遠東國際商業銀行
Far Eastern Int'l Bank

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2018
Annual Report

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Luxembourg Stock Exchange
Website: https://www.bourse.lu/
ISIN: US30733T2069, US30733T1079

Our website

https://www.feib.com.tw

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Chairperson Ms. Ching-Ing Hou

Chairperson's Message

Reflecting on the 2018, the global economy continued recovering in the first half of the year, pushing up Taiwan's economic growth. In the second half of the year, although the global economy was affected by US-China trade war and the violent fluctuations in the international financial market, Taiwan's economy GDP remained at 2.63%. Looking forward to 2019, global economic and geopolitical uncertainty is rising, economic growth momentum is slowing, and Taiwan's GDP forecast that will be slow down to 2.27%. Nonetheless, for financial industry, FSC fully supports Fintech development, encourages digital transformation in banking industry, and applies AI to create a new economy.

In 2018, Far Eastern International Bank (FEIB)'s overall profitability was strong. The net profit after tax was NT$3.524 billion, increased 23% from last year. EPS was NT$1.08, which was also 24% higher than last year. The growth rate was the highest in eight years. Total assets exceeded NT$600 billion. The asset quality remained good, as NPL ratio fell to 0.237%, and the NPL coverage ratio increased to 574%, both of which were better than industry.

FEIB continued long-term steady growth strategy in 2018, led the market with niche products and drove innovation with digital technology. In digital banking, the transaction automation was improved, with off-counter rate of 89.5%. As the first social bank, "Bankee" was launched with online banking applications. As to the credit card business, the active card exceeded 1 million and market share of spending amount was also increased. Consumer loan business has experienced double-digit growth for three years. The strategic car loan has consolidated its market leadership position. The wealth management business was awarded the "Best Wealth Manager of Taiwan Award – Rising Star" by Asset magazine. The number of wealth management customers and investment assets are actively growing. Corporate finance has expanded overseas markets which accounted for 40% of corporate banking's profits. The financial market increased the investment position, and the foreign exchange trading turned loss into gain.

FEIB combined social resources to engage public welfare activities and practice corporate social responsibility. Eden Social Welfare Foundation was sponsored through the public welfare platform, and FEIB donated money to assist post-disaster reconstruction. The corporate social responsibility report was published and won the Silver Award in Taiwan Sustainable Report and the Outstanding Perpetual Award of the British Standards Institution. The 2019 calendar introduced Taiwanese writers and artists' former residences to promote humanistic spirit and historical heritage of Taiwan. FEIB is selected as one of the constituent companies of "Taiwan RAFI EMP 99 Index" and the "Taiwan HC 100 Index" for several years. FEIB is the only bank who was rewarded training subsidy by Ministry of Labor for 16 consecutive years in recognition of focusing on employee welfare, talent cultivation and the human capital accumulation.

Looking into 2019, FEIB will launch AI transformation, integrate virtual and reality channels, and create new profit-making opportunity. The key operational strategies include digital financial sub-brands, AI banking, and hosting FE Group's payment services. The number of FE Group cards and the market share of spending amount will be increased. New overseas offices in Singapore and Vietnam are established for building a multinational financial network. New financial product will be created for increasing diversified investment profit. Re-organization project will be executed to enhance productivity. Through long-term steady growth strategy, FEIB will demonstrate leading-market innovation capacity, deepen profitability of niche products, and take corporate social responsibility into account to create win-win for its shareholders, customers, employees and the society.

Vice Chairman Mr. Douglas Tong Hsu

Operating Results for 2018 and Business Outlook for 2019 are Summarized as Follows:

Operating Results for 2018

1. Business Plan and Operating Results

Changes in Operations Overview

(NT$MM)

Item \ Year	2018	2017	Change Rate
Deposits and Remittance	508,648	472,621	7.6%
Corporate Loans	164,174	146,282	12.2%
Consumer Loans	220,749	209,659	5.3%
Total Loans	384,923	355,941	8.1%
Revolving Credit Cards Balance	10,406	10,575	-1.06%
Securities Investment	168,875	148,652	13.06%
Equity-Method Long Term Investment	2,795	2,759	1.3%
Total Trust Assets	67,979	59,980	13.3%

2. Business Overview

(1) Budget Achievement

In 2017, FEIB's total assets stood at NT$626.2 billion, achieving 101% of target; total deposits and loans amounted to NT$508.6 billion and NT$384.9 billion, which achieved 100% and 102% of target, respectively.

(2) Analysis of Profitability

FEIB's revenue in 2018 grew 7% (YoY) to NT$10.9 billion where net interest income was NT$5. 653 billion, raised 5% (YoY), and revenue excluding NII was NT$5.286 billion, grew 10% (YoY).

