoring transferred as overdue receivables.

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d. 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

Items			Loans discounted (Note 1)	Impaired amount
			December 31, 2016	December 31, 2016
With individual objective evidence of impairment	Individual assessment	Corporate loans-secured	$ 6,955,962	$ 1,444,755
		Residential mortgage loans	64,175	13,597
		Overseas and others (Note 2)	3,307,493	951,135
	Collective assessment	Corporate loans-secured	1,147,581	366,581
		Residential mortgage loans	1,440,294	283,970
		Overseas and others (Note 2)	266,133	122,266
Without individual objective evidence of impairment	Collective assessment	Corporate loans-secured	939,022,128	9,836,022
		Residential mortgage loans	405,374,513	4,182,644
		Overseas and others (Note 2)	226,528,169	2,112,219
Total			$ 1,584,106,448	$ 19,313,189

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
			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

Items			Total receivables (Note)	Impaired amount
			December 31, 2016	December 31, 2016
With individual objective evidence of impairment	Individual assessment	Receivables	$ 882,902	$ 546,075
		Overseas and others	-	-
Without individual objective evidence of impairment	Collective assessment	Receivables	141,293,148	54,287
		Overseas and others	72,783,055	55,908
Total			$ 214,959,105	$ 656,270

Note: total receivables as mentioned above includes due from the central bank and call loans to banks.

(F) Policy for assumed collateral management

The collaterals assumed by the Bank and its subsidiaries on December 31, 2017 and 2016 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.

(G)Disclosures made in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks

a. Asset quality

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)			-	5,117,984	-	56,184	-
Date & year			December 31, 2016				
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		$ 1,759,502	$ 657,603,798	0.27%	$ 6,942,638	394.58%
	Unsecured loans		531,581	458,892,596	0.12%	5,598,354	1053.15%
Consumer Banking	Residential mortgage loans (Note 4)		731,263	406,657,059	0.18%	6,140,060	839.65%
	Cash cards		-	2,284	-	167	-
	Micro credit loans (Note 5)		8,924	4,250,587	0.21%	51,090	572.50%
	Others (Note 6)	Secured	3,726	23,296,776	0.02%	240,213	6446.94%
		Unsecured	-	27,941	-	574	-
Gross loans business			3,034,996	1,550,731,041	0.20%	18,973,096	625.14%
			Non-performing loans	Balance of receivables	Non-performing loan ratio (%)	Allowance for doubtful accounts	Coverage ratio
Credit card services			11,862	6,518,479	0.18%	144,051	1214.39%
Without recourse factoring (Note 7)			-	5,618,669	-	63,979	-

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, 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

	December 31, 2016	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Amounts exempted from reporting to the competent authority under debt negotiation and the contract (Note 1)	$ 1,593	$ 25,399
Perform in accordance with debt liquidation program and restructuring program (Note 2)	38,764	126,103
Total	$ 40,357	$ 151,502

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 Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt liquidation program and restructuring program in accordance with the Jin-Guan-Yin (1) No. 09700318940 of the FSC dated September 15, 2008 and (2) No. 10500134790 of the FSC dated September 20, 2016.

c.Profile of concentration of credit risk and credit extensions of the Bank

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%

December 31, 2016			
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	$ 21,944,723	11.51%
2	Group B–Hand-crafted Fiber Spinning	13,000,085	6.82%
3	Group C–Hand-crafted Fiber Woven Fabrics	12,884,856	6.76%
4	Group D–Investment Consulting	12,050,670	6.32%
5	Group E–Iron and Steel Rolls over Extends and Crowding	10,645,012	5.58%
6	Group F–Real Estate Development	10,232,727	5.37%
7	Group G–Property Leasing	8,786,855	4.61%
8	Group H–Other Financial Services	8,140,127	4.27%
9	Group I–Other Financial Agency	7,903,743	4.15%
10	Group J–Computer Manufacturing	7,865,713	4.13%

Note:

1. Ranking the top ten 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:

Procedure

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.

Evaluation method

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, 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
Interest receivables and income	4,030,896	589,350	375,408	479,829	82,399	5,557,882
Other capital inflow upon maturity	50,385,044	7,082,913	2,614,838	1,029,743	6,128,949	67,241,487
Derivative financial instruments						
Non-hedge						
FX contracts (swaps and forwards)	754,649	505,454	185,829	131,266	62	1,577,260
FX margin trading	25,339	26,082	-	-	-	51,421
FX options and involving stock options held	53,801	124,235	161,531	268,765	-	608,332
Commodity options held	22,550	25,071	-	-	-	47,621
Cross currency swap contracts (exclusive of notional principal)	-	-	50,789	31,854	6,382	89,025
Interest rate related contracts (interest rate swaps and asset swap excluding the principal of bonds)	5,795	8,999	43,725	50,697	2,108,920	2,218,136
Futures trading	-	40,548	-	-	94,515	135,063
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
Interest payables	1,790,751	481,109	447,404	265,789	36,272	3,021,325
Commercial papers payables	1,649,730	399,862	-	-	-	2,049,592
Bonds (bills) purchased under a repurchase agreement	10,360,978	565,262	618,007	44,003	-	11,588,250
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	71,568,395	4,050,870	4,723,868	1,577,353	35,284,642	117,205,128
Derivative financial instruments						
Non-hedge						
FX contracts (swaps and forwards)	1,922,405	1,454,455	246,370	217,613	-	3,840,843
FX margin trading	1,624	316	-	-	-	1,940
Non-delivery forwards	-	400	-	-	-	400
FX options and involving stock options written	54,851	88,507	161,165	269,109	-	573,632
Commodity options written	22,646	25,071	-	-	-	47,717
Cross currency swaps (excluding the notional principal)	-	108,281	68,619	55,133	7,433	239,466
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	1,963	15,622	45,968	56,638	1,934,025	2,054,216
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

December 31, 2016	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	$ 92,692,225	$ 5,890,048	$ 5,706,339	$ 7,997,661	$ 28,534,839	$ 140,821,112
Call loans and overdrafts	92,315,658	22,413,511	3,690,924	416,088	-	118,836,181
Securities investment	254,196,931	27,915,105	7,025,828	74,096,616	202,028,972	565,263,452
Loans discounted	147,297,665	164,721,762	179,493,632	213,556,164	845,736,304	1,550,805,527
Interest receivables and income	3,939,725	507,863	312,140	417,770	51,230	5,228,728
Other capital inflow upon maturity	40,820,716	6,730,671	2,977,263	1,998,297	4,619,739	57,146,686
Derivative financial instruments						
Non-hedge						
FX contracts (swaps and forwards)	1,604,762	1,311,608	1,107,438	364,160	457	4,388,425
FX margin trading	153,354	9,533	9,722	-	-	172,609
Non-delivery forwards	215	9,989	-	-	-	10,204
FX options and involving stock options held	188,636	454,142	506,158	388,057	-	1,536,993
Commodity options held	-	-	-	72,678	-	72,678
Cross currency swap contracts (exclusive of notional principal)	-	-	91,643	128,169	17,471	237,283
Interest rate related contracts (interest rate swaps and asset swap excluding the principal of bonds)	4,622	151,947	24,618	302,797	2,519,042	3,003,026
Futures trading	-	25,921	-	-	94,474	120,395
Total	633,214,509	230,142,100	200,945,705	299,738,457	1,083,602,528	2,447,643,299
2.Primary capital outflow upon maturity						
Non-derivative financial instruments						
Call loans, overdrafts and due to other banks	92,308,589	27,714,184	4,989,368	985,895	-	125,998,036
Demand deposits	53,008,054	58,698,629	54,577,838	88,086,238	995,176,342	1,249,547,101
Time deposits	147,221,739	190,140,099	136,835,573	229,485,066	21,452,928	725,135,405
Interest payables	1,377,124	445,833	254,359	263,263	204,328	2,544,907
Commercial papers payables	1,549,478	300,000	-	-	-	1,849,478
Bonds (bills) purchased under a repurchase agreement	2,963,449	3,956,366	492,287	120,795	-	7,532,897
Financial liabilities at fair value through profit and loss – non-derivatives	-	2,044,929	3,466,612	1,533,001	9,172,372	16,216,914
Financial Bonds Payable	-	-	-	8,000,000	29,300,000	37,300,000
Other capital outflow upon maturity	60,219,168	5,444,303	4,552,105	8,980,734	39,812,665	119,008,975
Derivative financial instruments						
Non-hedge						
FX contracts (swaps and forwards)	602,515	875,860	852,984	462,565	347	2,794,271
FX margin trading	2,817	208	45	-	-	3,070
Non-delivery forwards	6,829	43	-	-	-	6,872
FX options and involving stock options written	166,570	358,430	507,182	391,613	-	1,423,795
Commodity options written	-	-	-	72,799	-	72,799
Cross currency swaps (excluding the notional principal)	48,989	50,502	38,299	65,918	49,805	253,513
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	3,679	120,774	29,718	284,747	2,713,771	3,152,689
Total	359,479,000	290,150,160	206,596,370	338,732,634	1,097,882,558	2,292,840,722
3.Gap upon maturity	$ 273,735,509	($ 60,008,060)	($ 5,650,665)	($ 38,994,177)	($ 14,280,030)	$ 154,802,577

