



遠東國際商業銀行 Far Eastern Int'l Bank 2017 Annual Report



Company Spokesperson

Name: Jiann-Jong Lin
Chief Executive Vice President
Telephone Number: (02)2378-6868
E-mail: liyunlin@feib.com.tw

Company Deputy Spokesperson

Name: Shinhwa Chou
Senior Deputy Executive Vice President
Telephone Number: (02)2378-6868
E-mail: liyunlin@feib.com.tw

Headquarter Address and Telephone Number

Headquarter Address: 26F & 27F, No.207, Sec. 2, Dunhua S. Rd., Taipei City, Taiwan (R.O.C.)
Telephone Number: (02)2378-6868

Stock Transfer and Registrar Agency

Office Name: Oriental Securities Corporation
Address: 3F., No.86, Sec. 1, Chongqing S. Rd., Taipei City, Taiwan (R.O.C.)
Telephone Number: (02)2361-8608
Website: <http://www.osc.com.tw/>

Rating Agency

Office Name: Fitch Australia Pty Ltd, Taiwan Branch
Address: Rm. 1306, 13F, No.205, Dunhua N. Rd., Taipei City, Taiwan (R.O.C.)
Telephone Number: (02)8175-7600

Certified Official Accountants

Office Name: Deloitte & Touche
Accountant Names: Jimmy Wu & Charles Yang
Address: 12F, No.156, Sec. 3, Min Sheng E. Road., Taipei City, Taiwan (R.O.C.)
Telephone Number: (02)2545-9988
Website: <https://www.deloitte.com.tw/>

Overseas Securities Information

- **Luxembourg Stock Exchange**
Website: <http://www.bourse.lu/>
GDS CUSIP No: 30733T107 / 30733T206

Far Eastern International Bank Website

<https://www.feib.com.tw/>



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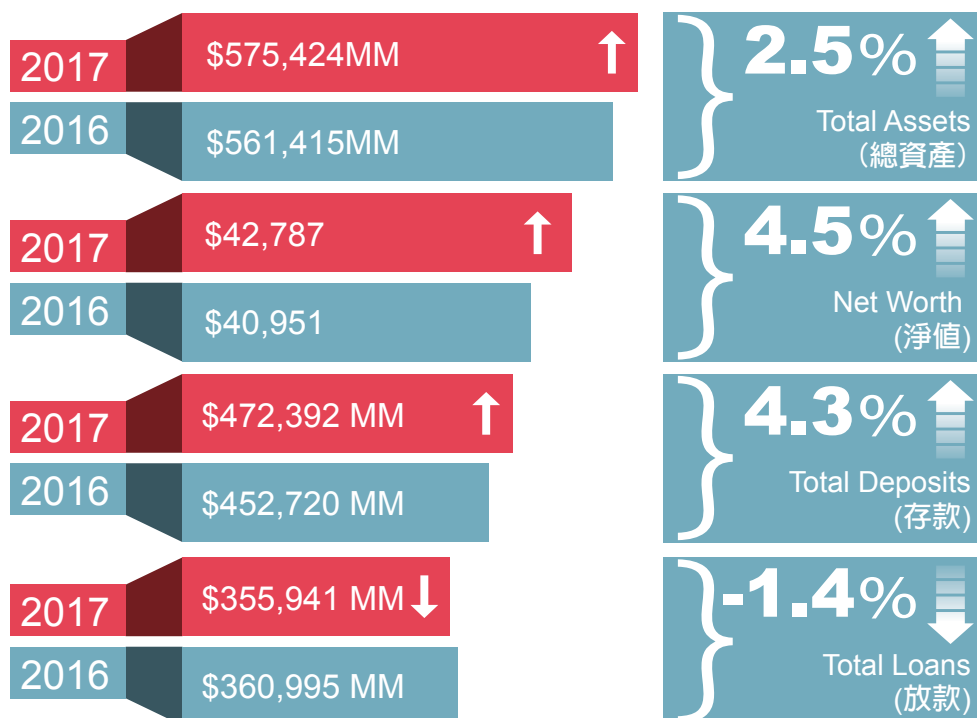
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壹、營運績效 Financial Highlights

一、重要財務指標 (新台幣 / NT\$)

Key Financial Index



二、市佔率第一之利基業務 (至 2017 年底)

Top 1 Market Share Businesses (As of 2017)





貳、董事長嘉言 Chairperson's Message

Our Vision

Position as a right-sized and
specialized financial company
in greater China market



董事長 侯金英
Chairperson Ms. Ching-Ing Hou

各位女士、先生：

回顧 2017 年，全球經濟景氣復甦，帶動實體經濟動能及整體金融市場發展熱絡。而我國受惠外需增溫，出口溫和成長，加以股市成交量放大，指數上達萬點，有效刺激民間消費，使 GDP 成長率達 2.86%，為近 5 年來高點。展望 2018 年，全球經濟可望持續成長，有助維繫我國出口動能，加上政府推動前瞻基礎建設，GDP 可望成長 2.42%。隨著金融科技快速發展，主管機關推動業務創新及強化監理政策，銀行業將加速推動轉型，開啟新獲利動能。

綜觀 2017 年度本行整體經營表現維持穩健，惟受制於匯率波動等不可控制及一次性損失，2017 年度稅後淨利達 28.54 億元，每股盈餘 (EPS) 維持 0.90 元，總資產報酬率 (ROA) 為 0.50%，股東權益報酬率 (ROE) 為 6.82%。逾期放款比率維持 0.29%，放款覆蓋率提升至 1.37%，資產品質水準維持優於同業。

Dear Sir/Madam:

Reflecting on 2017, the world economy has recovered, driving real economic momentum and financial market developments. In Taiwan, thanks to the rising external demand and moderate growth in exports, the transaction of stock market has been high and reached 10,000 market index, all contributed to stimulate domestic consumption effectively, registering GDP growth at 2.86%, the highest within the last 5 years. Looking into 2018, the world economy is expected to grow continuously, maintaining Taiwan's export momentum, coupled with the government's promoting "Forward-Looking Infrastructure Development Program", GDP growth is expected to reach 2.42%. Along with the rapid developments of Fintech, the governmental institutions shall encourage business innovation and strengthen supervision, thus the banking industry will expedite transformation and initiate new profit engine.

In 2017, Far Eastern International Bank (FEIB) maintained steady performance; however, under the impact of foreign exchange loss, the fiscal year net profit was NT\$2.854 billion. Earnings per share (EPS) was NT\$0.90. The total return on assets (ROA) was 0.50%, and the return on equity (ROE) was 6.82%. Meanwhile, the bad debt ratio remained at 0.29%, and loan loss coverage ratio rose to 1.37%, surpassing industry standards in terms of asset quality.



Our Mission Statement

- ◆ Provide financial solutions to both individual and institutional customers in Asia market
- ◆ Create maximum value for customers, shareholders and employees



副董事長 徐旭東
Vice Chairman Mr. Douglas Tong Hsu

分行系統升級，深化數位交易運用，促動客戶交易離櫃率達 86%。在信用卡方面，以遠東快樂信用卡為旗艦卡，累積發行 41 萬張新卡，於集團零售通路簽帳成長 15%。在消費金融方面，消費性貸款餘額成長 6%，維持策盟車貸市佔第一。在財富管理方面，開設新一代高端智能分行，蟬聯三年卓越雜誌「最佳財富管理獎」獎項。在法人金融方面，完成首件東協市場主辦聯貸案，累積 5 年主辦國際聯貸案共 19 件，金額突破 700 億元。在金融市場方面，成功轉型外匯保證金行動及網路交易型態，鞏固市場領先地位。

本行落實企業社會責任，投入各項公益活動，履獲獎項肯定。具體作為包括支持伊甸基金會之捐款貢獻累計超過 8 千萬元，僱用成年喜憨兒並採購 3000 盒喜憨兒月餅，長期關懷弱勢族群。發行企業社會責任報告書，獲 BSI 企業永續傑出獎、臺灣企業永續獎銅獎肯定。發行 2018 年月曆「知識之森，學問之海」，介紹當代圖書館，並贈書 31 所高中高職，推動閱讀風氣。舉辦常玉展及奧塞展遠銀日，贊助太陽馬戲團，響應國際級藝文來臺展演。落實人才培育，榮獲勞動部連續 15 年訓練補助肯定，並三度獲頒 TTQS 人才發展品質管理系統認證，為本行永續人力資源發展，奠定良好根基。

FEIB has maintained its long-term steady operational strategies and demonstrated high-quality growth momentum in its core businesses. In the category of digital banking, the Bank launched "FE Mobile Payment Integrated Service" to incorporate Alipay and FriDay wallet in order to create integrated mPOS (Mobile Point of Sales). Together with online banking and branch network upgrade, we are expanding the application of digital transactions and enabling customer off-counter rate to reach 86%. As to the credit card business, with the flagship "Far Eastern Happy Credit Card," the accumulated issuance of 410,000 new cards, and revolving balance via the Group's channels grew 15%. In consumer banking business, consumption loans grew 6%, and market share of automobile loans continued its leading position. In wealth management, we established the latest high-end smart branch, and won for three consecutive years in the "Best Wealth Management Award" by the Excellence Magazine. In corporate banking business, FEIB completed Taiwan's first ASEAN market syndicated loan, and accomplished 19 international syndicated loans which surpassed NT\$70 billion within 5 years as the lead bank. In financial market, the Bank successfully transformed the mobile and online FX guarantee trading, and strengthened its market lead position.

To fulfill corporate social responsibilities (CSR), FEIB has been committed to promoting various philanthropic activities, and frequently received award recognitions. Additionally, "Cash back program" was partnered with Eden Social Welfare Foundation, the donations amounted to more than NT\$80 million. The Bank also helped the challenged adults by employing them as well as purchased 3,000 boxes of moon cakes made by them to care for the under-privileged. The Bank published the 2018 calendar with the theme of "Forest of Knowledge, Ocean of Learning" to introduce Taiwan's contemporary libraries, and contributed books to 31 senior high schools and vocational schools to promote the habit of reading. In the cultural aspect, we sponsored FEIB Day of Parisian Nostalgia: the National Museum of History's Sanyu Collection and Musée d'Orsay: The Aesthetic Worlds of the 19th Century, as well as the world-class artistic performance of Cirque du Soleil in Taiwan. In the human resource development, the Bank has received subsidies for 15 consecutive years from the Workforce Development Agency, the Ministry of Labor for its continued efforts in talent development. FEIB also received certification three times from TTQS (Talent Quality-Management System) to recognize its dedication in sustainable talent development.



Our Competitive Strengths

- Streamlined corporate structure with dedicated BUs
- Steady growth of assets, leading market share in strategic financial products
- Highly independent and well-developed risk management
- Bi-cultural professional management team
- Leverage “Virtual” FHC platform for group synergy



展望 2018 年，本行將延續優質成長動能，推動創新升級、轉型再造，強固核心競爭力。主要的行動方針包括結合社群金融打造數位銀行新品牌，推出信用卡行動支付，加速數位佈局。增資租賃子公司，新設新加坡及越南辦事處，持續開拓海外市場商機。信用卡有效卡突破百萬卡，提升品牌知名度。串連財富管理及中小企業投融资業務，推動分行營運模式轉型。強化法遵、風控及內控管理機制，配合法規監理環境，減少經營風險。面對數位世代及同業轉型日益增加的挑戰及機會，全體同仁在追求獲利穩健成長的同時，亦將展現機敏創新能力，啟動新獲利動能，為股東、客戶、員工及社會營造多贏的價值。

Looking into 2018, FEIB will continue to maintain its high-quality growth momentum, reiterate innovation, transformation, and restructure to strengthen core competence. Major action plans include combining social media banking, launch credit card mobile payment, and expedite the deployment of digitization. Increase investment in the affiliated leasing company and open new offices in Singapore and Vietnam to expand and explore overseas business opportunities. The number of credit cards in force exceeds one million to elevate further brand recognition. Connect wealth management and small & medium-sized financial businesses to transform the branch business model. Strengthen legal compliance, risk management, and internal control, in accordance with regulated supervisory environment to lower business risk. Embrace the challenges and opportunities in the face of digital era and the competitions from peer's rapid transformation. While seeking steady profit growth, the Bank's staffs also demonstrate agility and innovative capability to initiate new profit engine, and create win-win for its shareholders, customers, employees and the society.

謹將本行 2017 年度營運結果及 2018 年度營業計劃概要報告如下：

2017 年度營運結果 (財務數字依個體財報)

一、營業計畫及經營策略實施成果

營運概況比較表

單位：新台幣百萬元

項目	年度	2017 年	2016 年	變動率
存款及匯款		472,621	452,905	4.35%
法金放款		146,282	160,985	-9.13%
消金放款		209,659	200,011	4.82%
總放款		355,941	360,995	-1.40%
信用卡循環信用餘額		10,575	10,246	3.21%
買入有價證券		148,652	124,226	19.66%
權益法股權投資業務		2,759	2,568	7.42%
信託資產總額		59,980	58,174	3.10%

二、營業損益概況

(一) 預算執行情形

本行 2017 年總資產 5,748 億元，預算達成率 97%，存款餘額 4,726 億元，預算達成率 99%，放款餘額 3,559 億元，預算達成率 95%。

(二) 財務收支及獲利能力分析

2017 年度營業淨收益 102 億元，較 2016 年度減少 3%。淨利息收入 53.83 億元，較 2016 年度減少 7%，利息以外淨收益 48.18 億元，較 2016 度增加 2%。

2017 年度稅後淨利 28.54 億元，較 2016 年度減少 12%，每股盈餘 0.90 元，較 2016 年度減少 12%。

三、信用評等結果

惠譽國際信評公司 (Fitch Ratings) 於 2017 年 10 月 31 日公布本行國內評等分別為長期評等 A(twn)、短期評等 F1(twn)，國際外幣評等分別為長期評等 BBB-、短期評等 F3，評等展望維持穩定，屬投資等級穩健之金融機構。

Operating Results for 2017 and Business Outlook for 2018 are summarized as follows:

Operating Results for 2017

1.Business Plan and Operating Results

Changes in Operations Overview

(NT\$MM)

Item	Year	2017	2016	Change Rate
Deposit (Including due to other banks, excluding remittance)		472,621	452,905	4.35%
Corporate Loan		146,282	160,985	-9.13%
Consumer Loan		209,659	200,011	4.82%
Total Loan		355,941	360,995	-1.40%
Revolving Credit Cards Balance		10,575	10,246	3.21%
Securities Purchased		148,652	124,226	19.66%
Stock Investment in Equity		2,759	2,568	7.42%
Total Trust Assets		59,980	58,174	3.10%

2.Business Overview

(1) Target Achievement

In 2017, FEIB's total assets stood at NT\$574.8 billion, achieved 97% of target; total deposits and loans amounted to NT\$472.6 billion and NT\$355.9 billion, which achieved 99% and 95% of target, respectively.

(2) Analysis of Profitability

FEIB's net operating income in 2017 was down 3% (YoY) to NT\$10.2 billion, net interests were NT\$5.383 billion, dropped 7% (YoY), and total net revenues other than interest were NT\$4.818 billion, grew 2% (YoY).

Income after tax was NT\$2.854 billion, down 12% (YoY), and net earnings per share were NT\$0.90, down 12% (YoY).

3.Ratings

The Bank's investment grade ratings were assessed by Fitch Ratings Limited as follows:

National Rating Long-term A(twn), National Rating Short-term F1(twn), Foreign Currency Rating Long-term BBB-, and Foreign Currency Rating Short-term F3, FEIB is considered a stable financial institution of investment grade.



四、研究發展狀況

為加速推動數位轉型策略，本行攜手遠東集團啟動「FE 跨界行動應用平台」，開發整合型行動收單平台，掌握行動支付商機。同時運用金融創新科技，改版行動銀行 APP、推出全新官網，開辦手機線上申請信用卡、跨行無卡提款、企業 e 客服遠端輔助系統等創新服務。此外，領先同業取得線上辦卡「雙軌」身分驗證及「隱碼符記加密服務」之資安專利，積極掌握數位客群開發商機。

五、組織變化情形

- (一) 為整合資源運用、統一業務管理，子公司遠銀人身保代及遠銀財產保代於 2017 年 2 月併入本行，成立保險代理事業群。
- (二) 因應金管會頒訂之「銀行業防制洗錢及打擊資恐注意事項」，法令遵循處於 2017 年 4 月 1 日增設洗錢防制組，俾積極落實防制洗錢及打擊資恐作業之執行。

六、受到外部競爭環境、法規環境及總體經營環境之影響

隨著全球數位科技快速發展，及金管會持續加強金融監理，銀行業面臨轉型之挑戰與機會。本行透過全面推動數位轉型策略，啟動流程再造，提升營運效率，創造新業務模式。面對國內利差持續縮減，擴大國際放款佔比，增長高利差個人房貸規模。配合電子支付市場蓬勃發展，開發行動支付服務，提升金融交易量市佔率。配合政府推動綠色金融行動方案，本行加強綠色金融授信業務，2017 年授信餘額達新台幣 174 億元。為因應國際間對防制洗錢，打擊資恐的重視，本行已設置獨立之防制洗錢及打擊資恐專責單位，落實防制洗錢及打擊資恐作業之執行。

4. Research and Development

To expedite the promotion of digital transformation, FEIB has been working with the Far Eastern Group to start up “FE Mobile Payment Integrated Service”, develop integrated mPOS, and thus seize mobile payment business opportunities. Also adopt innovative FinTech, revise mobile banking APP, launch brand new website, offer innovative services such as mobile online application of credit cards, cross-bank cardless cash withdrawal, and enterprise e-customer service remote support system. In addition, the Bank leads in acquiring information security patent of online application “Dual Track” identity check and “Hidden Code Token Encryption Service” to pursue the business development of digital customer group.

5. Structural Changes

- (1) To integrate resources and streamline business management, Far Eastern Life Insurance Agency Co., Ltd. and Far Eastern Property Insurance Agency Co., Ltd. were merged into FEIB in February 2017 to establish the Insurance Agency Business Group.
- (2) To comply with the “Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing” by the Financial Supervisory Commission (“FSC”), the Bank’s Legal Compliance Department established on April 1, 2017 the Anti-Money Laundering Unit to implement the execution of anti-money laundering and countering terrorism financing.

6. Impact of External Competitions, Legal and Overall Operating Environment

In line with the rapid development of global FinTech and increasingly stringent financial supervision by FSC, the banking industry is facing challenges and opportunities to call for transformation. FEIB, through promoting overall digital transformation, has initiated process reengineering to elevate operating efficiency and create new business model. To cope with continuous diminishing domestic interest margin, the Bank has enlarged the ratio of international loans, and increased the scale of high interest spread personal mortgage. Taking advantage of the booming electronic payment market, FEIB aims to develop mobile payment serviced and elevate the market share of financial transactions. To cope with the Government’s promotion of Green Finance Initiative, the Bank strengthened green banking loan business, and total loans amounted to NT\$17.4 billion in 2017. To echo with the international focus on anti-money laundering and anti-financing terrorism, FEIB established “Money Laundering Control Task Force” as the independent and responsible unit to implement the execution of money laundering control and combat against financing terrorism.



2018 年度營業計劃概要

本行 2018 年度重要營業目標如下：

一、預期營業目標

本行 2017 年度重要營業目標如下：

- (一) 總資產：6,191 億元。
- (二) 存款總額：5,081 億元。
- (三) 放款總額：3,781 億元。

二、經營方針與重要經營政策

(一) 個人金融業務：

塑造樂活財富管理品牌形象，建構新一代財富管理服務，打造獲利新動能。運用 Fintech 升級財富管理系統，發展深度 KYC 尊榮專案搶攻高端客戶。導入 AI 智能理財提升多元資產配置效率，結合集團優惠提供專屬禮遇，成為個人、家庭會員及中小企業主投資理財的最佳夥伴。持續深耕分行通路，調整分行佈點、結合分行店周資源，打造特色化分行，擴大分行資產規模，穩固經營基礎。

(二) 消金及信用卡業務：

1. 消費金融方面

運用金融科技，持續優化 E&M 功能，整合虛實通路，擴大通路規模，提升數位通路佔比，降低成本，提高營運效能。持續應用 Data mining，創造客戶需求，提供多元及客製化服務。恪守法令遵循，強化風險管理，優化資產及鞏固利基產品，維持市場領先地位。

2. 信用卡方面

整合集團零售通路資源，擴大遠東快樂信用卡優惠，提升發卡及簽帳金額，維持集團優勢簽帳地位。因應行動支付市場趨勢，串聯 friDay 錢包及台灣 pay，掌握行動支付商機。運用 Big Data，深化經營目標客戶，擴大簽帳經營規模。促動新舊客戶刷卡，有效提升活卡率，降低營運成本。

(三) 法人金融業務：

積極佈局海外市場，新設新加坡及越南辦事處，爭取在地及東南亞市場聯貸案。增資上海遠榮租賃，深耕大陸市場經營，以擴大海外資產規模及獲利佔比。發展交易金融業務，拓展存款客源，優化存款結構，維護穩健放款利差。落實主動式風險管理，嚴控資產品

Operating Goals

Major Operating Goals for 2018 are summarized as follows:

1. Operating Target:

- (1) Total asset: NT\$619.1 billion
- (2) Total deposit: NT\$508.1 billion
- (3) Total loan: NT\$378.1 billion

2. Operating Highlights:

(1) Individual Banking Business:

Cultivate LOHAS wealth management brand image, build up new generation wealth management services, and create new profit engine. Adopt upgrade Fintech wealth management system and pursue in depth KYC (Know Your Customer) A⁺ VIP project to aim at high-end customers. Introduce AI smart banking to elevate the efficiency of diversified portfolio, combine Group's special premiums to offer exclusive benefits, and thus become the best wealth management partner for individual, family members, and small & medium-sized enterprises. Continue to explore branch channels, adjust branch locations, and combine neighboring resources, build specially featured branch, expand asset under management, and consolidate business base.

(2) Consumer Banking and Credit Cards Business:

A. Consumer Banking Business

Adopt Fintech, continue to optimize E&M function, integrate physical and virtual channels, expand channel scale, elevate ratio of digital channels, lower cost, and improve operating efficiency. Continue to apply Data mining, create customer needs, and provide diversified plus customized services. Comply with laws and regulations, strengthen risk management, optimize asset quality and consolidate niche products, and maintain market leadership.

B. Credit Cards

Integrate the Group's retail channels, expand benefits offered by Far Eastern Happy Credit Card, and promote small-amount payment via Happycash card to focus on convenience for the cardholders. Join forces with large mobile payment and third-party payment operators to seize the emerging payment opportunities. Launch the first interactive mobile e-billing to improve digitized service. Apply Big Data, deepen the cultivation of target customer, and explore new profit engine.

(3) Corporate Banking Business

Proactively deploy the overseas market and establish Singapore and Vietnam Offices to acquire local syndicated loan businesses in the ASEAN market. Increase investment in FEIB Financial Leasing Co., Ltd. in Shanghai to explore mainland China market, and expand overseas asset scale and profit ratio. Develop trading financial business, explore deposit customer base, optimize deposit structure,



質。推廣二代企網銀平台及 B2B2C 業務，複製企業理財業務經驗，主辦國內外聯貸，提供結構型融資及客製化金融商品，創造更多高附加價值的收益。

(四) 金融市場業務：

鞏固外匯保證金交易市場領導地位，深耕既有客戶關係，運用社群媒體、網路等多重通路持續開發新客源。擴大投資及交易部位，提升金融商品自主設計能力，開創新獲利來源。多樣化金融商品銷售，提供多元資產配置，靈活交易策略，以提升客戶滲透率。重新定位 TMU 目標客層，延伸大型法金客戶及個金理財客群，拓展新客源。改善銀行存款結構，提高個人及中小企業戶存款，兼顧資產負債管理之流動性與獲利性。

(五) 數位金融業務：

發展務實金融科技，秉持可行的商轉技術、具體的應用場景、解決客戶痛點 / 斷點等三大原則，推動各項數位金融服務。擴大運用「FE 跨界行動應用平台」，持續佈建行動支付基礎建設，完善行動應用生活圈。整合 O2O 線上 / 線下通路，打造全通路 (Omni Channel) 智能服務。重組銀行產品功能及連結社群金融，打造數位銀行新品牌。持續研發金融科技專利，營造優質的智慧金融體驗。

(六) 保險代理業務：

與個人金融及法人金融事業群合作，慎選優質合作保險公司夥伴，代理引進符合內外部客戶需求的保險理財商品，提供完整的風險管理、資產配置、財富傳承的服務。在集團綜效方面，提供集團關企、客戶及同仁，最適化的人身壽險及財產保險商品，推展遠傳電信行動裝置保險及亞東證券保險業務。運用數位金融科技發展，開發線上投保商機。

董事長

侯金英



謹啟

and maintain steady interest rate spread. Implement proactive risk management and strictly control asset quality. Promote 2G internet platform and B2B2C business, duplicate enterprise financial experience, lead in domestic and international syndicated loans, provide structured financing and customized financial products, and create more high value-added profits.

(4) Financial Markets Business:

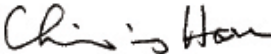
Consolidate the leading position in the foreign exchange margin trading market, cultivate existing customer relations, and apply multiple channels including social media and internet to continue to develop new customers. Expand investment and trading position, elevate self design capability of financial products, and create new source of profit. Sell a variety of financial products, provide diversified asset allocation, flexible trading strategy, so as to improve customer penetration rate. Reposition TMU target customers, extend large corporate account and individual wealth management customers, and develop new customer source. Improve the Bank's deposit structure, increase individual and small & medium-sized enterprises deposits, to improve the liquidity and profitability of asset and liability management.

(5) Digital Banking Business:

Develop solid Fintech, aim at grasping feasible operation technology, concrete application scene, and solution of customer's pain point/breakpoint to promote various digital banking services. Expand to apply "FE Mobile Payment Integrated Service", continue to establish mobile payment infrastructure, and complete mobile application lifestyle. Integrate O2O online/offline channels, and create Omni Channel smart services. Restructure bank product function and combine social finance to create new brand of digital bank. Continue to research and develop Fintech patents, and build quality smart banking experience.

(6) Insurance Agency Business:

Cooperate with consumer and corporate banking groups, carefully select insurance companies as partners, introduce bank insurance products meeting the needs of internal and external customers, and provide comprehensive risk management, asset allocation, and wealth inheritance services. In terms of Group synergy, provide the most optimal life and property insurance products to Group affiliates, customers and staffs, promote Far EasTone Telecom mobile device insurance, and Oriental Securities insurance business. Adopt the development of digital Fintech, and develop online insurance listing business opportunities.



Chairperson



參、本行簡介 Corporate Profile

一、基本資料

2017 年 12 月 31 日

基本資料	
銀行設立日期	1992 年 01 月 11 日
股票上市日期	1998 年 11 月 27 日
實收股本 (百萬元) (每股面額 10 元)	31,829
員工人數	2,473
營業據點	57
簽證會計師	勤業眾信聯合會計師事務所
惠譽國際信評 國際長期評等 國內長期評等 展望	BBB- A (tw) 穩定

二、銀行簡介

本行由實業家徐有庠先生創辦，徐有庠先生一生創立諸多事業，包括遠東新世紀、遠東百貨、亞洲水泥等知名企業，對國家經濟發展貢獻斐然。

1989 年，政府修正銀行法，開放民間設立銀行。徐有庠先生響應政府金融事業現代化、自由化、國際化之政策，於同年 1 月 19 日成立本行籌備小組，秉持「誠、勤、樸、慎」的實業精神與服務理念，積極運籌規劃。5 月 14 日發起人會議召開，議定資本額為新臺幣 100 億元，並於 10 月向財政部提出申請。

1. General Corporate Data

December 31, 2017

General Corporate Data	
Date of Establishment	January 11, 1992
Date of Listing on Taiwan Stock Exchange	November 27, 1998
Paid-in Capital (NT\$MM) (Par Value NT\$10)	31,829
Number of Employees	2,473
Operating Units	57
Auditor	Deloitte & Touche
FitchRatings Long-term Foreign Currency IDR National Long-term Rating Outlook	BBB- A (tw) Stable

2. Introduction

The Far Eastern International Bank (FEIB) was established by entrepreneur Mr. Y. Z. Hsu, founder of various renowned enterprises including Far Eastern New Century Corporation, Far Eastern Department Stores, Asia Cement Corporation, etc. with significant contributions to Taiwan's economic developments.

In 1989, Far Eastern Group founder Y. Z. Hsu established a bank organizing committee with a view to establish a private bank in responding to the government's amendment of the Bank Law and policy to liberalize private banks, which aimed to modernize and globalize Taiwan's financial sector. With founding mottos and service guidelines of "Sincerity, Diligence, Thrift and Prudence", the Convokers' Meeting was held on May 14, 1990 and then application was submitted to the Ministry of Finance in October for approval to establish a new bank with capital of NT\$10 billion.



1991 年 8 月 1 日，本行獲准設立。於募足公開股款後，12 月 9 日召開創立會，會中通過公司章程，並選出 9 位董事及 3 位監察人。次年元月 11 日，經濟部通過本行之設立登記，並發予公司執照；4 月 9 日再獲財政部發給營業執照。隨即於 4 月 11 日，總行營業部、儲蓄部及台北逸仙分行正式對外營業。開業之初，本行取得一般銀行及儲蓄銀行業務等開辦許可；之後陸續獲准開設信託部與國外部，辦理信託、投資、資產管理、理財諮詢與國外匯兌等業務。經營項目不斷擴充，得以為客戶提供嶄新且多元化的金融服務。同期間並擇選北中南具發展潛力地區，設立分行，建置全台服務通路網。

1995 年 11 月本行股票於櫃檯買賣中心掛牌，1998 年 11 月正式掛牌上市，並接受國際知名信評公司評等，歷年所獲評等等級皆符合主管機關投資等級之評等規定。此外，為支應持續擴大的外幣資產，亦考量資金募集多元化與國際化之必要，本行於 2003 年 7 月獲財政部核准發行海外無擔保轉換金融債券，隨即發行零利率之海外無擔保轉換金融債券 1 億 1 千萬美元。

本行面對業務成長與快速變化的市場環境，組織歷經多次變革。1999 年本行率先本國同業，確立事業群分立的組織，由行政管理群、企業金融群及消費金融群等三部分立開始，至 2006 年整合為法人金融、金融市場、個人金融、消金及信用卡等四大事業群，並加入行政支援群、風險管理處、資訊管理處等三大總行管理單位。接著又於法人金融與個人金融事業群設立電子金融專責部門，提供交易無遠弗屆且資訊即時、密集的網路銀行服務，逐步建立專業分工的金融服務團隊。事業群在各自運作之下，商品與服務得以持續創新，專業水平得以精實發展，業務動能亦不斷提升，多項業務名列國內領導品牌之一。

於追求業務成長與專業服務的同時，為兼顧作業的嚴謹與效率，本行於 2008 年成立作業及資訊服務中心，為前台金融服務提供高效率的作業支援體系，不僅成本因作業集中化而降低，更設立各項產能與效益指標，持續精進相關流程。

近年來本行接軌多項國際級金融集團業務，於 2008 年完成與德意志銀行結盟成立德銀遠東證券投資信託（股）公司；2009 年受讓友邦國際（AIG）信用卡（股）公司之信用卡業務及應收帳款資產；2011 年投資購買 ING 集團在台成立之安智證券（股）公司，同年完成交割後更名為遠智證券。

On August 1, 1991, the Ministry of Finance approved the establishment of FEIB. After conducting public offer shares, the Establishment Meeting was held on December 9, which passed the article of incorporation and elected nine Directors and three Supervisors for the Board. On January 11, 1992, the Ministry of Economic Affairs approved FEIB's registration and issued a company license; thereafter on April 9 the Ministry of Finance issued an operating license. Soon on April 11, 1992, the Business Department, Saving Department and Taipei Yisen Branch of FEIB began operations. In the early start, FEIB was authorized to operate general banking and saving businesses, then the trust and international banking departments were inaugurated to offer trust, investment, asset management, finance consulting and foreign exchange services. With continuous expansions of operations, the Bank is able to provide clients with new and diversified financial services. At the same time, new branches from north to south of Taiwan were set up at the selected areas with growth potential to build up an island-wide network of service channels.

In November 1995, FEIB went public by listed on the Over the Counter (OTC) market of the Republic of China. In November 1998, the Bank was listed on the Taiwan Stock Exchange. FEIB's investment grade ratings were assessed by world renowned ratings companies and the Bank has been considered a stable financial institution of investment grade. To cope with its enlarging foreign exchange asset and the need for diversified and international portfolio, FEIB was approved by the Ministry of Finance to issue in July 2003 US\$110 million worth of Unsecured Convertible Bonds overseas.

Responding to the growing businesses and dynamic market, FEIB underwent several restructurings. In 1999, it was the first bank in Taiwan to set up three major independent Business Groups – Administration, Consumer Banking, and Corporate Banking. Till 2006, FEIB integrated its business units into four Banking Groups – Corporate Banking, Financial Markets, Individual Banking, and Consumer Banking & Credit Cards, and added three management units – Administration & Support Group, Risk Management and IT Management. Then E-banking Business Units were formed under Corporate Banking and Individual Banking Groups specifically responsible for offering borderless, real-time, and 24/7 online banking services. Operating separately and independently, the Bank's respective business groups continue to bring forth innovative products and services, enhance their expertise, and elevate their efficiency, enabling many businesses to rank first in their respective categories.

While seeking business growth and offering professional services, in order to enhance operating efficiency FEIB established in 2008 "Operations & Technology (O&T) Service Center" as the high-efficiency support to the Bank's front desk financial services, which not only saved costs with centralized operations, but also streamlined processing by setting up various efficiency indicators.

Recently, FEIB has engaged in various financial services cooperating with world-class financial institutions. In 2008 FEIB formed alliance with Deutsche Bank AG to establish Deutsche Far Eastern Asset Management Company Limited, in 2009 acquired AIG's credit cards and accounts receivable business, and in 2011 acquired 100% in ING Securities Company Limited from ING Insurance International B.V. which was renamed in the same year as Far Eastern International Securities Company Ltd. after completion of the transaction.



通路擴張由實體分行與數位通路雙向並進，2010 年初推出 FE Direct 網銀帳戶，同年 4 月正式承受慶豐銀行 19 家國內營業據點；同年 5 月個人金融事業群成立「中小企業服務部」，落實大分行計畫，以深耕中小企業客群之財富管理與融資業務。2011 年推出行動銀行 iPhone 版與 Android 版，逐步架構 e 化與 M 化的服務平台，並達兼顧通路效益與精緻服務品質的最適規模。2013 年領先同業推出「FETP 外匯保證金網際網路交易平台」，滿足客戶多元化需求；於 101 大樓新設立台北 101 分行，並結合子公司遠智證券的全球投資專業，提供富裕客層私人銀行級的高端理財服務。2014 年獲准開辦跨境第三方支付，領先同業推出外匯保證金及可轉債選擇權網路下單交易平台，外匯保證金交易新增交易貨幣類別擴大業務規模；獲准投資遠鑫電子票證股份有限公司，掌握電子支付及行動支付發展契機；新設立新竹巨城分行及板橋中本分行，成為與百貨購物中心融合的複合式精品分行，落實理財與生活融合的概念，提供客戶全方位商品與貼心服務。

2015 年因應行動通訊、社群媒體、大數據、雲端科技等資通訊技術之發展趨勢，開發多項數位金流服務平台，領先同業首創 iCloud 雲端信用卡、推出信用卡及信貸線上申請平台。為掌握金融數位化的潮流，2016 年積極整合數位科技 & 金融服務，推出多項數位金融服務，如 O2O 雲端理財服務、ATM 跨行存款及無卡提款、外匯保證金交易行動下單平台、並獲准辦理境內與跨境第三方支付業務等，增進產品多元與便利性；同時建置 E3CM 系統，運用評分卡模型、商業智慧 (BI)、Test & Learn 機制，以數據化管理授信風險；另為因應國際對防制洗錢與打擊資助恐怖主義的議題日漸重視，導入防制洗錢及打擊資助恐怖主義管理系統，以系統化管理防制洗錢及打擊資恐作業。

2017 年為整合資源運用、統一業務管理及提升營運綜效，子公司遠銀人身保代及遠銀財產保代併入本行，成立保險代理事業群。為加速推動數位轉型策略，攜手遠東集團啟動「FE 跨界行動應用平台」，開發整合型行動收單平台，掌握行動支付商機，同時運用金融創新科技，改版行動銀行 APP、推出全新官網，開辦手機線上申請信用卡、跨行無卡提款、企業 e 客服遠端輔助系統等創新服務；領先同業取得線上辦卡「雙軌」身分驗證及「隱碼符記加密服務」之資安專利；於遠企大樓 13 樓設立新一代高端智能敦南分行，強調以無現金數位金融服務與智能科技輔助理財，滿足高資產客戶的理財服務需求。

本行與時俱進發展至今，共設有 56 處國內分行（含營業部）及香港分行，踏實發揮社會資本供需的金融功能，讓資本更有效率流通、交易，為經濟與市場注入活力。

To expand both physical and virtual branches, FEIB launched FE Direct internet-banking service in early 2010, completed the acquisition of Chin-Fon Bank with 19 domestic operating units in April, established in May 2010 the “Small and Medium-sized Enterprise Banking Unit” under Individual Banking Group to implement Big Branch Plan as well as cultivate wealth management and small & medium-sized enterprise financing business in this segment. The Bank launched fully integrated mobile apps in both Android and IOS versions in 2011 to establish digital and mobile banking platform so as to optimize channel efficiency and offer dedicated services. In 2013, the Bank led in launching “FETP FX Margin Trading Online Platform” to satisfy the diversified demands of its customers, opened Taipei 101 Branch, the affiliated Far Eastern International Securities Company offers global investments and private banking services to high net-worth customers. In addition, FEIB was granted approval to operate cross-border third-party payment in 2014, led in launching FX margin trading and convertible bond option online trading platforms, the varieties of currencies for FX Margin Trading were also increased to enlarge business scale. Yuan Hsin Digital Payment Co., Ltd. was established to seize the booming digital payment and mobile-payment businesses. The newly opened Hsinchu Big City Branch and Banqiao Chungben Branch are boutique branches within shopping malls that offer wealth management services to customers as well as shopping lifestyle destination.

In 2015, in response to the recent trend of mobile communication, social media, Big Data, and cloud computing, FEIB strived to develop various digital financial platforms, and led in issuing the first iCloud credit card in the market, launched online application platform for credit cards and personal loans. To seize the trend of FinTech banking, in 2016 the Bank integrated its digitalized technology and launched varieties of digital financial services including O2O cloud financing, Inter-bank ATM deposit and cash withdraw without ATM cards, and mobile shopping platform of foreign exchange margin trading. The Bank was granted to operate domestic and cross-border third-party payments to enhance product diversity and convenience, it also built up the Enterprise Content Management (E3CM) system, apply Score Cards, Business Intelligence (BI), and Test & Learn solutions to manage loan risk via data analytic tools. Furthermore, to comply with the world's ever increasing attention on anti-money laundering and combating terrorism financing, FEIB introduced the anti-money laundering and countering terrorism financing guidelines to systematically prevent them.

In 2017, to integrate resources, streamline business management and elevate operation synergy, Far Eastern Life Insurance Agency Co., Ltd. and Far Eastern Property Insurance Agency Co., Ltd. were merged into FEIB to establish the Insurance Agency Group. To expedite the promotion of digital transformation, FEIB joined forces with the Far Eastern Group to launch “FE Mobile Payment Integrated Service,” develop integrated mPOS, seize mobile payment business opportunities, also adopt innovative FinTech, revise mobile banking APP, launch brand new website, offer innovative services such as mobile online application of credit cards, cross-bank cardless cash withdrawal, and enterprise e-customer service remote support system. In addition, the Bank leads in acquiring information security patent of online application “Dual Track” identity check and “Hidden Code Token Encryption Service” ; established the new generation high-end smart Dun-nan Branch focusing on cashless digital banking services and wealth management with smart technology to satisfy the wealth management needs of high net worth customers.

After continuous growth and developments, operating with 56 domestic branches (Business Department included) and the Hong Kong Branch, FEIB is committed to enhance the efficiency of its capital flow and financial transactions and thus contributing to the nation's economy and financial market.



三、本行沿革

- 1990 ◆ 召開發起人會議，議定資本額為新台幣 100 億元，並向財政部提出設立許可申請。
- 1991 ◆ 財政部核准本行設立。
- 1992 ◆ 總行營業部、儲蓄部及台北逸仙分行正式對外營業。
- 1995 ◆ 本行股票於櫃檯買賣中心正式掛牌。
- 1996 ◆ 總經理張學林榮退，由洪信德先生接任。
- 1997 ◆ 開啟與伊甸基金會的長期夥伴關係。
- 1998 ◆ 11 月 27 日本行股票正式掛牌上市。
 - ◆ 國內第一家協助企業發行台灣存託憑證的保管銀行。
- 1999 ◆ 率先新銀行開辦海外存託憑證保管銀行業務。
 - ◆ 獲財政部許可設立香港代表人辦事處。
 - ◆ 轉投資設立遠銀人身保險代理人股份有限公司及遠銀租賃股份有限公司。
- 2000 ◆ 創辦人徐有庠先生辭世，由徐旭東先生繼任董事長。
 - ◆ 遠銀 New Century 信用卡上市，整合運用集團資源與優惠。
 - ◆ 獲全國商業總會評鑑為「2000 年企業職業訓練績優單位」。
- 2001 ◆ 國內非金控商業銀行中，第一家獲財政部核准發行金融債券。
 - ◆ 與 1999 年全美排名第一之上市資產管理公司美國大聯合作，成立子公司遠東大聯資產管理公司。
- 2002 ◆ 信用卡發卡量破百萬張，循環餘額破百億元。
- 2003 ◆ 發行美金 1 億元之海外無擔保轉換金融債券 (ECB)，為國內非金控之商業銀行中第 1 家。
- 2004 ◆ 開辦 FX Margin Trading 業務，配合匯率市場開放 24 小時交易。
 - ◆ 消金貸款餘額突破 1,000 億元規模。
 - ◆ 轉投資之遠銀資產管理公司成立。
- 2005 ◆ 發行 ETC (高速公路電子收費) 聯名卡。
- 2006 ◆ 推出遠銀 HGI 信用卡 (HAPPY GO INSIDE) 與遠東台塑聯名卡。
 - ◆ 資訊處與信用卡部通過 ISO27001 安控認證，為全國第一家獲此項認證的銀行。
- 2007 ◆ 香港分行正式開業，並取得香港金融局核發的「全功能業務」分行執照。
 - ◆ 獲行政院勞委會職訓局評等為「金級」企業單位。
- 2008 ◆ 徐旭東先生請辭董事長並任副董事長，董事長由侯金英女士接任。
 - ◆ 與德意志銀行集團結盟，成立德銀遠東證券投資信託股份有限公司。
- 2009 ◆ 購買友邦國際 (AIG) 信用卡 (股) 公司之信用卡業務及應收帳款資產。
 - ◆ 經由公開標售程序，取得慶豐銀行 19 家國內營業據點。
 - ◆ 與南山人壽合作推出「遠東商銀南山認同卡」。

3. Milestones

- 1990 ◆ Held Convokers' Meeting, formally setting up a bank organizing committee, and applied to the Ministry of Finance for approval to establish bank with capital of NT\$10 billion.
- 1991 ◆ The Ministry of Finance approved the establishment of FEIB.
- 1992 ◆ Business Department, Savings Department and Taipei Yisen Branch of FEIB began operations.
- 1995 ◆ Stock listed on the Over The Counter (OTC) trading of securities in Taiwan.
- 1996 ◆ President Howard L. Chang retired. Mr. Eli Hong assumed presidency.
- 1997 ◆ Started long-term partnership with Eden Welfare Foundation.
- 1998 ◆ Listed on the Taiwan Stock Exchange on November 27.
 - ◆ Became the first bank in Taiwan to assist corporations to issue Global Depositary Receipts (GDRs) and serve as a trust bank.
- 1999 ◆ Became Taiwan's first private bank to launch GDR trust banking business.
 - ◆ Set up representative office in Hong Kong.
 - ◆ Established Far Eastern Life Insurance Agency Co., Ltd. and Far Eastern International Leasing Corp.
- 2000 ◆ Founder and Former Chairman Y. Z. Hsu passed away on December 23, succeeded by Mr. Douglas Tong Hsu.
 - ◆ Launched FEIB New Century Credit Card to integrate the Group resources.
 - ◆ Awarded the title of "Outstanding Vocational Training Enterprise" by The General Chamber of Commerce of the Republic of China in 2000."
- 2001 ◆ Taiwan's first non-holding commercial bank to issue debentures.
 - ◆ Opened Far Eastern Alliance Asset Management Co., Ltd. with Alliance Capital Management, ranked in 1999 the largest listed asset management company in the U.S.
- 2002 ◆ Credit cards issuance exceeded 1 million cards; total credit cards revolving balance surpassed NT\$10 billion.
- 2003 ◆ Taiwan's first non-holding commercial bank to issue US\$100 million worth of Euro Convertible Bonds (ECBs).
- 2004 ◆ Began Foreign Exchange (FX) Margin Trading business with 24-hour transactions.
 - ◆ Consumer banking loans exceeded NT\$100 billion at year end.
 - ◆ Set up Far Eastern Asset Management Co., Ltd.
- 2005 ◆ Launched ETC (Electronic Toll Collection) Card.
- 2006 ◆ Launched HAPPY GO INSIDE (HGI) credit card and the Far Eastern & Formosa co-branded credit card.
 - ◆ Taiwan's first bank to receive ISO 27001 certification.
- 2007 ◆ Officially inaugurated Hong Kong Branch.
 - ◆ Rated as a "Golden Grade" enterprise by the Bureau of Employment and Vocational Training.
- 2008 ◆ Mr. Douglas Tong Hsu resigned from Chairmanship, succeeded by Ms. Ching-Ing Hou.
 - ◆ Partnership with Deutsche Bank AG to establish Deutsche Far Eastern Asset Management Company Limited in Taiwan which focused on retail and institutional asset management.
- 2009 ◆ Acquired AIG's credit cards and accounts receivable businesses.
 - ◆ Acquired Chin-Fon Commercial Bank's 19 domestic operating units.
 - ◆ Launched "Far Eastern Nan Shan Co-branded card" with Nan Shan Life Insurance Company, Ltd.