Net income was NT$3.524 billion, increased 23% (YoY), and EPS was NT$1.08, grew 24% (YoY).

3. Ratings

FEIB's investment grade rating result was released in June 05, 2018, which was assessed by Fitch Ratings Limited as follows:

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

President Mr.Thomas Chou

4. Research and Development

Facing development of internet-only bank, FEIB continues innovating and developing digital products and platforms. The bank launched the first social-bank in Taiwan called “Bankee” which adopted the teenager’s favored commercial business model, and explored the opportunities of sharing economic. FEIB credit card is now available in Taiwan Pay, Line Pay, JKOPAY and other digital wallets to enhance the digitalization of credit card. Also, the bank upgraded i-Win Wealth Management System, launched i-Smart branch teller system and i-Robo smart investment system to provide intelligent wealth management services and improve financial management services.

5. Structural Changes

(1)To improve the information security level, the "Information Security Department" is set up for formulating the Bank's security strategy and the related planning, promoting, managing and checking information security.

(2)Three department of the Financial Strategy Centre were renamed as "Financial Control Department", "Administrative Management Department" and "Strategic Planning Department".

(3)The department functions under Digital Banking BU were readjusted and renamed to include “Financial Technology Unit”, “Digital Service Development Unit”, “Digital Marketing Unit”, “Business Intelligence Unit” and “General Administration Unit”.

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

In the external competitive environment, FInTech has developed rapidly, and FSC has promoted financial innovation policies. It increased the investment of FinTech in the financial industry, and actively promoted digital transformation. Furthermore, financial industry is facing competition of non-financial industry entering financial markets with innovated application. In response to the implementation of “General Data Protection Regulation (GDPR)” of the European Union, the Bank has appointed external consultants to verify the revision of the BS10012 personal information management system and introduce GDPR to enhance the protection of customer personal data. For overall business environment, the global economy was affected by the US-China trade war, global financial market turmoil and slowing economic growth in 2018. The banking industry is hard to grow and business risks are increasing. Facing the uncertainty of market environment and competitive challenges of financial technology industry, FEIB will engage reorganization, continue innovation and development, be abided by the regulations and strengthen the internal control management to maintain long-term steady growth of profitability.

Operating Plans for 2019

1. Operating Goals

Major Operating Goals for 2019 are summarized as follows:

(1) Total asset: NT$660.5 billion

(2) Total deposit: NT$533.9 billion

(3) Total loan: NT$402.3 billion

2. Policies and Major Strategies

(1) Individual Banking Business:

Upgrade niche products, cultivate professional financial management teams and expand the scale of wealth management AUM; Integrate FE Groups' VIP offers, deepen the loyalty of the Group, and share the Group's selling channels and customer resources; Focus on family financial services, combine product introduction with tax seminars and marketing activities to deeply cultivate the second generation of customers; Cooperate with Yuan Ze University to hold an "Elderly Finance School" program for retired customers; Develop mobile and AI wealth management system, build digital interaction zone in branch, and optimize digital financial experience.

(2) Consumer Banking and Credit Cards Business:

A. Consumer Banking Business

Adopt digital financial technologies, enhance risk management capability, include high risk groups for increase of spread income; Continuously optimize the operation process, maintain competitive advantage and market leading position, and stabilize asset scale and profitability; Strengthen digital media cooperation, increase sales promotion via E&M channels, integrate virtual and real channels, and enhance business performance and brand image.

B. Credit Card Business

Connect to the FE Group's retail channel resources and upgrade the FEIB Happy Credit Card to expand issuance scale and payment amount; Leverage Happy Go's bonus point to increase spending in FE Group; Use Big Data's target marketing to motivate new and existing customers for card usage, effectively increasing the active cards; Ally with FE companies, domestic and foreign strategic partners to jointly create multiple applications of payment and expand the scale of digital payment; Strengthen online application functions, actively operate digital media, and expand access of digital channels.

(3) Corporate Banking Business

Leverage three major niche products (CF/GTS/TMU) to push business in three markets (Taiwan/China+Hong Kong/Asia Pacific), continue developing new businesses, and build long-term business operation blue-prints; Develop trade finance business, optimize

deposit structure, and maintain stable net interest spreads; Implement proactive risk management and strictly control the quality of credit assets; Expand the second-generation corporate internet banking and B2B2C service model, digitalize cash management services, and deepen the loyalty and contribution from corporate customers; Lead syndicated loans, provide structured and customized financing products, and create high value-added income; Complete set up of the representative office in Singapore and Ho Chi Minh City, actively expand in ASEAN market, and continue expanding overseas assets and profit contribution.