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, 2017 and 2016, the payment on period of 0-30 days will be increased by $1,225,623,577 and $1,196,539,047, 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, 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

Financial instruments contracts	December 31, 2016		
	Within one year	More than one year	Total
Unused loan commitments (Note)	$ 1,706,874	$ 128,442,024	$ 130,148,898
Unused credit commitments for credit cards	66,917,079	-	66,917,079
Unused letters of credit issued	29,414,751	2,923,615	32,338,366
Various guarantees	43,444,613	33,139,142	76,583,755
Total	$ 141,483,317	$ 164,504,781	$ 305,988,098

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, 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

December 31, 2016	Less than 1 year	1 to 5 years	More than 5 years	Total
Lease commitment				
Operating lease expense (Lessee)	$ 604,925	$ 1,231,217	$ 827,291	$2,663,433
Operating lease income (Lessor)	(482,378)	(937,933)	(291,371)	(1,711,682)
Total	$ 122,547	$ 293,284	$ 535,920	$ 951,751

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, 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)

	December 31, 2016						
	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	$1,952,825,319	$264,393,645	$225,612,042	$ 184,248,272	$161,832,284	$ 270,568,239	$ 846,170,837
Primary capital outflow upon maturity	(2,681,615,546)	(139,668,254)	(176,545,606)	(353,032,259)	(388,400,951)	(487,872,361)	(1,136,096,115)
Gap	($ 728,790,227)	$124,725,391	$ 49,066,436	($168,783,987)	($226,568,667)	($ 217,304,122)	($289,925,278)

b. Structure analysis of USD time to maturity of the Bank

Expressed In Thousands of US Dollars

	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)

	December 31, 2016					
	Total	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Primary capital inflow upon maturity	$ 23,897,689	$ 10,222,339	$ 4,629,456	$ 2,791,439	$ 1,147,952	$ 5,106,503
Primary capital outflow upon maturity	(29,968,028)	(9,149,792)	(5,459,269)	(4,126,125)	(5,007,342)	(6,225,500)
Gap	($ 6,070,339)	$ 1,072,547	($ 829,813)	($ 1,334,686)	($ 3,859,390)	($ 1,118,997)

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 its subsidiaries 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

Major subsidiaries of the Bank and its subsidiaries 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’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.

Procedure

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 Group 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, 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, 2017 and 2016, 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, 2017		December 31, 2016	
	USD	RMB	USD	RMB
Financial assets				
Cash and cash equivalents	$ 9,237,064	$ 6,402,944	$ 7,578,716	$ 4,641,311
Due from the Central Bank and call loans to other banks	47,818,887	28,417,361	72,362,038	16,334,264
Financial assets at fair value through profit or loss	19,128,045	431,124	21,336,967	230,536
Available-for-sale financial assets	46,002,275	14,619,648	36,812,409	16,397,280
Loans discounted	245,169,990	20,117,655	233,178,116	21,729,018
Receivables	19,505,159	2,249,838	19,644,173	2,227,550
Held-to-maturity financial assets	3,489,221	4,457,935	6,378,289	5,504,237
Other financial assets	8,838	2,729,400	51,770	3,976,640
Subtotal-financial assets	$ 390,359,479	$ 79,425,905	$ 397,342,478	$ 71,040,836
Financial liabilities				
Deposits from Central Bank and banks	$ 89,878,829	$ 3,791,784	$ 65,140,857	$ 5,818,294
Deposits and remittances	421,288,904	60,332,426	380,786,272	62,186,310
Financial liabilities at fair value through profit or loss	28,946,330	691	15,014,785	444
Other financial liabilities	14,205,486	237,462	11,169,610	71,154
Payables	33,330,758	2,887,770	24,135,323	3,440,672
Subtotal-financial liabilities	$ 587,650,307	$ 67,250,133	$ 496,246,847	$ 71,516,874

Note: As of December 31, 2017 and 2016, the exchange rate of USD to NTD was 29.680, and 32.220, respectively. In addition, as of December 31, 2017 and 2016, the exchange rate of RMB to NTD were 4.549, and 4.624, 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, 2017, 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, 2016, if NTD to USD depreciates/appreciates by 3%; RMB depreciates/appreciates by 5%; 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, 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 1)	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 2)	(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)

December 31, 2016 (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 RMB depreciate by 5%, NTD to AUD and other currencies depreciate by 4%.(Note 1)	138,512	-
Foreign exchange risk	NTD to USD appreciate by 3%, NTD to RMB appreciate by 5%, NTD to AUD and other currencies appreciate by 4%.(Note 2)	(138,512)	-
Interest rate risk	Main interest rate curve increases by 20 bps	(248,496)	(806,959)
Interest rate risk	Main interest rate curve decreases by 20 bps	256,286	836,236
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market rises by 5%.	14,251	159,615
Equity securities risk	Weighted average index of Taiwan Stock Exchange Market falls by 5%.	(14,251)	(159,615)

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 $255,657, $3,076, ($132,003)and $25,828, 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 ($255,657), ($3,076), $132,003 and($25,828), respectively.

Note 3: NTD to USD depreciate by 3%, NTD to RMB depreciate by 5%, NTD to AUD and other currencies respectively depreciate by 4%, the effects on profit (loss) will be $246,092, ($116,276), $2,143 and $6,553, respectively.

Note 4: NTD to USD appreciate by 3%, NTD to RMB appreciate by 5%, NTD to AUD and other currencies respectively appreciate by 4%, the effects on profit (loss) will be ($246,092), $116,276, ($2,143) and ($6,553), 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, 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%

Sensitivity analysis of interest rate for assets and liabilities (NTD)
December 31, 2016
(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	1,463,251,750	13,779,281	79,596,827	164,204,087	1,720,831,945
Interest-rate-sensitive liabilities	357,717,601	986,827,936	109,629,416	40,689,116	1,494,864,069
Interest-rate-sensitive gap	1,105,534,149	(973,048,655)	(30,032,589)	123,514,971	225,967,876
Net					190,631,086
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					115.12%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					118.54%

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, 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%

Sensitivity analysis of interest rate for assets and liabilities (USD)
December 31, 2016

(Expressed In Thousands of USD, %)

Item	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	18,773,131	3,019,806	945,680	487,446	23,226,063
Interest-rate-sensitive liabilities	13,047,829	7,209,526	1,485,334	65,195	21,807,884
Interest-rate-sensitive gap	5,725,302	(4,189,720)	(539,654)	422,251	1,418,179
Net					5,916,545
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					106.50%
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					23.97%

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 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 consolidated company is still exposed to interest rate risk and credit risk.

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

December 31, 2016 Unit: NTD thousand

Category of financial asset	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Held-to-maturity financial assets		
Repurchase arrangements	$ 1,610,805	$ 1,527,076
Available-for-sale financial assets		
Repurchase arrangements	3,291,645	3,137,710

F. Offsetting financial assets and financial liabilities

The consolidated company has 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 has 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, 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.