- 2010 ◆ 推出「FE Direct」純網銀帳戶服務。
- ◆ 正式概括承受慶豐銀行 19 家國內營業據點。
 - ◆ 個人金融事業群成立「中小企業服務部」，深耕中小企業客群之財富管理與融資業務。
 - ◆ 獲經濟部與行政院勞工委員會頒發「創造就業貢獻獎」。
- 2011 ◆ 開辦人民幣業務。
- ◆ 榮獲今週刊第 5 屆財管銀行評鑑「卓越成長獎」。
 - ◆ 投資購買 ING 集團旗下在台所成立的安智證券股份有限公司 100% 股權。
 - ◆ 贊助美國 MBL 球員於台灣進行明星賽。
 - ◆ 行動銀行上線 (Android+iPhone)。
- 2012 ◆ 提升全行客服中心系統。
- ◆ 信用卡帳單新增 QR Code 功能，方便客戶使用智慧型手機繳款。
 - ◆ 推出 eTag 存款帳戶及信用卡自動儲值服務。
 - ◆ 宣佈將與萬事達卡國際組織於台灣首推「inControl」創新支付，提供更便利及安全的信用卡支付服務。
- 2013 ◆ 發行 1.5 億美元海外可轉債金融債券 (ECB)。
- ◆ 結合遠傳電信共推「遠東 HAPPY GO NFC 手機信用卡」試辦服務。
 - ◆ 榮獲今週刊第七屆財富管理銀行評鑑「最佳潛力獎」。
- 2014 ◆ 首次以新股參與海外存託憑證 (GDR) 發行。
- ◆ 獲金融管理監督委員會核准開辦「電子化通路 /OTP 非約定轉帳服務」。
 - ◆ 獲中央銀行核准辦理與銀聯線上 (China Pay) 合作開辦「跨境第三方支付服務」。
- 2015 ◆ 於大陸上海市新設「遠榮國際融資租賃有限公司」。
- ◆ 首創「APP 設定・網路購物」專用「遠東雲端 iCloud 信用卡」上市。推出「遠銀 i 申請」線上辦卡平台。
 - ◆ 獲經濟部頒發中小企業信保基金「送保融資成長獎」。
 - ◆ 發行 C'est Moi 旅遊悠遊卡，首張結合 HAPPY GO 集點、eTag 自動儲值及悠遊卡功能信用卡。
 - ◆ 獲今周刊第九屆財富管理銀行評鑑為「最佳安心銀行」，並獲「最佳公益獎」及「最佳安心獎」兩項獎座。
 - ◆ 獲財金資訊公司頒發「全國繳費稅業務交易量第四名」及「最佳業務發展獎」兩項大獎。
 - ◆ 首創可轉債選擇權 iOS 行動下單 app 上線。

- 2010 ◆ Launched “FE Direct” internet banking account.
- ◆ Completed the conversion of 19 domestic operating units from Chin-Fon Bank.
- ◆ Established “Small and Medium-sized Enterprise Banking Unit” to cultivate this target market segment.
- ◆ Received “Employment Contribution Award” from the Council of Labor Affairs.
- 2011 ◆ Initiated RMB business.
- ◆ Received “Outstanding Growth Award” of the 5th Wealth Management Bank Review by Business Today Magazine.
- ◆ Acquired 100% stake in ING Securities Company Limited from ING Insurance International B.V.
- ◆ Sponsored U. S. MBL to play the all-star game in Taiwan.
- ◆ Launched fully integrated Android mobile banking App (Android+iPhone).
- 2012 ◆ Established the Bank’s Customer Satisfaction Representative system.
- ◆ Implemented the QR Code billing application for cardholders’ payment via smart phones.
- ◆ Launched eTag deposit accounts and auto payment by credit cards.
- ◆ Announced Taiwan’s innovative “inControl” service, a secured payment solution, partnered with MasterCard.
- 2013 ◆ Issued US\$150 million of euro-convertible bonds (ECB).
- ◆ Worked with Far EasTone Telecommunications to launch “FE HAPPY GO NFC Mobile Credit Card” trial services.
- ◆ Received “Best Potential Award” of the 7th Wealth Management Bank Review by Business Today magazine.
- 2014 ◆ First-time new shares issuing of GDR.
- ◆ Authorized by the Financial Supervisory Commission to operate “e-channel/OTP non-contractual transfer service” .
- ◆ Authorized by the Central Bank to operate jointly with China Play “Cross-border Third Party Payment Service”.
- 2015 ◆ Established in Shanghai FEIB Financial Leasing Company.
- ◆ Launched Taiwan’s first “APP set up, online shopping” exclusive “Far Eastern iCloud Credit Card”, and introduced “FEIB i-Application” online card application platform.
- ◆ Received SME Credit Guarantee Fund “Financial Factory Growth Award” by the Ministry of Economic Affairs.
- ◆ Issued C’est Moi Travel Easy Card, the first multi-purpose credit card integrating HAPPY GO bonus collection, eTag automatic stored value, and easy card.
- ◆ Received “Best Confidence Bank” of the 9th Wealth Management Bank Review by Business Today Magazine and granted “Best CSR Award” and “Best Confidence Award” .
- ◆ Received “The 4th Highest National Tax Payment Business Volume” and “Best Business Development Award” by Financial Information Service Co., Ltd.
- ◆ Launched Taiwan’s first convertible option iOS mobile platform for app online order.



- 2016 ◆ 組織新設「數位金融事業群」。
- ◆ 推出「遠銀 HAPPY+」臉書粉絲團。
 - ◆ 周添財執行副總經理擔任總經理。
 - ◆ 組織新設「財務策略中心」。
 - ◆ 獲卓越雜誌 2016 年度卓越銀行評比「最佳品牌形象獎」與「最佳財富管理獎」兩項大獎。
 - ◆ 主辦華融國際金融控股一年期港幣 30 億元聯合授信案。
 - ◆ 主辦 United Envirotech (Hong Kong) Company Limited 三年期美金 1.5 億元聯合授信案。
 - ◆ 取得英國標準協會頒發 ISO 50001 能源管理系統認證。
- 2017 ◆ 併入遠銀人身保險代理人、遠銀財產保險代理人等股份有限公司，成立保險代理事業群。
- ◆ 獲財訊雜誌 2017 財富管理大獎「最佳理專團隊獎」。
 - ◆ 推出「FE 跨界行動應用平台」，整合支付寶、friDay 錢包於愛買量販上線。
 - ◆ 與遠東集團關係企業共同贊助太陽馬戲團 TORUK 來臺演出。
 - ◆ 主辦 Huy Vietnam Group Limited 聯合授信案，為本行首件東協市場企業之國際聯貸案。
 - ◆ 獲 2017 BSI 國際標準管理年會「企業社會責任報告書永續傑出獎」。
 - ◆ 獲 2017 TCSA 台灣企業永續獎「台灣企業永續報告獎銅獎」。

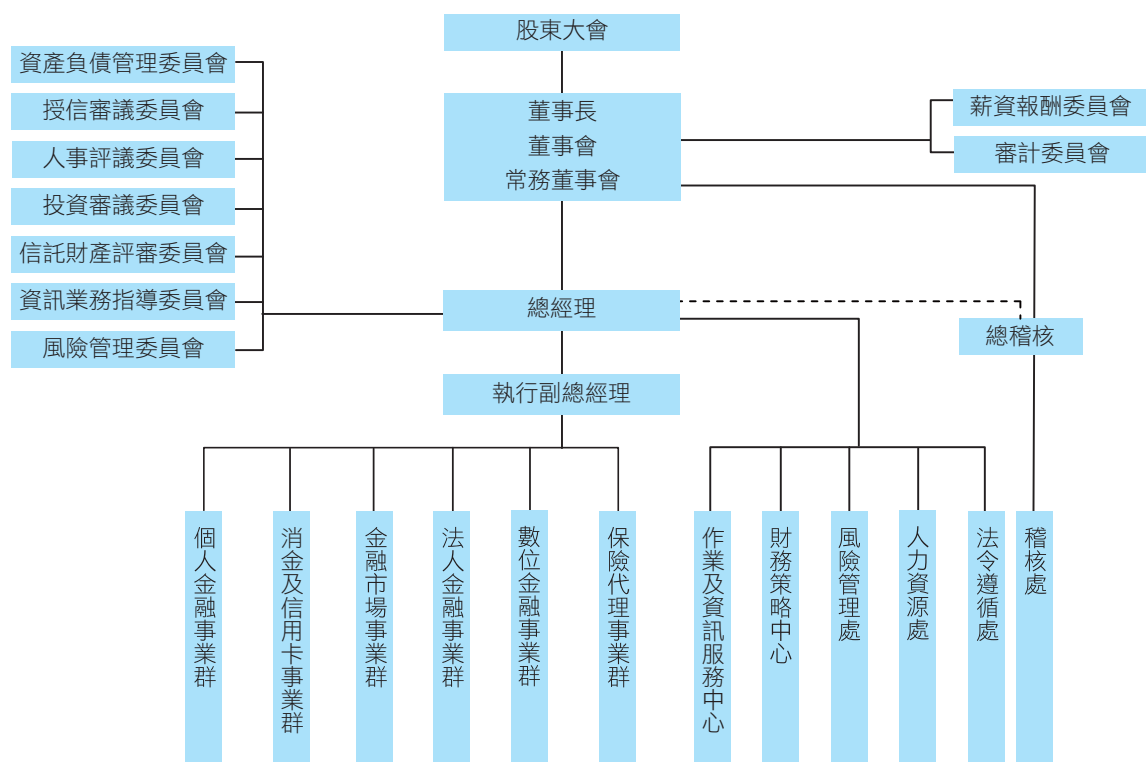


遠銀培育人才不餘遺力，榮獲勞動部 TTQS 人才發展品質管理獎、Toastmasters 精選傑出分會獎、保發中心卓越人才培訓專案獎，以及保險龍鳳獎調查，是財金保險學子最嚮往的金融業

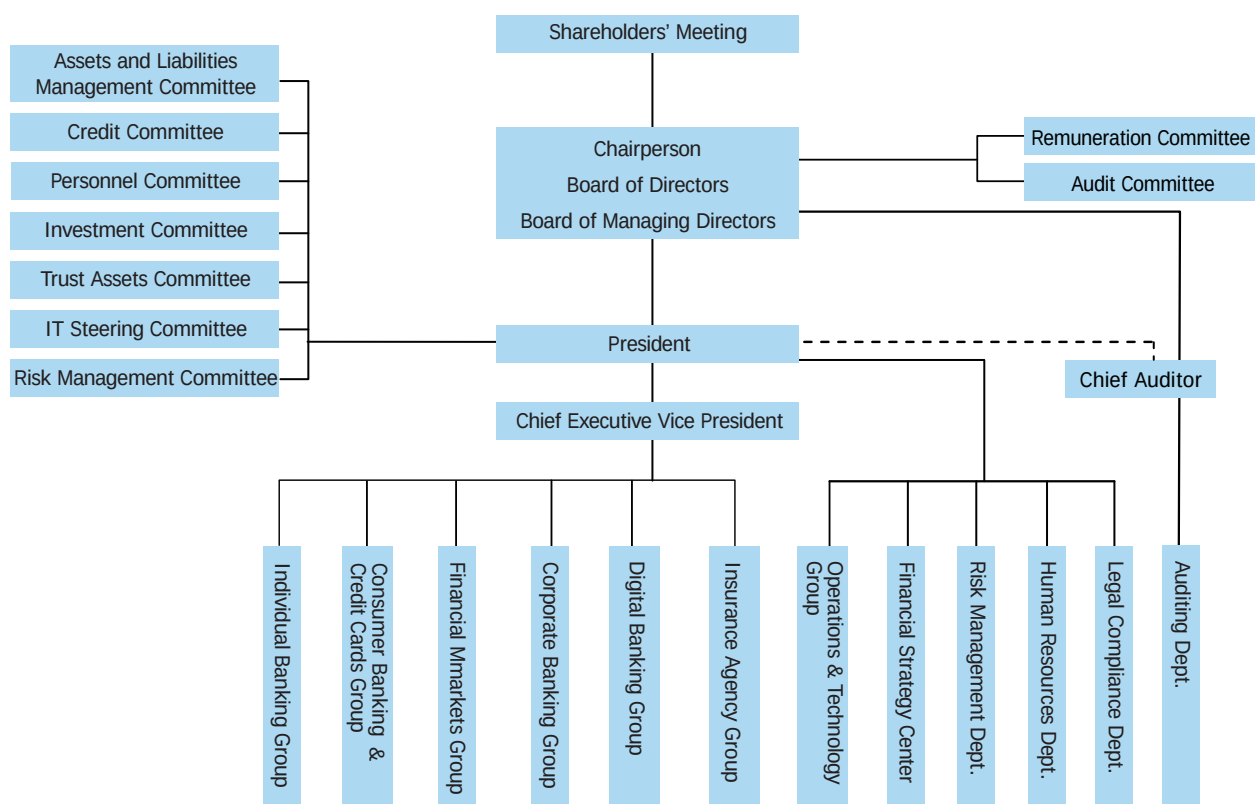
FEIB Wealth Management Team has often been recognized by reputable business magazines. It is the recipient of "Best Wealth Management Team Award" by Wealth Magazine in 2017, also received "Best Wealth Management Award" and "Best Innovation Award" by Excellence Magazine that highlight our brand image.

- 2016 ◆ Established the new "Digital Banking Group".
- ◆ Launched "FEIB HAPPY+" fans club on Facebook.
 - ◆ Mr. Thomas Chou assumed the position of the President.
 - ◆ Established the new "Financial Strategy Center".
 - ◆ Received "Best Brand Image Award" and "Best Wealth Management Award" by Excellence Magazine.
 - ◆ As the mandated lead arranger and book runner of the one-year syndicated loan of HK\$3 billion with Huarong International Financial Holdings Limited.
 - ◆ As the lead bank of the three-year syndicated loan amounted to US\$150 million with United Envirotech (Hong Kong) Company Limited.
 - ◆ Granted the "ISO 50001 Energy Management System" certification by the British Standards Institutions.
- 2017 ◆ Merged Far Eastern Life Insurance Agency Co., Ltd. and Far Eastern Property Insurance Agency Co., Ltd. to establish the Insurance Agency Group.
- ◆ Received "Best Wealth Management Team Award" by Wealth Magazine in 2017.
 - ◆ Launched "FE Mobile Payment Integrated Service", incorporating Alipay and FriDay wallet to be put online at A-mart Hypermarket.
 - ◆ Co-sponsored with the Far Eastern Group "TORUK" performance of Cirque du Soleil in Taiwan.
 - ◆ Leading bank for syndicated loan with Huy Vietnam Group Limited, FEIB's first international syndicated loan in the ASEAN market.
 - ◆ Awarded "Outstanding CSR Sustainability Report" by 2017 BSI Standards annual conference.
 - ◆ Received "Taiwan Corporate Sustainability Award Bronze Medal" by 2017 TCSA.

四、本行組織系統簡圖



4.FEIB Organization Chart





肆、公司治理 Corporate Governance

一、公司治理守則

本行依銀行業公司治理實務守則，落實公司治理制度，透過健全的管理制度與監控機制，達成營運目標，進而提升競爭力，確保股東、員工及其他利益相關者的權益，為其創造最大價值並善盡社會責任。茲將本行遵循的公司治理原則條述如下：

1. 建置有效的公司治理架構
2. 遵循法令並健全內部管理
3. 保障股東權益
4. 強化董事會職能
5. 發揮審計委員會功能
6. 尊重利益相關者權益
7. 提升資訊透明度

本行遵循遵守法令主管制度，建立完備的內部控制制度，並按部就班執行；董事會下設稽核處，以獨立超然的精神執行內部稽核任務，定期向董事、審計委員會報告；本行依法召開股東會，透過公開資訊觀測站公告重要訊息，與利害關係人及關係企業的業務往來均依規定辦理，以確保股東權益。

董事會成員均具備執行職務能力且符合法定資格條件，定期召開董事會，負責銀行經營策略與重大決策，監督管理階層以對股東負責，此外設置各類功能性政策委員會，協助推行各項重大政策，並選定專業獨立的勤業眾信會計師事務所，定期查核財務狀況及內部控制實施。此外，設置審計委員會，獨立行使審查權，有效監督業務執行，降低經營風險；同時具備完善妥適的處理機制與溝通管道，尊重與維護員工、消費者及其它利益相關者的合法權益；設有發言人與代理發言人、建置專屬網站、揭露法人說明會及公司治理相關資訊，以提高對外資訊的透明度。

1. Corporate Governance Principles

To pursue corporate governance excellence, FEIB is dedicated to achieving its operating goals through a sound management system and an effective auditing mechanism to strengthen the Bank's competitive advantage in the market and ensure all the benefits available to shareholders, employees and other related parties. Our goal is to create maximum shareholder value and be a good corporate citizen. The Bank's corporate governance principles are:

1. Establish an effective corporate governance structure
2. Comply with relevant laws and regulations and enhance internal management
3. Protect shareholders' rights and interests
4. Strengthen the power of the Board of Directors
5. Ensure the viability of Audit Committee function
6. Respect the rights of related parties
7. Enhance information transparency

Far Eastern International Bank, strictly abided by supervising laws, has established and effectively implemented a thorough internal control system, and set up an Audit Department under the Board of Directors to execute independently the internal auditing mission and report regularly to the Bank's Board Members and Audit Committee. Furthermore, FEIB holds regular shareholders' meetings, publicly posts important bank messages on Taiwan's public information watch station, and handles businesses among interested parties and group affiliated companies totally conforming to regulations to ensure shareholders' equity.

FEIB board members are all equipped with professional knowhow and conform to legal qualifications. They convoke regular board meetings to decide on the operating strategies and important policies, supervise the Bank's management and protect shareholders' interests. Also various functional committees are set up to assist in the promotion of each major policy. The Bank has selected Deloitte & Touche to conduct regular independent audits and check and report on the Bank's financial situation and internal controls. Audit Committee is also organized in accordance with rules and regulations to effectively and independently audit the execution of bank operations and to lower its risk. FEIB respects and safeguards the legal rights of employees, consumers, and other interested parties. The Bank has appointed a spokesperson and acting spokesperson, set up an exclusive website, organized investors' forums and disclosed corporate governance related information to enhance the transparency of bank information.



二、董事成員 Board of Directors

April 22, 2017

職 稱 Title	姓 名 Name	主要經（學）歷 Major Educational (Professional) Background	目前兼任本行及其他公司之職務 Other Current Positions
董事長	侯金英	◆ 美國范德堡大學經濟學碩士 ◆ 台灣大學經濟系及研究所畢業 ◆ 政治大學銀行學系主任及教授、財稅系教授 ◆ 台灣金融研訓院董事長 ◆ 遠東新世紀（股）公司監察人	◆ 南台科技大學董事
Chairperson	Ms. Ching-Ing Hou	◆ Master's degree in Economics, Vanderbilt University, U.S.A. ◆ BA & Master's degree in Economics, National Taiwan University ◆ Former Professor, Dept. of Money and Banking, National Chengchi University ◆ Former Chairperson, Taiwan Academy of Banking and Finance ◆ Supervisor, Far Eastern New Century Corporation	◆ Director, Southern Taiwan University of Science and Technology
副董事長	徐旭東	◆ 交通大學管理學榮譽博士 ◆ 美國聖母大學企管碩士 ◆ 美國哥倫比亞大學經濟碩士 ◆ 遠東新世紀（股）公司董事長	◆ 遠東新世紀（股）公司董事長 ◆ 亞洲水泥（股）公司董事長 ◆ 裕民航運（股）公司董事長 ◆ 遠東百貨（股）公司董事長 ◆ 東聯化學（股）公司董事長 ◆ 遠傳電信（股）公司董事長 ◆ 宏遠興業（股）公司董事
Vice Chair- man	Mr. Douglas Tong Hsu	◆ Honorary Doctorate of Management from National Chiao Tung University in Taiwan ◆ MA & BA, University of Notre Dame, U. S. A. ◆ Post-graduate studies in Economics at Columbia University, U. S. A. ◆ Chairman, Far Eastern New Century Corporation	◆ Chairman, Far Eastern New Century Corporation ◆ Chairman, Asia Cement Corp. ◆ Chairman, U-Ming Marine Transport Corp. ◆ Chairman, Far Eastern Department Stores Ltd. ◆ Chairman, Orient Union Chemical Corp. ◆ Chairman, Far EasTone Telecommunications Co., Ltd. ◆ Director, Everest Textile Ltd.
執行董事	王孝一	◆ 中興大學工商管理系畢業 ◆ 台灣大學管理研究學分班 ◆ 遠東新世紀（股）公司董事、首席資深副總經理	◆ 遠東新世紀（股）公司公益事業執行長 ◆ 遠東新世紀（股）公司董事 ◆ 遠銀資產管理（股）公司董事 ◆ 元智大學董事
Executive Director	Mr. Shaw Y. Wang	◆ BA, Dept. of Business Administration, National Chung Hsing University ◆ EMBA Courses, National Taiwan University ◆ Director & First Senior Executive Vice President, Far Eastern New Century Corporation	◆ Foundation Executive Director of Far Eastern Group ◆ Director, Far Eastern New Century Corporation ◆ Director, Far Eastern Asset Management Corp. ◆ Director, Yuan Ze University

職 稱 Title	姓 名 Name	主要經（學）歷 Major Educational (Professional) Background	目前兼任本行及其他公司之職務 Other Current Positions
董事	鄭澄宇	◆ 台灣大學國際企業研究所碩士 ◆ 中興大學法律系畢業 ◆ 遠東新世紀（股）公司副總經理	◆ 遠東新世紀（股）公司行政總部總經理 ◆ 德銀遠東證券投資信託（股）公司董事長 ◆ 東聯化學（股）公司董事 ◆ 鼎鼎聯合行銷（股）公司董事 ◆ 遠鑫電子票證（股）公司董事 ◆ 遠銀資產管理（股）公司監察人
Director	Mr. Humphrey Cheng	◆ EMBA, Graduate Institute of International Business, National Taiwan University ◆ BA, Dept. of Law, National Chung Hsing University ◆ Former Executive Vice President, Far Eastern New Century Corporation	◆ President, Far Eastern New Century Corporation ◆ Chairman, Deutsche Far Eastern Asset Management Company Limited ◆ Director, Oriental Union Chemical Corporation ◆ Director, Ding Ding Integrated Marketing Service Co. ◆ Director, Yuan Hsin Digital Payment Co., Ltd. ◆ Supervisor, Far Eastern Asset Management Corp.
董事	吳均龐	◆ 美國密蘇里大學企管碩士 ◆ 臺灣大學法學學士 ◆ 德意志銀 台灣區總經 ◆ 美商花旗銀 台灣區副董事長 ◆ 富邦銀 總經 ◆ 富達投信台灣區總經 ◆ 美商花旗銀 證券公司台灣區總經 ◆ 美商信孚銀 東京分 總經 ◆ 美商信孚銀 約總公司副總經 ◆ 永信證券總經 ◆ 美商大通銀 香港暨台 地區協	無
Director	Mr. James Wu	◆ MBA, University of Missouri, U.S.A. ◆ Bachelor of Laws, National Taiwan University ◆ Former Taiwan Country Chief Officer of Deutsche Bank ◆ Former Vice Chairman of Corporate and Investment Banking in Taiwan, Citigroup ◆ Former President, Taipei Fubon Bank ◆ Chief Country Officer, Fidelity Investments in Taiwan ◆ Former Taiwan Country Chief Officer, Bankers Trust New York Corporation ◆ Former Tokyo Branch Chief Officer, Bankers Trust New York Corporation ◆ Former Vice President, Bankers Trust New York Corporation ◆ Former President, Bankers Trust Securities ◆ Former Assistant Vice President, Chase Bank Hong Kong and Taipei Area	None



職 稱 Title	姓 名 Name	主要經（學）歷 Major Educational (Professional) Background	目前兼任本行及其他公司之職務 Other Current Positions
執行董事	鍾聰明	◆ 政治大學企業管理碩士 ◆ 勤業會計師事務所會計師	◆ 順達科技（股）公司董事長 ◆ 致茂電子（股）公司獨立董事 ◆ 東貝光電科技（股）公司董事
Executive Director	Mr. Tsung-Ming Chung	◆ MBA, National Chengchi University ◆ CPA, Deloitte & Touche	◆ Chairman, DynaPack Corp. ◆ Independent Director, Chroma Ate Inc. ◆ Director, Unity Opto Technology Co., Ltd.
董事	許士軍	◆ 美國密西根大學企業管理博士 ◆ 台灣大學首任管理學院院長 ◆ 高雄銀行董事長 ◆ 元智大學教授	◆ 智原科技（股）公司董事 ◆ 遠通電收（股）公司董事 ◆ 雅茗天地（股）公司獨立董事 ◆ 誠品生活（股）公司獨立董事 ◆ 逢甲大學高言先生講座教授
Director	Dr. Shi-Chun Hsu	◆ Ph.D., University of Michigan, U.S.A. ◆ Founding Dean, College of Management, National Taiwan University ◆ Former Chairman, Bank of Kaohsiung ◆ Former Chair Professor of Management, Yuan Ze University	◆ Director, Faraday Technology Corp.. ◆ Director, Far Eastern Toll Collection Co., Ltd. ◆ Independent Director, Yummy Town (Cayman) Holdings Corporation ◆ Independent Director, Eslite Corporation ◆ Mr. Kao Jen-Yen Chair Professor, Feng Chia University
董事	俞明德	◆ 美國俄亥俄州立大學經濟博士 ◆ 中央大學財務金融學系主任 ◆ 交通大學管理學院院長 ◆ 靜宜大學校長 ◆ 台灣大學財務金融學系教授 ◆ 行政院金融重建基金管理委員會委員 ◆ 行政院國家發展基金管理委員會委員 ◆ 亞洲開發銀行顧問	◆ 智微科技（股）公司獨立董事 ◆ 美食達人獨立董事 ◆ 中國科技大學校長
Director	Dr. Min-Teh Yu	◆ Ph.D., Ohio State University, U.S.A. ◆ Former Dept. Chairman of Financial Management, National Central University ◆ Former Dean, National Chiao Tung University College of Management ◆ Former President, Providence University ◆ Former Professor, Dept. of Finance, National Taiwan University ◆ Former Commissioner, Resolution Trust Corporation (RTC), Executive Yuan ◆ Former Commissioner, National Development Fund, Executive Yuan ◆ Former Advisor, Asian Development Bank	◆ Independent Director, JMicon Technology Corporation ◆ Independent Director, Gourmet Master Co., Ltd. ◆ President, China University of Technology

職 稱 Title	姓 名 Name	主要經（學）歷 Major Educational (Professional) Background	目前兼任本行及其他公司之職務 Other Current Positions
獨立董事兼 常務董事	張忠本	◆ 政治大學統計研究所畢業 ◆ 政治大學兼任講師 ◆ 輔仁大學兼任講師 ◆ 和通投資控股有限公司執行董事 ◆ 和通國際（股）公司總經理 ◆ 中華開發工業銀行副總經理	◆ 和碩聯合科技（股）公司獨立董事 ◆ 瑞鼎科技（股）公司獨立董事 ◆ 佳格食品（股）公司獨立董事 ◆ 聚鼎科技（股）公司董事
Independent Director, Managing Director	Mr. Ben C. B. Chang	◆ Master's degree in Statistics, National Chengchi University ◆ Former Lecturer, National Chengchi University ◆ Former Lecturer, Fu Jen Catholic University ◆ Former Executive Director, Hotung Investment Holdings Limited ◆ Former General Manager, Hotung International Co., Ltd. ◆ Former Executive Vice President, China Development Industrial Bank	◆ Independent Director, Pegatron Corp. ◆ Independent Director, Kinsus Interconnect Technology Corp. ◆ Independent Director, Standard Foods Corp. ◆ Director, Polytronics Technology Corp.
獨立董事	沈平	◆ 美國哈佛大學商學院企管碩士 ◆ 美商摩根士丹利公司副總經理 ◆ 摩根士丹利公司執行董事 ◆ 中華開發工業銀行副總經理 ◆ 開發國際投資（股）公司總經理	◆ 遠東新世紀（股）公司獨立董事 ◆ 台光電子材料（股）公司獨立董事 ◆ 中鼎工程（股）公司董事兼董事會公司治理委員會召集人
Independent Director	Mr. Bing Shen	◆ MBA, Harvard Business School, U.S.A. ◆ Former Vice President, Morgan Stanley ◆ Former Executive Director, Morgan Stanley ◆ Former Executive Vice President, China Development Industrial Bank ◆ Former President of CDIB & Partners Investment Holding	◆ Independent Director of Far Eastern New Century Corporation ◆ Independent Director of Elite Material Co., Ltd. ◆ Director and Convener of Corporate Governance, CTCI Corporation



職 稱 Title	姓 名 Name	主要經（學）歷 Major Educational (Professional) Background	目前兼任本行及其他公司之職務 Other Current Positions
獨立董事	張秀蓮	◆ 台灣大學國際經濟研究所碩士 ◆ 台灣大學經濟系畢業 ◆ 台灣銀行董事長 ◆ 台灣金融控股公司董事長 ◆ 金融監督管理委員會常務副主任委員 ◆ 中華民國財政部常務次長 ◆ 財政部國庫署署長 ◆ 金融局副局長 ◆ 金融司副司長 ◆ 行政院經濟建設委員會經濟研究處副處長	◆ 金牛津事業（股）公司董事長 ◆ 聯亞藥業（股）公司獨立董事 ◆ 龍巖（股）公司獨立董事 ◆ 生物錄科技（股）公司董事 ◆ 恩典科研（股）公司董事 ◆ 安泰科技工程（股）公司監察人
Independent Director	Ms. Susan S. Chang	◆ MA, Dept. of Economics, National Taiwan University ◆ BA, Dept. of Economics, National Taiwan University ◆ Former Chairperson, Bank of Taiwan ◆ Former Chairperson, Taiwan Financial Holdings ◆ Former Vice Chairperson, Financial Supervisory Commission ◆ Former Administrative Deputy Minister, Ministry of Finance ◆ Former Director-General, National Treasury Administration, Ministry of Finance ◆ Former Vice Commissioner, Bureau of Monetary Affairs ◆ Former Deputy Chief, Dept. of Monetary Affairs ◆ Former Deputy Director, Economic Research Dept., Council for Economic Planning And Development, Executive Yuan	◆ Chairperson, Jinnuijin Business Co., Ltd. ◆ Independent Director, UBI Pharma Co., Ltd. ◆ Independent Director, Lungyeng Co., Ltd. ◆ Director, BioWare Technology Co., Ltd. ◆ Director, Grace Technology Co., Ltd. ◆ Supervisor, Entie Tech-engineering Co., Ltd.

三、經營團隊 Management Team

April 22, 2017

職稱 Title	姓名 Name	主要經 (學) 歷 Major Educational (Professional) Background	目前兼任其他公司之職務 Other Current Positions
總經理 President	周添財 Mr. Thomas Chou	◆ 政治大學銀行系畢業 ◆ 遠東商銀總經理 ◆ BA, Dept. of Banking, National Chengchi University ◆ President of Far Eastern International Bank.	◆ 遠銀資產管理 (股) 公司董事 ◆ 德銀遠東證券投資 (股) 公司董事 ◆ 大中票券金融 (股) 公司董事 ◆ 鼎鼎聯合行銷 (股) 公司董事 ◆ 元太外匯經紀 (股) 公司董事 ◆ Director, Far Eastern Asset Management Corp. ◆ Director, DWS Ltd. ◆ Director, Dah Chung Bills Finance Corps. ◆ Director, Ding Ding Integrated Marketing Service Co. ◆ Director, Yuan Tai Foreign Exchange Agency
執行副總經理 Chief Executive Vice President	林建忠 Mr. Jiann-Jong Lin	◆ 美國路易斯安那州立大學財務管理碩士 ◆ 遠東商銀執行副總經理 ◆ M.S., Louisiana State University, U.S.A. ◆ Chief Executive Vice President of Far Eastern International Bank	◆ 遠銀資產管理 (股) 公司董事長 ◆ 遠智證券 (股) 公司董事 ◆ 遠榮國際融資租賃 (股) 董事長 ◆ Chairman, Far Eastern Asset Management Corp. ◆ Director, Far Eastern International Securities Company Ltd. ◆ Chairman, FEIB Financial Leasing Corp.
資深副總經理 Senior Executive Vice President	廖呂斌 Mr. Ben Liao-Ru	◆ 美國國際管理學院國際管理碩士 ◆ 遠東商銀資深副總經理 ◆ MIM, Thunderbird, American Graduate School of International Management, U.S.A. ◆ Senior Executive Vice President, Head of Financial Markets Group of Far Eastern International Bank	- 無 - None
副總經理 Executive Vice President	李銘博 Mr. Alan Lee	◆ 政治大學企業管理碩士 ◆ 遠東商銀副總經理兼消金及信用卡事業群主管 ◆ MBA, National Chengchi University ◆ Executive Vice President, Head of Consumer Banking and Credit Cards Group of Far Eastern International Bank	- 無 - None



職稱 Title	姓名 Name	主要經 (學) 歷 Major Educational (Professional) Background	目前兼任其他公司之職務 Other Current Positions
副總經理 Executive Vice President	戴松志 Mr. Simon Dai	◆ 美國紐約大學電腦科學碩士 ◆ 遠東商銀副總經理兼數位金融事業群主管 ◆ Master of Computer Science, New York University, U.S.A. ◆ Executive Vice President, Head of Digital Banking Group of Far Eastern International Bank	◆ 遠智證券 (股) 公司董事 ◆ 遠鑫電子票證 (股) 公司監察人 ◆ Director, Far Eastern International Securities Company Ltd. ◆ Supervisor, Yuan Hsin Digital Payment Co., Ltd.
副總經理 Executive Vice President	張小倩 Ms. Sophie Chang	◆ 台灣大學商學碩士 ◆ 遠東商銀副總經理兼個人金融事業群主管 ◆ Master of Business, National Taiwan University ◆ Executive Vice President, Head of Individual Banking Group of Far Eastern International Bank	◆ 無 ◆ None
副總經理 Executive Vice President	劉玟玲 Ms. May Ling Liu	◆ 西佛羅里達大學企業管理系畢業 ◆ 遠東商銀副總經理兼保險代理事業群主管 ◆ BS, University of West Florida, U.S.A. ◆ Executive Vice President, Head of Insurance Agency Group of Far Eastern International Bank	◆ 遠智證券 (股) 公司董事 ◆ Director, Far Eastern International Securities Company Ltd.
副總經理 Executive Vice President	劉龍光 Mr. Lonnie Liu	◆ 美國紐約大學資訊管理碩士 ◆ 遠東商銀副總經理兼作業及資訊服務中心主管 ◆ Master of Information Management, New York University, U.S.A. ◆ Executive Vice President, Head of O&T Group and Head of Operation Service Dept. of Far Eastern International Bank	◆ 無 ◆ None
總稽核 Chief Auditor	黃志偉 Mr. Chih-Wei Huang	◆ 美國北德州大學資訊管理碩士 ◆ 遠東商銀總稽核 ◆ Master of Information Management, University of North Texas, U.S.A. ◆ Chief Auditor of Far Eastern International Bank	◆ 無 ◆ None
總機構法令遵循主管 Chief Compliance Officer of the Head Office	陳慧滿 Ms. Josephine Chen	◆ 台灣大學商學碩士 ◆ 遠東商銀總機構法令遵循主管 ◆ Master of Business, National Taiwan University ◆ Chief Compliance Officer of the Head Office of Far Eastern International Bank	◆ 遠銀資產管理 (股) 公司董事 ◆ 上海亞福水泥制品有限公司董事長 ◆ Director, Far Eastern Asset Management Corp. ◆ Chairperson, Shanghai Yafu Cement Products Company, Ltd.



法金利星行聯貸 Lei Shing Hong Syndication Loan

利星行為一總部設於香港之跨國優質企業集團，其聯貸案向為眾多同業所積極爭取主辦，競爭激烈，最終遠東商銀以最適架構勝出，共吸引 14 家銀行參與，獲 1.5 倍超額認購，以 3 年期、美金 4 億元結案，寫下遠東商銀之香港企業聯貸案籌組規模新紀錄。

Lei Shing Hong Credit Limited is an outstanding multi-national corporation based in Hong Kong, many prominent banks would strive to become the leading bank of its syndication loan. After keen competition, FEIB won with the most optimal structure and attracted 14 participating banks, was over-subscribed by 1.5 times, and closed the deal with 3-year syndicated loan amounting to US\$400 million, marking a new record scale for FEIB's syndicated loan in Hong Kong.



四、政策委員會

(一) 資產負債管理委員會

本行為強化資產負債管理，健全資產負債結構，特設置資產負債管理委員會，負責擬定本行資產負債政策及流動性風險管理方針，並研討利率政策，作成結論呈董事會核定後辦理。

(二) 授信審議委員會

本行為拓展業務，提升授信品質及增進工作效能，特設置授信審議委員會，負責審議全行超過授權經理核定範圍之授信案件，作成結論呈總經理、常務董事會或董事會核定後辦理。

(三) 人事評議委員會

本行為建立職員管理之升遷獎懲制度，拔擢優秀人才，增進工作效率，特設置人事評議委員會，負責審議全行人力資源規劃、人事規章、升遷、獎懲情事，作成結論呈總經理、常務董事會或董事會核定後辦理。

(四) 投資審議委員會

本行為訂定投資決策，掌握投資效益，特設置投資審議委員會，定期開會，審議短期有價證券投資策略交由金融市場部執行；並負責審理各項中長期專案投資計劃，作成結論提董事會核定後辦理。

(五) 信託財產評審委員會

本行為拓展信託業務，特設置信託財產評審委員會，於每季營業終了後一個月內召開會議，審查每一信託戶之信託財產並作成記錄，由全體出席委員簽署並送總經理及董事長核可後呈報董事會核備。

(六) 資訊業務指導委員會

本行為建構全方位金融服務需求，特設置資訊業務指導委員會，負責研判資訊系統發展趨勢，審議全行資訊系統架構建置，並配合業務發展，提議、監督資訊業務系統開發，作成結論呈董事會核定後辦理。

(七) 風險管理委員會

本行為建立獨立有效之風險管理機制，提升風險管理品質，特設置風險管理委員會，負責風險管理政策之擬定，風險管理執行成效、曝險狀況、風險決策之審議與監督，做成結論呈報董事會核備。

(八) 薪資報酬委員會

本行為強化公司治理與健全公司董事、監察人及經理人薪資報酬制度，特依「股票上市或於證券商營業處所買賣公司薪資報酬委員會設置及行使權辦法」設立薪資報酬委員會，協助訂定並定期檢討董事監察人及經理人有關薪資報酬之政策、制度、標準與結構，並向董事會提出建議。

(九) 審計委員會

審計委員會監督公司業務之執行及董事與經理人之盡職情形，並關注公司內控制度執行情形，俾降低公司財務危機與經營風險。

4. Policy Committees

- (1) **Assets and Liabilities Management Committee**
To strengthen its assets and liabilities management and structure, FEIB established the Assets and Liabilities Management Committee to draft the Bank's assets and liabilities policy and floating risk management guidelines, and study interest rate policy to present proposals to the Board of Directors for approval and execution.
- (2) **Credit Committee**
To expand business, improve credit quality and working efficiency, FEIB has established the Credit Committee to handle and review credit cases with amounts exceeding a manager's authorization. Conclusions reached by this Committee are presented to the Bank's President, Board of Managing Directors or Board of Directors for approval and execution.
- (3) **Personnel Committee**
To set up a proper staff feedback and incentive system, identify and promote outstanding talent, enhance working efficiency and improve communication and leadership skills, FEIB established the Personnel Committee. The Committee is responsible for the review of the Bank's human resource planning, personnel regulations, promotions, rewards and reprimands, and making proposals to the Bank's President, Board of Managing Directors or Board of Directors for approval and execution.
- (4) **Investment Committee**
FEIB formed the Investment Committee to formulate investment policy and target superior risk-adjusted returns with regular meetings. The Committee also reviews the investment policy of short-term bills to be executed by the Financial Markets Department and reviews diverse mid- and long-term investment projects for proposal to the Board of Directors for review, potential approval and execution.
- (5) **Trust Assets Committee**
To expand the trust assets business, FEIB established the Trust Assets Committee. With one Vice President serving as its Committee Chief, this Committee holds meetings in the last month of each quarter to review trust assets of each client and to prepare status reports signed by all attending committee members to be presented to the Bank President and Chairman for approval and final reporting to the Board of Directors.
- (6) **IT Steering Committee**
To meet the Bank's need for diversified and multi-faceted financial services, FEIB formed an IT Steering Committee to study IT system development trends and review and improve the Bank's IT operating system. To meet FEIB's business development needs, the Committee makes IT proposals, supervises IT system development, and presents conclusions and recommendations to the Board of Directors for approval and execution.
- (7) **Risk Management Committee**
To establish an independent and efficient risk management mechanism and improve risk management, FEIB formed the Risk Management Committee to take the responsibility of drafting risk management policies, monitoring/reviewing risk management, risk exposures, risk policy, and reporting conclusions to the Board of Directors.
- (8) **Remuneration Committee**
According to "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter", we established the Salary Committee to assist the Board of Directors to achieve further transparency for revising the remuneration policies, and advise the Board of Directors.
- (9) **Audit Committee**
To supervise business duties of directors and managers and to monitor internal control so as to reduce the Bank's financial and operational risks.