(4) Financial Markets Business:

Consolidate the leading position in foreign exchange margin trading, differentiate target customer relations, and develop new customers by using multi-digital channels; Augment financial engineering ability for self-pricing derivatives and develop strategic trading; Develop structured notes to meet customer's needs; Continue expanding TMU customers and professional investors; Expand investment and trading portfolio, diversify investment targets and markets to stabilize earning contribution.

(5) Digital Banking Business:

Integrate digital, automation, and physical service channels to develop "AI banking"; Use OPEN API technology to develop APPs, and construct a "Retail Payment Settlement Center" based on the "FE Mobile Payment Integrated Service"; Analyze big data information, develop smart scoring model, set up AI RM services and VTM cloud branch to extend physical services; Provide acute digital financial services to complement physical service gaps and increase number of customers.

(6) Insurance Agency Business:

Cooperate with Individual Banking, Consumer Banking, and Corporate Banking BUs and subsidiaries, select prudent insurance companies as partners, and introduces bank insurance products meeting the needs of internal and external customers for full coverage of insurance products; Adopt the development of Fintech, promote mobile device insurance with Far EasTone Telecom to catch the opportunities of online insurance.

Chairman

侯金英

II. Company Profile

1. Date of Establishment:

January 11, 1992.

2. Company History

The Far Eastern International Bank (FEIB) was established by entrepreneur Mr. Y. Z. Hsu, founder of various renowned enterprises including Far Eastern New Century Corp., Far Eastern Department Stores, Asia Cement Corp., 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.

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 passé 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.

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.

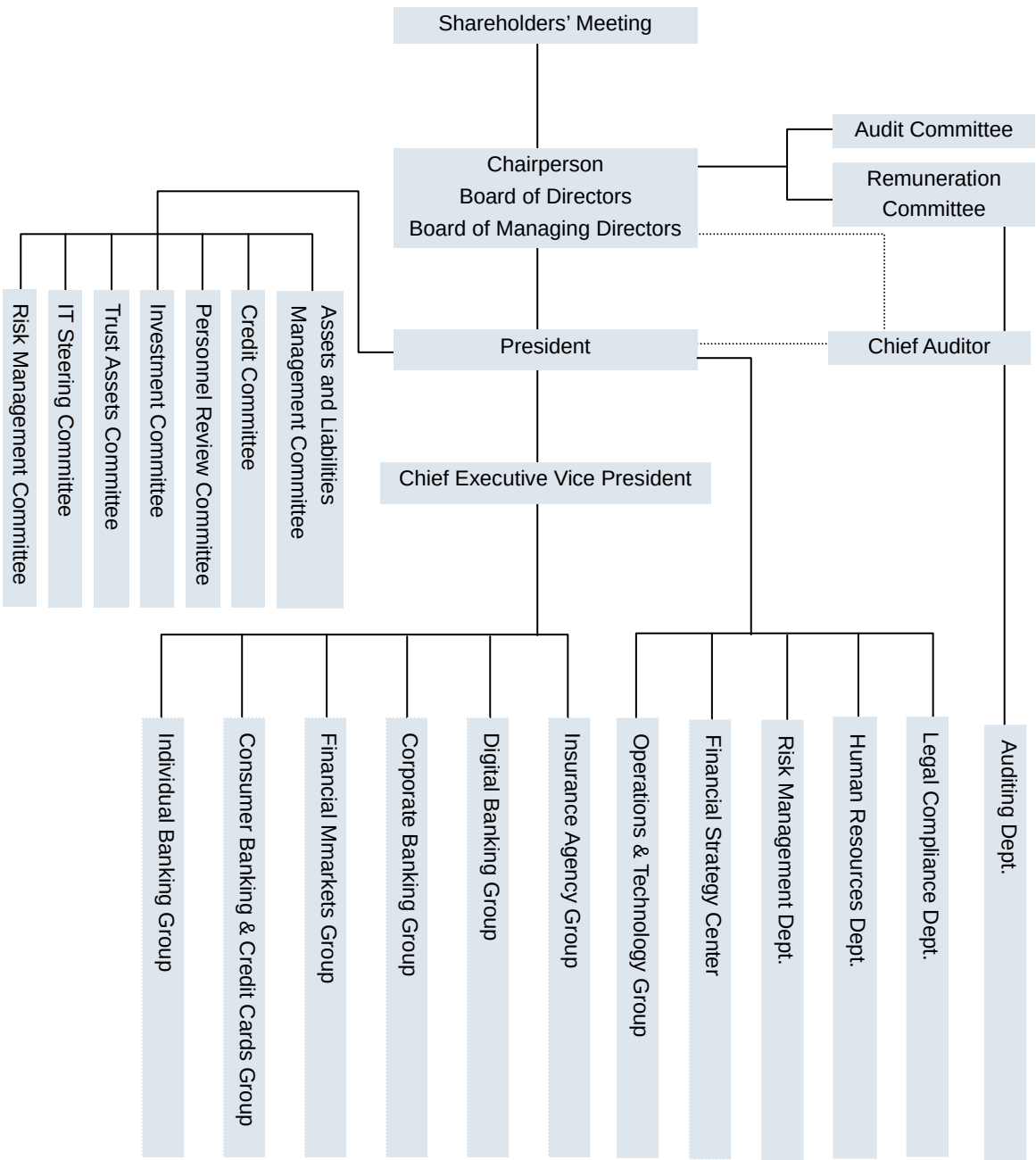
In 2018, to improve the information security level, the "Information Security department" is set up for formulating the Bank's security strategy and the related planning, promoting, managing and checking. FEIB continue innovating and developing digital product and platforms, launched the first social-bank in Taiwan called "Bankee" which adopted the teenager's favor commercial business model, to explore the opportunities of sharing economic. FEIB credit card is now able to binding with Taiwan Pay, Line Pay, JKOPAY and other digital wallets to enhance the digitalization of credit card. Also, the bank upgraded i-Win Wealth Management System, launched i-Smart branch teller system and i-Robo smart investment system to provide customer intelligent wealth management services and improve financial management services.