December 31, 2016

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	$ 9,421,218	$ -	$ 9,421,218	$ 3,936,796	$ 2,217,159	$ 3,267,263
Total	$ 9,421,218	$ -	$ 9,421,218	$ 3,936,796	$ 2,217,159	$ 3,267,263

(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	$ 7,707,009	$ -	$ 7,707,009	$ 4,064,239	$ 21,703	$ 3,621,067
Repurchase arrangements	4,664,786	-	4,664,786	4,664,786	-	-
Total	$ 12,371,795	$ -	$ 12,371,795	$ 8,729,025	$ 21,703	$ 3,621,067

(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, 2017	December 31, 2016
Self-owned capital	Tier 1 Capital of common equity		$ 175,762,425	$ 175,151,489
	Other Tier 1 Capital		406,171	405,115
	Tier 2 Capital		36,950,738	39,959,022
	Self-owned capital		213,119,334	215,515,626
Total risk - weighted assets	Credit risk	Standardized Approach	1,452,444,722	1,493,128,899
		Internal Ratings Based Approach	-	-
		Asset securitization	668,522	724,570
	Operation risk	Basic Indicator Approach	-	-
		Standardized Approach/Alternative Standardized Approach	75,694,622	73,737,175
		Advanced Measurement Approaches	-	-
	Market risk	Standardized Approach	30,757,314	27,594,250
		Internal Models Approach	-	-
	Total risk-weighted assets		1,559,565,180	1,595,184,894
Capital adequacy ratio			13.67%	13.51%
Total risk assets based Tier 1 Capital of Common equity, net Ratio			11.27%	10.98%
Total risk assets based Tier 1 Capital, net Ratio			11.30%	11.01%
Leverage ratio			6.46%	6.58%

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

Note 2: 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, 2017	2016
Return on total assets (%)	Before tax	0.71	0.84
	After tax	0.60	0.72
Return on stockholders' equity (%)	Before tax	9.33	11.03
	After tax	7.91	9.46
Net profit margin ratio (%)		34.82	41.95

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, 2017	December 31, 2016
Bank deposits	$ 8,847,304	$ 13,861,264
Bonds	2,227,317	62,400,260
Stocks	91,668,549	90,305,858
Mutual funds	205,062,214	202,180,234
Beneficiary securities	-	100,059
Accounts receivable	781	-
Structured notes	1,910,000	200,000
Real estate	23,007,723	20,573,932
Net assets under collective management accounts	219,182	224,740
Customers' securities under custody	340,883,400	362,266,452
Total	$ 673,826,470	$ 752,112,799
Trust liabilities		
Payables-customers securities under custody	$ 340,883,400	$ 362,266,452
Payables	68	98
Trust capital	332,679,483	389,637,407
Accumulated profit or loss	263,519	208,842
Total	$ 673,826,470	$ 752,112,799

As of December 31, 2017 and 2016, the Offshore Banking Unit had book balance of NTD$4,089,066 and $3,656,993 for designated money trust funds investing in foreign securities ; the Offshore Banking Unit had book balance of NT$349,097 and NT$274,062 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, 2017	December 31, 2016
Bank deposits	$ 8,847,304	$ 13,861,264
Bonds	2,227,317	62,400,260
Stocks	91,668,549	90,305,858
Mutual funds	205,062,214	202,180,234
Beneficiary securities	-	100,059
Accounts receivable	781	-
Real estate	23,007,723	20,573,932
Structured notes	1,910,000	200,000
Net assets under collective management accounts	219,182	224,740
Customers' securities under custody	340,883,400	362,266,452
Total	$ 673,826,470	$ 752,112,799

UNIT：In thousands of NT Dollars

Income Statement of Trust Accounts

	For the years ended December 31,	
	2017	2016
Trust revenues		
Interest income	$ 5,811,459	$ 4,959,894
Dividend income	3,515	2,416
Realized gain on bonds	38	15,788
Realized gain on stocks	12,805	2,496
Realized gain on mutual funds	3,980,502	1,685,745
Gain on translation	2,920	2,912
Other income	246	5
Total trust revenues	9,811,485	6,669,256
Trust expenses		
Management fee	(1,030)	(4,072)
Other expense	(52)	(4)
Service fee	(1,355)	(1,847)
Realized loss on bonds	(759,586)	(36,470)
Realized loss on stocks	(153)	(13,636)
Realized loss on mutual funds	(2,739,993)	(3,519,007)
Losses on disposal of property	(240)	(151)
Gain on translation	(2,484)	(601)
Total trust expenses	(3,504,893)	(3,575,788)
Net gain before tax	6,306,592	3,093,468
Income tax expense	(9)	(171)
Net gain after tax	$ 6,306,583	$ 3,093,297

(6) Information with respect to the transferring of financial assets and extinguishing of liabilities:

Please refer to Note 12(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.

(Blank below)

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, 2017:

None.

B. Acquisition of real estate over the amount of NT $300 million dollars or 10% of issued capital stock as of December 31, 2017:

None.

C. Disposal of real estate over the amount of NT $300 million dollars or 10% of issued capital stock as of December 31, 2017:

None.

D. Handling fee discounts for transactions with related parties over the amount of NT $5 million dollars as of December 31, 2017:

None.

E. Receivables from related parties over the amount of NT $300 million dollars or 10% of issued capital stock as of December 31, 2017:

None.

F. Information regarding non-performing loans of subsidiaries:

(A) Summary of selling non-performing loans as of December 31, 2017:

Transaction date (Date of contract)	Counterparty	Composition of creditor's right	Book value(Note)	Sale price	Gain (loss) on disposal	Additional terms	Relationship between counterparty and FCB
2017.3.21	Asia Pacific Commercial Bank	Unsecured	$ -	$ 486	$ 486	None	None
2017.4.14	Southern debt trading Joint-Stock Company(SDTC)	Unsecured	-	111,611	111,611	None	None
2017.8.22	SC Lowy Primary Investment,Ltd	Unsecured	-	22,180	22,180	None	None

Note: The carrying amount is the balance of the original loan amount after deduction of allowance for doubtful debts.

G. Securitization products, including its related information, applied by subsidiaries in compliance with the "Financial Asset Securitization Act" or "Real Estate Securitization Act" as of December 31 , 2017 :

None.

H. Significant transactions between parent company and subsidiaries for the year ended December 31, 2017:

(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	$ 295	No significant difference from general customers	0.00%
0	FCB	First Commercial Bank (USA)	1	Deposits of overseas bank	11,856	No significant difference from general customers	0.00%
0	FCB	First Commercial Bank (USA)	1	Interest income	4	No significant difference from general customers	0.00%
1	First Commercial Bank (USA)	FCB	2	Interest expense	4	No significant difference from general customers	0.00%
1	First Commercial Bank (USA)	FCB	2	Due to overseas bank	11,856	No significant difference from general customers	0.00%
1	First Commercial Bank (USA)	FCB	2	Deposits of overseas bank	295	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Deposits and remittances	113,198	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Payables	3	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Other liabilities	1	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Net other non-interest income	3,679	No significant difference from general customers	0.01%
0	FCB	FCBL	1	Interest expense	85	No significant difference from general customers	0.00%
0	FCB	FCBL	1	Business and administrative expense	4,471	No significant difference from general customers	0.01%

(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	Net service fee income	317	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Cash and cash equivalents	113,198	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Receivables	3	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	3,982	No significant difference from general customers	0.01%
2	FCBL	FCB	2	Interest income	85	No significant difference from general customers	0.00%
2	FCBL	FCB	2	Net other non-interest income	4,476	No significant difference from general customers	0.01%
2	FCBL	FCB	2	Net service fee income	18	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, 2017:

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 pro`vided 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, 2017	Balance at December 31, 2017	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		
1	FCB Leasing Co. Ltd.	San Wen Co., Ltd.	Other receivables-direct financing	N	$ 16,034	$ 2,356	$ 2,356	5.80%	2	$ -	Operation turnover	$ -	Deposit	$1,500	$ 943,567	$1,258,089
2	FCB Leasing Co. Ltd.	HANKY Co., Ltd.	Other receivables-direct financing	N	283,782	275,305	275,305	4.18%	2	-	Operation turnover	-	Real estate	240,000	943,567	1,258,089
3	FCB Leasing Co. Ltd.	Kai Chu Aluminum Co., Ltd.	Other receivables-direct financing	N	58,800	12,085	12,085	4.51%	2	-	Operation turnover	-	Real estate	96,000	943,567	1,258,089
4	FCB Leasing Co. Ltd.	Che Cheng Industrial Co., Ltd.	Other receivables-direct financing	N	37,274	18,858	18,858	4.58%	2	-	Operation turnover	-	Real estate	72,000	943,567	1,258,089
5	FCB Leasing Co. Ltd.	Hlsc Logistics Co., Ltd.	Other receivables-direct financing	N	25,119	4,111	4,111	6.04%	2	-	Operation turnover	-	Deposit	3,000	943,567	1,258,089
6	FCB Leasing Co. Ltd.	Yuan Gji Medicines Co. Ltd.	Other receivables-direct financing	N	4,539	2,680	2,680	8.30%	2	-	Operation turnover	-	Deposit	600	943,567	1,258,089
7	FCB Leasing Co. Ltd.	Tendril Co. Ltd.	Other receivables-direct financing	N	44,650	35,250	35,250	5.73%	2	-	Operation turnover	-	Real estate	39,687	943,567	1,258,089
8	FCB Leasing Co. Ltd.	ACT Chemical Co., Ltd.	Other receivables-direct financing	N	10,000	-	-	6.25%	2	-	Operation turnover	-	None	-	943,567	1,258,089
9	FCB Leasing Co. Ltd.	Chuangjian health cause Co., Ltd.	Other receivables-direct financing	N	6,996	3,870	3,870	6.30%	2	-	Operation turnover	-	Real estate	9,600	943,567	1,258,089

(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, 2017	Balance at December 31, 2017	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		
10	FCB Leasing Co. Ltd.	Jinhe Yu Le Industrial Co., Ltd.	Other receivables-direct financing	N	$ 50,000	$ 49,500	$ 49,500	4.12%	2	$ -	Operation turnover	$ -	Real estate	$74,513	$ 943,567	$1,258,089
11	FCB Leasing Co. Ltd.	Guxiang Binding Printing Co., Ltd	Other receivables-direct financing	N	10,000	9,891	9,891	4.15%	2	-	Operation turnover	-	Real estate	15,710	943,567	1,258,089
12	FCB Leasing Co. Ltd.	Fengxin Development Investment Co., Ltd	Other receivables-direct financing	N	20,000	18,600	18,600	4.54%	2	-	Operation turnover	-	Stock	21,408	943,567	1,258,089
13	FCB Leasing Co. Ltd.	100 Mountain Enterprises Ltd.	Other receivables-direct financing	N	20,000	19,300	13,300	4.45%	2	-	Operation turnover	-	Real estate	24,194	943,567	1,258,089
14	FCB Leasing Co. Ltd.	Emerald Bay Biotechnology Co., Ltd.	Other receivables-direct financing	N	50,000	48,500	48,500	4.36%	2	-	Operation turnover	-	Real estate	34,619	943,567	1,258,089
15	FCB Leasing Co. Ltd.	Xinyue Construction Co., Ltd.	Other receivables-direct financing	N	35,000	34,650	34,650	4.75%	2	-	Operation turnover	-	Real estate	50,406	943,567	1,258,089
16	FCB Leasing Co. Ltd.	Chong Yu International Co., Ltd.	Other receivables-direct financing	N	20,000	20,000	20,000	4.84%	2	-	Operation turnover	-	Real estate	24,000	943,567	1,258,089
17	FCB Leasing Co. Ltd.	Super Vision International Trading Co., Ltd.	Other receivables-direct financing	N	19,808	-	-	8.75%	1	20,000	Operation turnover	-	Deposit	5,800	314,522	1,258,089
18	FCB Leasing Co. Ltd.	Taiwan Newleader Co., Ltd.	Other receivables-direct financing	N	3,355	-	-	7.40%	2	-	Operation turnover	-	Tickets	4,018	943,567	1,258,089
19	FCB Leasing Co. Ltd.	Yuans of biological Science Technologies Co., Ltd.	Other receivables-direct financing	N	20,181	9,103	9,103	8.11%	2	-	Operation turnover	-	Real estate	14,400	943,567	1,258,089

(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, 2017	Balance at December 31, 2017	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		
20	FCB Leasing Co. Ltd.	Ever Spring Marine Aquaculture Co., Ltd.	Other receivables-direct financing	N	$ 9,621	$ 1,992	$ 1,992	7.06%	2	$ -	Operation turnover	$ -	Personal Property	$ 6,900	$ 943,567	$ 1,258,089
21	FCB Leasing Co. Ltd.	Qian Jia Food Co., Ltd.	Other receivables-direct financing	N	15,387	10,617	10,617	8.65%	1	20,000	Operation turnover	-	Real estate	2,869	314,522	1,258,089
22	FCB Leasing Co. Ltd.	Xiang Wei Mao Yi Co., Ltd.	Other receivables-direct financing	N	18,417	10,179	10,179	6.52%	2	-	Operation turnover	-	Real estate	11,906	943,567	1,258,089
23	FCB Leasing Co. Ltd.	Songyuan Co., Ltd.	Other receivables-direct financing	N	2,865	2,312	2,312	4.52%	2	-	Operation turnover	-	Real estate	5,347	943,567	1,258,089
24	FCB Leasing Co. Ltd.	Long Life Tien Trading Co., Ltd.	Other receivables-direct financing	N	14,746	5,164	5,164	6.58%	2	-	Operation turnover	-	Real estate	18,886	943,567	1,258,089
25	FCB Leasing Co. Ltd.	Jun Gu Nian Mi Chang Corp.	Other receivables-direct financing	N	10,586	3,041	3,041	4.50%	2	-	Operation turnover	-	Real estate	15,123	943,567	1,258,089
26	FCB Leasing Co. Ltd.	Yu Chiun International Development Co. Ltd.	Other receivables-direct financing	N	8,000	4,231	4,231	8.17%	2	-	Operation turnover	-	Real estate	2,048	943,567	1,258,089
27	FCB Leasing Co. Ltd.	Zhenhao fishery Co., Ltd	Other receivables-direct financing	N	10,000	10,000	10,000	4.74%	2	-	Operation turnover	-	Deposit	2,000	943,567	1,258,089
28	FCB Leasing Co. Ltd.	Zhenwang Store	Other receivables-direct financing	N	15,000	15,000	8,000	5.76%	2	-	Operation turnover	-	Deposit	1,600	943,567	1,258,089
29	FCB Leasing Co. Ltd.	Xuantai Food Co., Ltd.	Other receivables-direct financing	N	7,391	-	-	7.35%	2	-	Operation turnover	-	Deposit	1,200	943,567	1,258,089
30	FCB Leasing Co. Ltd.	World Way Marine Transportation & Logistic Co., Ltd.	Other receivables-direct financing	N	9,995	289	289	5.71%	2	-	Operation turnover	-	None	-	943,567	1,258,089

(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, 2017	Balance at December 31, 2017	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		
31	FCB Leasing Co. Ltd.	Holmes Chez International Co., Ltd.	Other receivables-direct financing	N	$ 20,000	$ 17,846	$ 17,846	5.95%	2	$ -	Operation turnover	$ -	Deposit	$ 3,000	$ 943,567	$1,258,089
32	FCB Leasing Co. Ltd.	Zongsheng Industrial Co., Ltd.	Other receivables-direct financing	N	20,000	19,596	19,596	5.97%	2	-	Operation turnover	-	Real estate	25,910	943,567	1,258,089
33	FCB Leasing Co. Ltd.	Tair Feng Yu Construction Co., Ltd.	Other receivables-direct financing	N	90,000	90,000	32,143	3.81%	1	330,000	Operation turnover	-	Real estate	90,204	314,522	1,258,089

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	9,435,699	2,344,720	2,344,720	486,366	None	74.55%	31,452,230	N	N	N
2	FCB Leasing Co., Ltd.	FCB International Leasing Ltd.	Sub-Subsidiary	9,435,669	2,832,070	2,531,274	873,281	None	80.48%	31,452,230	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 31,2017

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	$ 1,798,874	100%	$ 1,798,874	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	619,360	100%	619,360	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	905,107	100%	905,107	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	$ 3,485,491	$ 174,382	7,000	-	7,000	100
FCBL	6F, 94, ChungHsiaoE.Road., Sec. 2, Taipei, Taiwan	Note 4	100	3,149,042	107,375	300,000	-	300,000	100
EAREM	9F, 94, ChungHsiaoE.Road., Sec.2, Taipei, Taiwan	Note 5	30	15,309	2,648	1,500	-	1,500	30
Turn Cloud Technology Service Inc.	11F.-11, No.99, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221, Taiwan	Note 6	40	15,773	(4,227)	2,000	-	2,000	40
FCBL Capital International (B.V.I) Ltd.	Citco Building, Wickhams Cay, P. O. Box 662, Road Town, Tortola, British Virgin Islands	Note 4	100	1,798,874	-	60,050	-	60,050	100
FCB International Leasing Ltd.	Rm. 1008, Jianwu Building, No. 188, Wangdun Rd., Suzhou, China	Note 4	100	619,360	-	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	905,107	-	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.