伍、經營概況 Business Overview

一、核心事業

(一) 個人金融

負責分行營運與財富管理業務，包括存款、投資、信託、保險、中小企業融資等產品之規劃、銷售與績效管理，以及分行通路之管理運作。

(二) 消金及信用卡

負責房貸、信貸、車貸、分期等消金商品及信用卡業務，含商品之企劃、行銷、銷售、管理與客戶服務。

(三) 金融市場

負責營運資金調度、外匯暨衍生性金融商品交易、有價證券投資與交易、全行資產負債管理之規劃與執行、財務諮詢、中長期投資政策之制定、執行及績效評估與管理，中長期專案投資的評估建議與其它相關諮詢、輔導事宜。

(四) 法人金融

擬定法金業務方針、政策，選定目標市場並負責行銷推廣、業務績效評核、作業流程等事項，管理海外分支機構的法金業務等。

(五) 數位金融

以務實的金融科技發展策略，推動遠東商銀各項創新金融服務，竭力為客戶提供最安全、智慧、感動的數位金融體驗。

(六) 保險代理業務

負責銀行保險相關之合作保險公司篩選，引進適切銀保商品及對銀行同仁予保險商品、銷售之輔導訓練，進而藉由人壽 / 財產保險提供給銀行不同客群所需之風險控管、資產配置、稅務規劃及財富傳承之優質銀行保險理財服務。同時協助各事業群共同推展銀行保險業務，並協助各事業群進行銀行保險業務所需之相關輔訓輔銷活動、提供銷售保險之後續相關服務事宜。

1.Core Businesses

(1) Individual Banking

Handle branch operations and wealth management business, including the planning, sales and performance management of deposit, investment, trust, insurance, small and medium enterprise financing products; as well as the management and operation of branch channels and e-channel (Internet-banking, ATM).

(2) Consumer Banking and Credit Cards

Handle consumer banking products such as mortgage, credit loan, car loan, installment and credit cards business, including their planning, marketing, sales, management and customer service.

(3) Financial Markets

Handle working capital movement, FX and derivative transaction, bond investment and transaction, planning and execution of the whole Bank's asset and liability management, financial advisory service, the making, execution and performance review and management of mid and long-term investment strategy, review of mid and long-term project investment as well as other relevant advisory and consultation.

(4) Corporate Banking

Draw corporate banking operation guideline, strategy, select target market and handle the marketing, promotion, and performance review of corporate banking products, optimize operating process, upgrade and establish relevant systems to satisfy corporate banking accounts' financial needs, and also in charge of overseas branch's businesses.

(5) Digital Banking

Engage in practical Fintech development strategy, promote FEIB's various innovative banking services, and strive to provide to customers the most safe, smart, and warm digital banking experience.

(6) Insurance Agency Business

Select bank insurance related insurance companies to join forces with FEIB, introduce adequate bank insurance products, and offer staff training courses on insurance products and sales, thus provide quality bank insurance wealth management services to cope with the needed risk control, asset allocation, tax planning, and wealth inheritance of different customer groups through life/property insurances. Also assist each banking group to jointly promote bank insurance business, and help each business group to proceed with the required training courses, and sales activities, and provide follow-up related services after insurance sales.

二、本年度經營計劃

(一) 個人金融業務

- A. 財富管理：提升 KYC、理財諮詢與多元資產配置能力，擴大客戶往來深度及商品滲透率。
- B. 客群經營：推出 e 化行銷溝通模式、Big Data 精準分析客戶需求、整合分行週圍店家與集團資源提供客戶專屬優惠，並結合關係企業服務，打造 VIP 與家庭會員獨享尊榮禮遇，並積極搶攻高端核心客群。
- C. 智能理財：致力於創新科技應用，以 Fintech 技術升級 CRM 系統、導入 AI 智能理財服務，強化資產配置效率，建置行動理專服務，主動出擊。
- E. 信託業務：因應數位化興起，積極開發電子票證預收業務；以退休規劃結合安養信託，量身訂做信託契約，滿足客戶退休安養需求；推廣關企員工福儲及持股信託業務，藉以拓展財富管理業務，以期成為信託市場領先品牌。
- F. 中小企業放款：整合分行財富管理資源，深耕中小企業主及分行週圍店家客戶，擴大中小企業潛在客群；加強授信案件品質及貸後管理，追求獲利且兼顧風險控管。
- G. 分行營運：擴大分行資產規模，提升獲利動能；靈活調整分行佈點，並結合分行週圍店家與關企資源，建置特色化分行；因應數位趨勢，全面建置分行數位服務專區，打造數位智能品牌識別。



財富管理團隊年年獲得專業財經媒體的評鑑肯定，於 2017 年再度拿下財訊雜誌財富管理大調查「最佳理專團隊獎」、卓越雜誌卓越銀行評比「最佳財富管理獎」、「最佳創新獎」，為品牌加分。

FEIB Wealth Management Team has often been recognized by reputable business magazines. It is the recipient of "Best Wealth Management Team Award" by Wealth Magazine in 2017, also received "Best Wealth Management Award" and "Best Innovation Award" by Excellence Magazine that highlight our brand image.

2. Business Plans

(1) Individual Banking Business

- A. Wealth Management: Elevate KYC, wealth management advisory, and diversified asset allocation capabilities, expand the depth of customer relations and rate of product penetration.
- B. Management of Customer Segmentation: Launch e-marketing communication model, through Big Data analytics to capture customer needs fully, integrate surrounding shops and Group resources to offer exclusive benefits to customers, incorporate Group affiliates' services, create VIP and family member exclusive premium benefits, and proactively seek high net worth core business group.
- C. Smart Wealth Management: Focus on innovative Fintech application, adopt Fintech to upgrade CRM system, introduce AI smart wealth management services, strengthen asset allocation efficiency, set up mobile wealth manager services, and take proactive actions.
- D. Trust Business: Cope with the rising digitization trend, develop prepayment of electronic bills business; combine retirement planning with elderly care trust, customize trust contracts, satisfy customers' retirement and elderly care needs; promote Group employee welfare, deposit, and withholding trust business to expand wealth management business, and become leading brand of the trust market.
- E. Small and Medium-sized Enterprise Deposit: Integrate branch wealth management resources, cultivate customers from small and medium-sized enterprise and branch surrounding store owners, expand potential customer groups in small and medium-sized enterprises; strengthen quality and after-loan management of new loan cases, and seek growth in both risk control and profit earning.
- F. Management of Customer Segmentation:
 - Branch Management: Enlarge branch asset scale, elevate profit momentum; seek urban area with growth potential, flexibly adjust branch locations, incorporate surrounding stores and Group affiliates resources, and set up specially featured branch; comply with digitization trend, establish the whole Bank's branch digital service area, and build up smart digital brand recognition.



(二) 消金及信用卡業務

A. 消金業務

- (1) 房貸：經營多元化通路，強化數位平台功能，優化客戶體驗；運用 **Data Warehouse**，深耕既有戶及 **VIP** 客群，提供組合式產品，並透過差異化定價，追求最適化資本報酬率。
- (2) 信貸：持續經營低風險客群以擴大資產規模，並運用高端風管技術，承作次級客群，以提高利差與收益；強化經營虛擬通路，提升 **e** 化通路業務佔比。
- (3) 分期付款：深化與既有通路之合作關係，鞏固金流佔比以增加業務量；提升 **e & M** 功能，提高流程效能。
- (4) 汽機車貸：持續調整相關作業規範以增加競爭優勢；整合後台作業及資訊業務，提升作業效能（作業品質、生產力、系統穩定度）。

B. 信用卡業務

- (1) 發卡：運用集團跨產業優勢，擴展百貨、量販、電信、網購、飯店等相關零售產業之業務。整合信用卡促刷優惠，強化遠東快樂信用卡集團卡定位；並以 **HAPPY GO** 客群為基礎，持續新增 **eTag** 感應停車 **e-parking** 服務，開拓交通消費族群。深耕 **C'est Moi** 旅遊悠遊卡旅遊客群，並以各項創新行銷方案服務既有客戶。
- (2) 簽帳：以大額消費簽帳類別為經營主軸，並與聯合信用卡中心特約商店合作滿額分期付款功能，提升信用卡簽帳金額，增加手續費收入。持續行銷遠東生活圈刷卡最優惠之品牌形象，以提高客戶用卡頻率，創造實質收益。

(三) 法人金融業務

1. 擴大資產規模並嚴控資產品質，維護穩健獲利成長。
2. 持續推展優利活存專案，加強吸收客戶營運資金，擴大本行存款客戶基礎；兼顧資金成本，動態調整資產組合，提高資本報酬及資金運用效率。
3. 積極發展 **Corporate Finance** 相關業務，主辦海內外聯貸案，提供結構型融資及法人信託，創造領導品牌，提高利差及手續費收入。
4. 落實 **KYC** 及貸後管理，確保授信業務維持高營收、高成長及高獲利。
5. 配合數位化業務發展，推展現金管理及電子金融服務，擴大主力銀行 (**Operating Bank**) 客群。
6. 積極佈建亞太區金融服務平台，透過國際聯貸及跨境融資架構，持續佈局經營大中華區及東協市場，以擴大海外資產及獲利。

(2) Consumer Banking and Credit Cards Business

A.Consumer Banking

- (1)Mortgage Loan: Operate with diversified channels, strengthen digital platform, and optimize customer experience; adopt Data Warehouse, cultivate existing and VIP customers, offer integrated products, and seek most optimal capital return via differentiated pricing.
- (2)Personal Loan: Continue to run low-risk customers to expand asset scale, and undergo refined risk management, undertake subprime customers, to increase interest rate spread and profit; strengthen virtual channels, and elevate business ratio of e-channels.
- (3)Installments: Deepen cooperation with existing channels, consolidate ratio of money flow to increase business volume; enhance e&M, and expedite process proficiency.
- (4)Auto and Motorcycle Loan: Continue to adjust relevant operating guidelines to improve competitive strength; integrate back station process and data business to improve operating proficiency. (operating quality, productivity, and system stability)

B.Credit Cards

- (1)Card Issuance: Leverage the Group's cross-industry edge and diversified services, expand into retail, telecom, online shopping, and hotel sectors, integrate credit cards incentive programs, and strengthen the Group card position of FE Happy Credit Card. Based on the customer base of HAPPY GO, and continue to add the new censor e-parking service of eTag to expand into commuter group. Continue to issue C'est Moi Travel Easy Card to explore the overseas traveling customers, and implement various creative marketing programs to better serve the existing customers.
- (2)Spending Volume: Focus on large spending categories and cooperate with franchised stores of National Credit Card Center to increase commission income. Continue to promote the image of offering most comprehensive discounts by Far Eastern Group credit card to boost frequent spendings and create substantial profits.

(3)Corporate Banking Business

- 1.Expand asset scale, enforce strict control of asset quality, and maintain steady profit growth.
- 2.Continue to promote high interest demand deposits, focus on absorbing operating capital from customers, and enlarge the Bank's deposit account base; take into account capital cost, engage in dynamic adjustment of portfolio, increase capital return and capital utilization efficiency; periodically monitor liquidity ratio of LCR and NSFR, and strengthen the risk management of liquidity.
- 3.Proactively develop Corporate Finance businesses, lead in international syndicated loans, provide structured financing and corporate banking trust, create leading brand, and increase interest rate spread and commission income.
- 4.Focus on KYC and after loan management to ensure that the loan businesses maintain to register high revenues, high growth, and high profits.
- 5.Cope with digital business development model, promote cash management and e-banking, and expand Operating Bank customers.
- 6.Proactive deployment of Asia Pacific financial service platform, through international syndicated loans and cross-border financing structure, continue to operate Greater China and ASEAN markets, thus enlarge overseas assets and profits.



(四) 金融市場業務

A. 金融交易業務：

衡量各項產品之風險與報酬，適度承擔風險及良好之股債資產配置作為銀行獲利基礎，輔以擴展新種業務與交易對手以分散風險，積極參與金融市場交易，擴展交易服務平台商品。

B. 金融行銷：

持續提供客戶外匯相關之傳統及衍生性新金融商品相關服務，並積極研發、推廣利率及商品等標的之金融商品及結構型商品。外匯保證金交易本年度將以加強 FETP 網路網路交易及行動下單平台功能為主，維持市場領導地位。

C. 金融同業存款授信業務：

授信方面：針對金控轉投資大陸租賃公司提供授信暨相關金融服務；爭取高利差、信評佳之金融機構國際聯貸案及次級市場轉讓授信案；檢視授信動用情形，適度調整閒置額度，增加可運用資金利用效能。

存款：分散客戶群及存款天期，加強吸收長期而穩定之資金，提升全行流動性覆蓋比率 (LCR) 及淨穩定資金比率 (NSFR)。

(五) 數位金融業務

A. 數位轉型：

(1) 積極推動金融服務數位化，升級數位金融服務流程，使本行「離櫃率」快速攀升。客戶交易包括存款、提款、轉帳、投資、換匯等五大類，離櫃率從 2016 年平均 84.3% 快速攀升至 2017 年平均 86.2%。

(2) 漸進式的規劃人工智慧服務，2017 年遠銀已推出遠東商銀新官網與行動網銀 APP，提供客戶友善的使用介面，將持續研究數位場景應用，規劃智慧助理，適時提供客戶需要的金融資訊；並積極發展數位平台，最終目標將人工智慧 (AI) 應用在本行數位服務中。

B. 研發創新：

(1) 著重 Fintech 領域之創新，於各項數位專案發展過程中，不斷研發獨創技術，並積極申請專利，爭取業界前導地位。

(2) 發展行動應用生態圈，以 FE 跨界行動應用平台 (FE Mobile Payment Integration Service) 為核心，結合大型零售通路快速導入 QR code 支付，同時為各企業提供帳務整合服務，使遠銀成為各企業的金流服務平台。

(3) 提升企業客戶服務品質，遠東商銀二代企網銀上線，同時遠東商銀首創「企業 e 客服」，透過遠端輔助系統同步連線企業客戶電腦螢幕畫面，直接指導客戶進行線上設定或排除問題，便利、安全及快速的解決客戶疑問。

(4) Financial Market Business

A. Financial Transactions:

Evaluate risk and reward of each product, moderately endure risk tolerance, and gain profit for the Bank with proper portfolio allocation, aided with expansion of new business products and trading partners to disperse risk, proactively engage in financial market transactions, and expand products on the service platform.

B. Treasury Marketing:

Continue to offer customers related traditional and new derivative products, engage in R&D, promote financial and structured products focusing on interest rate and commodity. This year the Bank aims to enhance FETP network & mobile transaction platform and maintain market lead position.

C. Financial Institute Deposits and Loans:

Loans: Provide lending and other relevant financial services to the leasing companies in China. Seek for international syndicated loans with high interest spread and reputable financial institutions as well as secondary market transfer business. Review credit withdrawal, properly adjust idle credit line, and enhance efficiency of capital usage.

Deposits: Disperse customer groups and period of deposits, strive to absorb long-term and steady capital to elevate the Banks' LCR and NSFR.

(5) Digital Banking Business

A. Digital Transformation

(1) Proactively promote digitalized banking services and upgrade digital banking service process. FEIB off-counter rate quickly rises~off-counter rate of the five major categories of customer transactions including deposit, withdrawal, transfer, investment, and foreign exchange grew from 84.3% in 2016 to 86.2% in 2017.

(2) Progressive planning of AI services, FEIB launches new website and mobile banking APP, offers customers with affable interface, will continue to study digital scenario application, designs intelligent assistant, timely provides the needed financial information; and continues to develop digital platform, with the ultimate goal to apply AI on the Bank's digital services.

B. Research and Development

(1) Focus on innovation in Fintech, unceasingly seek for unique technology and measures when developing various digital projects, and proactively apply for patents, and gain leading position in the banking business.

(2) Develop mobile application ecosystem, with the core "FE Mobile Payment Integrated Service", combine large retail channels to quickly introduce QR code payment, also to offer integrated payment service for each enterprise, enabling FEIB to become each enterprise's money flow service platform.

(3) Elevate corporate banking service quality, launch the second generation FEIB online banking, also initiate FEIB's first "enterprise e-customer service," aided by remote support system to simultaneously link with enterprise customer's computer screen, directly instruct customers to proceed with online setting or problem elimination, and provide convenient, safe, and quick solutions for customers' doubts.



- (4) 整合虛實通路，打造全通路 (Omni Channel) 智能服務，配合行動銀行 App 改版上線，提供客戶 O2O 雲端櫃台服務，客戶透過手機即可進行線上預約分行櫃台服務 (Online to Offline)，大幅提升服務效率。

C. 數位行銷：

- (1) 以靈活策略經營自媒體 (Own media)，持續擴大臉書粉絲團及 VIP Line@ 會員人數，以場景應用經營數位平台，並培養數位客群，以利新產品上線之導客效應。
- (2) 持續舉辦遠銀日、享樂系列活動，針對 VIP 會員進行邀約與回饋，有效提升客戶對遠銀認同感；並大力推廣 VIP 家庭會員專案，增加會員忠誠度。
- (3) 運用 Big Data 技術分析資料，預測客戶需求，提供客戶適切的金融服務。

(六) 保險代理業務

- A. 結合關企資源，提供遠傳電信行動裝置保險代理服務；與亞東證券跨售保險合作，積極拓展保險關企通路與商機。
- B. 運用保險科技 (InsurTech) 推進 e 化作業，並引進數位管理工具，加強業務品質及售後服務管理。
- C. 落實 One Bank 理念，協助推廣本行其他業務，如：活存 / 定存 / TMU/ACH 等業務，提高全行收益。
- D. 隨時關注保險市場動向，持續與保險公司合作推出高競爭力之商品，提升銀行保險服務之競爭力。

- (4) Integrate virtual and physical channels, create Omni Channel smart services, cope with revised mobile banking APP online, provide customers with O2O cloud counter service, allowing customers to reserve online to offline service on their cell phones, and therefore greatly enhance convenience.

C. Digital Marketing

- (1) Operate own media with flexible strategy, continue to expand fans page and membership on Facebook and VIP Line@; use case scenario to build up and operate digital platform, and cultivate digital clientele to facilitate lead customer effect when the Bank launches new product online.
- (2) Continue to sponsor FEIB Day, VIP for Fun series event, invite VIP members to participate and gain feedback, effectively elevate customer's recognition of FEIB; strive to promote VIP family member programs, and increase loyalty.
- (3) Apply big data analytics to predict customer needs, and provide customers with optimal financial services.

(6) Insurance Agency Business

- A. Incorporate Group resources, provide insurance agency services to mobile devices of Far EasTone Telecom, cooperate with Oriental Securities for insurance cross sales, and proactively expand insurance channels and business opportunities.
- B. Apply InsurTech to promote e-operations and introduce digital management tools to strengthen business quality and after-sales policy service management.
- C. Focus on One Bank concept, assist promotion of the Bank's other businesses, such as current deposits/time deposits/TMU/ACH and etc. to improve the whole Bank's revenues.
- D. Always attentive to insurance market movement, continue to cooperate with insurance companies to launch highly competitive insurance products, and elevate competitive strength of our bank insurance services.



三、長、短期業務發展計畫

A. 短期業務發展計畫

1. 鎖定優質客戶、擴大資產規模，落實動態式風險管理，嚴控資產品質。
2. 為滿足客戶投資組合及風險管理需求，將持續投資 CRM 系統建置及大數據預測模型之建置與改善，並導入 AI 智能理財，以提升客戶投資組合管理的深度與廣度。
3. 加強中小企業客群經營，結合分行資源，提升服務品質與效率，並積極推動政策支持之信保與產業專案，持續擴展業務量。
4. 強化金融市場業務，以更快捷與方便的交易方式提供服務，以滿足客戶交易、投資與避險的需求。
5. 積極推廣 TMU、ACH 等利基型業務，強化交叉銷售團隊合作，增加多元收益。
6. 持續調整策盟車貸業務之合作流程，強化作業效能，鞏固分期既有策盟業務量，另導入 AR 業務擴大市佔規模。
7. 持續推動 e & M 化流程服務，並進一步進行 O2O 線上 / 線下整合，打造全通路 (Omni Channel) 智能服務，提供消費者最佳的使用者體驗。
8. 加強經營以遠東快樂信用卡為主之大額消費產業如百貨、旅遊、3C、量販等，並加強海外地區與虛擬通路消費活動，擴大發卡與簽帳規模。
9. 充分運用企業電子金流平台，提供大中華區帳戶整合、境內及跨境轉帳 / 匯款之全方位現金管理服務，使本行成為客戶之主力資金往來銀行。
10. 擴大海外投資及增設業務據點，籌備胡志明市及新加坡辦事處，增資遠榮租賃擴大營業規模。
11. 持續累積 Fintech 研發實力，於數位專案發展過程中找尋創新機會並申請金融科技專利。
12. 深化高資產客戶經營，結合集團資源，提供專屬尊榮禮遇方案，如專屬講座、健檢專案、百貨購物優惠等。
13. 以數位廣告為主，平面媒體議題操作為輔，做為遠東商銀自媒體經營佈局重點，持續營造首創、專利等數位專家形象，並且推出數位廣告結合影音素材，強勢吸睛。

3. Short and Long-term Development Plans:

A. Short-term Development Plans

1. Target quality customers, expand asset scale, implement dynamic risk management, and strictly control asset quality.
2. To satisfy customer needs for portfolio and risk management, will continue to invest in establishing CRM system and establishment/improvement of Big Data Prediction Mode, and introduce AI smart banking to elevate the depth and scope of customer portfolio management.
3. Strengthen the operation of small and medium-sized enterprise customers, elevate service quality and efficiency, and proactively promote Government sponsored credit insurance and industrial projects, and continue to expand business volume.
4. Fortify financial market businesses and serve customers with more speedy and more convenient trading methods to satisfy the trading, investment, and hedging needs of customers.
5. Proactively promote niche businesses such as TMU and ACH, strengthen cross sale teamwork, and increase diversified earnings.
6. Continue to adjust cooperation process of auto loans with strategic partners, strengthen operating efficiency, consolidate existing business volume of installments with strategic partners, and introduce AR business to expand market share.
7. Continue to promote e&M process service, further proceed with O2O online/offline integration, create Omni Channel smart services, and provide consumers with best user experience.
8. Fortify the operation of large volume spending categories of FE Happy Credit Cards in department stores, travels, 3C, hypermarket, and etc., strengthen spending activities via overseas areas and virtual channels, and expand card issuance and spending scale.
9. Fully adopt enterprise e-banking money flow platform, provide account integration in Greater China and omni cash management services in domestic and cross-border transfers/remittances, making FEIB customers' major fund transfer bank.
10. Expand overseas investment and increasing operation locations, prepare the establishment of Ho Chi Minh and Singapore Offices, and capital increase in FEIB Financial Leasing Company to enlarge operation scale.
11. Continue to accumulate Fintech R&D capabilities, seek innovation opportunities in the process of developing digital projects, and apply for Fintech patents.
12. Deepen the management of high net worth customers, incorporate Group resources, provide exclusive premium treatment projects such as exclusive seminars, physical checkups, department stores shopping discounts, and etc.
13. Rely mainly on digital advertisement, supplemented by media operation as focus of deployment of FEIB's own media operation, continue to create original and patent digital expert image, and launch digital advertisement combining audio and video materials, to successfully attract eyeballs.



14. 運用「FE 跨界行動應用平台」，協助商家佈建行動支付基礎建設，支援多錢包服務，建構行動應用生活圈。
15. 持續深耕銀行保險業務，與保險公司合作引進最適切的保險商品，提供客戶所需之人壽及財產保險服務，並提供企業風管與損害保障方案；同時發揮集團綜效，提供跨集團事業體之保險服務。

B. 長期業務發展計畫

1. 以樂活態度落實遠銀財富管理品牌精神，實踐理財與生活 Happy⁺，以期滿足客戶不同人生階段的財富管理需求，替客戶實現財富保值與資產增值。
2. 持續精進財富管理諮詢及規劃能力，並加強稅務規劃、退休規劃等業務範疇，以滿足客戶個人、家庭理財、跨世代資產傳承的需求。
3. 優化中小企業服務模式，建立客群分層經營，並針對中小企業客戶設計產業專案或產品，提高服務效率並滿足客戶需求。
4. 整合集團數位錢包，深化集團零售通路合作策略，締造雙贏營運績效。
5. 以產業脈動設定目標客群，積極佈局海外市場，擴大海外資產規模及獲利佔比。
6. 發展交易金融業務，拓展存款客源，優化存款結構，穩固放款利差。
7. 持續優化數位化通路，提供客戶更快速及更便利金融服務；持續運用大數據分析，發展銷售契機。
8. 掌握核心技術，加強創新金融科技應用，研究數位商業模式，進而開發出新數位金融商品，增加創新業務營收。
9. 持續強化社群媒體經營的能力，推出適合的數位金融商品；發展遠銀數位品牌，並持續運用自媒體操作，建立本行數位專家形象。

14. Adopt “FE Mobile Payment Integrated Service”, assist shops to set up mobile payment infrastructure, support multi-wallet service, and constitute mobile application life region.
15. Continue to cultivate bank insurance businesses, cooperate with insurance companies to introduce the most optimal insurance products, offer customers the needed life and property insurance services, and provide enterprise risk control and damage protection projects; also enhance Group synergy to provide cross-affiliates insurance services.

B. Long-term Development Plans

1. With LOHAS attitude to fulfil FEIB wealth management brand spirit, implement wealth and life Happy⁺, satisfy customers’ wealth management needs in different life stages, and realize for customers wealth preservation and asset appreciation.
2. Continue to improve wealth management advisory and planning capability, strengthen tax planning, retire programs businesses to satisfy customers’ personal, family wealth management, cross-generation asset inheritance needs.
3. Optimize small and medium-sized enterprise service model, establish customer segmentation operation, and design industrial projects or products aiming at small and medium-sized enterprise, elevate service efficiency, and satisfy customers’ needs.
4. Integrate Group digital wallets, deepen Retail Group channel cooperation, and deliver win-win operating performance.
- 5 Search target customers along with industry trend, proactively deploy overseas market, and expand overseas asset scale and profit ratio.
- 6 Develop trading financial business, explore deposit customer base, optimize deposit structure, and maintain steady interest rate spread.
- 7 Continue to optimize digitized channels, provide customers with more speedy and more convenient financial services; continue to adopt Big Data analytics, and develop marketing opportunities.
- 8 Seize core technology, strengthen application of innovative Fintech, study digital business model, thus develop new digital financial products, and increase innovative business earnings.
- 9 Continue to strengthen capability for social media operations, launch adequate digital financial products; develop the Bank’s digital brand, continue to implement own media operation, and establish FEIB digital brand image.



陸、財務狀況 Financial Information

一、合併簡明資產負債表 Consolidated Simplified Balance Sheet

新台幣千元 (NT\$, ,000)

項 目 Item	年 度 Year	2015	2016	2017
現金及約當現金、存放央行及拆借銀行同業 Cash, Cash Equivalents, Due from Central Bank and Due from Banks		85,132,512	40,106,638	31,044,704
透過損益按公允價值衡量之金融資產 Financial Assets at Fair Value Through Profit or Loss		39,672,053	33,830,105	30,208,333
備供出售金融資產 Available-for-Sale Financial Assets		27,478,135	79,594,706	109,631,578
避險之衍生金融資產 Derivative Financial Assets for Hedging		-	-	-
附賣回票券及債券投資 Securities Purchased under Resale Agreements		15,344,855	6,396,656	11,071,393
應收款項 - 淨額 Net Receivables		20,853,418	22,847,242	22,750,869
當期所得稅資產 Current Tax Assets		3,085	4,117	7,372
貼現及放款 - 淨額 Net Loans and Discounts		334,063,822	355,963,672	351,056,762
持有至到期日金融資產 Hold-to-Maturity Financial Assets		3,125,209	2,630,635	2,135,246
採用權益法之投資 - 淨額 Net Investments in Equity		1,658,037	1,702,220	1,774,066
其他金融資產 - 淨額 Net Other Financial Assets		13,739,260	12,841,547	10,344,836
不動產及設備 - 淨額 Net Properties and Equipment		2,840,692	2,889,674	2,889,392
無形資產 - 淨額 Net Intangible Assets		1,776,051	1,750,568	1,725,085
遞延所得稅資產 - 淨額 Net Deferred Tax Assets		631,541	635,104	584,502
其他資產 Other Assets		236,211	222,399	200,142
資產總額 Total Assets		546,554,881	561,415,283	575,424,280
央行及銀行同業存款 Due to Central Bank and Other Banks		13,194,889	7,432,194	6,960,774
透過損益按公允價值衡量之金融負債 Financial Liabilities at Fair Value Through Profit or Loss		9,588,248	7,954,542	4,319,121
避險之衍生金融負債 Derivative Financial Liabilities for Hedging		-	-	-
附買回票券及債券負債 Bonds Sold under Repurchase Agreements		3,743,155	13,711,223	12,921,364
應付款項 Payables		3,964,144	5,799,874	6,488,285
當期所得稅負債 Current Tax Liabilities		422,618	405,097	254,446
存款及匯款 Deposits Accepted and Remittances Payable		451,294,909	452,720,460	472,392,183

新台幣千元 (NT\$, '000)

項 目 Item		年 度 Year	2015	2016	2017
應付債券 Bank Debentures			20,312,370	24,309,357	20,216,664
其他金融負債 Other Financial Liabilities			3,030,963	6,385,369	7,416,775
負債準備 Provisions			1,127,306	1,240,278	1,127,116
其他負債 Other Liabilities			898,631	506,012	540,880
負債總額 Total Liabilities	分配前 Before Distribution		507,577,233	520,464,406	532,637,608
	分配後 (註) After Distribution		508,790,530	521,771,180	-
歸屬於母公司業主之權益 Equity Attributable to Owners of The Bank			38,977,648	40,950,877	42,786,672
股 本 Capital	分配前 Before Distribution		30,332,430	31,113,672	31,829,286
	分配後 (註) After Distribution		30,939,079	31,829,286	-
資本公積 Capital Surplus			459,918	456,426	456,426
保留盈餘 Retained Earnings	分配前 Before Distribution		8,300,405	9,609,340	10,486,758
	分配後 (註) After Distribution		6,480,459	7,586,952	-
其他權益 Other Equity			(115,105)	(228,561)	14,202
權益總額 Total Equity	分配前 Before Distribution		38,977,648	40,950,877	42,786,672
	分配後 (註) After Distribution		37,764,351	39,644,103	-
會計師查核意見 Independent Auditors' Report			無保留意見 Unqualified Opinion	無保留意見 Unqualified Opinion	無保留意見 Unqualified Opinion
會計師姓名 Names of Auditors			吳世宗、楊承修 Wu Shih-tsung Yang Cheng-xiu	吳世宗、楊承修 Wu Shih-tsung Yang Cheng-xiu	吳世宗、楊承修 Wu Shih-tsung Yang Cheng-xiu

註：分配後數字，依據次年股東會決議之情形填列。

Note: Total liabilities, retained earnings & total Equity after distribution will be confirmed at general shareholders' meeting.



二、合併簡明損益表 Consolidated Simplified Statements of Income

單位：新台幣千元 (NT\$, ,000)

項 目 Item	年 度 Year	2015	2016	2017
利息收入 Interest Income		11,989,434	9,629,219	10,057,931
利息費用 Interest Cost		6,185,693	3,844,797	4,653,057
利息淨收益 Net Interest Income		5,803,741	5,784,422	5,404,874
利息以外淨收益 Noninterest Income and Gains, Net		5,423,986	4,963,033	5,015,382
淨收益 Net Profit		11,227,727	10,747,455	10,420,256
呆帳費用及保證責任準備提存 (迴轉利益) Provision (Reversal of Provision) for Possible Losses and Guarantee Obligations Reserve		32,816	452,001	731,847
營業費用 Operating Expense		6,575,291	6,479,552	6,420,765
繼續營業單位稅前淨利 Pre-Tax Income from Continued Operations		4,619,620	3,815,902	3,267,644
所得稅 (費用) 利益 Income Tax (Expense) Benefit		(705,488)	(572,016)	(413,761)
繼續營業單位本期淨利 After-Tax Income from Continued Operations		3,914,132	3,243,886	2,853,883
停業單位損益 After-Tax Income from Discontinued Operations				
本期淨利 Net Income		3,914,132	3,243,886	2,853,883
本期其他綜合損益 (稅後淨額) Other Comprehensive Income (Loss) for The Year, Net of Tax		(44,146)	(228,461)	288,686
本期綜合損益總額 Total Comprehensive Income		3,869,986	3,015,425	3,142,569
淨利歸屬於母公司業主 Net Income Attributable to Owners of The Bank		3,914,132	3,243,886	2,853,883
淨利歸屬於非控制權益 Net Income Attributable to Non-Controlling Interests		-	-	-
綜合損益總額淨利歸屬於母公司業主 Total Comprehensive Income Attributable to Owners of The Bank		3,869,986	3,015,425	3,142,569
綜合損益總額歸屬於非控制權益 Total Comprehensive Income Attributable to Non-controlling Interests		-	-	-
每股盈餘 EPS (NT\$)		1.24	1.02	0.90

三、合併資本適足性 Consolidated Capital Adequacy

單位：新台幣千元 (NT\$,000)

分析項目 Analysis Items			年度 Year	2016	2017
自有資本 Net Capital	普通股權益 Common Equity Tier I			38,122,066	39,698,325
	非普通股權益之其他第一類資本 Additional Tier I Capital			-	-
	第二類資本 Tier II Capital			14,947,886	12,185,406
	自有資本 Net Capital			53,069,952	51,883,731
加權風險性 資產額 Total Risk- Weighted Assets	信用風險 Credit Risk	標準法 Standardized Approach		358,837,133	322,187,276
		內部評等法 Internal Rating Based Approach		-	-
		資產證券化 Asset Securitization		-	-
	作業風險 Operating Risk	基本指標法 Basic Indicator Approach		19,910,475	19,646,350
		標準法 / 選擇性標準法 Standardized Approach/Alternative Standardized Approach		-	-
		進階衡量法 Advanced Measurement Approach		-	-
	市場風險 Market Risk	標準法 Standardized Approach		16,796,650	14,948,088
		內部模型法 Internal Models Approach		-	-
	加權風險性資產總額 Total Risk-Weighted Assets				395,544,258
資本適足率 Capital Adequacy Ratio				13.42%	14.54%
第一類資本佔風險性資產之比率 Ratio of Tier I Capital to Risk Assets				9.64%	11.13%
普通股權益占風險性資產之比率 Ratio of Common Equity to Risk Assets				9.64%	11.13%
槓桿比率 Leverage Ratio				5.97%	6.12%



四、轉投資公司概况及未來計畫

(一) 遠智證券：

1. 獲利原因：

本公司 2017 年獲利 42,666 仟元，再創歷史新高。收益面因財富管理部優質業務同仁的加入及結構型商品銷售大幅成長的動能下，致 2017 年度之營業收益達 276,704 仟元，與 2016 年度營業收益 253,219 仟元相較成長 23,485 仟元；營運成本面則因商品成本控制得宜，致經紀經手費支出佔總收益之比重以維持 2016 年度之 9%，而其他營業支出及費用則在本公司持續有效之撙節及控管下，整體支出及費用得以控制於預算內。

2. 未來一年經營策略

2018 年將強化公司風險管控，持續投入作業流程改善及系統應用面等提升，整合公司業務資源並積極發展通路布局，追求公司穩健成長邁進，其經營重點如下幾點：

- (1) 落實公司內稽內控制度及法令遵循，持續加強防制洗錢與打擊資恐審查機制。強化資訊安全，提升公司整體風險控管能力。
- (2) 財富管理業務面，擴大招募財富管理顧問並提升整體業務人員生產力，做到高資產客戶差異化服務。
- (3) 證券經紀業務面，加速推廣股票交易電子化系統，規劃債券電子化交易平台，積極開發國外上手券商，提升銀行通路的業務發展。
- (4) 落實人員招募選才、訓練及留才措施。
- (5) 持續撙節支出及費用控管，追求最大收益目標。

(二) 遠銀資產

1. 獲利原因：

主要為購買不良債權及合作開發案之投資報酬。

2. 未來計畫：

1. 陸續購入新的 NPL 以獲取服務費收益；
2. 藉由各項管道於市場上購入新的法拍不動產，並加以處分，以增加收益。

4.Reinvestment Performance and Plans

(1)Far Eastern International Securities Company Ltd.

A.Profit Analysis:

In 2017, the Company again registered a record high profit at NT\$42.666 million. Thanks to efforts made by quality staffs of the new Weal Management Group and growth momentum of structured product sales, 2017 revenues grew YoY from NT\$253.219 million to NT\$276.704 million; with adequate control of the product cost, the ratio of brokerage fee maintained at 9%, same as that of 2016, and due to continuous stringency in operating expenses, the overall expenses were under budget.

B.Investment Plan for the Following Year:

Further strengthen risk management in 2018, continue to improve operating process and system upgrade, integrate company resources and proactively develop channel deployment, and pursue steady growth, major focus as follows:

- (1) Fortify internal audit and legal compliance of the company, continue to strengthen anti-money laundering and counter terrorism financing review mechanism. Fortify information security, and elevate the company's overall risk management capability.
- (2) With regard to wealth management, expand the recruit of wealth management advisor, and elevate productivity of sales representatives, and offer differentiated services to high net worth customers.
- (3) In terms of stock brokerage, expedite to promote digital stock trading system, plan for digital platform of bonds transaction, proactively develop foreign brokers, and improve business in bank channels.
- (4) Fulfill talent recruiting, training and retaining.
- (5) Continuously save cost and control expense, and seek for maximum profits.

(2)Far Eastern Asset Management Corp.

A.Profit Analysis:

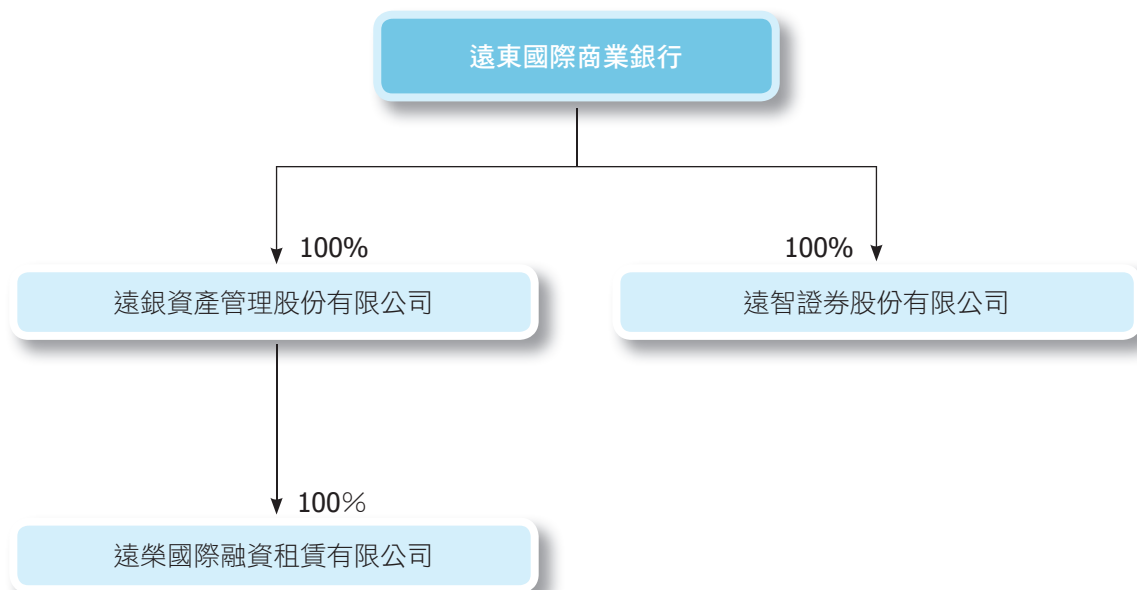
Mainly due to purchase of non-performing loans and return on investment from joint development projects

B.Investment Plan for the Following Year:

- (1) Continue to purchase new NPL to generate service fee income.
- (2) Purchase via various channels new court auction real estates from the open market, and dispose of these assets to increase revenues.

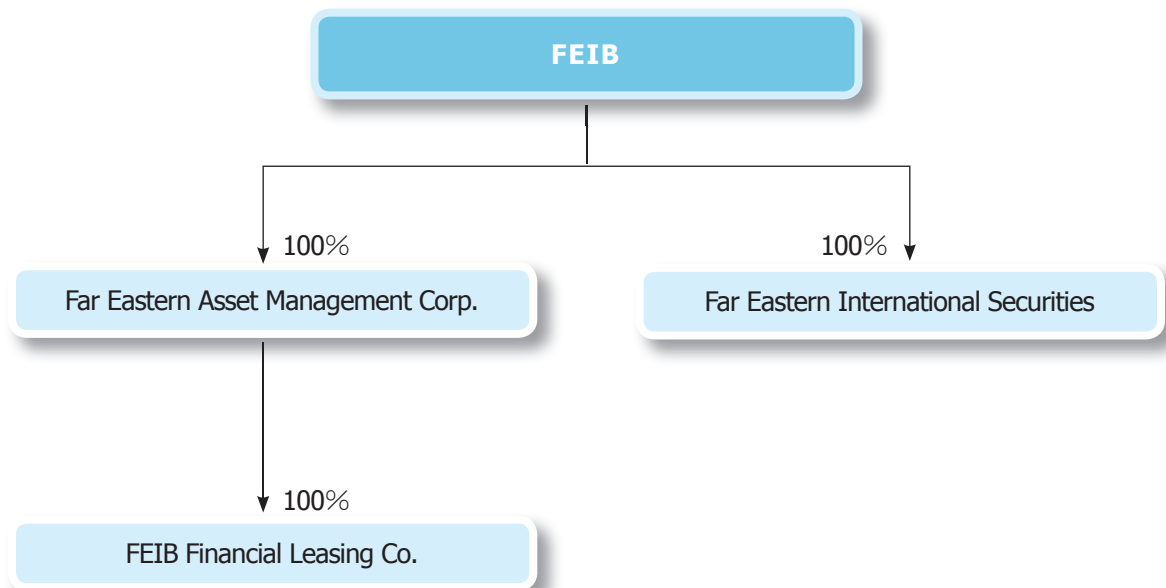


(三) 關係企業相關資料



註：本行各關係企業間並未相互持股

(3) Affiliated Companies



Note: There is no cross share-holding among FEIB affiliated companies.