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.

III. Corporate Governance Report

1. Organization Structure

(1) FEIB's Organization Chart



(2) Major Business Function of Each Department

A. Individual Banking Group

Handle branch operations and wealth management business, including the planning, sales, and performance management of deposit, investment, trust, insurance, small and medium-sized enterprise financing products; as well as the management and operation of branch channels.

B. Consumer Banking and Credit Cards Group

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.

C. Financial Markets Group

Handle operating 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 stipulating, 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.

D. Corporate Banking Group

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 manage overseas branch's corporate banking business.

E. Digital Banking Group

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.

F. Insurance Agency Business Group

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.

G. Operations & Technology Group

Formulate operational policies and regulations, control and improve operational procedures, and process operation for each department. Plan, develop, and promote information operation strategies and system, and provide related consulting services. Formulate and implement information security strategy for whole bank, set stardard of

information security technology, and responsible for planning, promotion, management and verification of information security matters.

H. Financial Strategy Center

Responsible for FEIB's financial planning, performance analysis, accounting and taxation. Manage corporate governance, land & equipment management and corporate social responsibility promotion. Handle FEIB's medium to long-term strategy planning, strategic long-term investment analysis and evaluation, and coordination and communication with government.

I. Risk Management Department

Formulate and establish risk management policies, principles, systems, relevant regulation, risk assessments and countermeasures.

J. Human Resources Department

Handle personnel appointments, attendance, compensation, benefits, performance, rewards and punishments, promotion, rotation, resignation, employee relations, education and training, and career development.

K. Legal Compliance Department

Handle compliance planning, management and execution, legal advice, legal document review, litigation, anti-money laundering and anti-terrorism related operations, outsourcing operations management, major non-performing-loan assistance, and other legal compliance and legal related issues.

L. Auditing Department

Plan and implement auditing system of FEIB, supervise and review the self-evaluation of each unit, supervise bidding and examine of construction and procurement, tracking and checking the improvement listed in internal control system implement statement and regularly submit audit report to the board.