Note 6: Computer system integration services.

(3) Information on investments in Mainland China

A. The Bank's investments in Shanghai branch for the year ended December 31, 2017 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, 2017	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2017	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)	$ 91,821	N/A	$ 91,821 (2)A

Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Accumulated Investments in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 5,376,705	-	$ 4,676,508 (USD 157,440)	$ 4,676,508 (USD 157,440)	$ 115,355,500

B. The Bank’s investments in Chengdu branch for the year ended December 31, 2017 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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	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 (USD162,269)	$ 36,774	N/A	$ 36,774 (2)A

Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Accumulated Investments in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 5,037,069	$ -	$ 4,896,697 (USD 162,269)	$ 4,896,697 (USD 162,269)	$ 115,355,500

C. The Bank’s investments in Xiamen branch for the year ended December 30, 2017 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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	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)	$ 51,122	N/A	$ 51,122 (2)A

Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Accumulated Investments in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 4,968,743	$ -	$ 5,132,801 (USD 162,946)	$ 5,132,801 (USD1 62,946)	$ 115,355,500

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, 2017	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net income of investee	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)
FCB International Leasing Ltd.	Financial Leasing	$ 886,103 (USD 30,000)	(2)	$ 886,103 (USD 30,000)	$ -	$ -	$ 886,103 (USD 30,000)	$ 39,137	100%	$ 39,137 (2)A

Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Accumulated Investments in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 619,360	$ -	$ 886,103 (USD 30,000)	$ 886,103 (USD 30,000)	$ 1,887,134

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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	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)	$ 31,708	100%	$31,708 (2)A

Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Accumulated Investments in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 905,107	-	$ 903,495 (USD30,000)	$ 903,495 (USD30,000)	$ 1,887,134

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, 2017' 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 6 major business segments which are based on the global market. Starting from July 1, 2016, the insurance agency businesses have been reclassified to the financial management businesses from other businesses. Segment information for the previous year has been restated for the above-mentioned component change of reportable segments in order to reflect such a change.

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, 2017 and 2016 were as follows:

	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
(Provision) reversal of allowance for bad debts and reserves	(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

	For the year ended December 31, 2016						
	Loan business	Deposit business	Wealth management business	Treasury business	Overseas business (excluding OBU)	Other businesses	Consolidated
Net interest income	$ 16,674,888	$ 3,322,407	$ -	$ 1,796,695	$ 5,341,836	$ 1,313,461	$ 28,449,287
Net service fee income	1,774,854	3,988	4,941,721	(9,892)	685,885	673,153	8,069,709
Net gain and loss on financial instruments	31,731	313,046	32,694	3,520,354	(528,045)	1,807,333	5,177,113
Other net income	(636)	8,195	3,835	14,517	28,286	442,152	496,349
(Provision) reversal of allowance for bad debts and reserves	(2,766,179)	-	-	(5,015)	(1,403,842)	1,953,858	(2,221,178)
Operating gross margin after provision	$ 15,714,658	$ 3,647,636	$ 4,978,250	$ 5,316,659	$ 4,124,120	$ 6,189,957	39,971,280
Operating expenses							(19,332,057)
Net profit before tax after provision							$ 20,639,223

	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

	December 31, 2016						
	Loan business	Deposit business	Treasury business	Overseas business (excluding OBU)	Other businesses	Reconciliation and elimination	Consolidated
Segment assets	$ 1,361,380,117	$ -	$ 884,862,389	$ 308,041,633	$ 150,740,864	($ 219,771,879)	$ 2,485,253,124
Segment liabilities	4,605,534	1,849,110,333	282,580,017	264,980,085	106,393,292	(213,047,223)	2,294,622,038

(3) Geographical information

The Bank and its subsidiaries' geographical information for the years ended December 31, 2017 and 2016 are as follows:

	For the year ended 2017	For the year ended 2016
Taiwan	$ 37,572,555	$ 36,298,533
Asia	3,349,153	3,349,153
North America	2,029,250	2,011,183
Others	529,333	533,589
Total	$ 43,480,291	$ 42,192,458

(4) Information on products

The Bank's 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.

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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") as of December 31, 2017 and 2016, 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 of December 31, 2017 and 2016, 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 of the current period. 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, 2017 are addressed as follows:

Impairment evaluation of loans discounted

Description

For the accounting policy for the impairment evaluation of discounted loans, please refer to Note 4(8) of the financial statements; for accounting judgements, estimates and assumption uncertainty of impairment losses of discounted loans, please refer to Note 5(2) of the financial statements; for explanations on the details of discounted loans, please refer to Note 6(5) of the financial statements. Loans discounted and allowance for bad debts recognized for the year ended December 31, 2017, was $1,589,775,509 thousand and $21,921,630 thousand, respectively.

Credit services of the Bank, which are its main business activity, are primarily corporate credit facilitations. Impairment losses on loans discounted are losses of estimated future cash flows in which there is existing objective evidence of impairment that loans may not be recovered. The Bank's impairment evaluation of loans discounted is conducted in accordance with the related requirements of IAS 39, 'Financial Instruments: Recognition and Measurement' and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". If there is existing objective evidence of impairment for significant credit facilitations which exceed a certain amount or major monitored credit facilitations, then they are individually evaluated. Impairment loss is primarily provisioned according to the overdue time, current circumstances of the borrower, collateral, guarantee status of external institutions, and historical experience; if there is no existing objective evidence of impairment or if there is existing objective evidence of impairment but the credit facilitation does not exceed a certain amount, then evaluation is conducted on a group basis and impairment losses are estimated according to impairment parameters such as impairment probability, recovery rate, and effective interest rate of each group.

Credit services of the Bank, which are its main business activity, are primarily corporate credit facilitations. Impairment losses on loans discounted are losses of estimated future cash flows in which there is existing objective evidence of impairment that loans may not be recovered. The Bank's impairment evaluation of loans discounted is conducted in accordance with the related requirements of IAS 39, 'Financial Instruments: Recognition and Measurement' and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and the related regulations required by the competent authority. If there is existing objective evidence of impairment for significant credit facilitations which exceed a certain amount or major monitored credit facilitations, then they are individually evaluated. Impairment loss is primarily provisioned according to the overdue time, current circumstances of the borrower, collateral, guarantee status of external institutions, and historical experience; if there is no existing objective evidence of impairment or if there is existing objective evidence of impairment but the credit facilitation does not exceed a certain amount, then evaluation is conducted on a group basis and impairment losses are estimated according to impairment parameters such as impairment probability, recovery rate, and effective interest rate of each group by products.