柒、風險管理 Risk Management

一、風險管理組織架構及政策

(一) 政策

1. 塑造本行注重風險管理之專業組織文化，並運用內外部風險管理規範之質化（如各項作業辦法等）、量化指標（如資產品質比率等），作為本行營運策略參考。
2. 設置獨立之風險控管專責單位，有效監控及落實風險管理制度。
3. 有效辨識、衡量、監督與控制各項既有及潛在風險於本行可承受範圍內，並兼顧風險與合理利潤，達到盈餘目標。

(二) 組織架構

1. 董事會：

本行風險管理之最高決策單位，負責核定全行風險管理政策，建立全行風險管理文化，對整體風險管理負最終責任。

2. 資產負債管理委員會及風險管理委員會：

由總經理為召集人，指定相關主管為委員，定期開會，負責掌理及審議全行風險管理執行狀況與風險承擔情形。

3. 風險管理處：

下設法金組、消金組，分別對法人金融、金融市場、個金（中小企業）、消金及信用卡等事業群之風險管理採直接管理。各事業群有關授信準則、程序、辦法、新產品開發、人員授權等，均先經由風險管理處審查，再行呈核，使本銀行風險管理具集中控制效果。

(A) 風險管理處法金組分為審查組、應收帳款徵審組、金融市場中台組、授管組、覆審追蹤組等五個單位，分別負責授信案件事前審核、貸放後管理、交易部位之每日市價評估與限額控管、授信規範之擬訂與控管及督導法金授信覆審追蹤作業。

(B) 風險管理處消金組分為授信管理、消金授信審核、信用卡授信審核、債權管理、資訊 / 服務、客訴 / 自行查核等六個單位，分別負責制定消金與信用卡產品授信政策與資產品質管理、案件徵審與中途授信管理、逾期放款及協議案件之催理、資料倉儲運用與風險分析、自行查核與客訴案件處理。

4. 稽核處：

定期查核全行風險管理有關業務，包括風險管理架構、風險管理運作程序等相關作業之實際執行狀況，並適時提供改進建議。

1. Risk Management Structure and Policy

(1) Policy

- 1.To foster a risk management-oriented culture, the Bank has employed a qualitative index of internal and external risk management regulations (such as diverse operating procedures) and quantitative index (such as ratios of asset quality) as a reference for operating strategy.
- 2.FEIB has set up an independent risk control unit to effectively supervise and implement the Bank's risk management system.
- 3.To effectively recognize, evaluate, monitor and control all existing and potential risks within acceptable limits to achieve target revenues.

(2) Organization Structure

1. Board of Directors:
The Board of Directors steers FEIB's risk management, and is responsible for reviewing the whole Bank's risk management policies, reinforcing a risk management culture and taking ultimate responsibility for overall risk management.
2. Assets and Liabilities Management Committee & Risk Management Committee:
The Bank President presides over the Risk Management Committee, appoints relevant bank heads as Committee Members and calls regular meetings to execute and review the Bank's capital adequacy, risk bearing capacity and entire risk management system.
3. Risk Management Department:
Under the Management Risk Department, the Corporate Banking, Consumer Banking and Small- and Medium-sized Enterprise Teams directly manage risk with regard to Corporate Banking, Financial Markets, Consumer Banking, Credit Cards as well as Individual Banking (SME Unit) Groups. The Risk Management Department reviews and gives quantitative and qualitative feedback on each business group's lending guidelines, processes, product development, and authorization criteria, etc. before consideration for approval in an effort to centralize control and improve quality.
 - (A) The Corporate Banking Team under Risk Management Department is further divided into 5 Sections including: Risk Review, AR Factoring, Financial Market Middle Office, Credit Control, and Second Review & Trace which handle respectively the pre-evaluation of lending cases, after loan management, daily assessment of each position's market value and limit control, the drawing of lending guidelines and risk control, and monitor Corporate Banking's second review and trace operations.
 - (B) The Consumer Banking Team under Risk Management Department is further divided into 4 Sections including: Consumer Banking Credit Control, Credit Card Control, Debt Management, and Information/Service which handle respectively drawing of the lending policies of consumer banking and credit card products, management of asset quality, evaluation and after-loan management, transaction management, mid-way lending management, overdue loan recovery, debt write-off, data storage & processing, and risk analysis.
4. Auditing Department:
Regularly check the Bank's risk management related businesses including the execution of risk management structure and risk management operating processes, and then provide constructive suggestions for improvement.



二、各項風險管理策略

(一) 信用風險

1. 法人金融業務

訂定穩健及明確之法人金融徵授信及貸後管理程序，掌控資產品質。控管授信行業別之適當比重、集團企業授信風險之集中管理，並定期或視必要性依據經濟走勢、產業趨勢及本行經營政策調整上述行業或集團比重。

2. 消金及信用卡業務

訂定明確之授信規範及貸放程序，確保授信資產品質穩定及穩健獲利之營運目標。管理資產結構確保各資產組合適當配置，追蹤放款品質，因應經濟景氣、經營環境變化，動態調整授信政策。

3. 中小企業金融業務

訂定明確中小企業徵授信規範、作業程序及貸後管理機制，達成授信資產品質優化及規模成長目標。規範授信產品類別、進行資產結構管理，確保債權擔保性及資產組合適當性。定期檢視經濟景氣變化，動態調整授信政策及策略目標。

(二) 作業風險

以有效且具獨立運作之內部稽核，檢視作業風險管理狀況，除就應改善事項設立追蹤機制外，並適時呈報查核結果予董事會。為加強內部控制藉以防止弊端之發生，建立各單位「自行查核」制度，並由稽核處定期至各單位辦理「一般查核」與「專案查核」；同時本行設有「遵守法令主管」制度，督導全行確實遵循法令。依日常營業活動及管理流程可能發生之各項風險，綜合評估其發生頻率及影響嚴重性，採取將部份或全部之作業風險利用保險、委外等措施，移轉或沖抵事件發生之損失與衝擊。落實 KYC(認識客戶，Know Your Customer) 及防制洗錢、內部控制制度、法規遵循、員工道德規範與教育訓練等措施，以降低風險發生之機率。本行建置符合國際標準規範 (ISO27001) 的資訊安全控管規範，包含制定本行資訊安全政策、相關資訊安全之實施程序、監督風險與資訊安全稽核能力、宣導資安教育訓練。

(三) 市場風險

依本行「金融市場自營交易業務授權準則」針對不同業務設有交易員、交易室部位限額及停損限額，每日由專人於日中及日終進行檢視，損失達限額即應調整部位，避免市場風險。新產品及業務推展前，適當評估市場風險並考量其暴險額對本行之影響。依金融產品訂定交易室部位總額及個別交易員部位限額以控制市場風險於合理範圍。交易性部位採即時或依每日市價評估為原則，並應每日評估一次，若為銀行本身業務需要辦理之避險交易，至少每月評估二次，且由風險管理處獨立評估，執行部位控管及停損限制。

2. Risk Management Strategy

(1) Credit Risk

1. Corporate Banking

To engage in stipulating stable and precise corporate banking lending and after-loan management processes, control asset quality; maintain an adequate ratio of lending industries, centralize management of corporate lending risk, and regularly adjust when necessary the above-said industry or corporate ratios in accordance with economic performance, industry trend, and the Bank's operating policy to diversify and reduce risk.

2. Consumer Banking and Credit Cards Business

To define precise lending guidelines and processes so as to achieve the steady and organic growth target; manage asset structure to ensure the proper allocation of portfolios, trace lending quality, review economic recovery, monitor changes of operating environment, and proactively adjust lending policies.

3. Small and Medium-sized Enterprise Banking Business

To stipulate clearly the lending guidelines, operation process and after-loan management mechanism to small- and medium-sized enterprise clients to improve lending asset quality and achieve growth in scale; regulate lending product categories, implement asset structure management, ensure debt guarantee and proper portfolios; regularly monitor the changes in economic scenario, and proactively adjust lending policies and strategic objectives.

(2) Operating Risk

With effective and independent internal auditing, the Bank examines execution of its operational risk management. Aside from setting up follow-up mechanism for areas that require improvement, it also presents verification checking results in a timely manner to the Board of Directors. To strengthen the Bank's internal controls and prevent defaults, each bank business unit has established its own "self-auditing" system and the Auditing Dept. shall implement "general auditing" and "special auditing." The Bank also employs a "Compliance Officer" system to ensure that the Bank strictly abides by all regulations. FEIB evaluates the frequency and seriousness of operational risks with regard to its daily operations and management process, and strives to transfer or write-off the loss and impact by way of insurance, outsourcing, and etc. With measures such as the implement of KYC (Know Your Customer), anti-laundry, internal control system, regulations, employee morale buildup and educational trainings, the Bank aims to lower the possibility of risk occurrence. The Bank has also set up information safety control guidelines conforming to the requirements of "ISO27001 Information Security Management System" including IT safety policies, process, supervision, audit and educational training to mitigate information risk.

(3) Market Risk

The Bank controls trading risk held by every trading unit around various financial instruments and even whole trading room risk by setting up certain positions from specific clerk, stop-loss limits for all positions to different financial instruments and products to control market risk within a reasonable range. Special staff and teams check twice daily at noontime and end of day to review results, immediately squaring positions when reaching limits, and evaluating each day's gains or losses of un-squared positions. Before launching, promoting or operating new product, business or system, adequate evaluation of market risk should be performed to check its impact on the Bank. In accordance with trading positions volumes of financial products and individual clerk's trading limit to control market risk within reasonable range. Trading positions will go through real time evaluations with reference to their daily market values, and should be evaluated once daily. As to hedge businesses deemed necessary by the Bank itself, should be evaluated at least twice per month and monitored independently by the Risk Management Department to execute position control and stop-loss limit.



捌、股東資訊 Shareholder Information

一、股份及股東 Shares and Shareholders

(一) 股本來源 Sources of Capital

April 22, 2017

股 份 類 Types of Shares	核 定 股 本 Authorized Capital			備註 Note
	流通在外股份 Outstanding Shares	未 發 行 股 份 Non-issued Shares	合 計 Total	
普通股 Common Shares	3,182,928,614 股 Shares	1,317,071,386 股 Shares	4,500,000,000 股 shares	上市股票 Listed on the Taiwan Stock Exchange (TSE)

(二) 股東結構 Shareholder Structure

單位：股 Unit: per share

April 22, 2017

股東結構 Shareholder Structure 數量 Quantity	政府機構 Government Institutions	金融機構 Financial Institutions	其他法人 Other Legal Persons	個人 Individuals	外國機構及 外人 Foreign Institutions and Foreigners	合計 Total
人 數 Number of People	3	18	194	71,300	205	71,720
持有股數 (股) Number of Shares	18,128,886	89,083,706	1,638,196,193	1,038,926,178	398,593,651	3,182,928,614
持 股 比 例 (%) Percentage	0.57%	2.80%	51.47%	32.64%	12.52%	100.00%

(三) 股權分散情形 Shares Diversification

每股面額十元 Par Value NT\$10

April 22, 2017

持 股 分 級 Number of Share Range	股 東 人 數 (人) Number of Shareholders	持 有 股 數 (股) Number of Shares	持 股 比 例 (%) Percentage
1 至 999 股 shares	26,027	7,076,004	0.22%
1,000 至 5,000 股 shares	21,541	47,760,165	1.50%
5,001 至 10,000 股 shares	7,338	51,600,136	1.62%
10,001 至 15,000 股 shares	4,936	59,575,534	1.87%
15,001 至 20,000 股 shares	3,117	53,191,220	1.67%
20,001 至 30,000 股 shares	2,710	65,422,194	2.06%
30,001 至 50,000 股 shares	2,215	84,365,354	2.65%
50,001 至 100,000 股 shares	1,825	125,409,966	3.94%
100,001 至 200,000 股 shares	1,086	145,450,777	4.57%
200,001 至 400,000 股 shares	485	132,530,304	4.16%
400,001 至 600,000 股 shares	148	71,915,655	2.26%
600,001 至 800,000 股 shares	81	55,600,017	1.75%
800,001 至 1,000,000 股 shares	43	39,092,053	1.23%
1,000,001 股以上 shares plus	168	2,243,939,235	70.50%
合 計 Total	71,720	3,182,928,614	100.00%

(四) 主要股東名單 Major Shareholders

單位：股 Unit: shares

April 22, 2017

主要股東名稱 Major Shareholders	股 份 Shares	持 有 股 數 (股) Number of Shares	持 股 比 例 (%) Percentage
裕元投資股份有限公司 Yu Yuan Investment Co., Ltd.		157,631,416	4.95%
裕利投資股份有限公司 Yue-Li Investment Company		139,605,333	4.39%
亞洲投資股份有限公司 Asia Investment Corp.		128,186,282	4.03%
德勤投資股份有限公司 Der Ching Investment Corp.		128,170,861	4.03%
裕通投資股份有限公司 Yue-Tung Investment Corp.		123,847,500	3.89%
遠鼎投資股份有限公司 Yuan Ding Investment Corp.		113,251,395	3.56%
開元國際投資股份有限公司 Kai Yuan International Investment Corp.		102,167,141	3.21%
遠通投資股份有限公司 Yuan Tung Investment Corp.		101,962,643	3.20%
鼎元國際投資股份有限公司 Ding Yuan International Investment Corp.		84,154,519	2.64%
遠東商銀受託信託財產專戶－遠銀受託遠東商銀 員工持股信託財產專戶 Far Eastern Int'l Bank Trust Account (Employees' Share-Holding A/C)		83,365,477	2.62%

註：係列明股權比例佔前十名之股東。

Note: Listed above are the Bank's top ten major shareholders.

二、信用評等 Ratings

在信用評等方面，經惠譽國際信評公司 (Fitch Ratings) 評等，本行評等為國內評等分別為長期評等 A(twn)、短期評等 F1(twn)，國際外幣評等之長期評等 BBB-、短期評等 F3，屬投資等級穩健之金融機構。

The Bank's investment grade ratings were assessed by Fitch Ratings as follows:

National Long-term Rating A (twn); National Short-term Rating F1 (twn);

Long-term Foreign Currency Rating BBB-; and Short-term Foreign Currency Rating F3.

FEIB is considered an investment grade institution of "stable" outlook.

評等項目 (Ratings)		2013/10/11	2014/9/30	2015/9/25	2016/10/24	2017/10/31
國際評等 Foreign Currency Rating	短期 Short-term	F3	F3	F3	F3	F3
	長期 Long-term	BBB-	BBB-	BBB-	BBB-	BBB-
	展望 Outlook	Negative	Negative	Stable	Stable	Stable
國內評等 National Rating	短期 Short-term	F1(twn)	F1(twn)	F1(twn)	F1(twn)	F1(twn)
	長期 Long-term	A(twn)	A (twn)	A (twn)	A(twn)	A(twn)
支援評等 Support Rating		4	4	4	4	4



玖、企業社會責任 Corporate Social Responsibility

本行自成立以來，除致力於提供客戶完善的金融相關服務，更不忘實踐企業公民之社會責任，長年投身各項公益活動，近幾年更大力推廣人文美學，期盼台灣社會不僅享有財富的豐饒，亦能領會藝術所帶來的心靈之美。以下為 2017 年本行主辦或參與的公益與人文美學活動。

一、關懷社會公益

1. 對伊甸的贊助始於民國 1997 年，以「伊甸愛心卡」為核心平台，發展多元、便利的捐款機制，以本行的回饋捐款加上匯聚自大眾的涓滴愛心，至 2017 年底挹注伊甸的捐款突破 8 千萬元。
2. 2016 年企業社會責任報告書取得 BSI 認證，並獲臺灣永續發展基金會頒發金融保險組銅獎及「2017 BSI 國際標準管理年會」企業社會責任報告書—永續傑出獎。
3. 2017 年中秋節，訂購三千盒喜憨兒中秋月餅致客戶，以具體的行動鼓勵喜憨兒追求自立，也為社會散播更多的愛與祝福。

二、倡導樂活美學

1. 與遠東集團關係企業共同贊助太陽劇團《TORUK 阿凡達前傳》來臺演出。
2. 舉辦「常玉展 遠銀日」及「奧塞展 遠銀日」，邀請客戶一起探訪藝術大師的美麗境界。
3. 2018 年月曆《知識之森，學問之海》遴選臺灣從北到南 12 家圖書館，邀請人們一探當代圖書館的新風貌，重溫閱讀的樂趣。
4. 推廣閱讀風氣並響應天下文化「開放台灣」公益行動，採購臺灣公益平臺嚴長壽董事長為年輕世代所創作的《在世界地圖上找到自己》贈閱全臺 31 所高中職學校之畢業班學生。
5. 與遠東集團關係企業共同贊助 2017 年新北市政府耶誕歡樂城活動，於新北市府廣場舉辦耶誕點燈、音樂會與園遊會等，將溫馨、感恩的喜樂散播給社會。
6. 協辦遠企大樓耶誕點燈及音樂會活動「Love & Peace」，邀請社區民眾共度佳節。
7. 捐款贊助全國運動會在宜蘭舉行，為提升國內優秀運動員的能見度、推動運動風氣而共襄盛舉。

FEIB has been a responsible corporate citizen since its establishment. Besides offering comprehensive financial services, the Bank is committed to exceeding its corporate social responsibilities. The Bank has long been dedicated to sponsoring philanthropic events and promoting arts in particular during recent years with the aim to enrich Taiwan's society, and to enhance the appreciation of the cultural artistry. The Bank's sponsorships for social welfare and aesthetic events in 2017 are summarized as follows:

(1) Caring for Social Welfare

1. The Bank has partnered with Eden Social Welfare Foundation since 1997 to jointly issue Eden Honor Cards as core platform to develop diversified, convenient fund raising mechanism. Accumulated funds collected for donations made to the Eden Social Welfare Foundation till end 2017 have amounted to exceed NT\$80 million.
2. The 2016 CSR Report published by FEIB received BSI's certificate and won the bronze medal and outstanding sustainability award of "2017 Taiwan Corporate Sustainability Awards."
3. During Mid-Autumn Festival, the Bank purchased 3,000 boxes of moon cakes manufactured by children with delayed development for customers to support these challenged children's pursuing independence, also spread caring love and well wishes to the society.

(2) Advocate LOHAS Aesthetics

1. Co-sponsor with the Far Eastern Group affiliates Cirque du Soleil's "TORUK, the First Flight" performance in Taiwan.
2. Sponsor "Sanyu Collection-FEIB Day" and "Musée d'Orsay-FEIB Day." exhibitions, invite customers to visit exquisite masterpieces of masters of art.
3. FEIB published 2018 calendar with the theme of "Forest of Knowledge, Ocean of Learning" selecting 12 libraries island wide from north to south of Taiwan inviting people to explore the new looks of Taiwan's contemporary libraries and refresh the pleasure of reading.
4. To promote the habit of reading and in echo with CommonWealth Magazine's "Open Taiwan" charity event, FEIB purchased and contributed books titled "Find Yourself on the World Map" written by Mr. Stanley C. Yen, Chairman of the Alliance Cultural Foundation, to 31 graduates of Taiwan's senior high schools and vocational schools.
5. FEIB joined with the Far Eastern Group to co-sponsor "2017 New Taipei Merry Christmas City" at New Taipei City Hall with festive Christmas lighting, concerts, carnivals, and etc. to mark the warm, grateful and joyful holiday seasons.
6. Co-sponsored "Love & Peace" Christmas Lighting celebration at Taipei Metro, inviting public from the community to enjoy Christmas festivity.
7. Sponsored the National Games 2017 in Yilan, elevate visibility of outstanding domestic outstanding athletes, and promote sports.



三、致力環境保護

為使節能減碳行動與國際接軌，本行於 2016 年建置 ISO 50001 系統，取得國際認證；並訂定能源政策，成立能源管理團隊，由總經理領軍，規劃、整合全行內部能源管理業務，每年定期召開會議討論能源管理策略、檢核能度節能行動方案成效，追求有效改善並提升能源使用效率，降低經營成本同時致力對環境保護的承諾。

四、繼續經營與創造股東價值

本行長期致力於提升公司治理不遺餘力，並以全員行銷展現行動力，追求更優質之經營績效，持續提升資產品質與競爭力，以強化經營體質，為全體股東創造最大價值。

(3) Dedicated to Environmental Protection

To save energy, reduce carbon emission, and be gearing toward international standard, FEIB established ISO 50001 and received international certification in 2016; stipulate energy policy, set up energy management team by the President to plan and integrate the Bank's internal energy operation, convoke annual meeting to discuss energy management strategy, examine and evaluate execution performance, seek efficient improvement and elevation of energy efficiency, lower operating cost, and be committed to protecting the environment.

(4) Continue to Manage and Create Shareholder Value

FEIB has long been dedicated to improving corporate governance, and demonstrated execution power via whole bank staff marketing to seek better operating performance, continue to elevate asset quality and competitiveness, strengthen operating strength, and create maximum value for all shareholders.



進用成年喜憨兒於分行提供奉茶服務，並採購喜憨兒手作餅乾待客，為本行與喜憨兒基金會共同推動的創新公益就業模式，以協助喜憨兒自立生活；雙方更於 2017 年擴大合作，由本行採購 3,000 盒喜憨兒親手烘焙的月餅，致贈財富管理客戶，為傳統佳節注入溫暖的情意。

Employing challenged adults to serve tea at bank branches, and purchasing hand-made cookies for customers by the challenged youths has been a new CSR model working with "Children Are Us Foundation" to assist the challenged children's pursuing independent living; mutual cooperation expanded in 2017 that FEIB purchased 3,000 boxes of moon cakes made by them as gifts to wealth management customers, spreading warm festive wishes and greetings.



壹拾、集團綜效 Group Synergy

遠東銀行由實業家徐有庠先生創辦，為遠東集團金融服務事業版圖之知名企業，遠東企業集團由紡織業崛起，經歷 60 餘年持續投資拓展，遂行產業垂直與水平整合，目前集團經營領域涵蓋石化能源、聚酯化纖、水泥建材、百貨零售、海陸運輸、金融服務、通訊網路、營造建築、觀光旅館、社會公益等 10 大領域，事業體系橫跨製造業、服務業與高科技產業，2017 年資產總額超過 824 億美元，並與全球知名廠商策略聯盟，營運觸角遍及全世界，近年來持續深耕台灣，佈局大陸，營業額突破 213 億美元，目前共有 9 家上市企業，為台灣國際化及創新企業的標竿。

不斷為顧客、為股東創造新的價值，是遠東集團始終堅持的目標，致力經營旗下每一個事業體，都成為該產業第一流的公司，秉持一貫的經營宗旨，遠東集團分佈在台灣、大陸、香港、新加坡、馬來西亞、泰國、越南、日本等十餘個國家及地區，為數 6 萬餘名訓練嚴謹、熱忱敬業的高素質員工，結合先進的科技知識、技術、設備與管理，產銷高品質的能源、化纖原料、紡織衣飾、水泥建材等商品，並提供百貨零售、金融、運輸、通訊、醫療、教育等全方位、多元化的服務。

在追求卓越的同時，遠東集團致力於提升員工福利與環境保護，以促進人與環境的和諧與平衡。遠東集團所有經營活動皆以保護環境品質及有效運用地球資源為中心，不但提供員工完整的訓練，良好的工作環境，並鼓勵終身學習以吸收新知，提升技能；配合研發創新，以不傷害環境的生產模式，製造最佳的產品，提供貼心的服務。

從企業經營的角度來看，外部環境的變化我們或許無法改變，但我們可以調整自己，對環境作出「應變」。回顧 60 餘年前，遠東集團橫跨海峽來到台灣建立事業，爾後數十年的發展，歷經二次石油危機、亞洲金融風暴、網路泡沫、911 恐怖攻擊、SARS 危機及金融海嘯，遠東關係企業無不回歸基本面，秉持「誠勤樸慎」及「創新」的立業精神，結合員工、顧客及供應商突破難關，轉「危」為「機」。擁有豐富的集團關係企業資源，一直是本行在激烈競爭的金融環境中較同業享有之優勢，本行除持續朝關係企業資源整合的既定目標努力，亦積極開發其他新種產品，如推出遠東快樂信用卡、Happy Go Inside 信用卡，整合集團的服務和資源，滿足顧客最大的需求，為國內集團資源整合的績優典範。

遠東集團結合食、衣、住、行、育、樂等生活所需，是國內唯一橫跨各項消費領域的企業集團，其中金融服務事業包含遠東商銀、亞東證券、遠銀租賃、亞東投顧、德銀遠東投信、遠銀資產管理、遠銀保代、遠智證券等公司。本行擁有如此多元及豐富的集團資源，未來更將發揮遠東集團橫跨兩岸之廣大客戶基礎優勢，掌握趨勢、創造契機，開拓兩岸三地金融業務契機，成為大中華區首屈一指的專業銀行。

Established by the Group Founder Mr. Y. Z. Hsu, Far Eastern International Bank (FEIB) is the flagship company of Far Eastern Group's financial services. Starting from textiles and after more than 60 years of vertical and horizontal integration and expansion, FEG has developed into a leading diversified business conglomerate. With total assets exceeding US\$82.4 billion in 2017, the Group's global operations cover ten major industries including polyester fibers, petrochemicals, cement and construction, retail, transportation, financial services, telecommunications & internet, hotel and philanthropies. FEG has also formed strategic alliances and joint ventures with many world-renowned corporations and organizations. Based in Taiwan and extending well into mainland China, the Group with 9 listed TWSE companies has generated revenues surpassing US\$21.3 billion in 2017 and served as top performer in terms of globalization and innovation.

Far Eastern Group has always been committed to creating new value for its customers and shareholders. The Group's affiliated companies are in lead of their respective fields. With the majority of operations located in Taiwan, China, Hong Kong, Singapore, Malaysia, Thailand, Vietnam, Japan the Group's 60,000 plus well-trained and dedicated staffs, coupled with advanced technology, state-of-the-art facilities and management, manufacture and sell high-quality products ranging from power, chemical fibers, textiles/apparel, cement and construction, and offer comprehensive, diversified services in the fields of retail, finance, transportation, telecom, medical care, and higher education, etc.

While seeking excellence, FEG also focuses on improving employee benefits and environmental protection to draw the balance between people and the planet earth. All the Group's operations aim to make effective use of global resources. Staffs benefit from extensive training programs and enjoy a good working environment. Additionally, lifelong learning is encouraged for them to absorb new knowledge and enhance skills. With continuous R&D and innovation, the Group manufactures excellent products and delivers value-added services in an environment-friendly way.

From operation perspective, FEIB may not be able to change external environment but the Bank can certainly respond and adapt to changes. More than 60 years ago, FEG moved from mainland China to Taiwan and established its businesses. During the following decades of economic developments, the Group had encountered two oil crises, the Asian financial crisis, Internet bubble, September 11th terrorist attacks, the outbreak of SARS, and financial tsunami. The Group has always been committed to its founding motto of "Sincerity, Diligence, Thrift, Prudence and Innovation" to join forces with its staff, customers and suppliers to overcome adversity and transform challenges into opportunities. FEIB's competitive edge has long been its abundant resources under the Group as compared to other financial institutions facing intense competition. The Bank has been actively developing services and products such as Far Eastern Happy Card and Happy Go Inside Card to fully integrate the Group's services and resources to satisfy our clients' comprehensive needs that exemplify as a role model of a conglomerate in Taiwan.

FEG is Taiwan's only conglomerate that spans all walks in life, such as food, apparel, housing, transportation, education and recreation. The Group's financial business comprises Far Eastern International Bank, Oriental Securities, Far Eastern International Leasing, Oriental Securities Investment Advisory, Deutsche Far Eastern Asset Management, Far Eastern Insurance Agency and Far Eastern International Securities, etc. Taking advantage of the Group's diverse and abundant resources and ample cross-strait customer base, FEIB aims to seize business opportunities and explore financial businesses in Taiwan, Hong Kong and China to become an outstanding bank in the Greater China region.



遠東集團事業關聯圖 Business Structure of Far Eastern Group

聚酯化纖事業 Polyester & Synth. Fiber Bus.

遠東新世紀 (FENC)
宏遠興業 (EVT)
遠紡工業 (上海) (FEIS)
遠東先進纖維 (FEFC)
遠東服裝 (蘇州) (FEAS)
遠紡工業 (無錫) (FEIW)
遠東服裝 (越南) (FEAV)
遠紡織染 (蘇州) (FEDZ)
遠紡工業 (蘇州) (FEIZ)
亞東工業 (蘇州) (OTIZ)
遠東石塚 PET (FEIG)

水泥建材事業 Cement & Bldg. Materials

亞洲水泥 (ACC)
亞洲中國 ACC (China)
亞泥新加坡 (ACC(S))
九龍英泥 (KCC)
遠龍不銹鋼 (YLSS)
亞東預拌 (YRC)
江西亞東水泥 (JYDC)
四川亞東 (SYDC)
湖北亞東 (HYDC)
揚州亞東 (YYDC)
黃岡亞東 (HGDC)

石化能源事業 Petrochem. Bus.

東聯化學 (OUCC)
亞東石化 (OPTC)
亞東石化上海 (OPSC)
亞東工業氣體 (ALFE)
嘉惠電力 (CPC)
亞東石化揚州 (OPYC)
遠東聯石化揚州 (FEPY)

海陸運輸事業 S/L Transportation Bus.

裕民航運 (U-Ming)
富民運輸 (FMTC)
富達運輸 (FDTC)
裕民新加坡 U-Ming (Singapore)
裕民香港 U-Ming (Hong Kong)
廈門裕民船舶 U-Ming (Xiamen)

百貨零售事業 Retail and Department Store Bus.

遠東百貨 (FEDS)
亞東百貨 (YTDSL)
太平洋崇光百貨 (PSDSC)
遠百企業 (A Mart)
太平洋中國控股 (BVI) (PCH(BVI))
遠東都會 (FECS)
鼎鼎聯合行銷 (DDIM)
遠東巨城購物中心 (FEBG)



註：遠東集團目前轄下經營領域涵蓋十大產業。

Note: The Far Eastern Group now operates in 10 different industry sectors

觀光旅館事業 Hotel Bus.

香格里拉遠東國際大飯店 (台北)
(Shangri-La's FEPH, Taipei)
香格里拉遠東國際大飯店 (台南)
(Shangri-La's FEPH, Tainan)

營造建築事業 Construction Bus.

遠揚建設 (FECC)
遠揚營造 (FEGCI)
遠鼎公司 (YDC)
遠東資源開發 (FERD)
遠東建經 (FETC)

金融服務事業 Financial Services Bus.

遠東國際商業銀行 (FEIB)

遠智證券 (FEIS)
亞東證券 (OSC)
亞東證券投顧 (OSIA)
德銀遠東投信 (DWS)
遠銀租賃 (FEIL)
遠銀資產管理 (FEIB AMC)
遠榮租賃 (FEFL)

通訊網路事業 Communication & Internet Bus.

遠傳電信 (Far EasTone)
和宇寬頻網路 (KGEX)
全虹企業 (ARCOA)
遠通電收 (FETC)
安源通訊 (Qware)

社會公益事業 Philanthropic Organizations

徐元智先生紀念基金會 (FEMF)
徐元智先生醫藥基金會 (FEMDF)
徐有序先生紀念基金會 (YZHMF)
亞東紀念醫院 (FEMH)
遠東聯合診所 (FEUCC)
元智大學 (YZU)
亞東技術學院 (OIT)
豫章工商 (YCVS)





壹拾壹、其他資訊

2017 年度大事紀要

1
月

★主辦 Huy Vietnam Group Limited 聯合授信案，為本行首件東協市場企業之國際聯貸案。

2
月

★併入遠銀人身保險代理人、遠銀財產保險代理人等股份有限公司，成立保險代理事業群。

3
月

★獲財訊雜誌 2017 財富管理大獎「最佳理專團隊獎」。

4
月

★成立法令遵循處「洗錢防制組」。

★推出「FE 跨界行動應用平台」，整合支付寶、friDay 錢包於愛買量販上線。

★獲 2017 保險龍鳳獎之財金保險畢業生最嚮往的金融業。

5
月

★舉辦「享樂系列・遠銀日・常玉展」。

6
月

★假臺北市國軍英雄館召開 2017 年股東常會，補選董事吳均龐。

★發行 2016 年企業社會責任報告書。

7
月

★「企業 e 客服」遠端輔助系統上線。

★與遠東集團關係企業共同贊助太陽馬戲團 TORUK 來臺演出。

★獲卓越雜誌 2017 卓越銀行評比「最佳財富管理獎」及「最佳創新獎」。

★舉辦「享樂系列・遠銀日・奧塞展」。

8
月

★推出財富管理【圓夢計畫 HAPPY*】。

★認購 3,000 盒喜憨兒中秋月餅致贈客戶。

★敦南智能理財分行開幕營運。

★獲臺灣保險卓越獎「人才培訓專案企劃卓越獎銀獎」。

10
月

★發生駭客入侵偽冒 SWIFT 電文事件，追回 99.99% 之遭盜駭款項。

★獲臺灣客服中心發展協會卓越客服大獎「最佳客戶服務企業獎」及「最佳客服中心獎」，同仁另獲「最佳服務之星獎」、「最佳訓練之星獎」及「最佳客服主管獎」等個人獎。

11
月

★獲 2017 BSI 國際標準管理年會「企業社會責任報告書永續傑出獎」。

★與遠見天下文化基金會合辦公益贈書並邀請公益平臺基金會董事長嚴長壽演講。

★新版行動銀行 APP 上線。

★獲 2017 TCSA 台灣企業永續獎「台灣企業永續報告獎銅獎」。

★與遠東集團關係企業共同贊助新北市歡樂耶誕城活動。

12
月

★發行 2018 年月曆《知識之森，學問之海》。

★獲勞動部勞動力發展署 TTQS 人才發展品質管理評核企業機構版之銀牌獎。

★獲衛生福利部國民健康署健康職場「健康啟動標章認證」。

★與遠東集團關係企業共同舉辦「Love & Peace」耶誕點燈活動。

Other Information

Significant FEIB Events in 2017

Jan	★ As the lead bank of Huy Vietnam Group Limited syndicated loans, FEIB's first international syndicated loan in ASEAN market.
Feb	★ Merged Far Eastern Life Insurance Agency Co., Ltd. and Far Eastern Property Insurance Agency Co., Ltd. to establish the Insurance Agency Group.
Mar	★ Received "Best Wealth Management Team Award" by Wealth Magazine in 2017.
Apr	★ Established "Anti-Money Laundering Unit" under Legal Compliance Department. ★ Launched "FE Mobile Payment Syndicated Service" to incorporate Alipay and FriDay wallet to be put online at A-mart Hypermarket. ★ Won the 2017 iDay Award as the most favored financial institution for financial insurance graduates.
May	★ Sponsored LOHAS Events "FEIB Day-Sanyu Collection."
June	★ The Bank's 2017 Shareholders' Meeting was held in Taipei, James Wu was elected as Director. ★ Published 2016 FEIB CSR Report.
July	★ "Enterprise e-customer Service" aided by remote support system was online. ★ Co-sponsored with the Far Eastern Group "TORUK" performance of Cirque du Soleil in Taiwan. ★ Received 2017 "Best Wealth Management Award" and "Best Innovation Award" by Excellence Magazine. ★ Sponsored LOHAS Events "FEIB Day-Musée d'Orsay".
Aug	★ Launched wealth management "Dream Come True HAPPY*". ★ Purchased 3,000 boxes made by challenged children for customers. ★ Opened Dun Nan Smart Bank Branch. ★ Received Taiwan Insurance Excellence Award "Outstanding Talent Training Program Silver Medal."
Oct	★ FEIB SWIFT system was hacked, recovered 99.99% of the money stolen. ★ Received Center Customer Service Excellence Award by Taiwan Contact Center Development in the categories of "Best Customer Service Enterprise" and "Best Customer Service Center," colleagues won individual awards including "Star of Best Service," "Star of Best Training" and "Best Customer Service Executive."
Nov	★ Awarded "Outstanding CSR Sustainability Report" by 2017 BSI Standards annual conference. ★ Co-sponsored with CommonWealth Magazine's contributing books charity event, and invited Mr. Stanley C. Yen, Chairman of the Alliance Cultural Foundation, as a speaker. ★ New version of Mobile Banking APP was online. ★ Received "Taiwan Corporate Sustainability Award Bronze Medal" by 2017 TCSA. ★ Co-sponsored with the Far Eastern Group the 2017 "New Taipei Merry Christmas City" festive event.
Dec	★ Published 2018 FEIB Calendar "Forest of Knowledge, Ocean of Learning". ★ Workforce Development Agency, the Ministry of Labor awarded Silver Medal by TTQS (Talent Quality-Management System) to recognize the Bank's efforts in sustainable talent development. ★ Received "Badge of Healthy Workplace" by Health Promotion Administration, Ministry of Health and Welfare. ★ Co-sponsored "Love & Peace" Christmas Lighting Ceremony with FEG affiliates.



本行各營業單位地址及電話表

單位名稱	地 址	電 話
總行	106 台北市大安區敦化南路二段 207 號 27 樓	(886-2) 2378-6868
營業部	106 台北市大安區敦化南路二段 207 號 1 樓	(886-2) 2378-6868
國外部	103 台北市大同區重慶北路一段 30 號 2 樓	(886-2) 2550-8811
信託部	106 台北市大安區敦化南路二段 207 號 20 樓	(886-2) 2312-3636
信用卡部	220 新北市板橋區文化路二段 182 巷 3 弄 33 號	(886-2) 8073-1166
台北襄陽分行	100 台北市中正區襄陽路 1 號	(886-2) 2381-4567
台北南門分行	100 台北市中正區羅斯福路一段 40 號	(886-2) 2392-6955
台北忠孝分行	100 台北市中正區忠孝東路一段 112 號	(886-2) 2327-8898
台北東門分行	100 台北市中正區信義路二段 135 號	(886-2) 2356-7711
台北重慶分行	103 台北市大同區重慶北路一段 30 號	(886-2) 2550-6600
台北松江分行	104 台北市中山區松江路 59 號	(886-2) 2505-5533
台北松山分行	105 台北市松山區南京東路五段 171 號	(886-2) 8787-6668
台北逸仙分行	110 台北市信義區基隆路一段 200 之 3 號	(886-2) 2722-9558
台北石牌分行	112 台北市北投區石牌路二段 112 號	(886-2) 2826-5688
台北永吉分行	110 台北市信義區中坡北路 7 號	(886-2) 8785-5788
台北中山分行	104 台北市中山區民生東路一段 70 號	(886-2) 2523-8899
台北古亭分行	100 台北市中正區羅斯福路三段 50 號	(886-2) 2369-5600
台北信義分行	110 台北市信義區光復南路 505 號	(886-2) 2720-7755
台北南京東路分行	104 台北市中山區南京東路三段 101 號	(886-2) 7702-9766
台北大稻埕分行	103 台北市大同區延平北路二段 86 號	(886-2) 2558-6186
台北 101 分行	110 台北市信義區信義路五段 7 號台北 101 大樓 51-1	(886-2) 8101-0168
板橋南雅分行	220 新北市板橋區南雅南路二段 172 號	(886-2) 8966-3339
板橋文化分行	220 新北市板橋區文化路二段 1 號	(886-2) 2255-6499
板橋中正分行	220 新北市板橋區中正路 226、228 號	(886-2) 2272-6088
板橋大遠百分行	220 新北市板橋區新站路 18 號	(886-2) 7729-0616
蘆洲分行	247 新北市蘆洲區三民路 38 號 1 樓	(886-2) 7730-6978
新店分行	231 新北市新店區北新路三段 98 號	(886-2) 2910-6060
永和分行	234 新北市永和區福和路 222 號	(886-2) 2232-6500
中和分行	235 新北市中和區和平街 1 之 2 號、3 號及 3 之 1 號	(886-2) 2945-1800
雙和分行	234 新北市永和區中和路 535 號 1、2 樓	(886-2) 7717-6668
三重分行	241 新北市三重區福德北路 46 號	(886-2) 8973-1133
台北新莊分行	242 新北市新莊區復興路一段 209 號	(886-2) 8991-3366

Operation Locations

Operating Unit	Address	Telephone Number
Head Office	27F, No. 207, Dunhua S. Rd., Sec. 2, Da-an Dist., Taipei City 106, Taiwan	(886-2) 2378-6868
Business Department	1F, No. 207, Dunhua S. Rd., Sec. 2, Da-an Dist., Taipei City 106, Taiwan	(886-2) 2378-6868
International Banking Department	2F, No. 30, Chongqing N. Rd., Sec. 1, Datong Dist., Taipei City 103, Taiwan	(886-2) 2550-8811
Trust Department	5F, No. 1, Shiangyang Rd., Zhongjheng Dist., Taipei City 100, Taiwan	(886-2) 2312-3636
Credit Cards Department	No. 33, Ally. 3, Lane 182, Wenhua Rd., Sec. 2, Banqiao City, New Taipei City 220, Taiwan	(886-2) 8073-1166
Taipei Shiangyang Branch	No. 1, Shiangyang Rd., Zhongjheng Dist., Taipei City 100, Taiwan	(886-2) 2381-4567
Taipei Nanmen Branch	No. 40, Roosevelt Rd., Sec. 1, Zhongjheng Dist., Taipei City 100, Taiwan	(886-2) 2392-6955
Taipei Junghsiau Branch	No. 112, Junghsiau E. Rd., Sec. 1, Zhongjheng Dist., Taipei City 100, Taiwan	(886-2) 2327-8898
Taipei Tungmen Branch	No. 135, Sinyi Rd., Sec. 2, Zhongjheng Dist., Taipei City 100, Taiwan	(886-2) 2356-7711
Taipei Chungching Branch	No. 30, Chungching N. Rd., Sec. 1, Datong Dist., Taipei City 103, Taiwan	(886-2) 2550-6600
Taipei Sungjiang Branch	No. 59, Songjiang Rd., Zhongshan Dist., Taipei City 104, Taiwan	(886-2) 2505-5533
Taipei Sungshan Branch	No. 171, Nanjing E. Rd., Sec. 5, Sungshan Dist., Taipei City 105, Taiwan	(886-2) 8787-6668
Taipei Yisen Branch	No. 200-3, Keelung Rd., Sec. 1, Sinyi Dist., Taipei City 110, Taiwan	(886-2) 2722-9558
Taipei Shipai Branch	No.112, Sec. 2, Shipai Rd., Beitou Dist., Taipei City 112, Taiwan (R.O.C.)	(886-2) 2826-5688
Taipei Yungi Branch	No. 7, Jhongpo N. Rd., Sinyi Dist., Taipei City 110, Taiwan	(886-2) 8785-5788
Taipei Zhongshan Branch	No. 70, Minsheng E. Rd., Sec. 1, Zhongshan Dist., Taipei City 104, Taiwan	(886-2) 2523-8899
Taipei Guting Branch	No. 50, Roosevelt Rd., Sec. 3, Zhongjheng Dist., Taipei City 100, Taiwan	(886-2) 2369-5600
Taipei ShingYi Branch	No. 505, Guangfu S. Rd., Shinyi Dist., Taipei City 106, Taiwan	(886-2) 2720-7755
Taipei Nanjing East Road Branch	No. 101, Nanjing E. Rd., Sec. 3, Zhongshan Dist., Taipei City 104, Taiwan	(886-2) 7702-9766
Taipei Dadaocheng Branch	No. 86, Yenping North Road, Sec. 2, Tatung Dist., Taipei City 103, Taiwan	(886-2) 2558-6186
Taipei 101 Branch	51-1 Floor, Taipei 101 Tower, No. 7, Hsinyi Road, Sec. 5, Taipei City 110, Taiwan	(886-2) 8101-0168
Banqiao Nanya Branch	No. 172, Nanya S. Rd., Sec. 2, Banqiao Dist., New Taipei City 220, Taiwan	(886-2) 8966-3339
Banqiao Wenhua Branch	No. 1, Wenhua Rd., Sec. 2, Banqiao Dist., New Taipei City 220, Taiwan	(886-2) 2255-6499
Banqiao Zhongjeng Branch	No. 226 & 228, Zhongjheng Rd., Sec. 2, Banqiao Dist., New Taipei City 220, Taiwan	(886-2) 2272-6088
Banqiao Mega City Branch	No. 18, Xinzhan Rd., Banqiao Dist., New Taipei City 220, Taiwan	(886-2) 7729-0616
Luzhou Branch	No. 1, Sanming Rd., Luzhou Dist. New Taipei City 247, Taiwan	(886-2) 7730-6978
Sindian Branch	No. 98, Beixin Rd., Sec. 3, Sindian Dist., New Taipei City 231, Taiwan	(886-2) 2910-6060
Yunghe Branch	No. 222, Fuhe Rd., Yonghe Dist., New Taipei City 234, Taiwan	(886-2) 2232-6500
Zhunghe Branch	No. 748, Zhongjheng Rd., Zhonghe Dist., New Taipei City 235, Taiwan	(886-2) 8226-9000
Shuanghe Branch	1F & 2F, No. 535, Zhonghe Rd., Yonghe Dist., New Taipei City 234, Taiwan	(886-2) 7717-6668
Sanchung Branch	No. 46, Fude N. Rd., Sanchung Dist., New Taipei City 241, Taiwan	(886-2) 8973-1133
Taipei Shinjuang Branch	No. 209, Fusing Rd., Sec. 1, Shinjuang Dist., New Taipei City 242, Taiwan	(886-2) 8991-3366