2. Information on Directors, Management Team, Department Heads and Branch Managers

(1) Directors

A. Directors' Shareholding and Major Educational (professional) Background

April 22, 2019

Title	Nationality/ Place of Incorporation	Name	Gender	Date elected / Date first elected	Tem (years)	Shareholding when elected		Current shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
						Share	%	Share	%	Share	%	Share	%			Title	Name	Relationship
Chairperson	R.O.C.	Yue Ding Industry Co., Ltd. Representative: Ms. Ching-Ing Hou	Female	107.6.20 84.5.19	3	9,700,697 *16,324	0.3048 *0.0005	9,963,585 *16,766	0.3048 *0.0005	0 *0	0 *0	0 *0	0 *0	■ 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 Corp.	■ Director,Southern Taiwan University of Science and Technology	None	None	None
Vice Chairman	R.O.C.	Douglas Tong Hsu	Male	107.6.20 80.12.09	3	6,051,816	0.1901	6,215,820	0.1901	0	0	0	0	■ 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 Corp.	■ Chairman, Far Eastern New Century Corp. ■ Chairman, Asia Cement Corp. ■ Chairman, Far Eastern Department Stores Ltd. ■ Chairman, Far EasTone Telecommunications Co., Ltd. ■ Chairman, U-Ming Marine Transport Corp. ■ Chairman, Orient Union Chemical Corp. ■ Director, Everest Textile Ltd.	None	None	None
Executive Director	R.O.C.	Far Eastern New Century Corp. Representative: Shaw Y. Wang	Male	107.6.20 80.12.09	3	83,245,165 *1,605,585	2.6154 *0.0504	85,501,108 *1,649,096	2.6154 *0.0504	0 *0	0 *0	0 *0	0 *0	■ BA, Dept. of Business Administration, National Chung Hsing University ■ EMBA Courses, National Taiwan University ■ Director & First Senior Executive Vice President, Far Eastern New Century Corp.	■ Foundation Executive Director of Far Eastern Group ■ Director, Far Eastern New Century Corp. ■ Director, Far Eastern Asset Management Corp. ■ Director, Yuan Ze University	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date elected / Date first elected	Tem (years)	Shareholding when elected		Current shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
						Share	%	Share	%	Share	%	Share	%			Title	Name	Relationship
Executive Director	R.O.C.	Asia Cement Corp. Representative: Tsung-Ming Chung	Male	107.6.20 92.5.29	3	74,814,783 *0	2.3505 *0	76,842,263 *0	2.3505 *0	0 *0	0 *0	0 *0	0 *0	■ MBA, National Chengchi University ■ CPA, Deloitte & Touche	■ Chairman, DynaPack Corp. ■ Independent Director, Chroma Ate Inc. ■ Director, Unity Opto Technology Co., Ltd.	None	None	None
Director	R.O.C.	Far Eastern New Century Corp. Representative: : Humphrey Cheng	Male	107.6.20 95.6.27	3	83,245165 *0	2.6154 *0	85,501,108 *0	2.6154 *0	0 *0	0 *0	0 *0	0 *0	■ 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 Corp.	■ President, Far Eastern New Century Corp. ■ Chairman, Deutsche Far Eastern Asset Management Company Limited ■ Director, Oriental Union Chemical Corporation ■ Director, Ding Ding Integrated Marketing Service Co. ■ Supervisor, Far Eastern Asset Management Corp.	None	None	None
Director	R.O.C.	Far Eastern New Century Corp. Representative : James Wu	Male	107.6.20 106.6.15	3	83,245,165 *0	2.6154 *0	85,501,108 *0	2.6154 *0	0 *86,430	0 *0.0026	0 *0	0 *0	■ 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	■ Independent Director, Primax Electronics Ltd.	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date elected / Date first elected	Tem (years)	Shareholding when elected		Current shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
						Share	%	Share	%	Share	%	Share	%			Title	Name	Relationship
Director	R.O.C.	Asia Cement Corp. Representative: Shi-Chun Hsu	Male	107.6.20 89.5.21	3	74,814,783 *0	2.3505 *0	76,842,263 *0	2.3505 *0	0 *0	0 *0	0 *0	0 *0	■ 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	■ Independent Director, Eslite Corporation ■ Director, Far Eastern Toll Collection Co., Ltd. ■ Director, FETC International Co., LTD., ■ Mr. Kao Jen-Yen Chair Professor, Feng Chia University	None	None	None
Director	R.O.C.	U-Ming Marine Transport Corp. Representative: Min-Teh Yu	Male	107.6.20 89.5.21	3	74,760,942 *0	2.3488 *0	76,786,963 *0	2.3488 *0	0 *0	0 *0	0 *0	0 *0	■ 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	■ President, China University of Technology ■ Independent Director, JMicron Technology Corporation ■ Independent Director, Gourmet Master Co., Ltd.	None	None	None
Independent Director, Managing Director	R.O.C.	Hsiao Hui Wang	Female	107.6.20	3	0	0	0	0	0	0	0	0	■ BA, National Chengchi University, Taiwan ■ CPA,Deloitte Touche ■ Supervisor, CTCI Advanced systems Inc.	■ Independent Director, Les enphants Co. Ltd. ■ Director,TN Soong Foundation ■ Member Of Executive Committee,Taiwan Corporate Governance Association	None	None	None
Independent Director	R.O.C.	Bing Shen	Male	107.6.20 99.1.19	3	0	0	0	0	0	0	0	0	■ 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, Far Eastern New Century Corp. ■ Independent Director, Elite Material Co., Ltd. ■ ◆Director and Convener of Corporate Governance, CTCI Corporation	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date elected / Date first elected	Tem (years)	Shareholding when elected		Current shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
						Share	%	Share	%	Share	%	Share	%			Title	Name	Relationship
Independent Director	R.O.C.	Susan S. Chang	Female	107.6.20 104.6.16	3	0	0	0	0	0	0	0	0	■ 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	■ Director, Jinniujin Business Co., Ltd. ■ Chairman, UBI Pharma Co., Ltd. ■ Director, Bio Ware Technology Co., Ltd. ■ Director, Grace Technology Co., Ltd. ■ Supervisor, Entie Tech-engineering Co., Ltd.	None	None	None

*Number of shares owned by the individual representative.