The aforementioned provision of impairment loss for loans discounted includes the determination of future cash flows of individual evaluations and impairment parameters for group evaluations. Because this involves subjective judgment and numerous assumptions and estimates, the results of the measurement will directly affect the related amount recognized. Also, considering that loans account for approximately 62% of total assets, we have thus included the individual and group impairment evaluation of the Bank's loans discounted as one of the key audit matters in our audit for the year ended December 31, 2017

How our audit addressed the matter

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

1. Understood and assessed the related policies, internal control system, and operation procedures of assumptions and parameters (including the impairment probability, recovery rate, future cash flows, and effective interest rate) used by the Bank in provisioning impairment losses for discounted loans.
2. Sampled and tested the effectiveness of conducting internal controls related to the provision of impairment loss, including the identification of objective evidence for impairment loss, annual reviews, management of collateral and their value assessment, controls for changing impairment parameters, and approval for provisioning of impairment loss.
3. Group evaluations
   (1) Evaluated the model assumption parameters of the Bank's group assessments. For example, the appropriateness of the impairment probability, recovery rate, and effective interest rate of various groups, as well as the status of periodic updates
   (2) Sampled and tested the completeness of impairment classification balances and the accuracy of classifications.
   (3) Filtered client accounts under product groups using the system logic which incorporated the Bank's policy to sample and test the accuracy of their respective impairment probability, recovery rate, and effective interest rates, as well as to examine their consistency with the system reports.

4. Individual evaluations
   (1) Sampled and tested the completeness of the "Higher Risk Verified Accounts" list.
   (2) Sampled and compared the consistency of samples and systematical judgements as those which had objective evidence of impairment.
   (3) Assessed the reasonableness of parameter assumptions (including the borrower's time in arrears, financial and operational status, guarantee status by external institutions, and historical experience) for estimated future cash flows and the accuracy of calculation results for estimated future cash flows.
   (4) Sampled and tested whether the method of calculating effective interest rates was in conformity with policy requirements.

Fair value of derivative instruments

Description

For the accounting policy for derivative instruments, please refer to Note 4(9) of the financial statements; for critical accounting judgements, estimates, and assumption uncertainty of derivative instruments, please refer to Note 5(1) of the financial statements; for the details on derivative instruments (accounted under financial assets and liabilities at fair value through profit or loss), please refer to Note 6(3) and Note 6(14) of the financial statements; for information on the fair value and its hierarchy of derivative instruments, please refer to Note 12(1) of the financial statements. The fair values of derivative instruments (involving estimation), which belongs to level 2, were classified as assets and liabilities as of December 31, 2017, and amounted to $4,591,795 thousand and $6,758,214 thousand, respectively.

The measurement of the fair value of derivative instruments without an active market or public quotes of the Group are evaluated and calculated by using valuation models and methods widely accepted by market participants. The hypothetical parameters used by valuation models of derivative instruments reference observable market information as much as possible. Under such a circumstance, the measurement of fair value is assessed using historical data or other appropriate assumptions. When valuation models are elected to determine fair value, all valuation models and assumptions are periodically examined and verified to ensure that results reflect actual data and market prices.

The fair value of the Bank's derivative instruments without an active market or public quotes are calculated using valuation models and methods widely accepted by market participants. Assumptions and parameters used in valuation models reference observable market data as much as possible. However, a number of data or parameters may not be directly observable in the market and model assumptions may be subjective in nature. Under such circumstances, the measurement of fair value is evaluated using historical data or other appropriate assumptions. When fair value is determined using valuation models, all valuation models and assumptions are periodically examined and verified to ensure that outputs reflect actual data and market prices.

The aforementioned fair value measurement of derivative instruments includes the determination of assumptions and parameters used 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 the Bank's derivative instruments as one of the key audit matters in our audit.

How our audit addressed the matter

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

1. Understood and assessed the reasonableness of written policies, internal controls, and valuation procedures for valuing derivative instruments.
2. Sampled and tested the settings of valuation models to determine whether they have been periodically verified.
3. Sampled and tested "Examination of valuation data of financial products" documents and inspected the contents to assess whether management periodically assessed valuation parameter; sampled market data (e.g. interest rates, exchange rates etc.) inputs used in the valuation models to assess the completeness and accuracy of such inputs.

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.

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 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

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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 group 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.

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 16, 2018

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, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
11000	Cash and cash equivalents	6(1) and 7	$ 61,330,078	3	$ 59,206,858	3
11500	Due from the Central Bank and call loans to banks	6(2) and 7	175,310,562	7	209,314,698	9
12000	Financial assets at fair value through profit or loss	6(3) and 7	100,249,302	4	83,253,379	3
13000	Receivables, net	6(4)	59,818,878	2	51,348,689	2
13200	Current tax assets		428,701	-	415,046	-
13500	Loans discounted, net	6(5) and 7	1,567,853,879	62	1,531,757,945	62
14000	Available-for-sale financial assets	6(6) and 8	149,482,009	6	138,955,127	6
14500	Held-to-maturity financial assets	6(7) and 8	386,445,449	15	344,456,759	14
15000	Investments accounted for using equity method, net	6(8)	6,665,615	-	6,760,097	-
15500	Other financial assets, net	6(9)	8,115,659	-	7,682,304	-
18500	Property and equipment, net	6(10) and 7	26,531,962	1	26,563,033	1
18700	Investment property, net	6(11)	6,942,132	-	6,960,837	-
19000	Intangible assets, net		392,146	-	357,803	-
19300	Deferred tax assets, net	6(35)	2,846,352	-	1,335,428	-
19500	Other assets, net	6(12) and 8	1,875,448	-	921,586	-
	Total Assets		$ 2,554,288,172	100	$ 2,469,289,589	100

(Continued)

FIRST COMMERCIAL BANK
BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	LIABILITIES AND EQUITY	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
21000	Deposits from the Central Bank and banks	6(13) and 7	$ 153,891,049	6	$ 126,253,977	5
21500	Due to the Central Bank and banks		82,364	-	95,859	-
22000	Financial liabilities at fair value through profit or loss	6(14) and 7	34,398,308	1	23,923,922	1
22500	Notes and bonds issued under repurchase agreements	6(15)	11,588,250	1	7,532,897	-
23000	Payables	6(16)	76,298,979	3	66,527,381	3
23200	Current tax liabilities	7	2,529,886	-	1,584,746	-
23500	Deposits and remittances	6(17) and 7	2,007,810,178	79	1,963,243,664	79
24000	Financial bonds payable	6(18)	29,300,000	1	37,300,000	2
25500	Other financial liabilities	6(19)	29,933,504	1	37,405,279	2
25600	Provisions	6(20)	5,995,387	-	5,897,347	-
29300	Deferred tax liabilities	6(35)	6,331,031	-	5,708,001	-
29500	Other liabilities	6(21)	3,870,070	-	3,185,430	-
	Total Liabilities		2,362,029,006	92	2,278,658,503	92
	Equity					
31101	Common stock	6(22)	89,064,000	4	89,064,000	4
31500	Capital surplus	6(22)	34,848,216	1	34,848,216	1
32000	**Retained earnings**					
32001	Legal reserve	6(22)	41,193,426	2	35,883,865	2
32003	Special reserve	6(22)	4,157,452	-	4,072,621	-
32011	Unappropriated earnings	6(23)	17,236,130	1	20,228,018	1
32500	**Other equity interest**	6(24)	5,759,942	-	6,534,366	-
	Total Equity		192,259,166	8	190,631,086	8
	Total Liabilities and Equity		$ 2,554,288,172	100	$ 2,469,289,589	100

FIRST COMMERCIAL BANK
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in Thousands of New Taiwan Dollars, except as otherwise indicated)