單位名稱	地 址	電 話
新莊富國分行	242 新北市新莊區富國路 6 號	(886-2) 2901-6868
林口分行	333 桃園市龜山區復興一路 227 號	(886-3) 397-3888
桃園分行	330 桃園市桃園區南華街 78 號	(886-3) 339-6339
桃園大興分行	330 桃園市桃園區大興西路二段 6 號	(886-3) 301-8966
桃園大有分行	330 桃園市桃園區大有路 480、482 號	(886-3) 346-9688
中壢分行	320 桃園市中壢區延平路 372 號	(886-3) 427-9696
新竹巨城分行	300 新竹市中央路 243 號	(886-3) 533-8168
新竹科園分行	300 新竹市科學園區園區二路 11 號 3 樓	(886-3) 579-8833
新竹經國分行	300 新竹市經國路二段 100 號	(886-3) 533-3131
竹北分行	302 新竹市竹北區光明六路 39-41 號	(886-3) 553-6699
台中自由分行	400 台中市中區自由路二段 131 號	(886-4) 2225-2008
台中公益分行	403 台中市西區公益路 367 號	(886-4) 2328-8666
台中文心分行	406 台中市北屯區文心路四段 698 號	(886-4) 2230-6689
台中大雅分行	404 台中市北區文心路四段 180 號	(886-4) 2297-3266
大里分行	412 台中市大里區益民路二段 121 號	(886-4) 2482-3899
彰化分行	500 彰化縣彰化市民生路 233 號	(886-4) 728-9188
南投分行	540 南投縣南投市三和二路 11 號	(886-49) 222-3311
嘉義分行	600 嘉義市文化路 272 號	(886-5) 278-5911
台南分行	701 台南市東區東門路二段 2 號	(886-6) 208-9898
永康分行	710 台南市永康區中正北路 37 號	(886-6) 253-0400
崇德分行	701 台南市東區崇道路 87 號	(886-6) 290-7290
高雄中正分行	800 高雄市新興區中正四路 49 號	(886-7) 251-8199
高雄文化中心分行	802 高雄市苓雅區四維二路 96 號	(886-7) 715-5678
高雄五福分行	803 高雄市鹽埕區大勇路 106 號	(886-7) 533-3820
鳳山分行	830 高雄市鳳山區青年路二段 201 號	(886-7) 777-8600
台北農安簡易型分行	104 台北市中山區農安街 12 之 1 號	(886-2) 2592-2255
台北金湖簡易型分行	114 台北市內湖區民權東路六段 495 號	(886-2) 2630-5788
三重重陽簡易型分行	241 新北市三重區重陽路四段 39 號 1、2 樓	(886-2) 8983-8366
香港分行	香港中環皇后大道中 8 號 20 樓	(852) 2167-8183

Operating Unit	Address	Telephone Number
Shingjuang Fuguo Branch	No. 6, Fuguo Rd., Shingjuang Dist., New Taipei City 242, Taiwan	(886-2) 2901-6868
Lin Ko Branch	No. 227, Fushing 1 st Rd., Gueishan Dist., Taoyuan City 333, Taiwan	(886-3) 397-3888
Taoyuan Branch	No. 78, Nanhua St., Taoyuan Dist., Taoyuan City 330, Taiwan	(886-3) 339-6339
Taoyuan Tashin Branch	No. 6, Tashin W. Rd., Sec. 2, Taoyuan Dist., Taoyuan City 330, Taiwan	(886-3) 301-8966
Taoyuan Dayou Branch	No. 480-482, Dayou Rd., Taoyuan District, Taoyuan City 330, Taiwan	(886-3) 346-9688
Jhongli Branch	No. 372, Yanping Rd., Zhongli Dist., Taoyuan City 320, Taiwan	(886-3) 427-9696
Hsinchu Big City Branch	No. 243, Zhongyang Rd., East Dist., Hsinchu City 300, Taiwan	(886-3) 533-8168
Hsinchu Science Based Industrial Park Branch	3F, No. 11, Yuanchiu 2 nd Rd., Hsinchu City 300, Taiwan	(886-3) 579-8833
Hsinchu Jinguo Branch	No. 100, Jinguo Rd., Sec. 2, Hsinchu City 300, Taiwan	(886-3) 533-3131
Jubei Branch	No. 39-41, Guangming 6 th Rd., Jubei Dist., Hsinchu City 302, Taiwan	(886-3) 553-6699
Taichung Tzyou Branch	No. 131, Tzyou Rd., Sec. 2, Central Dist., Taichung City 400, Taiwan	(886-4) 2225-2008
Taichung Gungyi Branch	No. 367, Gongyi Rd., West Dist., Taichung City 403, Taiwan	(886-4) 2328-8666
Taichung Wenshin Branch	No. 698, Wenshin Rd., Sec. 4, Beitun Dist., Taichung City 406, Taiwan	(886-4) 2230-6689
Taichung Taya Branch	No. 180, Wunsin Rd., Sec. 4, North Dist., Taichung City 404, Taiwan	(886-4) 2297-3266
Tali Branch	No. 121, Yimin Rd., Sec. 2, Dali Dist., Taichung City 412, Taiwan	(886-4) 2482-3899
Changhua Branch	No. 233, Minsheng Rd., Changhua City, Changhua County 500, Taiwan	(886-4) 728-9188
Nantou Branch	No. 11, Sanhe 2 nd Rd., Nantou City, Nantou County 540, Taiwan	(886-49) 222-3311
Chiayi Branch	No. 272, Wunhua Rd., Chiayi City 600, Taiwan	(886-5) 278-5911
Tainan Branch	No. 2, Dongmen Rd., Sec. 2, East Dist., Tainan City 701, Taiwan	(886-6) 208-9898
Yungkang Branch	No. 37, Zhongshan N. Rd., Yungkang Dist., Tainan City 710, Taiwan	(886-6) 253-0400
Jhongte Branch	No. 87, Zhongdao Rd., East Dist., Tainan City 701, Taiwan	(886-6) 290-7290
Kaohsiung Jungjeng Branch	No. 49, Zhongzheng 4 th Rd., Xinxing Dist., Kaohsiung City 800, Taiwan	(886-7) 251-8199
Kaohsiung Cultural Center Branch	No. 96, Sihwei 2 nd Rd., Lingya Dist., Kaohsiung City 802, Taiwan	(886-7) 715-5678
Kaohsiung Wufu Branch	No. 106, Dayong Rd., Yancheng Dist., Kaohsiung City 803, Taiwan	(886-7) 533-3820
Fengshan Branch	No. 201, Cingnian Rd., Sec. 2, Fengshan Dist., Kaohsiung City 830, Taiwan	(886-7) 777-8600
Taipei Nun-An Mini Branch	No. 12-1, Nun-An St., Zhongshan Dist., Taipei City 104, Taiwan	(886-2) 2592-2255
Taipei Jinhu Mini Branch	No. 495, Minchuan E. Rd., Sec. 6, Neihu Dist., Taipei City 114, Taiwan	(886-2) 2630-5788
Sanchung Chungyang Mini Branch	1F & 2F, No. 39, Chungyang Rd., Sec. 4, Sanchung Dist. New Taipei City 241, Taiwan	(886-2) 8983-8366
Hong Kong Branch	20/F, No. 8, Queen's Road, Central, Hong Kong	(852) 2167-8183

壹拾貳 合併財務報表

Consolidated Financial Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Far Eastern International Bank Ltd.

Opinion

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

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 and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China (FSC).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Bank and its subsidiaries' consolidated financial statements for the year ended December 31, 2017 for the Bank and its subsidiaries, which are described as follows:

Allowance for Credit Losses on Loans and Receivables

As of December 31, 2017, the balances of loans and receivables in the aggregate amounted to \$373,807,631 thousand, accounted for 65% of the total assets of the consolidated financial statements; an amount that is deemed to be significant to the consolidated financial statements. To assess the impairment loss of loans and accounts receivables in terms of the allowance for credit losses on loans and receivables, the Bank's management takes into account the amount and the schedule of collection, the change in economic forecast, and the value of collateral. The assessment involved judgements, estimates, and compliance with regulatory requirements for the allowance for credit losses on loans and receivable. As the assessment on the impairment of loans and accounts receivables involved the management's critical judgments in accounting estimation and the underlying assumption, the allowance for credit losses on loans and receivables was deemed to be a key audit matter.

Refer to Notes 4, 5, 10, 11 and 43 to the consolidated financial statements for disclosures related to impairment on loans and receivables.

In response to the abovementioned key audit matter, the audit procedures we performed are as follows:

1. Understand and conduct tests on the Bank's internal controls relevant to loans and receivables impairment assessment;
2. Sample from individually assessed loans and receivables to assess the management's estimates on the amount of future cash flows from borrowers and the reasonableness of the appraisal of the fair value of collateral;
3. Verify whether the underlying assumptions and critical parameters (probability of default and of recovery) adopted by the impairment model adequately reflect the actual position of collectively assessed loans and receivables and recalculate the amount of impairment; and
4. Sample and review credit files to evaluate whether the loans and receivables are reasonably categorized per regulatory stipulation and recalculate for the correctness of the allowance.

Evaluation of Impairment on Intangible Asset - Operation Rights

As of December 31, 2017, the balance of intangible asset - operating rights amounted to \$1,538,210 thousand. The amount is the cost for the Bank to acquire business from other financial institutions, acquisition cost that results from the allocation of the fair value to corresponding assets and liabilities. According to IAS 36, management should evaluate the impairment on intangible asset - operating rights annually or whenever there is an indication that the asset may be impaired. For the assessment in determining the value in use of operating rights, the management requires an estimate of future cash flow of relevant cash-generating unit. As its assessment involves the management's critical judgments and estimates, the impairment of intangible asset - operating rights is deemed to be a key audit matter.

Refer to Notes 4, 5 and 18 to the consolidated financial statements for disclosures related to impairment on intangible asset.

In response to the abovementioned key audit matter, we have consulted with our internal financial experts for their help to perform audit procedures as follows:

1. Evaluate and verify the qualification of the valuation personnel employed by the management in terms of their professional experience, competency, and independence.
2. Evaluate the reasonableness of critical parameters (such as future cash-flow forecast, discount rate, and sustainable growth rate) and perform sensitivity analysis.
3. Verify the raw data adopted (including the average amounts, the growth rates, interest rates, etc., of deposits and loans) to evaluate its accuracy and completeness.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2018

Notice to Readers

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

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
Cash and cash equivalents (Note 6)	\$ 8,693,621	2	\$ 7,361,878	1
Due from the central bank and other banks (Notes 7, 37 and 38)	22,351,083	4	32,744,760	6
Financial assets at fair value through profit or loss (Notes 4, 5, 8, 37 and 42)	30,208,333	5	33,830,105	6
Securities purchased under resale agreements (Notes 4, 9 and 37)	11,071,393	2	6,396,656	1
Receivables, net (Notes 4, 5, 10, 11, 37 and 42)	22,750,869	4	22,847,242	4
Current tax assets (Note 4)	7,372	-	4,117	-
Discounts and loans, net (Notes 4, 5, 11, 37 and 42)	351,056,762	61	355,963,672	63
Available-for-sale financial assets (Notes 4, 5, 12, 28, 38 and 42)	109,631,578	19	79,594,706	14
Held-to-maturity financial assets (Notes 4, 5, 13 and 42)	2,135,246	-	2,630,635	1
Investment accounted for using equity method (Notes 4, 14 and 28)	1,774,066	-	1,702,220	-
Debt investments with no active market (Notes 4, 15 and 42)	6,677,076	1	8,170,732	2
Other financial assets, net (Notes 4, 11, 16, 38 and 42)	3,667,760	1	4,670,815	1
Property and equipment, net (Notes 4 and 17)	2,889,392	1	2,889,674	1
Intangible assets, net (Notes 4, 5 and 18)	1,725,085	-	1,750,568	-
Deferred tax assets (Notes 4, 5 and 35)	584,502	-	635,104	-
Other assets, net (Notes 4 and 19)	<u>200,142</u>	<u>-</u>	<u>222,399</u>	<u>-</u>
TOTAL	<u>\$ 575,424,280</u>	<u>100</u>	<u>\$ 561,415,283</u>	<u>100</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the central bank and other banks (Note 20)	\$ 6,960,774	1	\$ 7,432,194	1
Financial liabilities at fair value through profit or loss (Notes 4, 5, 8, 24, 37 and 42)	4,319,121	1	7,954,542	2
Securities sold under repurchase agreements (Notes 4, 12, 21, 37 and 42)	12,921,364	2	13,711,223	3
Payables (Notes 22 and 27)	6,488,285	1	5,799,874	1
Current tax liabilities (Note 4)	254,446	-	405,097	-
Deposits and remittances (Notes 23, 37 and 42)	472,392,183	82	452,720,460	81
Bank debentures (Notes 4, 8, 24 and 42)	20,216,664	4	24,309,357	4
Other financial liabilities (Notes 25 and 42)	7,416,775	2	6,385,369	1
Provisions (Notes 4, 11, 26, 27 and 37)	1,127,116	-	1,240,278	-
Other liabilities (Note 35)	<u>540,880</u>	<u>-</u>	<u>506,012</u>	<u>-</u>
Total liabilities	<u>532,637,608</u>	<u>93</u>	<u>520,464,406</u>	<u>93</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Notes 4, 5, 12, 14 and 28)				
Share capital				
Ordinary shares	31,829,286	5	31,113,672	5
Capital surplus	<u>456,426</u>	<u>-</u>	<u>456,426</u>	<u>-</u>
Retained earnings				
Legal reserve	6,544,643	1	5,571,477	1
Special reserve	250,703	-	121,028	-
Unappropriated earnings	<u>3,691,412</u>	<u>1</u>	<u>3,916,835</u>	<u>1</u>
Total retained earnings	<u>10,486,758</u>	<u>2</u>	<u>9,609,340</u>	<u>2</u>
Other equity				
Exchange differences on translating foreign operations	(8,653)	-	115,916	-
Unrealized gain (loss) on available-for-sale financial assets	<u>22,855</u>	<u>-</u>	<u>(344,477)</u>	<u>-</u>
Total other equity	<u>14,202</u>	<u>-</u>	<u>(228,561)</u>	<u>-</u>
Total equity	<u>42,786,672</u>	<u>7</u>	<u>40,950,877</u>	<u>7</u>
TOTAL	<u>\$ 575,424,280</u>	<u>100</u>	<u>\$ 561,415,283</u>	<u>100</u>

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUES (Notes 4, 29 and 37)	\$ 10,057,931	97	\$ 9,629,219	90	4
INTEREST EXPENSES (Notes 4, 29 and 37)	<u>4,653,057</u>	<u>45</u>	<u>3,844,797</u>	<u>36</u>	21
NET INTERESTS	<u>5,404,874</u>	<u>52</u>	<u>5,784,422</u>	<u>54</u>	(7)
NET REVENUES OTHER THAN INTEREST					
Net service fee income (Notes 4, 30 and 37)	3,152,327	30	3,196,617	30	(1)
Net gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 24, 31, 37 and 42)	1,732,217	17	1,247,844	11	39
Net realized gains on available-for-sale financial assets (Notes 4 and 28)	86,718	1	119,716	1	(28)
Net foreign exchange gains (loss) (Note 4)	(293,168)	(3)	46,982	-	(724)
Shares of profit from associates (Notes 4 and 14)	103,337	1	85,454	1	21
Impairment loss on assets (Notes 4 and 16)	(17,009)	-	(20,528)	-	17
Others (Notes 10 and 24)	<u>250,960</u>	<u>2</u>	<u>286,948</u>	<u>3</u>	(13)
Total net revenues other than interest	<u>5,015,382</u>	<u>48</u>	<u>4,963,033</u>	<u>46</u>	1
CONSOLIDATED NET REVENUES	<u>10,420,256</u>	<u>100</u>	<u>10,747,455</u>	<u>100</u>	(3)
PROVISION FOR POSSIBLE LOSSES (Notes 4, 11 and 37)	<u>731,847</u>	<u>7</u>	<u>452,001</u>	<u>4</u>	62
OPERATING EXPENSES					
Employee benefits expense (Notes 4, 27, 32 and 37)	3,790,879	36	3,793,101	36	-
Depreciation and amortization (Notes 4 and 33)	248,142	3	226,448	2	10
Other general and administrative expenses (Notes 34 and 37)	<u>2,381,744</u>	<u>23</u>	<u>2,460,003</u>	<u>23</u>	(3)
Total operating expenses	<u>6,420,765</u>	<u>62</u>	<u>6,479,552</u>	<u>61</u>	(1)

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INCOME BEFORE INCOME TAX	\$ 3,267,644	31	\$ 3,815,902	35	(14)
INCOME TAX EXPENSE (Notes 4 and 35)	<u>413,761</u>	<u>4</u>	<u>572,016</u>	<u>5</u>	(28)
NET INCOME FOR THE YEAR	<u>2,853,883</u>	<u>27</u>	<u>3,243,886</u>	<u>30</u>	(12)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Notes 4 and 27)	55,828	1	(137,752)	(1)	141
Share of other comprehensive loss of associates (Notes 4 and 14)	(414)	-	(671)	-	(38)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 35)	<u>(9,491)</u>	<u>-</u>	<u>23,418</u>	<u>-</u>	(141)
	<u>45,923</u>	<u>1</u>	<u>(115,005)</u>	<u>(1)</u>	140
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations (Note 4)	(128,795)	(1)	(25,207)	-	(411)
Unrealized gain (loss) on available-for-sale financial assets (Notes 4 and 28)	357,804	3	(76,297)	(1)	569
Share of other comprehensive gain (loss) of associates (Notes 4, 14 and 28)	9,528	-	(11,952)	-	180
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 35)	<u>4,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>242,763</u>	<u>2</u>	<u>(113,456)</u>	<u>(1)</u>	314
Other comprehensive income (loss) for the year	<u>288,686</u>	<u>3</u>	<u>(228,461)</u>	<u>(2)</u>	226
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,142,569</u>	<u>30</u>	<u>\$ 3,015,425</u>	<u>28</u>	4

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	<u>\$ 2,853,883</u>	<u>27</u>	<u>\$ 3,243,886</u>	<u>30</u>	(12)
TOTAL COMPREHENSIVE INCOME					
ATTRIBUTABLE TO:					
Owners of the Bank	<u>\$ 3,142,569</u>	<u>30</u>	<u>\$ 3,015,425</u>	<u>28</u>	4
EARNINGS PER SHARE (Note 36)					
Basic	<u>\$0.90</u>		<u>\$1.02</u>		
Diluted	<u>\$0.86</u>		<u>\$0.98</u>		

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

(Concluded)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank						
	Ordinary Shares (Note 28)	Capital Surplus (Note 28)	Retained Earnings (Note 28)		Exchange Differences on Translating Foreign Operations (Note 4)	Unrealized Gain (Loss) on Available-for- sale Financial Assets (Notes 4, 12, 14 and 28)	Total Equity
			Legal Reserve	Special Reserve			
BALANCE AT JANUARY 1, 2016	\$ 30,332,430	\$ 459,918	\$ 4,491,173	\$ 208,219	\$ 3,601,013	\$ 141,123	\$ 38,977,648
Appropriation of the 2015 earnings							
Legal reserve	-	-	1,080,304	-	(1,080,304)	-	-
Reversal of special reserves	-	-	-	(87,191)	87,191	-	-
Cash dividends - NT\$0.400 dollars per share	-	-	-	-	(1,213,297)	-	(1,213,297)
Stock dividends - NT\$0.200 dollars per share	606,649	-	-	-	(606,649)	-	-
	606,649	-	1,080,304	(87,191)	(2,813,059)	-	(1,213,297)
Net income for the year ended December 31, 2016	-	-	-	-	3,243,886	-	3,243,886
Other comprehensive loss for the year ended December 31, 2016	-	-	-	-	(115,005)	(88,249)	(228,461)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	3,128,881	(88,249)	3,015,425
Employees' bonus - stock	174,593	(3,492)	-	-	-	-	171,101
BALANCE AT DECEMBER 31, 2016	31,113,672	456,426	5,571,477	121,028	3,916,835	115,916	40,950,877
Appropriation of the 2016 earnings							
Legal reserve	-	-	973,166	-	(973,166)	-	-
Special reserve	-	-	-	129,675	(129,675)	-	-
Cash dividends - NT\$0.420 dollars per share	-	-	-	-	(1,306,774)	-	(1,306,774)
Stock dividends - NT\$0.230 dollars per share	715,614	-	-	-	(715,614)	-	-
	715,614	-	973,166	129,675	(3,125,229)	-	(1,306,774)
Net income for the year ended December 31, 2017	-	-	-	-	2,853,883	-	2,853,883
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	45,923	(124,569)	288,686
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	2,899,806	(124,569)	3,142,569
BALANCE AT DECEMBER 31, 2017	31,829,286	456,426	6,544,643	250,703	3,691,412	(8,653)	42,786,672

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

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,267,644	\$ 3,815,902
Adjustments for:		
Depreciation	220,196	198,246
Amortization	27,946	28,202
Provision for possible losses	1,215,343	1,300,165
Net valuation gain on financial assets and liabilities at fair value through profit or loss	(160,180)	(566,152)
Interest expenses	4,653,057	3,844,797
Interest revenues	(10,057,931)	(9,629,219)
Dividends income	(63,321)	(63,195)
Shares of profit from associates	(103,337)	(85,454)
Unrealized net loss (gain) on foreign currency exchange	395,728	(59,875)
Gain on disposal investment properties	(1,490)	-
Other adjustments	(100,995)	768
Changes in operating assets and liabilities		
Decrease (increase) in due from the central bank and other banks	7,092,056	(3,531,591)
Decrease in financial assets at fair value through profit or loss	3,781,946	6,408,184
Increase in receivables	(1,776,592)	(2,273,540)
Decrease (increase) in discounts and loans	551,765	(22,683,826)
Increase in available-for-sale financial assets	(30,236,113)	(52,201,509)
Decrease in held-to-maturity financial assets	306,249	488,896
Decrease (increase) in debt investments with no active market	919,160	(966,219)
Increase (decrease) in due to the central bank and other banks	137,136	(5,762,695)
Decrease in financial liabilities at fair value through profit or loss	(3,635,415)	(1,633,706)
Increase in payables	456,277	2,040,052
Increase in deposits and remittances	<u>25,778,208</u>	<u>1,425,551</u>
Cash generated from (used in) operations	2,667,337	(79,906,218)
Interest received	9,933,372	9,633,034
Dividends received	63,321	63,195
Interest paid	(4,338,543)	(3,864,971)
Income tax paid	<u>(486,615)</u>	<u>(566,153)</u>
Net cash generated from (used in) operating activities	<u>7,838,872</u>	<u>(74,641,113)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets carried at cost	(24,950)	-
Proceeds from disposal of financial assets carried at cost	51,496	-
Acquisition of investments accounted for using equity method	(28,980)	-
Acquisition of property and equipment	(224,462)	(247,089)
Proceeds from disposal of property and equipment	45	325
Decrease in other financial assets	49,971	1,652,873
Decrease in other assets	19,794	11,093
Dividends received from associates	<u>69,585</u>	<u>28,648</u>
Net cash generated from (used in) investing activities	<u>(87,501)</u>	<u>1,445,850</u>

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of bank debentures	\$ -	\$ 4,000,000
Redemption of bank debentures	(4,000,000)	(200)
Increase (decrease) in securities sold under repurchase agreements	(434,630)	9,968,068
Increase in other financial liabilities	1,204,602	3,354,406
Increase (decrease) in other liabilities	30,605	(393,772)
Cash dividends	<u>(1,306,774)</u>	<u>(1,213,297)</u>
Net cash generated from (used in) financing activities	<u>(4,506,197)</u>	<u>15,715,205</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>53,011</u>	<u>(25,606)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,298,185	(57,505,664)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>28,339,153</u>	<u>85,844,817</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 31,637,338</u>	<u>\$ 28,339,153</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets is as follows:

	<u>December 31</u>	
	2017	2016
Cash and cash equivalents in consolidated balance sheets	\$ 8,693,621	\$ 7,361,878
Due from the Central Bank and other banks that meet the IAS 7 definition of "cash and cash equivalents"	11,872,324	14,580,619
Securities purchased under resale agreements that meet the IAS 7 definition of "cash and cash equivalents"	<u>11,071,393</u>	<u>6,396,656</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 31,637,338</u>	<u>\$ 28,339,153</u>

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

(Concluded)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL REPORTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Far Eastern International Bank Ltd. (the “Bank”) obtained its license on January 11, 1992 and started its business on April 11, 1992. The Bank (a) accepts deposits and extends loans and guarantees; (b) issues letters of credit, handles domestic and foreign remittances, and accepts commercial drafts; (c) invests in securities and acts as an agent for trading government bonds, corporate bonds and bank debentures; and (d) conducts relevant businesses that are authorized by the relevant authorities.

The operations of the Bank’s Trust Department include pecuniary trust, securities trust, real estate trust, creditor’s right of money or guarantee, movable property trust and ground right trust and related operations. These operations are regulated under the Banking Act and Trust Enterprise Act.

As of December 31, 2017, the Bank’s operating units included the Business Department, International Banking Department, Trust Department, Credit Card Department, Offshore Banking Unit (OBU), and 55 domestic branches, as well as an overseas branch in Hong Kong.

The Bank’s shares are listed on the Taiwan Stock Exchange. Global depositary receipts, which represent ownership of ordinary shares of the Bank, have been listed on the Luxembourg Stock Exchange since January 2014.

To integrate resources and produce maximum benefit from the business, the Bank absorbed and merged Far Eastern Life Insurance Agency Co., Ltd. (“FELIA”) and Far Eastern Property Insurance Agency Co., Ltd. (“FEPIA”) on February 6, 2017; the entities were both subsidiaries of the Bank holding one hundred percent equity and the merger did not have effect on the equity of the shareholders.

The Bank accepted generally all assets, liabilities and all rights and obligations of FELIA and FEPIA that were valid as of merger date.

2. APPROVAL OF FINANCIAL REPORTS

The consolidated financial statements were approved by the Bank’s board of Directors on March 21, 2018.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. The application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRS, IAS, IFRIC, and SIC (collectively, the “IFRSs”) endorsed by the FSC did not have material impact on the accounting policies of the Bank and its subsidiaries.

- b. The Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed by the FSC for application starting from 2018.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

The application of the above New IFRSs, whenever applied, would have any material impact on the Bank and its subsidiaries’ accounting policies are as follows:

1) IFRS 9 “Financial Instruments” and related amendments

Classification and measurement of financial assets

All recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For entities’ debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, are measured at amortized cost and assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

- b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and assess the impairments continued, impairment gains or losses and foreign exchange gains and losses are recognized in profit or loss, changes in fair value are recognized in other comprehensive income. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Bank and its subsidiaries analyzed the current facts and circumstances of its financial assets existing at December 31, 2017 and performed a preliminary assessment of the main impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- a) Stocks listed on Taiwan Stock Exchange (“TWSE”) and Taipei Exchange (“TPEX”) classified as available-for-sale and unlisted on TWSE and TPEX shares are measured at cost will be classified as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.
- b) Beneficiary certificates classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding, and they are not equity instruments;
- c) Debt instruments classified as held-to-maturity financial assets and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.
- d) Debt instruments classified as investments with no active market and part of loan will be classified as at fair value through profit or loss under IFRS 9 because, on initial recognition, the contractual cash flows are not solely payments of principal and interest on the principal outstanding.

Impairment loss on financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at fair value through other comprehensive income, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low.

For purchased or originated credit-impaired financial assets, entities takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Effect of applying IFRS 9

the Bank and its subsidiaries elect not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 but will recognize the cumulative effect of the initial application at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through profit or loss	\$ 30,208,333	\$ 9,905,673	\$ 40,114,006
Securities purchased under resale agreements	11,071,393	(125)	11,071,268
Discounts and loans, net	351,056,762	(3,161,799)	347,894,963
Available-for-sale financial assets	109,631,578	(109,631,578)	-
Financial assets at fair value through other comprehensive income	-	109,891,833	109,891,833
Held-to-maturity financial assets	2,135,246	(2,135,246)	-
Financial assets measured at amortized cost	-	2,134,976	2,134,976
Investment accounted for using equity method	1,774,066	4,010	1,778,076
Debt investments with no active market	6,677,076	(6,677,076)	-
Other financial assets, net	<u>3,667,760</u>	<u>(114,232)</u>	<u>3,553,528</u>
Total effect on assets		<u>\$ 216,436</u>	
Provisions	1,127,116	<u>\$ 55,568</u>	1,182,684
Impact on liabilities		<u>\$ 55,568</u>	
Retained earnings	10,486,758	\$ (12,342)	10,474,416
Other equity	14,202	<u>173,210</u>	187,412
Total effect on equity		<u>\$ 160,868</u>	

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits entities to elect application of the amendments in advance on January 1, 2018.

Note 3: In December 2017, the FSC announced that Taiwan’s entities should apply IFRS 16 starting January 1, 2019.

Note 4: Entities shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

The application of the above new, amended or revised standards and interpretations, whenever applied, would have any material impact on the Bank and its subsidiaries’ accounting policies are as follows:

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if entities are lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. Entities may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the statements of comprehensive income, entities should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of entities as lessor.

When IFRS 16 becomes effective, entities may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

2) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amendments further explained that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

3) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Bank and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank and its subsidiaries’ financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial reports have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed by the FSC.

Basis of Preparation

The consolidated financial reports have been prepared on the historical cost basis except for financial instruments and net benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Current and Noncurrent Assets and Liabilities

Accounts included in the consolidated balance sheets are not classified as current or noncurrent since the major components of the consolidated financial reports are from the banking sector, whose operating cycle cannot be reasonably identified. Nevertheless, accounts are properly categorized in accordance with their nature and sequenced by their liquidity. Please refer to Note 43 for the maturity analysis of liabilities.

Basis of Consolidation

a. Principles of preparing consolidated financial reports

The consolidated financial reports incorporate the financial reports of the Bank and its subsidiaries.

Intercompany transactions, balances, income and expenses between the Bank and its subsidiaries have been eliminated upon consolidation.

b. Entities included in consolidated financial reports

Entities included in consolidated financial reports were as follows:

Investor Company	Investee Company	Nature of Businesses	% of Ownership December 31	
			2017	2016
The Bank	Far Eastern Asset Management Co., Ltd. ("FEAMC")	Purchase, evaluation, auction and management of rights of financial institution creditors	100	100
The Bank	FELIA	Insurance agent	-	100
The Bank	FEPIA	Insurance agent	-	100
	Far Eastern International Securities Co., Ltd. ("FEIS")	Foreign securities broker, wealth management and offshore fund consulting	100	100
Far Eastern Asset Management Co., Ltd. ("FEAMC")	FEIB Financial Leasing Co., Ltd. ("FEIL")	Leasing operation	100	100

FELIA and FEPIA were merged by the Bank on February 6, 2017.

Acquisition of Another Financial Institution's Business

Acquisitions of another financial institution are accounted for using the purchase method if acquisitions comply with business combination. The consideration transferred in acquisitions of another financial institution is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Bank, liabilities incurred by the Bank to the former owners of the acquiree and the equity interests issued by the Bank in exchange for control of the acquiree.

Foreign Currency

Foreign-currency assets and liabilities are recorded in their original currencies. Foreign-currency items in net income of domestic operating units are translated into New Taiwan dollars at prevailing exchange rates at the dates of the transactions. For overseas branches (including the OBU), foreign-currency items in net income from transactions settled in currencies other than the entity's functional currency are translated into the entity's functional currency at prevailing exchange rates at the dates of the transactions.

At the balance sheet date, foreign-currency monetary assets and liabilities are translated at prevailing exchange rates, and the exchange differences are recognized as gain or loss.

When foreign-currency assets and liabilities are settled, exchange differences arising from the application of different exchange rates are recognized as gain or loss for the current year.

The financial statements of foreign operations (including foreign branches, the OBU and foreign subsidiaries) are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - at exchange rates prevailing on the balance sheet date. The beginning balance of current year's earnings of foreign branches and the OBU not yet remitted to the head office - the same as the ending balance of the prior years' earnings; and Income and expenses - at average exchange rates for the period. Exchange differences arising from the translation of the financial statements of foreign branches are recognized as other comprehensive income-exchange differences on translating foreign operations.

Investment Accounted for Using Equity Method

Investments in associates are accounted for using the equity method of accounting.

An associate is an entity over which the Bank and its subsidiaries have significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

An investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Bank and its subsidiaries' share of the profit or loss and other comprehensive income of the associate. The Bank and its subsidiaries also recognize the changes in the Bank and its subsidiaries' share of equity of associates.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Intangible assets acquired in a business combination are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets with finite useful lives are reported at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Bank expects to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives are measured at cost less accumulated impairment loss.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Bank and its subsidiaries review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units under a reasonable and consistent basis.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When the recoverable amount increases in a subsequent period, the reversal of an impairment loss is recognized immediately in profit or loss. The carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

Securities Purchased/Sold Under Resale/Repurchase Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest expenses and interest revenues are recognized on the accrual basis.

Financial Instruments

Financial assets and financial liabilities are recognized when the Bank and its subsidiaries become a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately as expense.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a. Measurement category

Financial assets are classified into the following specified categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables.

Cash equivalent includes investments with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and time deposits be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank and subsidiaries' documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement, and any dividend or interest earned on the financial asset recognized in profit or loss.

2) Held-to-maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank and its subsidiaries have the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Interest revenues of available-for-sale bond investments calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Bank's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss and are recognized in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit or loss.

4) Loans and receivables

Loans and receivables (including receivables, discounts and loans, nonaccrual loans other than discounts and loans, and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It is becoming probable that the borrower will undergo bankruptcy or financial reorganization; or
- Disappearance of an active market for that financial asset because of financial difficulties.

1) Financial assets measured at amortized cost

For discounts and loans and receivables, assets are assessed for impairment on a collective basis even if they were assessed as not impaired individually. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on loans and receivables.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. If the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2) Available-for-sale financial assets

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3) Financial assets measured at cost

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of discounts and loans, receivables and nonaccrual loans other than discounts and loans, where the carrying amount is reduced through an allowance account.

The Bank evaluates possible losses on specific loans on the basis of the borrowers' financial situation, their ability to repay principals and interests, and the values of collaterals in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" (the "Regulations"). The Regulations require that loans should be categorized by collectability and specify the minimum allowance for possible losses and reserve for guarantee obligations using prescribed percentages.

When a loan or receivable is considered uncollectable, it may be written off on the approval of the Bank's Board of Directors or Managing Directors. The subsequent collections of written-off loans are credited against provision for possible losses.

c. Derecognition of financial assets

The Bank and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the financial asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Equity instruments

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recognized at the proceeds received, net of transaction costs.

Financial liabilities

a. Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

1) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading. Any gains or losses arising on remeasurement, including interest paid on the financial liability, are recognized in profit or loss.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Bank are initially recognized at their amortized cost if it is not designated as at fair value through profit or loss. The contract would be measured at higher of the best estimate of the obligation or the amount initially recognized less cumulative amortization recognized only when the Bank might have to pay obligation contract price.

b. Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, and any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Euro convertible bonds

Euro Convertible Bonds that contain both liability and conversion option derivative components are classified separately into respective items on initial recognition. The conversion option that will be settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the Bank's own equity instruments is classified as a conversion option derivative.

In subsequent periods, the liability component of the Euro Convertible Bonds is measured at amortized cost using the effective interest method. The conversion option derivative is measured at fair value and the changes in fair value are recognized in profit or loss.

Transaction costs related to the issuance of Euro Convertible Bonds are included in the carrying amount of the liability component and are amortized over the lives of Euro Convertible Bonds using the effective interest method.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss. Derivative financial instruments do not apply hedge accounting are recognized as financial assets or liabilities held for trading. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

Levies

A levy imposed by a government is accrued as payables when the transaction or activity that triggers the payment of the levy occurs.

Provisions

Provisions are recognized when the Bank and its subsidiaries have a present obligation as a result of a past event, it is probable that the Bank and its subsidiaries will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue Recognition

Interest revenues from discounts and loans is recorded on the accrual basis. For nonaccrual loans, interest revenues are recognized only when collections on these obligations are made. Under the regulations of the Banking Bureau under the Financial Supervisory Commission, the interest revenues on credits covered by agreements that extend their maturity is recorded as deferred income and recognized upon collection.

Service fee income is recognized as loans are provided or services have been completed.

The gain or loss on the disposal or recovery of acquired receivables is accounted for by the effective interest method.

When the Bank and its subsidiaries acquires non-performing loans from other financial institutions, revenue related to recovery of non-performing loans is recognized using the cost-recovery method.

Retirement Benefit

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement plans are determined using the projected unit credit method. Service cost (including current service cost and net interest) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Bank's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Income Tax

Income tax expense represents the sum of current tax payable and deferred tax.

a. Current tax expense

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

An additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax expense

Deferred tax expense represents adjustments to deferred tax assets and liabilities.

Deferred tax assets or liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank and its subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

c. Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of accounting policies, management is required to make essential judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimating impairment of discounts and loans and receivables

When there is objective evidence of impairment loss, the Bank and its subsidiaries take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, an additional impairment loss may arise.

b. Estimating impairment of operation rights

Determining whether operation rights are impaired requires an estimation of the value in use of the cash-generating units to which operation rights have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

c. Fair value of financial instruments

The Bank's management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, models were based on quoted market rates adjusted for specific features of the instruments. Other financial instruments were valued using a discounted cash flow analysis based on models supported, where possible, by observable market prices or rates. Note 43 provides detailed information about the key models used in the determination of the fair value of financial instruments. The Bank's management believes that the chosen valuation techniques and models used are appropriate in determining the fair value of financial instruments.

d. Income tax

The use of deferred income tax assets mainly depends on future taxable income and the possible timing and level of taxable temporary differences, along with future income tax strategies.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	\$ 2,889,476	\$ 3,843,981
Notes and checks for clearing	2,018,305	983,840
Deposits due from other banks	3,623,344	2,449,574
Balance with other banks	<u>162,496</u>	<u>84,483</u>
	<u>\$ 8,693,621</u>	<u>\$ 7,361,878</u>

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2017	2016
Due from the central bank - certificates of deposit	\$ 125,000	\$ 8,325,000
Due from other banks	5,281,521	5,672,478
New Taiwan dollar reserve deposits - Type A	6,272,154	5,864,768
New Taiwan dollar reserve deposits - Type B	10,353,759	9,839,141
Foreign-currency reserve deposits	118,969	128,207
Due from foreign central bank	<u>199,680</u>	<u>2,915,166</u>
	<u>\$ 22,351,083</u>	<u>\$ 32,744,760</u>

The reserve deposits are required by law and determined at a prescribed percentage of the monthly average balances. The Type B reserve deposits can be withdrawn only when the balances are adjusted monthly. The Type A and foreign-currency reserve deposits can be withdrawn on demand but bear no interest. Due from foreign Central Bank is the HKD clearing settlement account which the Bank's Hong Kong branch opened in Hong Kong Monetary Authority. The account can be withdrawn on demand but bear no interest.

As of December 31, 2017 and 2016, due from the central bank and other banks falling in the definition of IAS 7 "cash and cash equivalents" (i.e. short-term, highly liquid investments, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value); amounted to \$11,872,324 thousand and \$14,580,619 thousand, respectively, and were included in cash and cash equivalents in the consolidated statements of cash flows.

The assets pledged as collateral are disclosed in Note 38.

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
<u>Financial assets at fair value through profit or loss</u>		
Financial assets held for trading		
Non-derivative financial assets		
Commercial paper	\$ 13,979,621	\$ 6,913,572
Domestic government bond	5,238,586	2,303,992
Negotiable certificates of deposit	1,850,666	2,430,175
Stock listed on TWSE and TPEx	347,783	151,537
Domestic beneficiary certificates	<u>50,473</u>	<u>25,673</u>
	<u>21,467,129</u>	<u>11,824,949</u>
Derivative financial assets		
Foreign-currency swap contracts	950,685	2,614,378
Domestic convertible (exchangeable) bond asset swap contracts	766,433	1,509,128
Interest rate swap contracts	721,496	1,063,986
Currency option contracts	296,384	894,369
Forward exchange contracts	149,661	214,019
Others	<u>176,507</u>	<u>229,288</u>
	<u>3,061,166</u>	<u>6,525,168</u>
<u>Financial assets designated as at fair value through profit or loss</u>		
Convertible (exchangeable) bonds	<u>5,680,038</u>	<u>15,479,988</u>
Total financial assets at fair value through profit or loss	<u>\$ 30,208,333</u>	<u>\$ 33,830,105</u>
<u>Financial liabilities at fair value through profit or loss</u>		
Non-derivative financial liabilities		
Settlement coverage bonds payable of short sale	\$ <u>50,241</u>	\$ <u>-</u>
Derivative financial liabilities		
Convertible (exchangeable) bond option contracts	2,125,712	3,587,781
Foreign-currency swap contracts	1,161,278	2,125,383
Interest rate swap contracts	545,246	823,203
Currency option contracts	283,706	927,605
Forward exchange contracts	80,710	192,576
Others	<u>72,228</u>	<u>297,994</u>
	<u>4,268,880</u>	<u>7,954,542</u>
Total financial liabilities at fair value through profit or loss	<u>\$ 4,319,121</u>	<u>\$ 7,954,542</u>

The Bank engages in derivative transactions mainly to trade, to accommodate customers' needs and to manage exposures due to exchange rate and interest rate fluctuations. The Bank's financial risk management strategy is to hedge most of its exposure to market risk.

Outstanding derivative contract (nominal) amounts were as follows:

	December 31	
	2017	2016
Foreign-currency swap contracts	\$ 312,727,831	\$ 320,907,855
Interest rate swap contracts	121,214,106	132,957,199
Currency option contracts	57,406,578	95,282,700
Credit default swap contracts	18,028,192	23,884,949
Forward exchange contracts	16,842,966	13,947,329
Cross-currency swap contracts	8,413,280	8,008,710
Convertible (exchangeable) bond option contracts	8,122,800	30,424,500
Foreign convertible bond asset swap contracts	5,337,816	8,170,732
Interest rate option contracts	4,492,400	5,613,950
Domestic convertible (exchangeable) bond asset swap contracts	4,015,800	15,666,104
Bond futures	1,116,080	-
Non-deliverable forward contracts	356,566	1,647,967
Commodity forward contracts	-	189,823

9. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	December 31	
	2017	2016
Government bonds	\$ 7,852,936	\$ 5,658,812
Negotiable certificates of deposit	2,719,046	300,067
Commercial paper	<u>499,411</u>	<u>437,777</u>
	<u>\$ 11,071,393</u>	<u>\$ 6,396,656</u>
Resale date	2018.01.02- 2018.01.30	2017.01.03- 2017.01.20
Resale price	<u>\$ 11,074,058</u>	<u>\$ 6,397,911</u>

The total carrying amounts shown above have been included as cash and cash equivalents in consolidated statements of cash flows.