Table 1: Major Shareholders of Institutional Shareholders

April 22, 2019

Name of institutional shareholders	Major shareholders (%)
Yue Ding Industry Co., Ltd.	Fu Da Transportation Co., Ltd. (26.95)、Yue-Tung Investment Corp. (25.36)、An Ho Garment Co.,Ltd. (15.66)、Ding Yuan International Investment Corp. (13.20)、Ton Fu Investment Corp. (4.61)、Ta Chu Chemical Fiber Co., Ltd. (3.89)、Ya Li Precast Prestressed Concrete Industries Corp.(3.89)、Yuan Ding Co., Ltd. (2.59)、Bai Ding Investment Co., Ltd. (2.31)、Yu Ming Trading Corp. (1.53)
Far Eastern New Century Corp.	Asia Cement Corp. (23.77)、Oriental Institute of Technology (4.81)、Far Eastern Medical Foundation (3.61)、Far Eastern Memorial Foundation (3.42)、Yuan-Ze University (2.74)、Nan Shan Life Insurance Co. , Ltd. (2.60)、Cathay Life Insurance Co., Ltd. (1.98)、Douglas Tong Hsu (1.71)、China Life Insurance Co., Ltd. (1.58)、Der Ching Investment Corp.(1.55)
Asia Cement Corp.	Far Eastern New Century Corp. (22.33)、Far Eastern Medical Foundation (5.40)、Shin Kong Life Insurance Co., Ltd. (2.12)、New Labor Pension Fund (1.77)、Labor Pension Fund Committee of Far Eastern New Century Corporation (1.51)、Far Eastern Department Stores Co., Ltd. (1.49)、China Life Insurance Co., Ltd. (1.43)、Yuan-Ze University (1.41)、Far Eastern Memorial Foundation (1.31)、Yu Yuan Investment Co., Ltd (1.29)
U-Ming Marine Transport Corp.	Asia Cement Corp. (39.25)、Cathay Life Insurance Co., Ltd. (3.95)、Fubon Life Insurance Co., Ltd. (2.26)、Management Board of the Public Service Pension Fund (1.97)、ransGlobe Life Insurance Co., Ltd. (1.21)、Ding Shen Investment Co., Ltd. (1.06)、Yuan Ding Investment Co., Ltd. (1.05)、Yu Yuan Investment Co., Ltd. (0.94)、Asia Investment Corp.(0.92)、Vanguard Emerging Markets Stock Index Fund account in custody of J.P. Morgan Chase Bank (0.92)

Table 2: Major Shareholders of the Bank's Major Institutional Shareholders

April 22, 2019

Name of Institutional shareholders	Major shareholders (%)
Fu Da Transportation Co., Ltd.	Fu Ming Transportation Co., Ltd.(99.87)、Asia Investment Corp.(0.03)
Yue-Tung Investment Corp.	U-Ming Marine Transport Corp.(73.54)、U-Ming Marine Transport (Singapore) Private Ltd.(26.46)
An Ho Garment Co.,Ltd.	Far Eastern New Century Corp.(100.00)
Ding Yuan International Investment Corp.	Far Eastern New Century Corp.(100.00)
Ton Fu Investment Corp.	Oriental Union Chemical Corp.(100.00)
Ta Chu Chemical Fiber Co., Ltd.	Yuan Ding Investment Co., Ltd.(41.86)、Yue Ding Industry Co., Ltd. (38.76)、Yue Li Investment Corp.(19.38)
Ya Li Precast Prestressed Concrete Industries Corp.	Asia Cement Corp.(83.81)、Far-Eastern Construction Engineering Co.,Ltd.(16.03)
Yuan Ding Co., Ltd.	Far Eastern New Century Corp.(37.13)、Asia Cement Corp.(35.50)、Der Ching Investment Corp.(14.50)、Yuan Ding Investment Co., Ltd.(12.86)
Bai Ding Investment Co., Ltd.	Far Eastern Department Stores Co., Ltd.(66.66)、Bai Yang Investment Corp.(33.34)
Yu Ming Trading Corp.	Bai Ding Investment Co., Ltd.(47.00)、Yuan Ding Investment Co., Ltd. (45.50)、Yue Ding Industry Co., Ltd.(5.00)、Ding & Ding Management Consultants Co., Ltd.(1.00)、Yuan Ding Co., Ltd.(1.00)、Yuan Ding Leasing Corp.(0.50)
Asia Cement Corp.	Far Eastern New Century Corp.(22.33)、Far Eastern Medical Foundation(5.40)、Shin Kong Life Insurance Co., Ltd.(2.12)、New Labor Pension Fund(1.77)、Labor Pension Fund Committee of Far Eastern New Century Corporation(1.51)、Far Eastern Department Stores Co., Ltd.