			Year ended December 31				Changes Percentage
			2017		2016		
	Items	Notes	AMOUNT	%	AMOUNT	%	(%)
41000	Interest income		$ 42,575,709	99	$ 40,359,605	97	5
51000	Less: Interest expense		(13,732,522)	(32)	(12,561,786)	(30)	9
	Net interest income	6(25) and 7	28,843,187	67	27,797,819	67	4
	Net non-interest income						
49100	Net service fee income	6(26) and 7	7,456,664	17	8,035,254	19	(7)
49200	Gains on financial assets or liabilities measured at fair value through profit or loss	6(3)(27)	5,097,688	12	2,583,280	6	97
49300	Realized gains on available-for-sale financial assets	6(28)	769,809	2	704,779	2	9
45000	Gains on reversal of impairment loss on assets	6(29)	6,818	-	-	-	-
49750	Share of profit or loss of associates accounted for using equity method	6(8)	280,178	1	205,078	1	37
49600	Foreign exchange gains		75,651	-	997,173	2	(92)
48013	Gains on investments in debt instrument without active market	6(30)	-	-	559,726	1	(100)
49800	Net other non-interest income	6(31) and 7	384,018	1	654,168	2	(41)
	Net profit		42,914,013	100	41,537,277	100	3
58200	Provision for bad debt expense and guarantee liability	6(5)(20)	(6,839,495)	(16)	(2,050,028)	(5)	234
	Operating expenses						
58500	Employee benefits expenses	6(32) and 7	(11,860,972)	(28)	(12,328,003)	(30)	(4)
59000	Depreciation and amortization expenses	6(33)	(955,087)	(2)	(989,672)	(2)	(3)
59500	Other general and administrative expenses	6(34) and 7	(5,649,679)	(13)	(5,645,817)	(13)	-
61001	**Income from continuing operations before income tax**		17,608,780	41	20,523,757	50	(14)
61003	Income tax expense	6(35)	(2,466,896)	(6)	(2,825,221)	(7)	(13)
64000	**Net icome**		15,141,884	35	17,698,536	43	(14)
	Other comprehensive income						
	Items that will not be reclassified to profit or loss						
65201	Remeasurement of defined benefit plan		(529,374)	(1)	(23,732)	-	2131
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(35)	89,994	-	4,034	-	2131
	Items that may be reclassified subsequently to profit or loss						
65301	Exchange differences on translation of foreign financial statements	6(24)	(3,016,972)	(7)	(2,443,142)	(6)	23
65302	Unrealized gains on valuation of available-for-sale financial assets	6(24)	2,291,676	5	467,613	1	390
65307	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(8)(24)	(38,124)	-	(101,131)	-	(62)
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(24)(35)	(11,004)	-	(2,713)	-	306
	Other comprehensive (loss) income, net of tax		(1,213,804)	(3)	(2,099,071)	(5)	(42)
	Total comprehensive income		$ 13,928,080	32	$ 15,599,465	38	(11)
	Earnings per share (In NT dollars)						
	Basic and diluted earnings per share	6(36)	$ 1.70		$ 1.99		

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	Total
For the year ended December 31, 2016								
Balance at January 1, 2016	$ 86,244,000	$ 34,848,216	$ 31,053,838	$ 4,074,753	$ 18,649,507	$ 3,555,197	$ 5,058,542	$ 183,484,053
Appropriation and distribution of 2015 earnings(Note)								
Legal reserve	-	-	4,830,027	-	(4,830,027)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(8,452,432)	-	-	(8,452,432)
Stock dividends of ordinary shares	2,820,000	-	-	-	(2,820,000)	-	-	-
Net income for the year	-	-	-	-	17,698,536	-	-	17,698,536
Other comprehensive income for the year	-	-	-	-	(19,698)	(2,544,314)	464,941	(2,099,071)
Reversal of special reserve	-	-	-	(2,132)	2,132	-	-	-
Balance at December 31, 2016	$ 89,064,000	$ 34,848,216	$ 35,883,865	$ 4,072,621	$ 20,228,018	$ 1,010,883	$ 5,523,483	$ 190,631,086
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
Appropriation and distribution of 2016 earnings (Note)								
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)
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)
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

Note: The employees' remuneration for the years ended 2017 and 2016 were $876,155 and $997,869 respectively, which were deducted from statements of comprehensive income.

FIRST COMMERCIAL BANK
STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

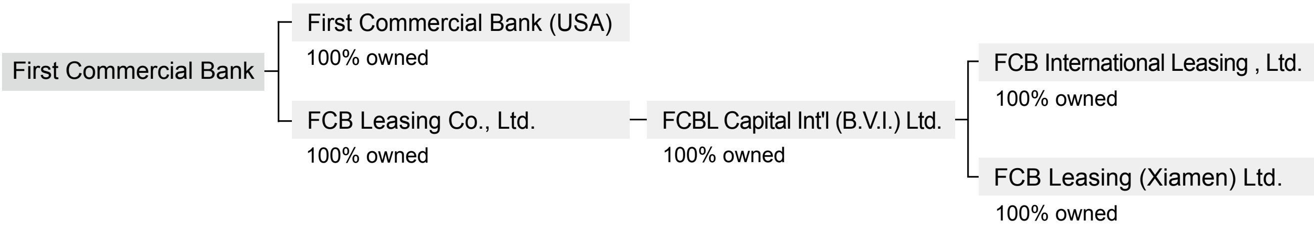
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from continuing operations before income tax	$ 17,608,780	$ 20,523,757
Adjustments to reconcile profit before tax to net cash used in operating activities		
Income and expenses		
Provision for bad debt expense and guarantee liability	9,621,544	4,396,262
Depreciation of property and equipment	762,546	779,194
Depreciation of investment property	8,260	8,210
Amortization expense	184,281	202,268
Interest income	(42,575,709)	(40,359,605)
Interest expense	13,732,522	12,561,786
Dividend income	(638,517)	(655,542)
Share of profit of associates accounted for using equity method	(280,178)	(205,078)
Gains on disposal of plant and equipment	(1,327)	(69)
Losses on disposal of property and equipment	15,558	3,126
Gains on disposal of investment property	(24,108)	(11,082)
Reversal of impairment gains on assets	(6,818)	-
Changes in operating assets and liabilities		
Changes in operating assets		
Increase in due from the Central Bank	(469,798)	(1,581,496)
(Increase) decrease in financial assets at fair value through profit or loss	(16,995,923)	4,078,973
(Increase) decrease in receivables	(8,324,689)	11,399,734
Increase in loans discounted	(45,192,964)	(67,217,350)
Increase in available-for-sale financial assetsIncrease in available-for-sale financial assets	(8,235,206)	(49,994,008)
(Increase) decrease in held-to-maturity financial assets	(41,988,690)	12,221,379
(Increase) decrease in other financial assets	(433,355)	5,188,942
Changes in operating liabilities		
Increase (decrease) in deposits from the Central Bank and banks	27,637,072	(2,370,186)
Increase (decrease) in financial liabilities at fair value through profit or loss	10,474,386	(6,589,572)
Increase in payables	9,289,667	3,286,922
Increase in deposits and remittances	44,566,514	25,628,720
(Decrease) increase in other financial liabilities	(7,471,775)	19,394,209
Decrease in liability provisions	(531,334)	(394,508)
Increase (decrease) in other liabilities	684,640	(913,235)
Cash outflow generated from operations	(38,584,621)	(50,618,249)
Interest received	42,247,862	40,738,857
Interest paid	(13,250,591)	(12,573,669)
Dividend received	688,030	655,542
Income tax paid	(2,344,743)	(1,994,595)
Net cash flows used in operating activities	(11,244,063)	(23,792,114)

(Continued)

FIRST COMMERCIAL BANK
STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments accounted for using the equity method	$ -	($ 20,000)
Acquisition of property and equipment	(762,275)	(519,557)
Acquisition of investment property	(4,215)	(291)
Increase in intangible assets	(219,857)	(221,780)
Proceeds from disposal of property and equipment	1,625	212
Proceeds from disposal of investment property	39,196	17,957
Increase in other assets	(947,044)	(160,627)
Net cash flows used in investing activities	(1,892,570)	(904,086)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in due to the Central Bank and banks	(13,495)	32,771
Increase in notes and bonds issued under repurchase agreements	4,055,353	4,924,456
Decrease in financial bonds payable	(8,000,000)	-
Payment of cash dividends	(12,300,000)	(8,452,432)
Net cash flows used in financing activities	(16,258,142)	(3,495,205)
Effect of exchange rate changes on cash and cash equivalents	(2,937,163)	(2,763,721)
Net decrease in cash and cash equivalents	(32,331,938)	(30,955,126)
Cash and cash equivalents at beginning of year	216,926,614	247,881,740
Cash and cash equivalents at end of year	$ 184,594,676	$ 216,926,614
The components of cash and cash equivalents		
Cash and cash equivalents reported in the statement of financial position	$ 61,330,078	$ 59,206,858
Due from Central Bank and call loans to other banks qualified as cash and cash equivalents as defined by IAS 7	123,264,598	157,719,756
Cash and cash equivalents at end of year	$ 184,594,676	$ 216,926,614