10. RECEIVABLES, NET

	December 31	
	2017	2016
Credit card	\$ 15,045,932	\$ 14,662,176
Factoring	4,843,249	4,099,904
Interest	917,409	763,127
Spot exchange transactions	598,100	573,306
Convertible bond redemption	569,629	727,793
Acquired receivables	474,151	445,695
Acceptances	421,416	318,477
Lease receivables	350,625	92,581
Entrustment loans	175,574	207,249
Proceeds from disposal of securities	154,944	318,732

(Continued)

	December 31	
	2017	2016
Disbursement of derivative instrument settlement	\$ 20,229	\$ 578,302
Land development	-	724,920
Others	<u>335,675</u>	<u>453,640</u>
	23,906,933	23,965,902
Less: Allowance for possible losses (Note 11)	<u>1,156,064</u>	<u>1,118,660</u>
	<u>\$ 22,750,869</u>	<u>\$ 22,847,242</u>
		(Concluded)

Land development receivables refer to contracts between the Far Eastern Asset Management Co., Ltd. (FEAMC), a Bank subsidiary, and others. Under these contracts, FEAMC had funded and obtained related land mortgages.

11. DISCOUNTS AND LOANS, NET

	December 31	
	2017	2016
Negotiations, discounts and overdraft	\$ 100,576	\$ 90,968
Short-term loans	69,042,425	79,964,607
Medium-term loans	124,489,833	124,444,055
Long-term loans	161,806,758	156,199,322
Nonaccrual loans	<u>501,027</u>	<u>296,544</u>
	355,940,619	360,995,496
Less: Allowance for possible losses	<u>4,883,857</u>	<u>5,031,824</u>
	<u>\$ 351,056,762</u>	<u>\$ 355,963,672</u>

Movements of allowance for possible losses on discounts and loans and others (including receivables and other financial assets) were as follows:

	Discounts and Loans	Others	Total
<u>For the year ended December 31, 2017</u>			
Balance, January 1, 2017	\$ 5,031,824	\$ 1,118,674	\$ 6,150,498
Provision for possible losses	373,153	830,783	1,203,936
Amounts written-off	(466,510)	(743,155)	(1,209,665)
Effects of exchange rate changes	<u>(54,610)</u>	<u>(50,050)</u>	<u>(104,660)</u>
Balance, December 31, 2017	<u>\$ 4,883,857</u>	<u>\$ 1,156,252</u>	<u>\$ 6,040,109</u>
<u>For the year ended December 31, 2016</u>			
Balance, January 1, 2016	\$ 4,532,791	\$ 802,021	\$ 5,334,812
Provision for possible losses	797,071	511,490	1,308,561
Amounts written-off	(284,943)	(190,894)	(475,837)
Effects of exchange rate changes	<u>(13,095)</u>	<u>(3,943)</u>	<u>(17,038)</u>
Balance, December 31, 2016	<u>\$ 5,031,824</u>	<u>\$ 1,118,674</u>	<u>\$ 6,150,498</u>

The details of the provision (reversal of provision) for possible losses were as follows:

			For the Year Ended December 31	
			2017	2016
Provision for possible losses - discounts and loans		\$	373,153	\$ 797,071
Provision for possible losses - others			830,783	511,490
Provision (reversal of provision) for possible losses - reserve for guarantee obligations			11,407	(8,396)
Less: Amounts recovered - discounts and loans			257,773	601,852
Less: Amounts recovered - others			<u>225,723</u>	<u>246,312</u>
			<u>\$ 731,847</u>	<u>\$ 452,001</u>

For the years ended December 31, 2017 and 2016, the Bank and its subsidiaries had no written-off credits for which legal proceedings had not been initiated.

The Bank and its subsidiaries' financial assets were assessed for impairment loss on the basis of credit risk characteristics of financial assets. The results were as follows:

Discounts and loans

Item		December 31, 2017		December 31, 2016	
		Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses
With objective evidence of individual impairment	Assessed individually	\$ 1,603,535	\$ 563,826	\$ 1,602,953	\$ 632,201
	Assessed by portfolio	1,937,024	441,292	2,000,020	424,435
Without objective evidence of individual impairment	Assessed individually	3,193,736	31,937	5,553,075	55,531
	Assessed by portfolio	349,206,324	3,846,802	351,839,448	3,919,657
Total		\$ 355,940,619	\$ 4,883,857	\$ 360,995,496	\$ 5,031,824

Others (including receivables, other financial assets and debt investments with no active market)

Item		December 31, 2017		December 31, 2016	
		Others	Allowance for Possible Losses	Others	Allowance for Possible Losses
With objective evidence of individual impairment	Assessed individually	\$ 657,574	\$ 580,751	\$ 1,152,835	\$ 505,212
	Assessed by portfolio	1,465,738	493,309	1,626,539	529,476
Without objective evidence of individual impairment	Assessed individually	9,533,501	7,210	12,570,280	4,805
	Assessed by portfolio	18,842,391	74,982	17,688,134	79,181
Total		\$ 30,499,204	\$ 1,156,252	\$ 33,037,788	\$ 1,118,674

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

			December 31	
			2017	2016
Negotiable certificates of deposit issued by the central bank		\$	62,523,204	\$ 45,764,676
Domestic government bonds			23,884,945	11,920,299
Foreign bank debentures			21,006,259	20,523,215
Foreign government bonds			1,458,459	936,545
Stocks listed on TWSE and TPEX			709,311	449,971
Beneficiary certificates			<u>49,400</u>	<u>-</u>
			<u>\$ 109,631,578</u>	<u>\$ 79,594,706</u>

Some of the available-for-sale foreign bank debentures and foreign government bonds were traded with repurchase agreements, and the carrying amounts were as follows (please refer to Note 21 for the related information on repurchase agreements):

	December 31	
	2017	2016
Foreign bank debentures	<u>\$ 12,366,170</u>	<u>\$ 13,437,411</u>
Foreign government bonds	<u>\$ 1,162,801</u>	<u>\$ 936,545</u>

The assets pledged as collaterals are disclosed in Note 38.

13. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2017	2016
Foreign bank debentures	\$ 1,479,602	\$ 1,924,971
Foreign corporate bonds	<u>655,644</u>	<u>705,664</u>
	<u>\$ 2,135,246</u>	<u>\$ 2,630,635</u>

14. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2017		2016	
	Amount	% of Ownership	Amount	% of Ownership
Dah Chung Bills Finance Corp.	\$ 1,646,555	22.06	\$ 1,604,159	22.06
Deutsche Far Eastern Asset Management Co., Ltd.	<u>127,511</u>	40.00	<u>98,061</u>	40.00
	<u>\$ 1,774,066</u>		<u>\$ 1,702,220</u>	

Deutsche Far Eastern Asset Management Co., Ltd. reduced its capital to cover accumulated deficit and increased capital by cash in September 2017; the Bank participated in the capital increase and invested \$28,980 thousand according to the proportion of shares held.

The above associates are individually immaterial to the Bank and its subsidiaries; the shares of the Bank and its subsidiaries in these associates' financial performance are summarized as follows:

	For the Year Ended December 31	
	2017	2016
Net income from continuing operation	\$ 103,337	\$ 85,454
Other comprehensive income	<u>9,114</u>	<u>(12,623)</u>
Total comprehensive income	<u>\$ 112,451</u>	<u>\$ 72,831</u>

15. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Foreign convertible bond asset swap contracts - master agreement	\$ 5,337,816	\$ 8,170,732
Convertible bonds	742,300	-
Credit-linked notes - master agreement	<u>596,960</u>	<u>-</u>
	<u>\$ 6,677,076</u>	<u>\$ 8,170,732</u>

16. OTHER FINANCIAL ASSETS, NET

	December 31	
	2017	2016
Nonaccrual loans other than discounts and loans	\$ 261	\$ 80
Less: Allowance for possible losses (Note 11)	<u>188</u>	<u>14</u>
	73	66
Refundable deposits	2,312,331	3,359,981
Deposits with original maturity more than 3 months	640,779	554,760
Interbank clearing account	600,941	600,307
Financial assets carried at cost	<u>113,636</u>	<u>155,701</u>
	<u>\$ 3,667,760</u>	<u>\$ 4,670,815</u>

The assets pledged as collaterals are disclosed in Note 38.

Financial assets carried at cost consist of the following domestic unlisted common stocks:

	December 31	
	2017	2016
Yuan Hsin Digital Payment Co., Ltd.	\$ 62,263	\$ 54,322
Financial Information Service Co., Ltd.	45,500	45,500
An Feng Enterprise Co., Ltd.	3,000	3,000
Sunshine Asset Management Co., Ltd.	2,073	2,073
Taipei Forex Inc.	800	800
ERA Communications Co., Ltd.	<u>-</u>	<u>50,006</u>
	<u>\$ 113,636</u>	<u>\$ 155,701</u>

The above equity investments, which had no quoted prices in active market or fair values that could be reliably measured, were measured at cost.

The Bank disposed of ERA Communications Co., Ltd. in July 2017; the disposal price was \$51,496 thousand and the disposal gain was \$1,490 thousand.

The Bank recognized an impairment loss of \$17,009 thousand and \$20,528 thousand in Yuan Hsin Digital Payment Co., Ltd. in September 2017 and August 2016, respectively, and increased investment it by \$24,950 thousand in September 2017.

17. PROPERTY AND EQUIPMENT, NET

For the Year Ended December 31, 2017							
	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
<u>Cost</u>							
Beginning balance	\$ 1,581,625	\$ 1,247,533	\$ 1,584,981	\$ 3,364	\$ 1,530,469	\$ 31,495	\$ 5,979,467
Additions	-	1,130	143,251	67	53,143	26,871	224,462
Disposals	-	(811)	(57,083)	(889)	(69,125)	-	(127,908)
Others	-	-	43,343	-	(7,146)	(41,801)	(5,604)
Ending balance	<u>1,581,625</u>	<u>1,247,852</u>	<u>1,714,492</u>	<u>2,542</u>	<u>1,507,341</u>	<u>16,565</u>	<u>6,070,417</u>
<u>Accumulated depreciation</u>							
Beginning balance	-	601,642	1,151,444	3,202	1,333,505	-	3,089,793
Depreciation	-	23,721	129,477	106	66,892	-	220,196
Disposals	-	(808)	(56,979)	(888)	(66,249)	-	(124,924)
Others	-	-	1,753	-	(5,793)	-	(4,040)
Ending balance	-	<u>624,555</u>	<u>1,225,695</u>	<u>2,420</u>	<u>1,328,355</u>	-	<u>3,181,025</u>
Net ending balance	<u>\$ 1,581,625</u>	<u>\$ 623,297</u>	<u>\$ 488,797</u>	<u>\$ 122</u>	<u>\$ 178,986</u>	<u>\$ 16,565</u>	<u>\$ 2,889,392</u>

For the Year Ended December 31, 2016							
	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
<u>Cost</u>							
Beginning balance	\$ 1,581,625	\$ 1,246,142	\$ 1,457,085	\$ 4,136	\$ 1,481,303	\$ 25,776	\$ 5,796,067
Additions	-	1,391	112,409	-	65,718	67,571	247,089
Disposals	-	-	(42,913)	(772)	(17,983)	-	(61,668)
Others	-	-	58,400	-	1,431	(61,852)	(2,021)
Ending balance	<u>1,581,625</u>	<u>1,247,533</u>	<u>1,584,981</u>	<u>3,364</u>	<u>1,530,469</u>	<u>31,495</u>	<u>5,979,467</u>
<u>Accumulated depreciation</u>							
Beginning balance	-	577,275	1,086,408	3,874	1,287,818	-	2,955,375
Depreciation	-	24,367	109,119	100	64,660	-	198,246
Disposals	-	-	(42,850)	(772)	(17,870)	-	(61,492)
Others	-	-	(1,233)	-	(1,103)	-	(2,336)
Ending balance	-	<u>601,642</u>	<u>1,151,444</u>	<u>3,202</u>	<u>1,333,505</u>	-	<u>3,089,793</u>
Net ending balance	<u>\$ 1,581,625</u>	<u>\$ 645,891</u>	<u>\$ 433,537</u>	<u>\$ 162</u>	<u>\$ 196,964</u>	<u>\$ 31,495</u>	<u>\$ 2,889,674</u>

The above items of property and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings and improvements	5 to 55 years
Computer equipment	3 to 7 years
Transportation equipment	3 to 7 years
Miscellaneous equipment	2 to 20 years

18. INTANGIBLE ASSETS, NET

	December 31	
	2017	2016
Operation rights	\$ 1,538,210	\$ 1,538,210
Fair value of core deposits	<u>428,887</u>	<u>428,887</u>
	1,967,097	1,967,097
Less: Accumulated amortization	<u>242,012</u>	<u>216,529</u>
	<u>\$ 1,725,085</u>	<u>\$ 1,750,568</u>

In April 2010, the Bank acquired the assets and liabilities of Chinfon Bank, classified as Package B of Chinfon Bank, through a bidding process. The acquired management and operation rights of Chinfon Bank's branches have indefinite useful life, while the fair value of core deposits is amortized over 4 to 15 years.

The Bank assessed the operation rights of branches have indefinite useful life, and the operation rights are expected to generate net cash flows continuously; therefore, the operation rights are not amortized annually.

The Bank's operation rights are tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value in use. To reflect risks specific to the operation right, the value in use was then calculated using the discounted cash flows based on the Bank's financial forecast, and no impairment after tested. For the years ended December 31, 2017 and 2016, the Bank did not recognize any impairment loss on its operation rights.

19. OTHER ASSETS

	December 31	
	2017	2016
Prepaid expenses	\$ 167,698	\$ 183,783
Others	<u>32,444</u>	<u>38,616</u>
	<u>\$ 200,142</u>	<u>\$ 222,399</u>

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2017	2016
Call loans to banks	\$ 6,601,520	\$ 7,120,246
Due to banks	231,834	273,147
Overdraft	<u>127,420</u>	<u>38,801</u>
	<u>\$ 6,960,774</u>	<u>\$ 7,432,194</u>

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2017	2016
Foreign bank debentures (Note 12)	\$ 11,785,554	\$ 12,778,986
Foreign government bonds (Note 12)	<u>1,135,810</u>	<u>932,237</u>
	<u>\$ 12,921,364</u>	<u>\$ 13,711,223</u>
Repurchase date	2018.01.08- 2018.01.29	2017.01.06- 2017.02.13
Repurchase price	<u>\$ 12,943,304</u>	<u>\$ 13,740,566</u>

22. PAYABLES

	December 31	
	2017	2016
Notes and checks for clearing	\$ 2,018,305	\$ 983,840
Accrued expenses	1,265,570	1,288,096
Accrued interest	964,691	689,244
Accounts payable factoring	898,253	1,584,075
Liabilities on bank acceptances	421,416	318,477
Securities settlement payables	267,124	161,044
Others	<u>652,926</u>	<u>775,098</u>
	<u>\$ 6,488,285</u>	<u>\$ 5,799,874</u>

23. DEPOSITS AND REMITTANCES

	December 31	
	2017	2016
Checking deposits	\$ 2,913,365	\$ 2,565,514
Demand deposits	71,810,392	60,996,741
Demand savings	63,329,655	62,602,212
Time savings	80,875,765	84,813,962
Negotiable certificates of deposit	6,387,500	16,898,500
Time deposits	246,743,099	224,821,525
Remittances	<u>332,407</u>	<u>22,006</u>
	<u>\$ 472,392,183</u>	<u>\$ 452,720,460</u>

24. BANK DEBENTURES

	December 31	
	2017	2016
Domestic bank debentures	\$ 18,601,900	\$ 22,601,900
Euro Convertible Bonds	<u>1,614,764</u>	<u>1,707,457</u>
	<u>\$ 20,216,664</u>	<u>\$ 24,309,357</u>

Domestic Bank Debentures

Item	Issuance Period	Note	December 31	
			2017	2016
Subordinated bank debentures - seven-year maturity; first issue in 2010	2010.05.18-2017.05.18	Interest payable on May 18 each year; fixed interest rate at 2.98%	\$ -	\$ 2,000,000
Subordinated bank debentures - seven-year maturity; second issue in 2010	2010.09.29-2017.09.29	Interest payable on September 29 each year; fixed interest rate at 2.10%	-	2,000,000
Subordinated bank debentures - seven-year maturity; first issue in 2011	2011.11.10-2018.11.10	Interest payable on November 10 each year; fixed interest rate at 1.95%	3,500,000	3,500,000
Subordinated bank debentures - seven-year maturity; first issue in 2012	2012.06.27-2019.06.27	Interest payable on June 27 each year; fixed interest rate at 1.75%	3,000,000	3,000,000

(Continued)

Item	Issuance Period	Note	December 31	
			2017	2016
Subordinated bank debentures - seven-year maturity; first issue in 2013	2013.11.06-2020.11.06	Interest payable on November 6 each year fixed interest rate at 2.10%	\$ 4,000,000	\$ 4,000,000
Subordinated bank debentures - seven-year maturity; first issue in 2014	2014.12.23-2021.12.23	Interest payable on December 23 each year fixed interest rate at 2.05%	1,100,000	1,100,000
Subordinated bank debentures - seven-year maturity; first issue in 2015	2015.09.30-2022.09.30	Interest payable on September 30 each year fixed interest rate at 1.95%	3,000,000	3,000,000
Subordinated bank debentures - seven-year maturity; first issue in 2016	2016.09.27-2023.09.27	Interest payable on September 27 each year fixed interest rate at 1.55%	4,000,000	4,000,000
Subordinated bank debentures - seven-year maturity; 1-1 issue in 2005; acquired from Chinfon Bank	Matured on 2012.06.28	-	1,660	1,660
Subordinated bank debentures - seven-year maturity; 1-1 issue in 2002; acquired from Chinfon Bank	Matured on 2009.06.28	-	240	240
Total bank debentures			<u>\$ 18,601,900</u>	<u>\$ 22,601,900</u> (Concluded)

Euro Convertible Bonds

On February 7, 2013 (the “Issuance Date”), the Bank issued five-year unsecured zero coupon convertible bonds (the “Bonds”) with a principal aggregating to US\$150,000 thousand; these bonds were listed on the Singapore Exchange Securities Trading Limited. The minimum lot size for the Bonds trading is US\$200 thousand. On the Issuance Date, the liability component of the Bonds amounted to \$4,009,661 thousand net of a discount of \$471,589 thousand but including transaction costs of \$38,252 thousand. The initial effective interest rate of the liability component was 2.63%. The derivative components of the Bonds (i.e. conversion right and redemption option) amounted to \$433,337 thousand. Other terms and conditions of the Bonds are described below:

a. Redemption at maturity

Unless the Bonds have been previously redeemed, converted or repurchased and canceled, the Bank shall redeem the Bonds at 101.89% of their principal amount in U.S. dollars on February 7, 2018 (the “Maturity Date”).

b. Redemption at the option of the Bank

- 1) After 30 months following issuance of the Bond, the Bank may redeem the Bonds in whole or piecemeal at the early redemption amount representing the principal of the Bonds with a gross yield if the closing prices of the Bank’s ordinary shares in Taiwan Stock Exchange (the “TWSE”), translated into U.S. dollars at the prevailing rates, within 20 out of 30 consecutive trading days, exceed 130% of the quotient of the early redemption amount divided by the number of ordinary shares to be issued upon conversion of the Bonds on the applicable trading day based on the conversion price then in effect, translated into U.S. dollars at the fixed exchange rate. The early redemption amount for the Bonds is so calculated to provide the bondholders a gross yield of 0.375% semi-annually.
- 2) The Bank may redeem all, but not a portion of, the Bonds at the early redemption amount if more than 90% of the Bonds has already been redeemed, converted or repurchased and canceled.
- 3) The Bank is obliged to pay additional amounts as a result of any change relating to taxation in the relevant jurisdiction or any change in the general application or official interpretation of tax laws or regulations, and this obligation cannot be avoided by the Bank even by taking reasonable measures.

c. Details of conversion

- 1) Converted shares: New ordinary shares of the Bank (the “Shares”).
- 2) Conversion period: Unless the Bonds have been previously redeemed, converted or repurchased and canceled, the Bonds are convertible to the Bank’s ordinary shares, at the option of the bondholder during the period from the 41st calendar day after the Bond issuance the 10th calendar day prior to the Maturity Date. However, the conversion right shall not be exercised during the following periods:
 - a) 60-day period prior to the date of the annual general shareholders’ meeting, 30-day period prior to the date of the special shareholders’ meeting, or 5-day period prior to the distribution record date of earnings or other bonus;
 - b) The period from 15 business days prior to the book closure dates for distributing stock dividend, cash dividend, or subscribing new shares to the ex-dividend or ex-right dates, or the period from the record date for capital reduction to one day prior to the resumption of trading of the reissued shares following the capital reduction; and
 - c) Any other period as determined by ROC laws.
- 3) Adjustments to conversion price: On any stock dilution or events stated in the Offering Memorandum that occur after the Issue Date, the conversion price shall be adjusted in accordance with the formula stated in the Offering Memorandum.
- 4) Conversion price: The original conversion price was NT\$15.24 per share (at the fixed exchange rate of NT\$29.569 to US\$1.00). The conversion price was further adjusted to NT\$10.57 per share as of December 31, 2017 because of the issuance of dividends and new shares for an overseas offering of Global Depository Receipts.
- 5) Redemption at the option of the bondholders:
 - a) Unless the Bonds have been early redeemed, converted or repurchased, each bondholder has a put right to require the Bank to redeem the Bonds in whole or in part at early redemption price after 30 months from issue date.
 - b) In the event that Bank’s shares cease to be listed or admitted to trading on the TWSE, each bondholder shall have the right to require the Bank to redeem the Bonds in whole or in part.
 - c) If the Bank has a change of control, each bondholder shall have the right to require the Bank to redeem the Bonds in whole or in part.

25. OTHER FINANCIAL LIABILITIES

	December 31	
	2017	2016
Principal of structured notes	\$ 6,482,513	\$ 4,938,656
Bank loan - December 31, 2017: 1.20% - 6.50%;		
December 31, 2016: 1.20% - 4.57%	561,067	989,976
Deposit received	373,195	326,773
Commercial paper	<u>-</u>	<u>129,964</u>
	<u>\$ 7,416,775</u>	<u>\$ 6,385,369</u>

The status of commercial paper was as follows: (2017: Nil)

	December 31, 2016
International Bills Finance Corp.	\$ 50,000
Shin Kong Commercial Bank	40,000
Mega Bills Finance Corp.	40,000
Less: Unamortized discount on commercial paper	<u>36</u>
	<u>\$ 129,964</u>
Interest rates	1.188% - 1.208%

26. PROVISIONS

	December 31	
	2017	2016
Reserve for employee benefits liability - defined benefit plans (Note 27)	\$ 940,747	\$ 1,064,831
Reserve for obligations guarantee	<u>186,369</u>	<u>175,447</u>
	<u>\$ 1,127,116</u>	<u>\$ 1,240,278</u>

27. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension plan under the Labor Pension Act (the “LPA”) is a defined contribution plan. For employees subjected to LPA, the Bank makes contributions to their individual pension accounts in the Department of Labor at 6% of their monthly salaries and wages.

b. Defined benefit plans

The Bank adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Bank contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Bank assesses the pension fund balance. If the balance is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds (the “Bureau”) under the Ministry of Labor; the Bank has no right to influence the investment policy and strategy.

The amounts of employee benefits included in the consolidated balance sheets were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	\$ 1,259,285	\$ 1,381,862
Fair value of plan assets	<u>(318,538)</u>	<u>(317,031)</u>
Reserve for employee benefits liability	<u>\$ 940,747</u>	<u>\$ 1,064,831</u>

Movements in defined benefit plan were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Employee Benefit
Balance at January 1, 2017	<u>\$ 1,381,862</u>	<u>\$ (317,031)</u>	<u>\$ 1,064,831</u>
Service cost			
Current service cost	12,016	-	12,016
Net interest expense (revenue)	<u>16,651</u>	<u>(4,002)</u>	<u>12,649</u>
Recognized in profit or loss	<u>28,667</u>	<u>(4,002)</u>	<u>24,665</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	936	936
Actuarial loss - experience adjustments	17,769	-	17,769
Actuarial loss - changes in demographic assumptions	<u>(74,533)</u>	<u>-</u>	<u>(74,533)</u>
Recognized in other comprehensive income	<u>(56,764)</u>	<u>936</u>	<u>(55,828)</u>
Contributions from the employer	-	(18,013)	(18,013)
Contributions from merged FELIA and FEPIA	-	(3,120)	(3,120)
Contributions from plan assets	(22,692)	22,692	-
Contributions from provisions	<u>(71,788)</u>	<u>-</u>	<u>(71,788)</u>
Balance at December 31, 2017	<u>\$ 1,259,285</u>	<u>\$ (318,538)</u>	<u>\$ 940,747</u>
Balance at January 1, 2016	<u>\$ 1,258,805</u>	<u>\$ (315,522)</u>	<u>\$ 943,283</u>
Service cost			
Current service cost	11,423	-	11,423
Net interest expense (revenue)	<u>21,513</u>	<u>(4,854)</u>	<u>16,659</u>
Recognized in profit or loss	<u>32,936</u>	<u>(4,854)</u>	<u>28,082</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	2,667	2,667
Actuarial loss - experience adjustments	55,085	-	55,085
Actuarial loss - changes in demographic assumptions	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Recognized in other comprehensive income	<u>135,085</u>	<u>2,667</u>	<u>137,752</u>
Contributions from the employer	-	(18,533)	(18,533)
Contributions from plan assets	(19,211)	19,211	-
Contributions from provisions	<u>(25,753)</u>	<u>-</u>	<u>(25,753)</u>
Balance at December 31, 2016	<u>\$ 1,381,862</u>	<u>\$ (317,031)</u>	<u>\$ 1,064,831</u>

The calculation of the present value of the defined benefit obligation was carried out by qualified actuaries. The principal assumptions used in the actuarial valuations were as follows:

	December 31	
	2017	2016
Discount rates	1.75%	1.25%
Expected rates of salary increase	3.00%	3.00%

Had there been a possible reasonable change in each of the significant actuarial assumptions and all other assumptions remained constant, the present value of the defined benefit obligation would have increased (decreased) as follows:

	December 31,	
	2017	2016
Discount rates		
0.50% increase	<u>\$ (68,810)</u>	<u>\$ (80,000)</u>
0.50% decrease	<u>\$ 74,533</u>	<u>\$ 86,973</u>
Expected rates of salary increase		
0.50% increase	<u>\$ 73,251</u>	<u>\$ 85,034</u>
0.50% decrease	<u>\$ (68,348)</u>	<u>\$ (79,088)</u>

The sensitivity analysis presented above might not have been representative of the actual change in the present value of the defined benefit obligation because it was unlikely that the change in assumptions occurred in isolation of one another, i.e., some of the assumptions might have been correlated.

The expected contribution to the plan for the next year is \$18,746 thousand, and the average duration of the defined benefit obligation is 11.5 years.

The Bank is exposed to the following risks on its defined benefit plan managed by the Bureau:

- 1) Risk on investment: The investment income of benefit plan assets affects the plan fair value and contribution status. That is, a higher investment income increases the fair value of plan assets and decreases net defined benefits liabilities (or increases net assets) and thus improves contribution status. In contrast, a lower investment income or investment loss is unfavorable to the contribution status of benefit the plan.
- 2) Risk on interest fluctuations: The discount rate used in calculating the present value of defined benefit obligations is determined by the mainly pertains to the yields of the ROC government. A decrease in discount rate will increase the present value of defined benefit obligations.
- 3) Risk on salary fluctuations: As the defined benefit obligation was determined by the salaries of plan members before their retirement, the expected increase in salary should then be considered in the calculation. Thus, an increase in the expected rate for salary increase will result in a rise in the present values of defined benefit obligations.

28. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2017	2016
Authorized shares (in thousands)	<u>4,500,000</u>	<u>4,500,000</u>
Authorized capital	<u>\$ 45,000,000</u>	<u>\$ 45,000,000</u>
Issued and paid shares (in thousands)	<u>3,182,929</u>	<u>3,111,367</u>
Issued capital	<u>\$ 31,829,286</u>	<u>\$ 31,113,672</u>

Issued ordinary shares with par value of \$10 are entitled to the right to vote and to receive dividends

The meeting of the Bank's shareholders on June 15, 2017 resolved to increase the Bank's capital by declaring a stock dividend of \$715,614 thousand. As a result, the Bank issued additional 71,561 thousand ordinary shares at a par value of NT\$10. After the issuance, the share capital of the Bank amounted to \$31,829,286 thousand.

It was resolved to increase the Bank's capital by granting a stock compensation of \$171,101 thousand to employees and declaring a stock dividend of \$606,649 thousand in the meetings of board of directors and of shareholders dated on March 24, 2016 and June 15, 2016, respectively. As a result, the Bank issued additional 78,124 thousand ordinary shares at a par value of NT\$10 per share. After the issuance, the share capital of the Bank totaled to \$31,113,672 thousand.

b. Capital surplus

The capital surplus arising from shares issued in excess of par and treasury stock transactions may be used to offset a deficit, or, if the Bank has no deficit, distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank's paid-in capital and once a year). However, capital surplus arising from investment accounted for using equity method may not be used for any purpose.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act approved in the shareholders' meetings on June 15, 2016, a legal reserve should be made first at an amount equal to 30% of the annual earnings after tax and dues, and a special reserve should then be made or reversed pursuant to regulatory requirement. The remaining annual earnings together with the prior-year accumulated undistributed earnings should be distributed to preference shareholders before it can be further distributed to ordinary shareholders. Finally, the board of directors may retain a portion of the undistributed earnings left at its discretion and proposes the earnings distribution to ordinary shareholders for current year to the shareholders' meetings for resolution.

According to the Bank's dividend policy, earning distribution proposal should be adjusted for factors such as the present environment and future operation plans, and cash dividends should not be less than 10% of total dividends declared.

The Banking Law provides that, unless legal reserve reached the Bank's paid-in capital, cash dividends are limited to 15% of paid-in capital.

Under the Company Law, legal reserve should be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. According to an amendment to the Company Law, when the Bank has no deficit and its legal reserve has exceeded 25% of its paid-in capital, the excess may be distributed in the form of stocks or cash.

An amount equal to the net debit balance of other items of shareholders' equity (including exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, and gain or loss on hedging instrument relating to effective portion of cash flow hedge) shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

According to Rule No. 10510001510 issued by the FSC on May 25, 2016, a special reserve accounted for 0.5% to 1.0% of the Bank's annual earnings should be made when making the appropriations of earnings for the years from 2016 to 2018 to cope with the staff transformation due to financial technology development. The Bank may reverse the special reserve at the same amount with the actual spending on transitioning or settling its employees since 2017.

The appropriations of earnings for the 2016 and 2015, which were approved in the shareholders' meetings on June 15, 2017 and June 15, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2016	2015	2016	2015
Legal reserve	\$ 973,166	\$ 1,080,304		
Appropriate (reversal) of special reserve	129,675	(87,191)		
Cash dividends	1,306,774	1,213,297	\$ 0.420	\$ 0.400
Stock dividends	<u>715,614</u>	<u>606,649</u>	0.230	0.200
	<u>\$ 3,125,229</u>	<u>\$ 2,813,059</u>		

If dividends distributed to foreign shareholders are from the earnings subject to an additional 10% income tax, the tax can be used by the foreign shareholders to reduce the final withholding tax on their dividends income.

The appropriations of earnings for 2017 had been proposed by the Bank's Board of Directors on March 21, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 856,165	
Reversal of special reserve	(214,292)	
Cash dividends	1,397,306	\$0.439
Stock dividends	<u>892,573</u>	0.271
	<u>\$ 2,931,752</u>	

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on June 20, 2018.

d. Other equity items

Movements of unrealized gain (loss) on available-for-sale financial assets under equity attributable to owners of the Bank were as follows:

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	\$ (344,477)	\$ (256,228)
Unrealized gain on available-for-sale financial assets	408,303	8,290
Cumulative gain (loss) reclassified to profit or loss on sale of available-for-sale financial assets	(50,499)	(84,587)
Share of unrealized gain (loss) on available-for-sale financial assets of associates	<u>9,528</u>	<u>(11,952)</u>
Balance, ending of year	<u>\$ 22,855</u>	<u>\$ (344,477)</u>

29. NET INTERESTS

	For the Year Ended December 31	
	2017	2016
Interest revenues		
Discounts and loans	\$ 7,764,549	\$ 7,415,504
Securities	1,110,544	908,434
Credit cards	819,965	840,409
Interest of inter-bank lending	101,624	57,580
Due from the central bank	66,480	276,585
Others	<u>194,769</u>	<u>130,707</u>
	<u>10,057,931</u>	<u>9,629,219</u>
Interest expenses		
Deposits and remittances	3,591,784	2,948,804
Bank debentures	445,663	448,622
Bonds under repurchase agreements	256,037	218,069
Structured products	219,021	112,388
Others	<u>140,552</u>	<u>116,914</u>
	<u>4,653,057</u>	<u>3,844,797</u>
	<u>\$ 5,404,874</u>	<u>\$ 5,784,422</u>

30. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2017	2016
Service fee income		
Wealth management	\$ 1,405,341	\$ 1,463,182
Credit business	1,022,157	1,064,349
Credit cards	951,500	976,659
Service fee, brokering	261,619	238,264
Others	<u>207,110</u>	<u>201,146</u>
	<u>3,847,727</u>	<u>3,943,600</u>

(Continued)

	For the Year Ended December 31	
	2017	2016
Service fee expense		
Benefit and chargeback fee	\$ 173,542	185,269
Visa and Master	152,078	165,400
Agency service fee	73,154	82,613
National credit card center fee	65,927	69,655
Credit investigation	45,994	43,154
Interbank service fee	42,091	39,666
Others	<u>142,614</u>	<u>161,226</u>
	<u>695,400</u>	<u>746,983</u>
	<u>\$ 3,152,327</u>	<u>\$ 3,196,617</u>
		(Concluded)

31. NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2017	2016
Realized gains	\$ 1,433,686	\$ 618,798
Valuation gains	160,180	566,152
Net interests	127,548	52,320
Dividends	<u>10,803</u>	<u>10,574</u>
	<u>\$ 1,732,217</u>	<u>\$ 1,247,844</u>

The aforementioned items include the fair value fluctuations on the Bank's financial assets designated at fair value through profit or loss and the derivative instruments that were collectively managed.

32. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2017	2016
Salaries and bonus	\$ 2,895,618	\$ 2,902,591
Employee insurance	236,749	228,686
Employees' compensation and remuneration of directors	169,400	186,201
Post-employment benefits (Note 27)	143,343	147,557
Human resource service fee	123,032	109,782
Others	<u>222,737</u>	<u>218,284</u>
	<u>\$ 3,790,879</u>	<u>\$ 3,793,101</u>

As of December 31, 2017 and 2016, the Bank and its subsidiaries had 2,754 and 2,776 employees, respectively. The number of employees is calculated on the same basis as employee benefits expense.

Pursuant to the Company Act amended in May 2015 and the amended Articles of Incorporation of the Bank approved by the shareholders' meeting in June 2016, the Bank accrues employees' compensation at the rates of 3.5 % - 4.5% and remuneration of directors at no higher than 1.5%, of net profit before income tax and such compensation, and remuneration. On March 21, 2018 the Bank's Board of Directors resolved to pay employees' compensation of \$126,300 thousand and remuneration of directors of \$42,100 thousand for the year ended December 31, 2017, both in cash. On March 21, 2017 the Bank's Board of Directors resolved to pay employees' compensation of \$134,000 thousand and remuneration of directors of \$44,600 thousand for the year ended December 31, 2016, both in cash.

If there is a change in the amounts after the financial statements for the year ended December 31, 2017 were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2016.

Information on the employees' compensation and remuneration of directors resolved by the Bank's Board of Directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

33. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2017	2016
Depreciation (Note 17)	<u>\$ 220,196</u>	<u>\$ 198,246</u>
Amortization	<u>\$ 27,946</u>	<u>\$ 28,202</u>

34. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2017	2016
Tax and government fees	\$ 578,778	592,241
Rental	440,427	442,110
Marketing and advertising	426,812	\$ 431,807
Software	184,352	193,093
Telecommunications	164,686	180,089
Others	<u>586,689</u>	<u>620,663</u>
	<u>\$ 2,381,744</u>	<u>\$ 2,460,003</u>

35. INCOME TAX EXPENSE

a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax expense		
Current period	\$ 367,768	\$ 549,654
Prior years	<u>(3,607)</u>	<u>1,354</u>
	364,161	551,008
Deferred tax expense		
Current period	50,823	21,809
Prior years	<u>(1,223)</u>	<u>(801)</u>
Deferred tax expense	<u>49,600</u>	<u>21,008</u>
Income tax expense recognized in profit or loss	<u>\$ 413,761</u>	<u>\$ 572,016</u>

A reconciliation of accounting income and income tax expense recognized in profit or loss is as follows:

	For the Year Ended December 31	
	2017	2016
Income before income tax	<u>\$ 3,267,644</u>	<u>\$ 3,815,902</u>
Income tax expense calculated at the statutory rate	\$ 580,792	\$ 660,860
Income from offshore banking unit (OBU)	(153,740)	(231,903)
Tax-exempted investment income	(373,349)	(269,888)
Tax-exempted other items	77,010	28,010
Loss carryforwards not recognized	(69,413)	(63,506)
Additional income tax under the Alternative Minimum Tax Act	324,786	326,548
Income tax on unappropriated earnings	365	78,867
Overseas branch income tax	29,482	34,143
Adjustments for prior years' tax	(4,830)	553
Others	<u>2,658</u>	<u>8,332</u>
Income tax expense recognized in profit or loss	<u>\$ 413,761</u>	<u>\$ 572,016</u>

The applicable tax rate used above is the corporate tax rate of 17% by the Bank.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

- b. Deferred tax revenue recognized in other comprehensive income

	December 31	
	2017	2016
Incurred in this year		
Remeasurement of defined benefit plans	\$ (9,491)	\$ 23,418
Exchange differences on translation of foreign currency	<u>4,226</u>	<u>-</u>
	<u>\$ (5,265)</u>	<u>\$ 23,418</u>

- c. The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2017

Deferred Tax Assets	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Ending Balance
Temporary differences				
Allowance for possible losses in excess of the limit	\$ 402,565	\$ (1,156)	\$ -	\$ 401,409
Defined benefit plans	158,608	(11,589)	(9,491)	137,528
Unrealized gain or loss on financial instruments	(43,551)	(3,739)	-	(47,290)
Others	<u>29,503</u>	<u>(5,026)</u>	<u>4,226</u>	<u>28,703</u>
	547,125	(21,510)	(5,265)	520,350
Unused loss carryforwards	<u>87,979</u>	<u>(23,827)</u>	<u>-</u>	<u>64,152</u>
	<u>\$ 635,104</u>	<u>\$ (45,337)</u>	<u>\$ (5,265)</u>	<u>\$ 584,502</u>

Deferred Tax Liabilities (Recognized as Other Liabilities)	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Ending Balance
Temporary differences				
Difference in revenue recognition	\$ (14,058)	\$ (955)	\$ -	\$ (15,013)
Income from equity investments under the equity method	<u>(88)</u>	<u>(3,308)</u>	<u>-</u>	<u>(3,396)</u>
	<u>\$ (14,146)</u>	<u>\$ (4,263)</u>	<u>\$ -</u>	<u>\$ (18,409)</u>

For the year ended December 31, 2016

Deferred Tax Assets	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Ending Balance
Temporary differences				
Allowance for possible losses in excess of the limit	\$ 380,704	\$ 21,861	\$ -	\$ 402,565
Defined benefit plans	137,830	(2,640)	23,418	158,608
Unrealized gain or loss on financial instruments	60,935	(104,486)	-	(43,551)
Others	<u>22,415</u>	<u>7,088</u>	<u>-</u>	<u>29,503</u>
	601,884	(78,177)	23,418	547,125
Unused loss carryforwards	<u>29,657</u>	<u>58,322</u>	<u>-</u>	<u>87,979</u>
	<u>\$ 631,541</u>	<u>\$ (19,855)</u>	<u>\$ 23,418</u>	<u>\$ 635,104</u>

Deferred Tax Liabilities (Recognized as Other Liabilities)	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Ending Balance
Temporary differences				
Difference in revenue recognition	\$ (12,993)	\$ (1,065)	\$ -	\$ (14,058)
Income from equity investments under the equity method	<u>-</u>	<u>(88)</u>	<u>-</u>	<u>(88)</u>
	<u>\$ (12,993)</u>	<u>\$ (1,153)</u>	<u>\$ -</u>	<u>\$ (14,146)</u>

d. Items not recognized as deferred tax assets

	December 31	
	2017	2016
<u>Loss carryforwards</u>		
The Bank		
Expire in 2017	\$ -	\$ 1,358,998
Expire in 2018	<u>2,178,838</u>	<u>1,863,678</u>
	<u>\$ 2,178,838</u>	<u>\$ 3,222,676</u>
FEIS		
Expire in 2018	\$ -	\$ 30,374
Expire in 2019	-	108,343
Expire in 2020	-	53,563
Expire in 2021	4,937	38,085
Expire in 2022	22,380	22,380
Expire in 2023	10,626	10,626
Expire in 2024	<u>1,920</u>	<u>1,920</u>
	<u>\$ 39,863</u>	<u>\$ 265,291</u>

e. Information about unused loss carryforwards

As of December 31, 2017, loss carryforwards comprised:

Expiry Year	Unused Amount
<u>The Bank</u>	
2018	\$ 2,243,822 (assessed)
2021	<u>133,968 (assessed)</u>
	<u>\$ 2,377,790</u>

(Continued)

Expiry Year	Unused Amount
<u>FEIS</u>	
2019	\$ 91,701 (assessed)
2020	53,563 (assessed)
2021	38,085 (assessed)
2022	22,380 (assessed)
2023	10,626 (assessed)
2024	<u>1,920 (assessed)</u>
	<u>\$ 218,275</u> (Concluded)

f. Integrated income tax

	December 31	
	2017	2016
Imputation credits account	Note	<u>\$ 171,881</u>
	For the Year Ended December 30	
	2017	2016 (Actual)
Creditable ratio for distribution of earnings	Note	17.94%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

g. Income tax assessments

The income tax returns of the Bank through 2014 had been assessed by the tax authorities. FELIA, FEPIA and FEIS through 2015 had been assessed by the tax authorities. FEAMC through 2016 had been assessed by the tax authorities.

36. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share (the “EPS”) was based on the net income attributable to the Bank’s shareholders:

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2017	2016
Basic EPS	<u>\$ 0.90</u>	<u>\$ 1.02</u>
Diluted EPS	<u>\$ 0.86</u>	<u>\$ 0.98</u>

The net income and weighted average number of ordinary shares outstanding for EPS calculation were as follows:

Net Income for the Year

	For the Year Ended December 31	
	2017	2016
Net income attributable to owners of the Bank	\$ 2,853,883	\$ 3,243,886
Effect of dilutive potential ordinary shares		
Euro Convertible Bonds	<u>44,029</u>	<u>27,775</u>
Net income used in the computation of diluted EPS	<u>\$ 2,897,912</u>	<u>\$ 3,271,661</u>

Number of Ordinary Shares (In Thousand Shares)

	For the Year Ended December 31	
	2017	2016
Weighted average number of ordinary shares in the computation of basic EPS	3,182,929	3,178,878
Effect of dilutive potential ordinary shares		
Euro Convertible Bonds	151,621	141,952
Employees' compensation	<u>16,289</u>	<u>18,630</u>
Weighted average number of ordinary shares used in the computation of diluted EPS	<u>3,350,839</u>	<u>3,339,460</u>

The weighted average number of ordinary shares outstanding for 2016 EPS calculation was retroactively adjusted to the issuance of stock dividends. The basic and diluted after-tax EPS were adjusted retrospectively as follows:

	Before Adjustment	After Adjustment
Basic EPS	<u>\$ 1.04</u>	<u>\$ 1.02</u>
Diluted EPS	<u>\$ 1.00</u>	<u>\$ 0.98</u>

Employees' compensation for the current year should be considered in calculating the weighted-average number of shares outstanding used for calculating diluted EPS. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the conference resolves the number of shares to be distributed as employees' compensation at their meeting in the following year.