Name of Institutional shareholders	Major shareholders (%)
	(1.49)、China Life Insurance Co., Ltd.(1.43)、Yuan-Ze University(1.41)、Far Eastern Memorial Foundation(1.31)、Yu Yuan Investment Co., Ltd (1.29)
Nan Shan Life Insurance Co. , Ltd.	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd.(68.17)、Ruen Chen Investment Holding Co., Ltd.(22.46)、Y. T. Du(3.25)、Ruen Hua Dyeing & Weaving Co., Ltd.(0.28)、Ruentex Leasing Co., Ltd.(0.13)、Chi-Pin Investment Company(0.11)、Boon-Teik Koay(0.10)、Pou Chi Investments Co.,Ltd.(0.05)、Pou Yih Investments Co.,Ltd.(0.05)、Pou Huei Investments Co.,Ltd.(0.05)、Pou Hwang Investments Co.,Ltd.(0.05)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.(100.00)
China Life Insurance Co., Ltd.	China Development Financial Holding Corp.(25.33)、KGI Securities Co., Ltd(9.63)、Cathay Life Insurance Co. , Ltd.(3.34)、Videoland Inc. (2.35)、Citi as Trustee For The Government Of Singapore Investment Corp. (1.73)、Labor Pension Fund(1.34)、Linglang Zhan(1.27)、Citibank Taiwan in its Capacity as Master Custodian for Investment account of the Central Bank of Norway(1.19)、Funds of Saudi Arabia Central Bank at the discretionary account of Morgan Stanley Asset Management, in custody of JP Morgan Chase Bank(1.13)、JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Emerging Markets Stock Index Fund Investor Shares (1.08)
Der Ching Investment Corp.	Asia Cement Corp.(99.99)、Asia Investment Corp.(0.001)、Peter Hsu (0.001)
Far Eastern New Century Corp.	Asia Cement Corp.(23.77)、Oriental Institute of Technology(4.81)、Far Eastern Medical Foundation(3.61)、Far Eastern Memorial Foundation (3.42)、Yuan-Ze University(2.74)、Nan Shan Life Insurance Co. , Ltd. (2.60)、Cathay Life Insurance Co., Ltd.(1.98)、Douglas Tong Hsu(1.71)、China Life Insurance Co., Ltd. (1.58)、Der Ching Investment Corp.(1.55)
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd. (100.00)
Far Eastern Department Stores Co., Ltd.	Far Eastern New Century Corp.(17.06)、Asia Cement Corp. (5.65)、Yuan-Ze University(4.75)、Yuan Tong Investment Co., Ltd.(2.80)、he committee of Employee Pension Fund of Far Eastern Department Stores Co., Ltd.(2.11)、Yu Yuan Investment Co., Ltd(2.06)、Special Account for Investment of the Central Bank of Norway in custody of Citibank(Taiwan) (2.00)、Tranquil Enterprise Ltd.(1.88)、Far Eastern Memorial Foundation (1.71)、Yuan Ding Investment Co., Ltd.(1.66)
Yu Yuan Investment Co., Ltd.	Asia Cement Corp.(29.92)、Yuan Ding Co., Ltd.(25.02)、Yuan Ding Investment Co., Ltd.(18.96)、U-Ming Marine Transport Corp.(17.66)、Ding Shen Investment Co., Ltd.(6.50)、Yue-Tung Investment Corp.(1.84)、Yue Ding Industry Co., Ltd.(0.10)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd.(100.00)
TransGlobe Life Insurance Co., Ltd.	Chung Wei I Co., Ltd.(100.00)
Ding Shen Investment Co., Ltd.	Yue-Tung Investment Corp.(18.00)、Asia Investment Corp. (18.00)、Bai Ding Investment Co., Ltd.(18.00)、Ton Fu Investment Corp.(18.00)、Yuan Tong Investment Co., Ltd.(18.00)、Yue Ding Industry Co., Ltd.(5.00)、Ta Chu Chemical Fiber Co., Ltd.(5.00)
Yuan Ding Investment Co., Ltd.	Far Eastern New Century Corp.(99.40)、An Ho Garment Co.,Ltd.(0.30)、Ta Chu Chemical Fiber Co., Ltd.(0.30)
Asia Investment Corp.	Asia Cement Corp.(100.00)