FCB Subsidiaries & Affiliates



December 31, 2017

Key Figures

As of and for the year ended December 31, 2017

(in NT$,000)

	Paid-in capital	Total assets	Total liabilities	Stockholder's equity	Operating profit	Net income	EPS (in dollars)
First Commercial Bank (USA)	2,101,600	15,559,974	12,073,888	3,486,086	617,572	174,990	25
FCB Leasing Co., Ltd.	3,000,000	6,824,312	3,679,089	3,145,223	660,701	119,130	0.4
FCBL Capital Int'l (B.V.I.) Ltd.	1,791,218	2,301,178	518,514	1,782,664	46,399	103,068	0.06
FCB International Leasing, Ltd.	886,103	1,576,178	956,818	619,360	90,992	39,137	-
FCB Leasing (Xiamen) Ltd.	903,495	973,519	68,412	905,107	66,714	31,708	-

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 &2 FL. 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 106, 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 Tsu 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, Tsu Yu 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

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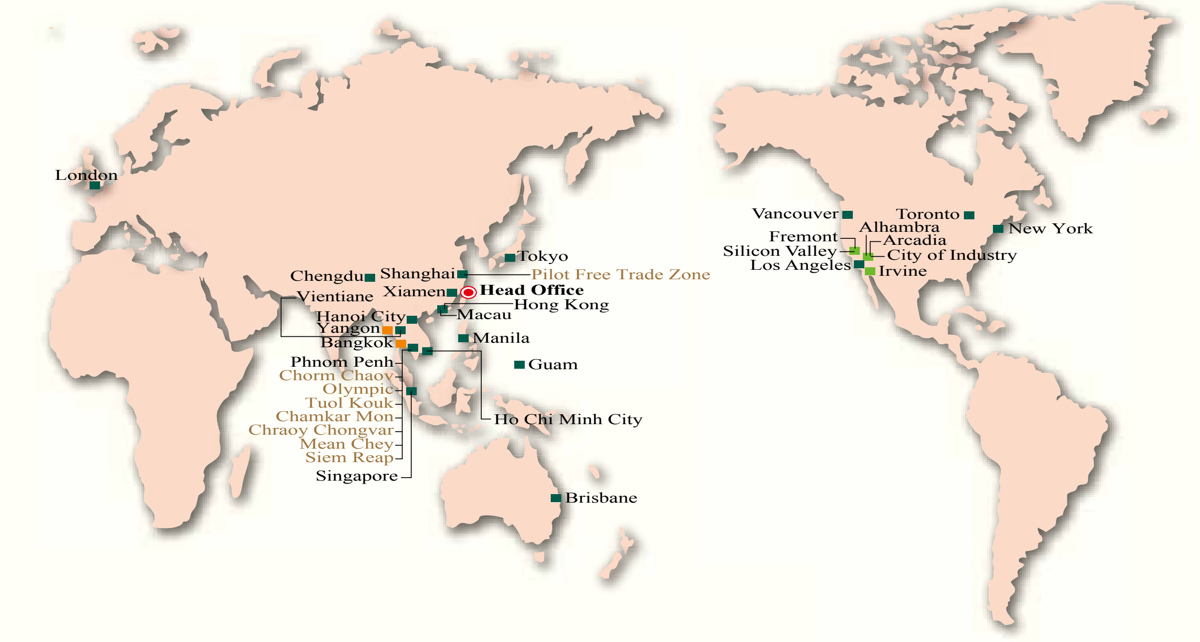

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  Phnom Penh, Cambodia
  Tel: 855-23-210026-8
  Fax: 855-23-210029
- **Chamkar Mon Sub-Branch**
  1F, No.216B, Norodom Blvd (41)
  Sangkat Tonle Basak, Khan Chamkar Mon
  Phnom Penh, Cambodia
  Tel: 855-23-726806~8
  Fax: 855-23-726809
- **Chorm Chaov Sub-Branch**
  3,5,7 & 9, Prey Chisak Village, Sangkat Chorm Chaov, Khan Dangkor
  Phnom Penh, Cambodia
  Tel: 855-23-865171~3
  Fax: 855-23-865175
- **Chraoy Chongvar Sub-Branch**
  No.F08-F09,Street National Road No6A, Phum3, Sangkat Chraoy Chongvar, Khan Chraoy Chongvar,
  Phnom Penh, Cambodia
  Tel: 855-23-432156~8
  Fax: 855-23-432159
- **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
  Fax: 855-23-210029
- **Olympic Sub-Branch**
  155AB, Street 215, Sangkat
  Phsar Depo 1, Khan Tuolkork
  Phnom Penh, Cambodia
  Tel: 855-23-880392~4
  Fax: 855-23-880-396
- **Siem Reap Sub-Branch**
  No.602&604, Preah Sangreach Tep Vong Street, Phum Mondol 2, Sangkat Svay Dongkum, Siem Reap Province, Cambodia
  Tel: 855-63-963-187
  Fax: 855-23-210-029
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  No.89E, KIM IL SUNG Blvd (289)
  Sangkat Boeng Kak Ti Pir, Khan Tuol Kouk
  Phnom Penh, Cambodia
  Tel: 855-23-885891~3
  Fax: 885-23-885890
- **Shanghai Branch**
  JH Gubei 88 Building
  86, Ronghua East Road
  Shanghai 201103, China
  Tel: 86-21-2227-0611
  Fax: 86-21-3209-6117
- **Shanghai Pilot Free Trade Zone Sub-Branch**
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  No.1 JiLong Road, Pudong New District
  Shanghai 200131, China
  Tel: 86-21-2069-0611
  Fax: 86-21-2069-0500
- **Singapore Branch**
  77, Robinson Road, #01-01 and #10-01
  Singapore 068896
  Tel: 65-6593-0888
  Fax: 65-6225-1905
- **Tokyo Branch**
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  Tokyo 100-0004, Japan
  Tel: 81-3-3279-0888
  Fax: 81-3-3279-0887
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  Toronto, ON M2N 7E9, Canada
  Tel: 1-416-250-8788
  Fax: 1-416-250-8081
- **Vancouver Branch**
  #100-5611 Cooney Road
  Richmond, BC V6X 3J6, Canada
  Tel: 1-604-207-9600
  Fax: 1-604-207-9638
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  No.61, 23 Singha Road, Phonxay Village, Saysettha District
  Vientiane Capital, Lao PDR
  Tel: 856-21-415318
  Fax: 856-21-415317
- **Xiamen Branch**
  Unit EFGH, 30F, International Plaza,
  No.8 Lujiang Road, Siming District,
  Xiamen, Fujian Province, 361001 China
  Tel: 86-592-8169111
  Fax: 86-592-2260900

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  Tel: 662-679-5291
  Fax: 662-679-5295
- **Yangon Representative Office**
  7, Nichol's Avenue
  Parami Road, Mayangone
  Township, Yangon, Myanmar
  Tel: 95-1-9669568
  Fax: 95-1-9669582

Subsidiary

First Commercial Bank (USA)

- **Head Office & Alhambra Branch**
  200 E. Main Street
  Alhambra, CA 91801, U.S.A.
  Tel: 1-626-300-6000
  Fax: 1-626-3006030
- **Arcadia Branch**
  1309 S. Baldwin Ave.
  Arcadia, CA 91007, U.S.A.
  Tel: 1-626-254-1828
  Fax: 1-626-254-1883
- **City of Industry Branch**
  18725 E. Gale Ave. Suite 150
  City of Industry, CA 91748, U.S.A.
  Tel: 1-626-964-1888
  Fax: 1-626-964-0066
- **Fremont Branch**
  46691 Mission Blvd., Suite 230,
  Fremont, CA 94539, U.S.A.
  Tel: 009-1-510-933-0270
  Fax: 009-1-510-933-0278
- **Irvine Branch**
  4250 Barranca Parkway, Suite E
  Irvine, CA 92604, U.S.A.
  Tel: 1-949-654-2888
  Fax: 1-949-654-2899
- **Silicon Valley Branch**
  1141 S. De Anza Blvd.
  San Jose, CA 95129, U.S.A.
  Tel: 1-408-253-4666
  Fax: 1-408-253-4672

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