37. RELATED-PARTY TRANSACTIONS

The Bank and its subsidiaries had significant business transactions with the following related parties:

<u>Related Party</u>	<u>Relationship with the Bank and Its Subsidiaries</u>
Dah Chung Bills Finance Corp.	Association
Ding Ding Integrated Marketing Service Co.	Chairman is the vice-chairman of the Bank
Asia Cement Corp.	Chairman is the vice-chairman of the Bank
Far Eastern Department Store Corp.	Chairman is the vice-chairman of the Bank
Yuan Ding Co., Ltd.	Chairman is the vice-chairman of the Bank
Far Eastern Geant Co., Ltd.	Chairman is the vice-chairman of the Bank
Bai Ding Investment Co.	Chairman is the vice-chairman of the Bank
Ding Ding Hotel Co., Ltd.	Chairman is the vice-chairman of the Bank
New Century InfoComm Tech Co., Ltd.	Chairman is the vice-chairman of the Bank
U-Ming Marine Transport Corp.	Chairman is the vice-chairman of the Bank
Far Eastern Electronic Toll Collection Co.	Chairman is the vice-chairman of the Bank
Oriental Union Chemical Corporation	Chairman is the vice-chairman of the Bank
Yuan Ding Investment Co.	Chairman is the vice-chairman of the Bank
Far Eastern New Century Corp.	Chairman is the vice-chairman of the Bank
U-Ming Marine Transport (Singapore) Private, Ltd.	Chairman of parent company is the vice-chairman of the Bank
Bai Yang Investment Co.	Chairman is a second-degree relative of the vice chairman of the Bank
Everest Textile Co., Ltd.	Chairman is a second-degree relative of the vice chairman of the Bank
Far Eastern City Super Co., Ltd.	Chairman is a second-degree relative of the vice chairman of the Bank
Yuan Long Stainless Steel Co.	Substantive related party since September 2017
Der Ching Investment Co.	Substantive related party since September 2017
Yu Yuan Investment Co.	Substantive related party since September 2017
Ya Tung Ready Mixed Concrete Co., Ltd.	Substantive related party since September 2017
China Investment and Development Co.	Substantive related party since September 2017
Others	Substantive related party's legal person and the Bank's managers, chairman, vice-chairman, or their second-degree relatives

The significant transactions and account balances with the above parties (in addition to those disclosed in other notes) are summarized as follows:

a. Loans to other banks

<u>Related Party</u>	<u>Highest Balance in Current Year</u>	<u>Ending Balance</u>	<u>Interest Revenues</u>	<u>Interest Rates</u>
<u>Dah Chung Bills Finance Corp.</u>				
For the year ended December 31				
2017	\$ 2,300,000	\$ 500,000	\$ 2,095	0.20%-0.42%
2016	\$ 1,000,000	\$ -	\$ 323	0.18%-0.50%

b. Loans

Category	Number of Accounts and Related Party	Highest Balance in Current Year	Ending Balance	Normal Loans	Nonperforming Loans	Collateral	Transactions Terms Different from Those for Unrelated Parties
For the year ended December 31, 2017							
Consumer loans	Three individuals	\$ 1,885	\$ 1,645	\$ 1,645	\$ -	Unsecured loan	Note
Loans for residential mortgage	Twenty one individuals	207,796	193,154	193,154	-	Real estate	Note
Others	Yuan Long Stainless Steel Co.	1,740,000	1,520,000	1,520,000	-	Real estate	Note
	Asia Cement Corp.	600,000	600,000	600,000	-	Stock listed on TWSE	Note
	China Investment and Development Co., Ltd.	75,000	75,000	75,000	-	Stock listed on TWSE	Note
	U-Ming Marine Transport Corp.	525,000	-	-	-	Ship and certificates of deposit	Note
	Far Eastern Department Stores Co., Ltd	500,000	-	-	-	Stock listed on TWSE	Note
	Bai Ding Investment Co.	450,000	-	-	-	Unquoted stock	Note
	Far Eastern New Century Corp.	400,000	-	-	-	Machinery	Note
	Far Eastern Geant Co., Ltd.	400,000	-	-	-	Real estate	Note
	Yuan Ding Investment Co.	200,000	-	-	-	Unquoted stock	Note
	Everest Textile Co., Ltd.	200,000	-	-	-	Real estate	Note
	Der Ching Investment Co.	150,000	-	-	-	Stock listed on TWSE	Note
	Yu Yuan Investment Co.	100,000	-	-	-	Stock listed on TWSE	Note
	Ya Tung Ready Mixed Concrete Co., Ltd	50,000	-	-	-	Real estate	Note
			<u>\$ 2,389,799</u>	<u>\$ 2,389,799</u>	<u>\$ -</u>		
For the year ended December 31, 2016							
Consumer loans	Four individuals	1,249	\$ 1,111	\$ 1,111	\$ -	Unsecured loan	Note
Loans for residential mortgage	Twenty individuals	186,384	181,607	181,607	-	Real estate	Note
Others	Asia Cement Corp.	650,000	500,000	500,000	-	Stock listed on TWSE	Note
	Far Eastern New Century Corp.	400,000	400,000	400,000	-	Machinery	Note
	Far Eastern Geant Co., Ltd.	400,000	200,000	200,000	-	Real estate	Note
	Yuan Ding Investment Co.	200,000	200,000	200,000	-	Unquoted stock	Note
	Bai Ding Investment Co.	353,000	132,000	132,000	-	Unquoted stock	Note
	U-Ming Marine Transport Corp.	700,000	-	-	-	Ship and certificates of deposit	Note
	Yuan Ding Co., Ltd.	450,000	-	-	-	Unquoted stock	Note
	Bai Yang Investment Co.	350,000	-	-	-	Unquoted stock	Note
	Everest Textile Co., Ltd.	152,009	-	-	-	Real estate	Note
	Ding Ding Hotel Co., Ltd.	70,000	-	-	-	Unquoted stock	Note
	Others	14,477	-	-	-	Stock listed on TWSE	Note
			<u>\$ 1,614,718</u>	<u>\$ 1,614,718</u>	<u>\$ -</u>		

Note: The terms of the loans were no superior to those for unrelated parties.

	Interest Rate	Interest Revenues	Provision for Possible Losses
For the year ended December 31			
2017	0.90% - 2.24%	<u>\$ 18,138</u>	<u>\$ 7,809</u>
2016	1.00% - 2.30%	<u>\$ 10,040</u>	<u>\$ 1,024</u>

Balances of related allowance for possible losses were \$24,864 thousand and \$17,055 thousand as of December 31, 2017 and 2016, respectively.

c. Guarantees

Related Party	Highest Balance in Current Year	Ending Balance	Reserve for Guarantee Obligations	Interest Rate	Collateral
For the year ended December 31, 2017					
Oriental Union Chemical Corporation	\$ 130,000	\$ 130,000	\$ 1,300	0.50%	Unquoted stock
Yuan Long Stainless Steel Co.	30,000	30,000	300	0.60%	Machinery
Ding Ding Hotel Co., Ltd.	70,000	20,000	200	0.50%-0.80%	Unquoted stock
Everest Textile Co., Ltd.	16,835	16,835	168	0.70%-0.80%	Real estate
Yuan Ding Investment Co.	14,100	13,000	130	0.50%-0.80%	Unquoted stock
Far Eastern City Super Co., Ltd.	3,000	3,000	30	0.60%	Certificates of deposit
		<u>\$ 212,835</u>	<u>\$ 2,128</u>		
For the year ended December 31, 2016					
Oriental Union Chemical Corporation	\$ 130,000	\$ 130,000	\$ 1,300	0.40%	Unquoted stock
Ding Ding Hotel Co., Ltd.	70,000	70,000	700	0.50%	Unquoted stock
Everest Textile Co., Ltd.	16,898	15,804	158	0.75%	Real estate
Yuan Ding Co., Ltd.	14,100	14,100	141	0.50%	Unquoted stock
Far Eastern City Super Co., Ltd.	3,000	3,000	30	0.60%	Certificates of deposit
U-Ming Marine Transport Corp.	2,740,000	-	-	0.50%	Ship and certificates of deposit
		<u>\$ 232,904</u>	<u>\$ 2,329</u>		

d. Letters of credit issued

	December 31	
	2017	2016
Everest Textile Co., Ltd.	\$ 10,537	\$ 138,694
Far Eastern Department Store Corp.	17,908	-
Asia Cement Corp.	-	17,900
	<u>\$ 28,445</u>	<u>\$ 156,594</u>

e. Security transactions - buy and sell

	Held for Trading		Short Sales		Resale Agreement - Bonds	Repurchase Agreement - Bonds
	Buy	Sell	Buy	Sell		
Dah Chung Bills Finance Corp.						
For the year ended						
December 31						
2017	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 50,000</u>	<u>\$ 39,362,203</u>	<u>\$ -</u>
2016	<u>\$ 50,000</u>	<u>\$ 200,000</u>	<u>\$ 250,000</u>	<u>\$ 100,000</u>	<u>\$ 35,468,690</u>	<u>\$ -</u>

f. Derivative instruments

Related Party	Derivative Instrument	Contract Period	Nominal Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
For the year ended <u>December 31, 2017</u>						
U-Ming Marine Transport Corp.	Cross-currency swap contracts	2017.06.16 - 2018.06.28	\$ 5,671,120	\$ (8,066)	Financial assets at fair value through profit or loss	\$ 48,734
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.09.27 - 2022.10.25	966,329	(112)	Financial liabilities at fair value through profit or loss	11,959
Far Eastern New Century Corp.	Forward exchange contracts	2017.11.06 - 2018.02.26	1,007,212	5,651	Financial assets at fair value through profit or loss	7,391
					Financial liabilities at fair value through profit or loss	1,740
New Century InfoComm Tech Co., Ltd.	Foreign-currency swap contracts	2017.12.27 - 2018.02.26	298,480	(458)	Financial liabilities at fair value through profit or loss	458
Dah Chung Bills Finance Corp.	Domestic convertible (exchangeable) bond asset swap contracts	2015.05.18 - 2019.06.16	225,000	(30,224)	Financial assets at fair value through profit or loss	15,416
					Financial liabilities at fair value through profit or loss	630
For the year ended <u>December 31, 2016</u>						
U-Ming Marine Transport Corp.	Cross-currency swap contracts	2016.11.09 - 2017.12.18	8,102,029	(19,439)	Financial liabilities at fair value through profit or loss	112,758
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.09.27 - 2022.10.25	627,020	(1,029)	Financial liabilities at fair value through profit or loss	11,847
Far Eastern New Century Corp.	Forward exchange contracts	2016.10.19 - 2017.03.29	2,303,185	(5,066)	Financial assets at fair value through profit or loss	30,781
					Financial liabilities at fair value through profit or loss	35,847
New Century InfoComm Tech Co., Ltd.	Foreign-currency swap contracts	2016.10.27 - 2017.02.15	645,580	8,723	Financial assets at fair value through profit or loss	8,723
Dah Chung Bills Finance Corp.	Domestic convertible (exchangeable) bond asset swap contracts	2014.04.25 - 2019.09.30	615,000	42,589	Financial assets at fair value through profit or loss	48,435
					Financial liabilities at fair value through profit or loss	3,425

g. Deposits

	December 31	
	2017	2016
Deposits of related parties (each account balance did not exceed 5% of total deposits)	<u>\$44,426,319</u>	<u>\$24,317,006</u>
Interest Rate	0% - 6.08%	0% - 6.08%
	For the Year Ended December 31	
	2017	2016
Interest expenses	<u>\$ 228,739</u>	<u>\$ 199,576</u>

h. Service fee expense

	For the Year Ended December 31	
	2017	2016
Ding Ding Integrated Marketing Service Co.	\$ 144,650	\$ 192,218
Far Eastern Department Store Corp.	<u>18,534</u>	<u>17,623</u>
	<u>\$ 163,184</u>	<u>\$ 209,841</u>

i. Operating expenses

	For the Year Ended December 31	
	2017	2016
Marketing and advertising - Far Eastern Department Store Corp.	\$ 116,629	\$ 75,984
Rental - Yuan Ding Co., Ltd.	79,068	77,938
Telecommunications - New Century InfoComm Tech Co., Ltd.	46,031	43,349
Marketing and advertising - Far Eastern Electronic Toll Collection Co.	19,550	45,849
Marketing and advertising - Ding Ding Hotel Co., Ltd.	<u>16,801</u>	<u>16,169</u>
	<u>\$ 278,079</u>	<u>\$ 259,289</u>

The Bank rented part of its office premises from Yuan Ding Co., Ltd. Based on the lease agreements, the rents were payable monthly.

j. Compensation of key management personnel

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits	\$ 166,913	\$ 171,595
Post-employment benefits	<u>2,618</u>	<u>1,041</u>
	<u>\$ 169,531</u>	<u>\$ 172,636</u>

38. PLEDGED ASSETS

	December 31	
	2017	2016
Available-for-sale financial assets - domestic government bonds	\$ 3,602,186	\$ 4,114,890
Available-for-sale financial assets - negotiable certificates of deposits issued by the central bank	3,003,045	3,094,036
Due from the central bank and other banks - certificates of deposit	-	1,400,000
Other financial assets - deposits with original maturity more than 3 months	<u>549,240</u>	<u>554,760</u>
	<u>\$ 7,154,471</u>	<u>\$ 9,163,686</u>

The certificates of deposit issued by the central bank, negotiable certificates of deposits issued by the Central Bank and deposits with original maturity more than 3 months have been pledged as collaterals to back the extension of intraday credit in the Central Bank's real-time gross settlement system. The balance of intraday credit and the amount of collateral may vary at any time. The domestic government bonds had been provided as the reserve for compensation of trust department as well as security bond for provisional seizures of the debtors' properties.

39. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those mentioned in Note 42, the Bank and its subsidiaries' contingent liabilities and commitments resulting from operating activities as of December 31, 2017 and 2016 are summarized as follows:

a. Operating leases commitment

The maturity analysis of rental payments under non-cancellable operating leases was as follows:

	December 31	
	2017	2016
Within one year	\$ 366,779	\$ 382,650
After one year but within five years	687,092	649,411
After five years	<u>69,942</u>	<u>56,484</u>
	<u>\$ 1,123,813</u>	<u>\$ 1,088,545</u>

b. Balance sheets and income statements of trust accounts and the trust assets lists were as follows:

Balance Sheets of Trust Accounts

	December 31	
	2017	2016
<u>Assets</u>		
Deposits in banks	\$ 5,495,110	\$ 6,285,619
Accounts receivable	14,672	20,068
Funds	38,592,345	38,383,352
Equity stocks	5,175,789	7,565,124
Bond investments	5,434	5,784
Real estate, net	1,240,973	1,338,769
Marketable securities in custody	7,942,426	3,421,581
Others	<u>1,513,200</u>	<u>1,153,742</u>
	<u>\$ 59,979,949</u>	<u>\$ 58,174,039</u>
<u>Liabilities</u>		
Accounts payable	\$ 3,158	\$ 1,517
Income tax payable	189	92
Marketable securities in custody payable	7,942,426	3,421,581
Trust capital	50,359,002	52,134,700
Reserve and earnings	<u>1,675,174</u>	<u>2,616,149</u>
	<u>\$ 59,979,949</u>	<u>\$ 58,174,039</u>

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2017	2016
Trust revenue		
Interest	\$ 35,618	\$ 31,190
Cash dividends	1,640,769	1,557,416
Unrealized investment gain	4,851	1,664,286
Revenue from stock lending	75	425
Others	<u>19,075</u>	<u>4,084</u>
	<u>1,700,388</u>	<u>3,257,401</u>
Trust expenses		
Management	48,014	35,714
Supervision	477	446
Service charges	16,259	10,524
Taxes	2,177	1,346
Service fee for stock affairs	1	7
Service fee for stock lending	2	7
Realized investment loss	<u>366,599</u>	<u>1,165,028</u>
	<u>433,529</u>	<u>1,213,072</u>
Income before tax	1,266,859	2,044,329
Income tax	<u>391</u>	<u>318</u>
Net income	<u>\$ 1,266,468</u>	<u>\$ 2,044,011</u>

Trust Asset Lists

	December 31	
	2017	2016
Deposits in banks	\$ 5,495,110	\$ 6,285,619
Accounts receivable	14,672	20,068
Funds	38,592,345	38,383,352
Equity stocks	5,175,789	7,565,124
Bonds investments	5,434	5,784
Real estate, net		
Land	591,940	607,385
Building	25,211	30,386
Construction in progress	623,822	700,998
Marketable securities in custody	7,942,426	3,421,581
Others	<u>1,513,200</u>	<u>1,153,742</u>
	<u>\$ 59,979,949</u>	<u>\$ 58,174,039</u>

As of December 31, 2017 and 2016, funds amounting to \$1,183,824 thousand and \$980,677 thousand, respectively, had been recognized in the OBU's books as investment in overseas securities through Non-discretionary Pecuniary Trust of the OBU.

40. UNSETTLED LITIGATION EVENTS

About the claims of the Bank against Allied Material Technology Co., in October 2017, the Taiwan High Court ruled that the Bank must pay \$244,563 thousand plus interest to other banks which have claims in the reorganization of Allied Material Technology Co. The Bank has appealed the decision according to law and is waiting for the supreme court verdict.

41. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31						
2017			2016			
Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	
<u>Financial assets</u>						
Monetary items						
USD	\$ 3,389,628	29.848	\$ 101,173,616	\$ 3,256,564	32.279	\$ 105,118,599
AUD	506,770	23.260	11,787,470	637,299	23.300	14,849,058
HKD	3,013,795	3.819	11,509,685	3,261,708	4.162	13,575,230
CNY	1,179,420	4.577	5,398,204	1,186,751	4.623	5,486,351
ZAR	1,034,693	2.421	2,504,990	785,144	2.368	1,859,222
JPY	8,520,437	0.265	2,257,916	12,164,469	0.2758	3,354,961
EUR	53,858	35.700	1,922,731	27,205	33.930	923,079
CAD	16,429	23.780	390,683	11,470	23.920	274,361
GBP	7,809	40.210	314,007	6,994	39.620	277,103
NZD	9,076	21.200	192,406	8,836	22.420	198,093
<u>Financial liabilities</u>						
Monetary items						
USD	3,115,364	29.848	92,987,387	3,002,797	32.279	96,927,276
AUD	503,348	23.260	11,707,879	639,567	23.300	14,901,908
HKD	2,934,977	3.819	11,208,676	3,209,248	4.162	13,356,890
CNY	1,181,070	4.577	5,405,758	1,191,479	4.623	5,508,206
ZAR	1,082,688	2.421	2,621,187	787,715	2.368	1,865,308
JPY	8,156,656	0.265	2,161,514	12,098,732	0.2758	3,336,830
EUR	53,671	35.700	1,916,045	26,893	33.930	912,484
CAD	15,874	23.780	377,478	11,388	23.920	272,392
GBP	7,929	40.210	318,839	6,986	39.620	276,802
NZD	9,527	21.200	201,970	8,863	22.420	198,718

42. FINANCIAL INSTRUMENTS

a. Information of fair value

1) Overview

Fair value is defined as the price the trader collected or paid in an ordinary transaction for disposal or acquisition of assets or transfer of liabilities on the measurement date.

Financial instruments are initially recognized at fair value which is the transaction price in general terms. All financial instruments are subsequently measured at fair value except for financial instruments which are valued at amortized cost.

2) The definition of three levels of financial instruments at fair value

- a) Level 1 inputs are observable inputs that reflect quoted prices for identical financial instruments in an active market. A market is active if it has these characteristics: Products traded in the market are homogeneous; willing buyers and sellers can be found immediately and the price

information is publicly available. Domestic government bonds, foreign government bonds, Stock listed in TWSE and TPEx, domestic beneficiary certificates, domestic convertible (exchangeable) bonds, foreign bank debentures and derivative instruments with quoted prices in active markets are categorized into Level 1.

- b) Level 2 inputs are observable inputs other than quoted prices for identical assets or liabilities in active markets, including direct inputs (such as market prices) or indirect inputs (such as prices derived from market prices). The fair values of commercial paper, negotiable certificates of deposit and most derivative instruments are categorized into Level 2.
- c) Level 3 inputs are unobservable items such as inputs derived through extrapolation or interpolation and thus cannot be corroborated by observable market data. Some fair value of credit derivative instruments are categorized into Level 3.

b. Financial instruments measured at fair value

1) The fair value hierarchy of financial instruments was as follows

Repetitive Financial Instruments	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<u>Nonderivative financial assets and liabilities</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held for trading				
Bonds investments	\$ 5,238,586	\$ 5,238,586	\$ -	\$ -
Equity investments	347,783	347,783	-	-
Bills investments	15,830,287	-	15,830,287	-
Beneficiary certificates	50,473	50,473	-	-
Financial assets designated as at fair value through profit or loss				
Convertible (exchangeable) bonds	5,680,038	5,680,038	-	-
Available-for-sale				
Bonds investments	46,349,663	46,349,663	-	-
Equity investments	758,711	758,711	-	-
Bill investments	62,523,204	-	62,523,204	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Settlement coverage bonds payable of short sale	(50,241)	(50,241)	-	-
<u>Derivative financial assets and liabilities</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held for trading	3,061,166	477	2,950,088	110,601
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	(4,268,880)	(1,668)	(4,263,385)	(3,827)
	<u>\$ 135,520,790</u>	<u>\$ 58,373,822</u>	<u>\$ 77,040,194</u>	<u>\$ 106,774</u>

Repetitive Financial Instruments	December 31, 2016			
	Total	Level 1	Level 2	Level 3
<u>Nonderivative financial assets and liabilities</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held for trading				
Bonds investments	\$ 2,303,992	\$ 2,303,992	\$ -	\$ -
Equity investments	151,537	151,537	-	-
Bills investments	9,343,747	-	9,343,747	-
Beneficiary certificates	25,673	25,673	-	-
Financial assets designated as at fair value through profit or loss				
Convertible (exchangeable) bonds	15,479,988	15,479,988	-	-
Available-for-sale				
Bonds investments	33,380,059	33,380,059	-	-
Equity investments	449,971	449,971	-	-
Bill investments	45,764,676	-	45,764,676	-
<u>Derivative financial assets and liabilities</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held for trading	6,525,168	-	6,432,394	92,774
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	(7,954,542)	-	(7,947,724)	(6,818)
	<u>\$ 105,470,269</u>	<u>\$ 51,791,220</u>	<u>\$ 53,593,093</u>	<u>\$ 85,956</u>

2) Evaluation methods for financial instruments measured at fair value

When the Bank and its subsidiaries determine the fair value of financial instruments, they consider the market. If the market is active, then the fair value of the instruments will be consistent with quoted market prices. If the market is not active, then the fair value will be estimated by using a valuation model that is widely adopted by market participants or by referring to counterparties' parameters or to parameters based on conditions and characteristics of financial instruments that are similar to those of the Bank and its subsidiaries' instruments. The parameters of valuation model used to measure fair value of financial instruments are usually observable data from market, such as OTC, Reuters and Bloomberg's offering price. The valuation department determines the scope of valuation model and assesses any uncertainty and its impact. In its assessment, the valuation department ensures the following:

- The consistency and adequacy of the market parameters used in the valuation;
- The appropriateness of the valuation model in light of the assumptions to be used, the internal control and risk management framework, and the degree of mathematical expertise required for an independent unit to make the valuation;
- Reliability of price information and other parameters used in the valuation and any model adjustments to be made on the basis of current market conditions.

3) Credit risk valuation adjustment

Credit risk valuation adjustment is for financial instrument transactions made outside the stock exchange, namely the transactions made over-the-counter, which could be mainly divided into credit value adjustment and debit value adjustment. The definition is as follows:

- a) Credit Value Adjustment (the “CVA”) is the reflection of possibility that counterparty is likely to default and the possible loss that the counter party may not be able to reimburse entire market value.
- b) Debit Value Adjustment (the “DVA”) is the reflection of possibility that the Bank is likely to default and the uncertainty that the Bank may not be able to reimburse for the entire market value.

The CVA is calculated by multiplying the probability of default (the “PD”), loss given default (the “LGD”) and exposure at default (the “EAD”) of counterparty together. In contrast, DVA is calculated by multiplying PD (under zero default rate of the counterparty), LGD and EAD of the Bank together.

To take into account all risk factors involved in model-based fair value measurements, the Bank uses the disclosure guidelines issued by the TWSE on CVA and DVA, which are marked to market, using appropriate ratios such as LGD, PD, and EAD. This way, the credit risks on counterparties in OTC-derivative transactions as well as the Bank’s credit quality can be considered.

4) Transfers between Levels 1 and level 2

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2017 and 2016.

5) Level 3 financial instruments

a) Movement of Level 3 financial assets

December 31, 2017

Item	Beginning Balance	Valuation	Increase in the Current Year		Decrease in the Current Year		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Financial assets at fair value through profit or loss Held for trading - derivative financial assets	\$ 92,774	\$ 32,470	\$ 48,024	\$ -	\$ (62,667)	\$ -	\$ 110,601

December 31, 2016

Item	Beginning Balance	Valuation	Increase in the Current Year		Decrease in the Current Year		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Financial assets at fair value through profit or loss Held for trading - derivative financial assets	\$ 49,599	\$ 6,365	\$ 63,310	\$ -	\$ (26,500)	\$ -	\$ 92,774

b) Movement of Level 3 financial liabilities

December 31, 2017

Item	Beginning Balance	Valuation	Increase in the Current Year		Decrease in the Current Year		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Financial liabilities at fair value through profit or loss Derivative financial liabilities	\$ 6,818	\$ (1,198)	\$ 3,481	\$ -	\$ (5,274)	\$ -	\$ 3,827

December 31, 2016

Item	Beginning Balance	Valuation	Increase in the Current Year		Decrease in the Current Year		Ending Balance
			Purchase or Issue	Transfer-in	Sale, Disposition or Settlement	Transfer-out from Level 3	
Financial liabilities at fair value through profit or loss Derivative financial liabilities	\$ 33,331	\$ (25,888)	\$ 4,625	\$ -	\$ (5,250)	\$ -	\$ 6,818

c) Quantitative information of significant unobservable parameters used in fair value measurement (Level 3 financial instruments)

Level 3 financial instruments mainly consist of credit derivative instrument (for example: credit default swap) has single major unobservable parameters; quantitative information is as follows:

Measured at Fair Value Based on Repetition	Fair Value as of December 31, 2017	Valuation Techniques	Significant Unobservable Parameters	Interval (Weighted-average)	Relationship Between Parameters and Fair Value
<u>Derivative financial assets</u>					
Credit derivative instrument December 31, 2017	\$ 110,601	Default probability model	Credit separation	0.80% - 3.65%	The increase of credit separation decreases its fair value. The increase of credit separation decreases its fair value.
December 31, 2016	92,774	Default probability model	Credit separation	0.80% - 3.95%	
<u>Derivative financial liabilities</u>					
Credit derivative instrument December 31, 2017	3,827	Default probability model	Credit separation	0.80% - 3.65%	The increase of credit separation decreases its fair value. The increase of credit separation decreases its fair value.
December 31, 2016	6,818	Default probability model	Credit separation	0.80% - 3.95%	

d) Valuation procedures for Level 3 financial instruments

Valuation of Level 3 financial instruments is executed by a specific department responsible for fair value measurement which is independent from operating department. The Bank uses data from independent source to make valuation results close to market status, confirms whether the data source is independent, reliable and consistent with other data, inspects valuation parameters on a regular basis, updates parameters of the valuation model and makes any other necessary fair value adjustments in order to ensure proper valuation results.

- e) The sensitivity analysis of reasonably possible alternative assumptions for fair value measurements categorized within Level 3

The Bank's fair value measurement of the financial instruments is reasonable; nevertheless, changes in the fair value measurement parameters may result in different measurement results. Had the valuation parameters for financial instruments categorized within Level 3 been 0.01% higher/lower, the impact on the profit or loss for the year would have been as follows:

Item	Impact on Gains and Losses			
	December 31, 2017		December 31, 2016	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Financial assets at fair value through profit or loss Held for trading - derivative financial assets	\$ 2,706	\$ (2,706)	\$ 4,162	\$ (4,162)
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss- derivative financial liabilities	958	(958)	891	(1,241)

The favorable and unfavorable movement refers to the fluctuation of fair values, which is calculated on the basis of valuation techniques involving the use of input parameters. However, the table above does not reflect the correlation between input parameters and their volatility.

c. Financial instruments not measured at fair value

The Bank and its subsidiaries consider that the book value of financial assets and liabilities which not measured at fair value is close to fair value, except for the book value of those measured at cost and of the items below:

	2017		The fair value hierarchy of financial instruments	
	Book Value	Fair Value	Level 1	Level 2
<u>Financial asset</u>				
Held-to-maturity financial assets	\$ 2,135,246	\$ 2,135,189	\$ 2,135,189	\$ -
Debt investments with no active market	6,677,076	6,669,817	-	6,669,817
	2016		The fair value hierarchy of financial instruments	
	Book Value	Fair Value	Level 1	Level 2
<u>Financial asset</u>				
Held-to-maturity financial assets	\$ 2,630,635	\$ 2,636,085	\$ 2,636,085	\$ -
Debt investments with no active market	8,170,732	9,173,459	-	9,173,459

The evaluation methods and assumptions for Level 2 financial instruments above are quoted from the offering price of Bloomberg and Reuters.

43. FINANCIAL RISK MANAGEMENT

a. Overview

The Bank's risk management policy is to form a risk management-oriented culture, and to use both qualitative and quantitative indexes from internal and external risk management regulations in developing operating strategies.

The Bank has set up an independent risk control department to implement and monitor risk management policies.

The Bank's risk management policies are established to identify and measure the risks faced by the Bank, to set appropriate risk limits and controls, to monitor risks and adherence to limits, and to achieve the target profit.

b. Risk management framework

The Board of Directors, the highest decision-making body of the Bank, has overall responsibility for the establishment and oversight of the Bank's risk management framework.

Asset and Liability Management Committee and Risk Management Committee have been formed to examine and manage the Bank's risks, to assess the execution of risk management policies and to evaluate risk tolerance. The general manager is the convener, and is responsible for appointing members of committees.

Risk Management Department comprising of corporate banking and consumer banking groups which directly manage credit extension risks with regard to their respective areas, and present risk management report to Risk Management Committee and the Board of Directors, regularly.

The Internal Audit Department undertakes regular reviews of risk management controls and procedures, including risk management framework, operating procedures of risk management, and provides timely suggestion and improvement.

c. Credit risk

1) Definition and scope of credit risk

Credit risk is the risk of financial loss to the Bank if a borrower, issuer or counterparty to a financial instrument fails to meet its contractual obligations due to its credit deterioration or other factors, such as a dispute between the borrower and its counterparty.

Credit risk includes all risks derived from on- and off-balance sheet business, and all credit risk related to products, businesses and positions.

2) Management policies on credit risk

The Bank shall identify risk factors and consider appropriate risk evaluation and control process prior to taking the existing or new business. For all credit risks identified on- and off-balance sheet, adequate credit limits are set based on the same borrower, counterparty, related party, group, or industry. The Bank shall establish review mechanism to track and assess changes in each borrower's or issuer's financial position; regularly assess and manage asset quality, also strengthen the management of unusual borrowers and make appropriate allowance for possible losses if applicable.

The credit risk management processes and valuation methods for credit extension are as follows:

a) Classification of credit assets

Credit assets are grouped into 5 different categories according to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrual Loans." Normal credit assets shall be classified as "Category One", the remaining credit assets shall be further classified based on the collateral for loans and past due status as follows: Category Two - Special Mention loans; Category Three - Substandard; Category Four - Doubtful, and Category Five - Unrecoverable. Moreover, the Bank establishes internal requirements, such as the "Principles Governing the Procedures to Evaluate Assets and Deal with Nonperforming/Non-accrual Loans," to manage problematic credit extension and credit collection and management.

b) Credit quality

Discounts and loans and receivables

The Bank sets credit quality grades according to product features, business types, operating conditions, collaterals and credit rating. Credit risk from corporate banking is categorized according to the business types, collaterals, credit rating and financial position of borrowers; credit risk from consumer banking is assessed on a case-by-case basis, except for unsecured loans and credit card products, which are assessed by internal credit rating models.

Interbank facilities, derivative financial instruments and investments in debt instruments

Total trading limits are determined each year by reference to financial institutions' operating results, credit rating, rating on THE BANKER, net worth and background of shareholders, with summaries submitted to the Credit Committee, and to the Managing Directors for approval. In the month following the end of each quarter, reports on transaction limits for each financial institution and the quarterly balance are submitted to Credit Committee, and then to the general manager for approval.

Derivative financial instruments transactions entered into counterparties from banking sectors are those categorized as investment grade, and they are controlled using relevant transaction limits for each counterparty. For individual counterparty, credit exposure is controlled using the limits placed on derivative instruments by both amounts and terms in the general credit approval process.

Credit risk on debt instruments is evaluated by identifying the risk using the credit rating obtained from external institutions, credit quality, geographic situations and counterparty credit risk.

3) Credit risk hedging and mitigation policies

- a) The terms of credit facilities are determined in the light of assessments of probability and amounts of default and collateral and guarantees are obtained, including bank deposit receipts, securities (such as treasury securities, government bonds, bank debentures, stocks and bonds guaranteed by financial institutions) and real estate such as land and buildings. Stocks listed on TWSE and TPEx are marked to market day to day, and changes in the value of their collaterals are monitored all the time; values of land and buildings are examined every time the contract is renewed.
- b) Reduce loans to non-target customers to mitigate credit risk.
- c) Understand, control and monitor risks on a timely basis via credit limits prior to the credit being committed to customers, restrictive clauses in contracts, loans management, review mechanism to view changes of each case. Understand credit portfolios and overall credit risks by the use of periodic reports and feedbacks.
- d) According to the Bank's "Principles for Acceptance and Disposal of Collaterals," collateral of nonperforming loans secured through compulsory enforcement or participating distribution, if the minimum auction price or liquidation price of the collateral is too low and damage the Bank's credit right, the Bank will participate in the auction or declare to undertake, for example, the minimum auction price is too low to compensate the principal and interest of loans but the collateral must not be difficult to dispose in the future. For collaterals tendered or undertaken, the Bank should actively seek buyers, and if the collateral is real estate, the Bank should dispose of it within the period prescribed under the Banking Law.
- e) Other credit enhancements

If there are guarantee, strategic alliance or collaterals provided in the terms of the loan contracts which the Bank recognized as unsecured loan, the Bank will clearly state that when default events occur, the Bank will demand compensation from the guarantor, strategic alliance, transfer of credits to the Bank or disposal of collaterals to decrease credit risk.

4) The maximum credit risk exposure

The carrying amount represents the Bank's maximum exposure to credit risk of the on-balance sheet assets, without taking into account the collaterals held or other credit enhancements. The amounts of the maximum credit exposure of the irrevocable off-balance commitments and guarantees, without taking into account the collaterals held or other credit enhancements, were as follows:

	December 31	
	2017	2016
Unused portion of credit card lines	\$ 171,589,511	\$ 162,293,437
Financial guarantees and standby L/Cs	17,455,518	15,740,080
Irrevocable loan commitments	12,171,019	12,467,686

The breakdown of maximum credit risk exposure of the Bank according to whether collaterals are held or other credit enhancements exist is as follows:

December 31, 2017

	Maximum Credit Risk Exposure			
	With Collaterals	Other Credit Enhancements	Without Collaterals	Total
<u>Balance sheet items</u>				
Discounts and loans	\$ 234,344,356	\$ 52,712,990	\$ 68,883,273	\$ 355,940,619
Receivables - credit card	-	-	14,786,253	14,786,253
Receivables - acceptances	-	175,516	245,900	421,416
<u>Off-Balance sheet items</u>				
Unused portion of credit card lines	-	-	171,589,511	171,589,511
Receivables - guarantee	4,592,188	5,387,303	6,529,898	16,509,389
Letters of credit issued	35,601	244,973	665,555	946,129
Irrevocable loan commitments	<u>1,795,770</u>	<u>-</u>	<u>10,375,249</u>	<u>12,171,019</u>
	<u>\$ 240,767,915</u>	<u>\$ 58,520,782</u>	<u>\$ 273,075,639</u>	<u>\$ 572,364,336</u>

December 31, 2016

	Maximum Credit Risk Exposure			
	With Collaterals	Other Credit Enhancements	Without Collaterals	Total
<u>Balance sheet items</u>				
Discounts and loans	\$ 230,469,044	\$ 48,949,270	\$ 81,577,182	\$ 360,995,496
Receivables - credit card	-	-	14,551,297	14,551,297
Receivables - acceptances	-	16,640	301,837	318,477
<u>Off-Balance sheet items</u>				
Unused portion of credit card lines	-	-	162,293,437	162,293,437
Receivables - guarantee	5,221,120	6,578,303	3,479,325	15,278,748
Letters of credit issued	159,241	212,400	89,691	461,332
Irrevocable loan commitments	<u>617,408</u>	<u>-</u>	<u>11,850,278</u>	<u>12,467,686</u>
	<u>\$ 236,466,813</u>	<u>\$ 55,756,613</u>	<u>\$ 274,143,047</u>	<u>\$ 566,366,473</u>

5) Concentrations of credit risk

The concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaging in similar business activities and having similar economic features. The similarity would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank's concentrations of credit risk by industry, geography and type of collaterals were as follows:

a) By industry

The Bank's loans had no significant concentration to a single customer or counterparty, but there were some risks in relation to specific industries, as follows:

Credit Risk Profile by Industry Sector	2017	
	Amount	%
Finance and insurance	\$ 52,415,634	15
Manufacturing	41,373,608	12
Wholesale and retail trade	<u>11,331,381</u>	<u>3</u>
	<u>\$ 105,120,623</u>	<u>30</u>

Credit Risk Profile by Industry Sector	2016	
	Amount	%
Finance and insurance	\$ 47,528,521	13
Manufacturing	45,376,221	12
Transportation and warehousing	<u>16,574,108</u>	<u>5</u>
	<u>\$ 109,478,850</u>	<u>30</u>

b) By geography

Region	December 31			
	2017		2016	
	Amount	% to Total	Amount	% to Total
Taiwan	\$ 299,813,491	84	\$ 307,583,245	85
Asia Pacific except Taiwan	30,750,120	9	26,990,916	8
Others	<u>25,377,008</u>	<u>7</u>	<u>26,421,335</u>	<u>7</u>
	<u>\$ 355,940,619</u>	<u>100</u>	<u>\$ 360,995,496</u>	<u>100</u>

c) By type of collaterals

Type of Collaterals	December 31			
	2017		2016	
	Amount	%	Amount	%
Unsecured	\$ 121,596,263	34	\$ 130,526,452	36
Secured				
Real estate	191,379,527	54	187,951,685	52
Financial collateral	20,035,658	6	18,964,855	5
Movable property	19,630,122	5	20,550,499	6
Others	<u>3,299,049</u>	<u>1</u>	<u>3,002,005</u>	<u>1</u>
	<u>\$ 355,940,619</u>	<u>100</u>	<u>\$ 360,995,496</u>	<u>100</u>

6) Continuing assessment of credit quality and any impairment of financial assets

Some of the financial assets held by the Bank and its subsidiaries, such as cash and cash equivalents, due from the central bank and other banks, financial assets at fair value through profit or loss, securities purchased under resale agreements, refundable deposits and operating deposits, are assessed with low credit risk due to the good credit rating of the counterparties.

- b) An analysis of credit quality of discounts and loans neither past due nor impaired by business types

December 31, 2017	Neither Past Due Nor Impaired				
	Excellent	Good	Moderate	Special Mention	Total
Corporate banking					
Secured	\$ 24,577,665	\$ 19,672,117	\$ 4,307,119	\$ 30,498	\$ 48,587,399
Unsecured	9,855,194	39,597,169	45,050,962	1,107,894	95,611,219
Consumer banking					
Housing mortgage	156,815,282	9,900,793	617,144	-	167,333,219
Credit loans	6,506,427	7,654,052	2,574,079	326,384	17,060,942
Others	4,372,461	14,722,032	1,107,807	-	20,202,300
Total	\$ 202,127,029	\$ 91,546,163	\$ 53,657,111	\$ 1,464,776	\$ 348,795,079

December 31, 2016	Neither Past Due Nor Impaired				
	Excellent	Good	Moderate	Special Mention	Total
Corporate banking					
Secured	\$ 27,102,963	\$ 19,470,393	\$ 4,548,635	\$ 57,978	\$ 51,179,969
Unsecured	21,246,316	36,824,422	49,324,849	346,769	107,742,356
Consumer banking					
Housing mortgage	150,338,522	10,060,548	772,051	-	161,171,121
Credit loans	5,368,660	6,946,249	2,159,774	231,133	14,705,816
Others	3,795,666	14,140,207	1,294,187	-	19,230,060
Total	\$ 207,852,127	\$ 87,441,819	\$ 58,099,496	\$ 635,880	\$ 354,029,322

- c) Loans and receivables past due but not impaired

Financial assets past due 90 days or less are not considered impaired unless there is objective evidence that an impairment loss has been incurred. Financial assets might become past due but not impaired by reasons of borrowers' late processing or other administrative delays.

The aging analysis of loans and receivables past due but not impaired was as follows:

Past Due Items	December 31, 2017		
	Up to 1 Month	Over 1 Month to 3 Months	Total
Discounts and loans			
Corporate banking	\$ 80,944	\$ 154,465	\$ 235,409
Consumer banking			
Housing mortgage	2,116,878	283,789	2,400,667
Credit loans	485,657	114,219	599,876
Others	344,203	24,826	369,029
Total	3,027,682	577,299	3,604,981
Receivables			
Credit card	505,595	69,009	574,604
Others	-	2,572	2,572

Past Due Items	December 31, 2016		
	Up to 1 Month	Over 1 Month to 3 Months	Total
Discounts and loans			
Corporate banking	\$ 136,998	\$ 30,282	\$ 167,280
Consumer banking			
Housing mortgage	1,916,267	323,669	2,239,936
Credit loans	421,283	111,056	532,339
Others	393,739	29,908	423,647
Total	2,868,287	494,915	3,363,202
Receivables			
Credit card	347,910	68,645	416,555
Others	-	35,661	35,661

d) An analysis of credit quality of security investments

December 31, 2017	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Possible Losses (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Special Mention					
Available-for-sale financial assets									
Bond investments	\$ 46,349,663	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,349,663	\$ -	\$ 46,349,663
Bill investments	62,523,204	-	-	-	-	-	62,523,204	-	62,523,204
Held-to-maturity financial assets									
Bond investments	2,135,246	-	-	-	-	-	2,135,246	-	2,135,246
Debt investments with no active market	4,009,518	2,667,558	-	-	-	-	6,677,076	-	6,677,076
Total	\$ 115,017,631	\$ 2,667,558	\$ -	\$ -	\$ -	\$ -	\$ 117,685,189	\$ -	\$ 117,685,189

December 31, 2016	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Possible Losses (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Special Mention					
Available-for-sale financial assets									
Bond investments	\$ 33,380,059	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,380,059	\$ -	\$ 33,380,059
Bill investments	45,764,676	-	-	-	-	-	45,764,676	-	45,764,676
Held-to-maturity financial assets									
Bond investments	2,630,635	-	-	-	-	-	2,630,635	-	2,630,635
Debt investments with no active market	4,293,107	3,877,625	-	-	-	-	8,170,732	-	8,170,732
Total	\$ 86,068,477	\$ 3,877,625	\$ -	\$ -	\$ -	\$ -	\$ 89,946,102	\$ -	\$ 89,946,102

The analysis above excludes equity investments.

d. Liquidity risk

1) Sources and definition of liquidity risk

Liquidity risk is the risk that the Bank is unable to liquidate assets or obtain loans to meet its obligations when they fall due as a result of customer deposits being early withdrawn, deteriorating access to and terms of interbank facilities, deteriorating delinquency by borrowers, or financial instruments not easily liquidated. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets, or potentially an inability to fulfill lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activities, systemic shocks and natural disasters, etc.

2) Risk management policies on liquidity risk

The Bank's liquidity management processes, which are managed by an independent department, include:

- a) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- b) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- c) Monitoring the liquidity ratios against internal and regulatory requirements; and
- d) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections respectively for the next ten days, one month, two months, etc., to, one year and over one year. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Related information is submitted regularly to the Bank's Asset and Liability Management Committee and the Board of Directors.

3) Financial assets held for liquidity risk management purposes

To support payment obligation and contingent funding in a stressed market environment, the Bank holds high-quality highly-liquid interest-earning assets comprising cash and cash equivalent, due from the central bank and other banks, securities purchased under resale agreements and financial assets at fair value through profit or loss for which there is an active and liquid market.

4) Maturity analysis of non-derivative financial liabilities

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the date of the consolidated balance sheet.

December 31, 2017	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Due to the central bank and other banks	\$ 3,005,470	\$ 3,731,384	\$ 200,000	\$ 23,920	\$ -	\$ 6,960,774
Securities sold under repurchase agreement	12,943,304	-	-	-	-	12,943,304
Payables	3,487,254	1,270,370	604,546	450,368	675,747	6,488,285
Deposits and remittances	193,355,538	85,621,816	64,791,402	105,119,158	23,504,269	472,392,183
Bank debentures	1,900	1,617,762	-	3,500,000	15,100,000	20,219,662
Settlement coverage bonds payable of short sale	50,241	-	-	-	-	50,241
Other financial liabilities	387,530	98,810	318,781	176,168	6,435,486	7,416,775
Total	\$ 213,231,237	\$ 92,340,142	\$ 65,914,729	\$ 109,269,614	\$ 45,715,502	\$ 526,471,224

December 31, 2016	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Due to the central bank and other banks	\$ 2,746,686	\$ 4,425,708	\$ 200,000	\$ 59,800	\$ -	\$ 7,432,194
Securities sold under repurchase agreement	11,123,910	2,616,656	-	-	-	13,740,566
Payables	2,643,058	1,416,118	659,455	254,321	826,922	5,799,874
Deposits and remittances	182,542,411	102,165,567	57,077,584	94,796,919	16,137,979	452,720,460
Bank debentures	1,900	-	2,000,000	2,000,000	20,349,522	24,351,422
Other financial liabilities	588,098	874,726	193,160	334,651	4,394,770	6,385,405
Total	\$ 199,646,063	\$ 111,498,775	\$ 60,130,199	\$ 97,445,691	\$ 41,709,193	\$ 510,429,921

Note: The amounts disclosed in the tables are the contractual undiscounted cash flows, some of which may not reconcile to the corresponding items in the consolidated balance sheet.

In the maturity analysis of “deposits and remittance” disclosed in the above table, it is assumed that demand deposits are expected to be drawn down in the earliest period.

5) Maturity analysis of derivative financial liabilities

- a) Derivative instruments settled on a net basis are include foreign exchange derivatives (foreign exchange options, non-deliverable forwards) and interest rate derivatives (interest rate swap options, interest rate swaps and other interest rate contracts settled on net cash flow). Maturity analysis of derivative financial liabilities that will be settled on a net basis is as follows:

December 31, 2017	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	\$ 4,098	\$ 2,077	\$ 425	\$ 615	\$ -	\$ 7,215
Interest rate derivatives	1,894	7,571	312,944	29,936	405,449	757,794
Total	\$ 5,992	\$ 9,648	\$ 313,369	\$ 30,551	\$ 405,449	\$ 765,009

December 31, 2016	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	\$ 12,478	\$ 27,818	\$ 174,810	\$ 251,553	\$ -	\$ 466,659
Interest rate derivatives	3,333	5,018	8,308	30,465	1,033,124	1,080,248
Total	\$ 15,811	\$ 32,836	\$ 183,118	\$ 282,018	\$ 1,033,124	\$ 1,546,907

Note: The amounts disclosed in the table are the contractual undiscounted cash flows, some of which may not reconcile to the corresponding items in the consolidated balance sheet.

- b) Derivative instruments settled on a gross basis are include foreign exchange derivatives (foreign exchange swaps, foreign exchange options) and interest rate derivatives (cross currency swaps). Maturity analysis of derivative financial liabilities that will be settled on a gross basis is as follows:

December 31, 2017	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash outflow	\$ 64,250,569	\$ 74,585,209	\$ 37,070,197	\$ 20,639,148	\$ 304,920	\$ 196,850,043
Cash inflow	63,978,148	74,429,371	37,137,723	20,870,950	298,480	196,714,672
Interest rate derivatives						
Cash outflow	-	-	-	1,498,750	-	1,498,750
Cash inflow	-	-	-	1,492,400	-	1,492,400
Subtotal of cash outflow	64,250,569	74,585,209	37,070,197	22,137,898	304,920	198,348,793
Subtotal of cash inflow	63,978,148	74,429,371	37,137,723	22,363,350	298,480	198,207,072
Net cash flow	\$ (272,421)	\$ (155,838)	\$ 67,526	\$ 225,452	\$ (6,440)	\$ (141,721)

December 31, 2016	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash outflow	\$ 56,032,969	\$ 63,547,444	\$ 49,863,855	\$ 14,881,606	\$ -	\$ 184,325,874
Cash inflow	55,418,258	62,769,823	49,113,462	14,890,720	-	182,192,263
Interest rate derivatives						
Cash outflow	-	4,357,665	-	3,744,364	-	8,102,029
Cash inflow	-	4,313,150	-	3,695,560	-	8,008,710
Subtotal of cash outflow	56,032,969	67,905,109	49,863,855	18,625,970	-	192,427,903
Subtotal of cash inflow	55,418,258	67,082,973	49,113,462	18,586,280	-	190,200,973
Net cash flow	\$ (614,711)	\$ (822,136)	\$ (750,393)	\$ (39,690)	\$ -	\$ (2,226,930)

Note: The amounts disclosed in the table are the contractual undiscounted cash flows, some of which may not reconcile to the corresponding items in the consolidated balance sheet.

6) Maturity analysis of off-balance sheet items

Maturity analysis of the off-balance sheet items that are requested to pay or realize the guarantee on the basis of their earliest possible contractual maturity is as follows:

December 31, 2017	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Developed and irrevocable loan commitments	\$ 12,171,019	\$ -	\$ -	\$ -	\$ -	\$ 12,171,019
Irrevocable credit card commitments	171,589,511	-	-	-	-	171,589,511
Issued but unused letters of credit	946,129	-	-	-	-	946,129
Other guarantees	9,977,989	5,751,100	102,000	200,000	478,300	16,509,389
Total	\$ 194,684,648	\$ 5,751,100	\$ 102,000	\$ 200,000	\$ 478,300	\$ 201,216,048

December 31, 2016	Due in 30 Days	Due Between 31 Days and 90 Days	Due Between 91 Days and 180 Days	Due Between 181 Days and One Year	Due After One Year	Total
Developed and irrevocable loan commitments	\$ 12,467,686	\$ -	\$ -	\$ -	\$ -	\$ 12,467,686
Irrevocable credit card commitments	162,293,437	-	-	-	-	162,293,437
Issued but unused letters of credit	461,332	-	-	-	-	461,332
Other guarantees	9,531,948	2,117,700	1,090,900	300,000	2,238,200	15,278,748
Total	\$ 184,754,403	\$ 2,117,700	\$ 1,090,900	\$ 300,000	\$ 2,238,200	\$ 190,501,203

e. Market risk

1) Definition and scope of market risk

Market risk is the risk that unfavorable changes in market prices, such as interest rates, foreign exchange rates, equity prices and commodity prices will affect the Bank's income or its holdings of on- and off-balance sheet positions. The Bank's market risk mainly comes from equity investment securities, interest rates and foreign exchange rates. Equity investment securities risk positions include stocks listed on TWSE and TPEx and convertible (exchangeable) bonds; interest rate risk positions include bonds and interest rate derivative instruments, such as fixed and floating interest rate swap; foreign exchange rate risk positions include foreign currencies and related derivative instruments, such as spot exchange, forward exchange, foreign currency swap and option.

2) Management policies of market risk

The Bank develops appropriate management process to identify, measure and monitor market risk, and to effectively manage and control credit limits, valuation of profits and losses, sensitivity analysis and stress tests of each financial instrument position. Besides, the Bank takes appropriate management strategy while facing market risk in its daily operating activities and management processes.

The Bank separates its exposure to market risk between trading and non-trading portfolios, which are managed, monitored and disclosed by the Risk Management Department. A summary report, including suggestion, is submitted regularly to the Risk Management Committee and the Board of Directors.

3) Management process of market risk

a) Identification and measurement of market risk

The Bank's risk measurement system, firstly, identifies market risk factors of exposure positions, and then, measures risks on- and off-balance sheet trading positions by examining the movement of the identified risk factors, such as interest rates, stock prices, foreign exchange rates and commodity prices.

The Bank's risk measurement system also applies sensitivity analysis (DV01, Delta and Vega) or different scenarios analysis to assess value changes of asset portfolios, and performs stress tests, as required by the authority, to measure exceptional losses incurred during extreme, but plausible, conditions.

b) Monitoring and reporting

To fully understand the management of market risk, information for developing market risk management objectives, management of positions and profits and losses, sensitivity analysis and stress tests is submitted regularly to Risk Management Committee and the Board of Directors by the Risk Management Department. The Bank has explicit management process. It imposes trading limits and stop loss order on each transaction.

A stop loss order would be executed once a given stop price has been reached; otherwise, the trading unit should report, including reasons for not executing stop loss order and corresponding remedial action taken, to top management for approval.

4) Management process of interest risk

Interest rate risk is the risk of loss or changes in the fair value resulting from interest rate fluctuations. It includes interest rates related to securities and derivative instruments.

The Bank separates the interest rate risk positions between trading book and banking book. Financial instruments and commodity positions held for trading purpose or to hedge against trading book positions are carried in trading book. Positions held for trading purpose are those held with the intention of profiting from actual or forecast spread. Positions not belonging to trading book are carried in banking book.

Management of interest rate risk in trading book

a) Management process

To limit the loss within acceptable range, the Bank imposes trading limits and stop loss limits on trading room, traders and commodity; it also imposes monthly maximum loss limit on trading positions.

b) Valuation methods

Securities are marked-to-market, and the risk of interest rate related derivative instruments are measured using DV01 and Vega. Both stop loss limits are controlled on a daily basis.

Management of interest rate risk in banking book

Interest rate risk management of banking book is to improve interest risk management, capital efficiency and business operations.

a) Strategies

To improve its capacity to adapt to changes, the Bank measures, manages and hedges changes in its profits and losses and economic values of balance sheet items arising from interest rate fluctuations.

b) Management process

Prior to undertaking interest rates related business, the Bank identifies re-pricing and yield curve risks, and measures the possible impact of changes in interest rate on profits and losses. The Bank analyzes and monitors position limits and various risk management objectives in respect of interest rates on a quarterly basis, and the results are submitted regularly to the Asset and Liability Management Committee and the Board of Directors.

If the risk management objectives are found to be in excess of designated limits during the monitoring process, the Bank will report to the Asset and Liability Management Committee and propose remedial action to be taken.

c) Valuation methods

Interest rate risk measures the re-pricing risk arising from different maturity or re-pricing dates of assets and liabilities carried in the banking book. To stabilize long-term profitability taking into account business growth, the Bank sets up various monitoring indexes, such as the ratio of interest rate sensitivity gap over total assets, for key holding periods. Those indexes are reported to and reviewed by management periodically.

5) Management of foreign exchange risk

a) Definition of foreign exchange risk

Foreign exchange risk is the risk of loss or changes in fair value arising from open positions in currency due to exchange rate fluctuations. Foreign exchange transactions include spot exchange, forward exchange, non-deliverable forward and foreign currency option between New Taiwan dollars and a foreign currency or between two foreign currencies.

b) Foreign exchange risk management policies, process and valuation methods

To manage foreign exchange risk and limit the loss within acceptable range, the Bank imposes trading limits and stop loss limits on trading room, traders and commodity; it also imposes monthly maximum loss limit on trading positions. Spot exchange, forward exchange, non-deliverable forward and foreign currency option are controlled collectively using Delta; foreign currency option is controlled using Vega. The stop loss limits are controlled on a daily basis.

6) Management of equity securities market risk

a) Definition of equity market risk

Equity market risk is the risk arising from open positions in equity securities as a result of fluctuations in the market prices of individual securities.

b) Management processes of equity market risk

The Bank sets gross limits on overall positions, by industries, and by groups. For stock listed on TWSE and TPEx and beneficiary certificates, the Bank sets the limit of investment in each stock and stop loss/gain limits on overall and particular positions, which are monitored daily.

A stop loss/gain order would be executed once a given stop price has been reached; otherwise, traders should report to the manager of its department, including reasons for not executing stop loss/gain order.

c) Measurement

The Bank manages market risk on the basis of closing prices of equity securities.

7) Valuation techniques of market risk

a) Stress tests

Stress tests are performed by the Risk Management Department at least once a year to assess the impact of risk factors that have become extremely volatile on asset portfolios and risk tolerance, and to ensure that the Bank will be able to handle potential losses incurred during extreme, but plausible, events.

The Bank applies market risk factors sensitivity analysis to analyze the impact on asset that could arise under extreme scenarios:

- i. Interest rate: Evaluate impacts on the values of interest-rate-based securities if yield curves move in parallel manner.
- ii. Foreign exchange: Evaluate impacts on changes in foreign exchange rates.
- iii. Equity securities: Evaluate impacts on volatility of changes in stock prices and its related derivatives.
- iv. Commodity: Evaluate impacts on volatility of changes in commodity prices and its related derivatives.

The Bank will submit the results of stress tests to the Board of Directors and Risk Management Committee as a reference of the Bank's ability to counter adverse economic conditions.

b) Sensitivity analysis

i. Interest rate risk

Interest rate factor sensitivity ("DV01" or "PVBP") measured at the balance sheet date is the impact on the discounted future cash flows of bonds and interest-rate-based derivative instruments for 1 basis points ("bps") parallel shift in all yield curves.

Assuming all other variables remain constant, where the interest rate increases/decreases by 1 bps, there would be an increase/decrease of \$1,853 thousand in income before income tax for the year ended December 31, 2017. There would be an increase of \$733 thousand and a decrease of \$1,083 thousand for the year ended December 31, 2016. There would be a decrease/increase of \$12,268 thousand and \$6,318 thousand in other comprehensive income for the years ended December 31, 2017 and 2016, respectively.

ii. Foreign exchange risk

Foreign exchange rate factor sensitivity ("FX Delta") measured at the balance sheet date is the impact on the values of foreign exchange positions for a 1% change in foreign exchange rates.

Where the foreign exchange increases/decreases by 1%, assuming all other variables remain constant, there would be an increase/decrease of \$374,288 thousand in income before income tax for the year ended December 31, 2017. There would be an increase of 510,749 thousand and a decrease of \$510,924 thousand for the year ended December 31, 2016, respectively.

iii. Equity securities market risk

Equity securities market factor sensitivity measured at the balance sheet date is the impact on the values of open positions in equity securities for a 1% change in stock market prices.

Where the securities prices increases/decreases by 1%, assuming all other variables remain constant, there would be an increase/decrease of \$60,783 thousand in income before income tax for the year ended December 31, 2017. There would be an increase of \$156,397 thousand and a decrease of \$156,572 thousand in income before income tax for the year ended December 31, 2016, respectively. There would be an increase/decrease of \$7,587 thousand and \$4,500 thousand in other comprehensive income for the years ended December 31, 2017 and 2016.

8) Concentration of foreign exchange risk

Information on concentration of foreign currency exposures at the balance sheet date is shown in Note 41.

f. Transfer of financial assets

In the daily transactions of the Bank, most of the transferred financial assets not eligible for derecognition in full are notes and bonds under repurchase agreement. The cash flows of those financial assets have been transferred to outsiders and the liabilities of repurchasing the transferred financial assets in an agreed amount have been recognized. The Bank is not eligible to conduct, sell, or pledge the transferred financial assets during the effective period. However, the Bank is still exposed to interest rate risks and credit risks. As a result, the transferred financial assets are not derecognized. The following tables show the transferred financial assets not eligible for derecognition in full and related amounts.

Types of Financial Assets	Book Value of Transferred Financial Assets	Book Value of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Available-for-sale financial assets - transactions under repurchase agreements					
December 31, 2017	\$ 13,528,971	\$ 12,921,364	\$ 13,528,971	\$ 12,921,364	\$ 607,607
December 31, 2016	\$ 14,373,956	\$ 13,711,223	\$ 14,373,956	\$ 13,711,223	\$ 662,733

- g. Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

1) Asset quality of loans

Nonperforming loans and nonperforming receivables of the Bank

Item			December 31, 2017				
			Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Business							
	Corporate Banking	Secured	323,017	49,671,241	0.65%	647,700	200.52%
		Unsecured	145,293	96,610,855	0.15%	1,284,894	884.35%
Consumer Banking	Residential mortgage (Note d)		209,669	118,290,563	0.18%	1,826,450	871.11%
	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		207,115	20,109,172	1.03%	363,383	175.45%
	Others (Note f)	Secured	132,177	66,382,552	0.20%	710,877	537.82%
		Unsecured	2,634	4,876,236	0.05%	50,553	1,919.24%
Total			1,019,905	355,940,619	0.29%	4,883,857	478.85%
Item			December 31, 2016				
			Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Business							
Credit card			46,132	14,786,253	0.31%	471,468	1,022.00%
Accounts receivable factored without recourse (Note g)			-	4,646,743	-	58,061	-

Item			December 31, 2016				
			Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Business							
	Corporate Banking	Secured	232,624	52,092,197	0.45%	707,670	304.21%
		Unsecured	7,586	108,892,478	0.01%	1,494,077	19,695.18%
Consumer Banking	Residential mortgage (Note d)		124,823	115,886,536	0.11%	1,778,829	1,425.08%
	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		216,964	17,910,918	1.20%	349,910	161.28%
	Others (Note f)	Secured	108,461	62,490,311	0.17%	663,803	612.02%
		Unsecured	2,227	3,723,056	0.06%	37,535	1,685.45%
Total			692,685	360,995,496	0.19%	5,031,824	726.42%
Item			December 31, 2015				
			Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Business							
Credit card			52,803	14,551,297	0.36%	503,715	953.95%
Accounts receivable factored without recourse (Note g)			-	3,919,067	-	46,292	-

Note a: Nonperforming credit cards receivables represent the amounts of nonperforming receivables reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note b: Ratio of nonperforming loans: $\text{Nonperforming loans} \div \text{Outstanding loan balance}$.

Ratio of nonperforming credit cards receivables: $\text{Nonperforming credit cards receivables} \div \text{Outstanding credit cards receivables balance}$.

Note c: Coverage ratio of allowance for possible losses for loans: $\text{Allowance for possible losses for loans} \div \text{Nonperforming loans}$.

Coverage ratio of allowance for possible losses for credit cards receivables: $\text{Allowance for possible losses for credit cards receivables} \div \text{Nonperforming credit cards receivables}$.

Note d: Residential mortgage is a loan given to the borrower who provides a house, to be purchased (or already owned) by the borrower or the spouse or the minor children of the borrower, as a mortgage to the Bank and will use the loan for house purchase or refurbishment.

Note e: Small-scale credit loans refer to the loans under the Banking Bureau's regulation, dated December 19, 2005 (Ref. No. 09440010950), but excluding small-scale unsecured loans obtained through credit cards and cash cards.

Note f: Other loans of consumer banking refer to secured or unsecured loans, excluding residential mortgage, cash card, small-scale credit loans and credit card.

Note g: As required by the Banking Bureau's letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as nonperforming receivables in three months upon the factors' or insurance companies' rejection of claims.

Nonperforming loans and nonperforming receivables excluded from the information stated above

Item	December 31, 2017		December 31, 2016	
	Nonperforming Loans Excluded	Nonperforming Receivables Excluded	Nonperforming Loans Excluded	Nonperforming Receivables Excluded
Business				
Loans not classified as NPL upon debt restructuring and performed as agreed (Note a)	88,969	250,530	118,518	333,685
Loans upon performance of a debt discharge program and rehabilitation program (Note b)	721,064	1,076,306	666,969	1,123,821
Total	810,033	1,326,836	785,487	1,457,506

Note a: Supplementary disclosure related to the loans which need not be classified as NPL upon debt restructuring and performed as agreed, as stipulated in the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note b: About the Bank disclosures information and enumerates credit for case of pre-negotiation, pre-mediation, debt settlement proceedings and liquidation under Statute for Consumer Debt Clearance, as stipulated in the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and dates September 20, 2016 (Ref. No. 10500134790).

2) Concentration of credit extensions

Ranking (Note a)	December 31, 2017		
	Group Entity (Note b) Industry and Code (Note a)	Total Balances of Credit Extensions (Note c)	Ratio of Credit Extensions to Net Worth (%)
1	A Group - 6499 - non-categorized and other financial services	\$ 4,194,556	10%
2	B Group - 2859 - other household appliances manufacturing	3,614,918	8%
3	C Group - 6496 - private financing industry	3,119,667	7%
4	D Group - 3010 - manufacture of motor vehicles	2,743,460	6%
5	E Group - 6499 - non-categorized and other financial services	2,655,873	6%
6	F Group - 0850 - manufacture of dairy products	2,566,960	6%
7	G Group - 2630 - printed circuit board manufacturing	2,359,822	6%
8	H Group - 4210 - ocean freight transportation forwarding services	2,333,686	5%
9	I Group - 2411 - smelting and refining of iron and steel	2,332,835	5%
10	J Group - 6499 - non-categorized and other financial services	2,279,666	5%

Ranking (Note a)	December 31, 2016		
	Group Entity (Note b) Industry and Code (Note a)	Total Balances of Credit Extensions (Note c)	Ratio of Credit Extensions to Net Worth (%)
1	A Group - 6499 - non-categorized and other financial services	\$ 3,780,495	9%
2	B Group - 2411 - smelting and refining of iron and steel	3,583,904	9%
3	C Group - 2612 - manufacture of discrete devices	3,486,337	9%
4	D Group - 6499 - non-categorized and other financial services	3,141,637	8%
5	E Group - 6499 - non-categorized and other financial services	2,965,126	7%
6	F Group - 6499 - non-categorized and other financial services	2,676,150	7%
7	G Group - 3010 - manufacture of motor vehicles	2,335,580	6%
8	H Group - 5232 - ocean freight transportation forwarding services	2,042,985	5%
9	I Group - 6499 - non-categorized and other financial services	1,994,444	5%
10	J Group - 0850 - manufacture of dairy products	1,898,585	5%

Note a: The rankings above represent the top 10 corporate entities except for government or state-owned enterprises, based on the total balance of credit extension granted by the Bank. The amount of credit extensions should be disclosed in aggregate for each group entity, the code and industry of which are also required. The industry of the group entities is designated as the industry of the individual group entity with the greatest risk exposure. The lines of industry should conform to the industry sub-categorization of the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

Note b: “Group Entity” is defined in Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.”

Note c: Credit extension balance includes various loans (import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans; and nonaccrual loans), bills purchased, factored accounts receivable without recourse, acceptances and guarantees.

3) Interest rate sensitivity

Table 1: For New Taiwan dollar items

**Interest Rate Sensitivity Analysis
December 31, 2017**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 268,141,068	\$ 143,810,222	\$ 6,514,486	\$ 24,444,616	\$ 442,910,392
Interest rate-sensitive liabilities	139,781,032	157,548,328	82,244,155	19,628,693	399,202,208
Interest rate sensitivity gap	128,360,036	(13,738,106)	(75,729,669)	4,815,923	43,708,184
Net worth					42,786,672
Ratio of interest rate-sensitive assets to liabilities					110.95%
Ratio of interest rate-sensitivity gap to net worth					102.15%

**Interest Rate Sensitivity Analysis
December 31, 2016**

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 258,717,458	\$ 133,530,132	\$ 6,469,493	\$ 24,469,261	\$ 423,186,344
Interest rate-sensitive liabilities	140,578,404	135,403,448	74,587,943	28,377,971	378,947,766
Interest rate sensitivity gap	118,139,054	(1,873,316)	(68,118,450)	(3,908,710)	44,238,578
Net worth					40,950,877
Ratio of interest rate-sensitive assets to liabilities					111.67%
Ratio of interest rate-sensitivity gap to net worth					108.03%

Note a: The New Taiwan dollar amounts held by the Bank.

Note b: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

Note c: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note d: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

Table 2: For U.S. dollar items

**Interest Rate Sensitivity Analysis
December 31, 2017**

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,188,090	\$ 289,348	\$ 6,968	\$ 480	\$ 2,484,886
Interest rate-sensitive liabilities	1,996,952	1,022,244	132,994	-	3,152,190
Interest rate sensitivity gap	191,138	(732,896)	(126,026)	480	(667,304)
Net worth					1,433,485
Ratio of interest rate-sensitive assets to liabilities					78.83%
Ratio of interest rate-sensitivity gap to net worth					(46.55%)

**Interest Rate Sensitivity Analysis
December 31, 2016**

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 2,017,759	\$ 182,359	\$ 52,153	\$ 12,792	\$ 2,265,063
Interest rate-sensitive liabilities	1,696,474	1,101,851	114,462	54,200	2,966,987
Interest rate sensitivity gap	321,285	(919,492)	(62,309)	(41,408)	(701,924)
Net worth					1,268,654
Ratio of interest rate-sensitive assets to liabilities					76.34%
Ratio of interest rate-sensitivity gap to net worth					(55.33%)

Note a: The total U.S. dollar amounts held by the Bank, excluding contingent assets and liabilities.

Note b: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities that were affected by interest rate changes.

Note c: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note d: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

4) Profitability

Items		For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Return on total assets	Before tax	0.57%	0.69%
	After tax	0.50%	0.59%
Return on equity	Before tax	7.80%	9.55%
	After tax	6.82%	8.12%
Net income ratio		27.39%	30.18%

Note a: Return on total assets = Income before (after) income tax ÷ Average total assets.

Note b: Return on equity = Income before (after) income tax ÷ Average equity.

Note c: Net income ratio = Income after income tax ÷ Total net profit.

5) Maturity analysis of assets and liabilities

a) For New Taiwan dollar items

December 31, 2017

	Total	Amount for Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 615,404,461	\$ 109,522,593	\$ 69,866,772	\$ 108,263,448	\$ 54,146,537	\$ 59,583,162	\$ 214,021,949
Main capital outflow on maturity	748,567,793	48,174,540	69,271,164	157,563,789	138,649,895	162,691,952	172,216,453
Gap	(133,163,332)	61,348,053	595,608	(49,300,341)	(84,503,358)	(103,108,790)	41,805,496

December 31, 2016

	Total	Amount for Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 588,635,377	\$ 86,959,627	\$ 58,815,281	\$ 92,041,838	\$ 85,631,625	\$ 65,981,179	\$ 199,205,827
Main capital outflow on maturity	725,210,449	41,740,836	66,226,984	147,464,871	152,285,578	163,335,404	154,156,776
Gap	(136,575,072)	45,218,791	(7,411,703)	(55,423,033)	(66,653,953)	(97,354,225)	45,049,051

Note: This table refers to the New Taiwan dollar amounts held by the Bank.

b) For U.S. dollar items

December 31, 2017

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		1 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 9,004,471	\$ 3,082,670	\$ 2,617,797	\$ 1,172,558	\$ 689,521	\$ 1,441,925
Main capital outflow on maturity	9,398,646	3,748,072	3,377,047	881,325	750,334	641,868
Gap	(394,175)	(665,402)	(759,250)	291,233	(60,813)	800,057

December 31, 2016

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		1 to 30 Days	From 31 Days to 90 Days	From 91 Days to 180 Days	From 181 Days to One Year	Over One Year
Main capital inflow on maturity	\$ 8,436,229	\$ 2,690,376	\$ 1,926,812	\$ 1,861,315	\$ 834,295	\$ 1,123,431
Main capital outflow on maturity	8,740,176	2,822,472	2,692,408	1,628,674	870,594	726,028
Gap	(303,947)	(132,096)	(765,596)	232,641	(36,299)	397,403

Note: This table refers to the U.S. dollar amounts held by the Bank.

44. CAPITAL MANAGEMENT

a. Objective of capital management

- 1) The Bank's eligible capital and the consolidated eligible capital should meet the requirements of the related regulations. The basic goal of the Bank's capital management is to meet the minimum ratio of eligible capital and risk assets (the "capital adequacy ratio") according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks" enacted based on the "Banking law."

- 2) In order to maintain an adequate level of capital to bear various risks, the Bank makes capital planning based on the operating plans and budget, the development strategies, dividend policy and stress tests and forecasts of capital adequacy which are approved by the board of directors. The objective is to optimize assets allocation and strengthen capital structure.

b. Procedure of capital management

- 1) The calculation of the Bank's capital adequacy ratio is based on the "Regulations Governing the Capital Adequacy and Capital Category of Banks" enacted by the Financial Supervisory Commission and the related information is reported to the competent authority on a regular basis.
- 2) In order to monitor capital adequacy ratio, the execution and changes in the parameters of the capital planning are reviewed quarterly by the Bank's Assets and Liabilities Management Committee. The committee assesses whether the Bank's capital is able to respond to various risks and whether the objective of capital management is met.

The calculations of eligible capital, risk-weighted assets and capital adequacy ratio were as follows:

			December 31, 2017	
			The Bank	Consolidation
Eligible capital	Ordinary equity		\$ 39,236,233	\$ 39,698,325
	Other Tier I capital		-	-
	Tier II capital		11,680,665	12,185,406
	Total eligible capital		50,916,898	51,883,731
Risk-weighted assets	Credit risk	Standardized approach	320,791,287	322,187,276
		Internal rating-based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	19,112,088	19,646,350
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	14,948,088	14,948,088
		Internal models approach	-	-
	Total risk-weighted assets		354,851,463	356,781,714
Capital adequacy ratio			14.35%	14.54%
Ratio of ordinary equity to risk-weighted assets			11.06%	11.13%
Ratio of Tier I capital to risk-weighted assets			11.06%	11.13%
Leverage ratio			6.06%	6.12%

			December 31, 2016	
			The Bank	Consolidation
Eligible capital	Ordinary equity		\$ 37,403,214	\$ 38,122,066
	Other Tier I capital		-	-
	Tier II capital		14,218,654	14,947,886
	Total eligible capital		51,621,868	53,069,952
Risk-weighted assets	Credit risk	Standardized approach	356,944,620	358,837,133
		Internal rating-based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	19,249,288	19,910,475
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	16,796,650	16,796,650
		Internal models approach	-	-
	Total risk-weighted assets		392,990,558	395,544,258
Capital adequacy ratio			13.14%	13.42%
Ratio of ordinary equity to risk-weighted assets			9.52%	9.64%
Ratio of Tier I capital to risk-weighted assets			9.52%	9.64%
Leverage ratio			5.87%	5.97%

Note a: Eligible capital, risk-weighted assets and risk-exposure assets are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and the “Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks” amended by the FSC on November 26, 2012.

Note b: An annual report should include both the current year’s and prior year’s capital adequacy ratio, but a semiannual report should include the capital adequacy ratio of the most recent year.

Note c: Formulas used were as follows:

- 1) Eligible capital = Ordinary equity + Other Tier I capital + Tier II capital.
- 2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk and market risk) × 12.5.
- 3) Capital adequacy ratio = Eligible capital/Total risk-weighted assets.
- 4) Ratio of Ordinary equity to risk-weighted assets = Ordinary equity/Total risk-weighted assets.
- 5) Ratio of Tier I capital to risk-weighted assets = (Ordinary equity + Other Tier I capital)/Total risk-weighted assets.
- 6) Leverage ratio = Tier I capital/Risk-exposure Assets.

45. SEGMENT INFORMATION

Information provided to the Bank’s and its subsidiaries’ chief operating decision makers for resource allocation and segment performance assessment focuses on nature of operation and profits. Based on IFRS 8 - “Operating Segments,” the reportable segments were as follows:

- a. Individual banking: Mainly includes consumer banking loans such as mortgages, credit loans, car loans, installment, etc.; credit cards; individual deposits; and wealth management;

- b. Corporate banking: Mainly includes corporate-related business, foreign-currency business and financial market business;
- c. Others: Any business not included in individual and corporate banking.

The accounting policies of the reportable segments are the same as those stated in Note 4 to the consolidated financial reports.

Segment Income and Operating Results

The income and operating results of the reportable segments of the Bank and its subsidiaries were as follows:

	Individual Banking	Corporate Banking (Including Overseas Branches)	Others	Total
<u>For the year ended December 31, 2017</u>				
Net interests	\$ 4,361,617	\$ 2,579,276	\$ (1,536,019)	\$ 5,404,874
Net revenues other than interest				
Net service fee income	2,225,487	691,003	235,837	3,152,327
Other net income	<u>291,567</u>	<u>1,441,747</u>	<u>129,741</u>	<u>1,863,055</u>
Consolidated net revenues	6,878,671	4,712,026	(1,170,441)	10,420,256
Provision for possible losses	(112,037)	(616,342)	(3,468)	(731,847)
Operating expenses	<u>(4,763,104)</u>	<u>(1,315,019)</u>	<u>(342,642)</u>	<u>(6,420,765)</u>
Segment income before income tax	<u>\$ 2,003,530</u>	<u>\$ 2,780,665</u>	<u>\$ (1,516,551)</u>	<u>\$ 3,267,644</u>
<u>For the year ended December 31, 2016</u>				
Net interests	\$ 4,383,170	\$ 2,660,002	\$ (1,258,750)	\$ 5,784,422
Net revenues other than interest				
Net service fee income	2,261,564	722,038	213,015	3,196,617
Other net income	<u>206,270</u>	<u>1,362,004</u>	<u>198,142</u>	<u>1,766,416</u>
Consolidated net revenues	6,851,004	4,744,044	(847,593)	10,747,455
Provision for possible losses	(84,787)	(362,171)	(5,043)	(452,001)
Operating expenses	<u>(4,843,972)</u>	<u>(1,285,776)</u>	<u>(349,804)</u>	<u>(6,479,552)</u>
Segment income before income tax	<u>\$ 1,922,245</u>	<u>\$ 3,096,097</u>	<u>\$ (1,202,440)</u>	<u>\$ 3,815,902</u>

46. ADDITIONAL DISCLOSURES

a. Information about significant transactions:

- 1) Marketable securities acquired and disposed of at cost or prices at least NT\$300 million or 10% of the paid-in capital: Nil
- 2) Acquisition of individual real estate at cost of at least NT\$300 million or 10% of the paid-in capital: Nil
- 3) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the paid-in capital: Nil

- 4) Service charge discounts on transactions with related parties in aggregated amount of at least NT\$5 million: Nil
 - 5) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: Nil
 - 6) Sale of nonperforming loans: Nil
 - 7) The type and related information of any securitization product that has been approved in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act: Nil
 - 8) Intercompany relationships and significant intercompany transactions: Table 1 (attached)
 - 9) Other significant transactions which may have effects on decision making of financial statement users: Nil
- b. Information of subsidiaries' financings provided, endorsement/guarantee provided, marketable securities held, marketable securities acquired and disposed of at cost or prices at least NT\$300 million or 10% of the paid-in capital and derivative transactions: Table 2 (attached)
 - c. Related information of investees on which the Bank and its subsidiaries exercises significant influence: Table 3 (attached)
 - d. Information about branches and investments in mainland China: Table 4 (attached)

TABLE 1

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

No. (Note a)	Company Name	Counterparty	Flow of Transaction	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Net Profit or Consolidated Total Assets (Note b)
0	Far Eastern International Bank Ltd.	Far Eastern Asset Management Co., Ltd. Far Eastern International Securities Co., Ltd.	From parent company to subsidiary From parent company to subsidiary	Deposits and remittances Deposits and remittances	\$ 14,553 214,378	Note c Note c	- 0.03
1	Far Eastern Asset Management Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	14,553	Note c	-
2	Far Eastern International Securities Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	214,378	Note c	0.03

Note a: Transacting parties are identified as follows: Number 0 – parent company; and number 1 and the following numbers - subsidiaries.

Note b: The ratio is calculated as follows: For asset and liability accounts = Transaction amount/Consolidated total assets; and for income and expenses = Transaction amount/Consolidated net profit.

Note c: The terms of intercompany transactions are not significantly different from those to third parties.

TABLE 2

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

SUBSIDIARIES' FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, In Thousand Shares)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limit (Note 3)
													Item	Value		
1	FEIB Financial Leasing Co., Ltd.	A company	Other receivables	No	\$ 137,310	\$ 137,310	\$ 120,650	6%-10%	a	\$ 4,119	-	\$ 1,207	Real estate	\$ 309,840	\$ 300,227	\$ 300,227
		B company	Other receivables	No	27,462	27,462	27,462	6%-10%	a	824	-	275	Real estate	52,448	300,227	300,227
		C company	Other receivables	No	27,462	27,462	27,462	6%-10%	a	824	-	275	Stock	388,349	300,227	300,227

Note 1: No. column is coded as follows:

- The Issuer is coded "0".
- The investees are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The nature of financing is described as follows:

- Business transaction is coded "1".
- Short-term financing is coded "2".

Note 3: The limits on financing are as follows:

- Financing limit for each borrower
 - In the case of lending funds to companies or firms who have a business relationship with the lender, the total lending amount to an individual borrower shall not exceed two times of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.
 - In the case of lending funds to the companies or firms in need of short-term financing, the total lending amount to an individual borrower shall not exceed 40% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.
- Aggregate financing limit
 - In the case of lending funds to companies or firms who have a business relationship with the lender, the total accumulation lending amount to an individual borrower shall not exceed two times of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.
 - In the case of lending funds to the companies or firms in need of short-term financing, the total accumulation lending amount to an individual borrower shall not exceed 40% of the net value of the lender as shown in the latest financial report audited or reviewed by a CPA.

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

RELATED INFORMATION OF INVESTEEES
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business and Product	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	The Proportionate Share of the Bank, Its Subsidiaries and Their Affiliates in Investments				Note
						Present Shares (In Thousands)	Pro Forma Shares	Shares (In Thousands)	Percentage of Ownership (%)	
<u>Held by the Bank</u>										
Financial business Deutsche Far Eastern Asset Management Co., Ltd.	7F., No. 207 Dun Hwa South Road, Sec. 2, Taipei, Taiwan	Securities investment trust funds	40.00	\$ 127,511	\$ 749	12,000	-	12,000	40.00	
Dah Chung Bills Finance Corp.	4F., 4F-1, 4F-2, 4F-3, No. 88 Dun Hwa North Road, Taipei, Taiwan	Underwriting, dealing and brokering of short-term bills	22.06	1,646,555	102,588	99,440	-	99,440	22.07	
Far Eastern Asset Management Co., Ltd.	Room B, 17F., No. 207, Dun Hwa South Road, Sec. 2, Taipei, Taiwan	Purchase, evaluation, auction and management of creditor's rights to financial institutions	100.00	663,679	36,110	120,000	-	120,000	100.00	
Far Eastern International Securities Co., Ltd.	51F., No. 7, Xinyi Road, Sec. 5, Taipei, Taiwan	Foreign securities broker, wealth management and offshore fund consulting	100.00	321,161	80,988	20,000	-	20,000	100.00	
Taipei Foreign Exchange Agency Co., Ltd.	8F., No. 400, Bade Road, Sec. 2, Taipei, Taiwan	Foreign exchange, cross-currency swaps, etc.	0.40	800	-	80	-	80	0.40	
Sunshine Asset Management Co., Ltd.	15F., No. 218, Dun Hwa South Road, Sec. 2, Taipei, Taiwan	Management of creditor's rights and rendering of commercial detective services	3.46	2,073	-	207	-	207	3.46	
Financial Information Service Co., Ltd.	No. 81, Kangning Road, Sec. 3, Taipei, Taiwan	Data processing service and electronic information supply	1.14	45,500	-	5,938	-	5,938	1.14	
Yuan Hsin Digital Payment Co., Ltd.	Room A, 5F., No. 1, Yuandong Road, Banqiao Dist., New Taipei City, Taiwan	Issuing electronic tickets and signing contracted institutions	4.99	62,263	-	6,226	-	6,226	4.99	
Nonfinancial business An Feng Enterprise Co., Ltd.	3F., No. 139, Jhenghou Road, Taipei, Taiwan	ATM maintenance, replacement and repair	10.00	3,000	-	300	-	300	10.00	
<u>Held by Far Eastern Asset Management Co., Ltd.</u>										
Financial business FEIB Financial Leasing Co., Ltd.	Room 2806, Tower 1, Grand Gateway 66, No. 1 Hong Qiao Road, Xuhui District, Shanghai, China	Leasing operation	100.00	300,227	19,461	N/A	-	N/A	100.00	

TABLE 4

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Business and Product	Total Paid-in Capital (Note 4)	Investment Type (Note 1)	Accumulated Outflow of Investment as of December 31, 2016	Investment Flow (Note 4)		Accumulated Outflow of Investment as of December 31, 2017 (Note 4)	Net Income (Loss) of Investee (Note 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 5)	Carrying Value as of December 31, 2017 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2017	Note
					Outflow	Inflow							
FEIB Financial Leasing Co., Ltd.	Leasing operation	\$ 305,110 (US\$ 10,000 thousand)	a	\$ 305,110 (US\$ 10,000 thousand)	\$ -	\$ -	\$ 305,110 (US\$ 10,000 thousand)	\$ 19,461 (CNY 4,305 thousand)	100%	\$ 19,461 (CNY 4,305 thousand)	\$ 300,227	\$ -	

Accumulated Investment in Mainland China as of December 31, 2017 (Note 4)	Investment Amount Authorized by Investment Commission, MOEA (Note 4)	Limit on Investment Authorized by Investment Commission MOEA (Note 3)
\$305,110 (US\$10,000 thousand)	\$305,110 (US\$10,000 thousand)	\$398,208

Note 1: Routes of investment in Mainland China are listed below:

- Direct investment.
- Investment via third place company (please state third place investment company).
- Others.

Note 2: Calculation based on investee company's financial statements audited by a local CPA and covering the same reporting period as that of Far Eastern International Bank.

Note 3: Under the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China" announced by Investment Commission, MOEA, upper limit is calculated by applicant company - Far Eastern Asset Management Co., Ltd.

Note 4: Calculated using the exchange rate at remittance date.

Note 5: Calculated using the average exchange rate for the year ended 2017.

遠東國際商業銀行
Far Eastern Int'l Bank



董事長：侯金英





遠東國際商業銀行
Far Eastern Int'l Bank



台北市敦化南路二段207號26.27樓
26.27/F 207 Tun Hwa S.Road,Sec.2,Taipei
Tel:(02)2378-6868 Fax:(02)2377-9000
Swift Code : FEINTWTP
<https://www.feib.com.tw>