B. Directors' Professional Qualifications and Independence Analysis

Qualifications / Name	Possession of over five-year working experience and the following professional qualifications			Compliance with independence (Note)										Number of other companies of public offering where the board director or supervisor serves as independent director
	Instructor or higher teaching positions at college departments of commerce, legal affairs, finance, accounting, or others related to the bank's operation	Judge, prosecutor, lawyers, public certified accountant, or other professionals or technicians with national licenses related to the bank's operation	Working experience in commerce, legal affairs, finance, accounting, or other fields related to the bank's operation	1	2	3	4	5	6	7	8	9	10	
Ching-Ing Hou	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Douglas Tong Hsu	-	-	✓	✓	✓		✓	✓			✓	✓	✓	0
Shaw Y. Wang	-	-	✓	✓	✓	✓	✓	✓			✓	✓		0
Tsung-Ming Chung	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Humphrey Cheng	-	-	✓	✓	✓	✓	✓	✓			✓	✓		0
James Wu	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		1
Shi-Chun Hsu	✓	-	✓	✓	✓	✓	✓	✓		✓	✓	✓		1
Min-Teh Yu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		2
Hsiao Hui Wang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Bing Shen	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Susan S. Chang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Mark with a check (✓) under the code number for conformance to the following conditions:

(1) Not an employee of another bank or its affiliates.

(2) Not a director or supervisor of another bank or its affiliates.

(3) Not owning, along with his/her spouse and offspring before the age of majority or in others' names, over 1% stake in another bank including stake in others' names, or one of the 10 largest individual shareholders in the bank.

(4) Not a spouse, relative within second-degree kinship, or relative within fifth-degree kinship of direct lineage of the persons specified in the three items above.

(5) Not a director, supervisor, or employee of an institutional shareholder with over 5% stake in another bank or being one of the five largest institutional share-holders in the bank.

(6) Not a director, supervisor, manager, or shareholder with over 5% stake of a company or institution which has financial or business exchange with another bank.

(7) Not a professional, or owner, partner, director, supervisor, manager, or spouse of one with such position of companies or institutions offering business, legal, financial, accounting, or consulting services to another bank or its affiliates; however, this excludes remuneration committee members who exercise their duties in accordance with Article 7 of 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.

(8) Not a spouse or a relative within second-degree kinship of one of other directors.

(9) Not an offender of items stipulated in article 30 of the Company Law.

(10) Not a representative of government or corporate body elected via method specified in article 27 of Company Law.

(2) President, Executive Vice President, Deputy Executive Vice President and Department Heads

April 22, 2019

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
President	R.O.C.	Thomas Chou	Male	Aug. 8, 2016	1,919,417	0.0587	0	0	0	0	■ President of FEIB ■ BA, Dept. of Banking, National Chengchi University	■ Director, Far Eastern Asset Management Corp. ■ Director, Dah Chung Bills Finance Corps. ■ Director, Ding Ding Integrated Marketing Service Co. ■ Director, Yuan Tai Foreign Exchange Agency	None	None	None
Chief Executive Vice President	R.O.C.	Jiann Jong Lin	Male	Aug. 12, 2016	1,337,096	0.0409	809,056	0.0247	0	0	■ Chief Executive Vice President of FEIB ■ Master of Finance Management, Louisiana State University, U.S.A.	■ Chairman, Far Eastern Asset Management Corp. ■ Director, Far Eastern International Securities Company Ltd. ■ Chairman, FEIB Financial Leasing Corp.	None	None	None
Senior Executive Vice President	R.O.C.	Ben Liao Ru	Male	Aug. 21, 2014	751,285	0.0230	1,301,346	0.0398	0	0	■ Senior Executive Vice President, Head of Financial Markets Group of FEIB ■ Master of International Management, American Graduate School of International Management, U.S.A	None	None	None	None
Executive Vice President	R.O.C.	Alan Lee	Male	July. 21, 2008	814,831	0.0249	0	0	0	0	■ Executive Vice President, Head of Consumer Banking and Credit Card Group of FEIB ■ Master of Business Administration, National Chengchi University	None	None	None	None
Executive Vice President	R.O.C.	Simon Tai	Male	Aug. 12, 2016	395,139	0.0121	0	0	0	0	■ Executive vice President, Head of Digital Banking Group of FEIB ■ Master of Computer Science, Polytechnic University(NY), U.S.A.	■ Director, Far Eastern International Securities Company Ltd. ■ Supervisor, Yuan Hsin Digital Payment Co., Ltd.	None	None	None
Executive Vice President	R.O.C.	Sophie Chang	Female	Aug. 12, 2016	339,636	0.0104	0	0	0	0	■ Executive Vice President, Head of Individual Banking Group of FEIB ■ EMBA, National Taiwan University	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Executive Vice President	R.O.C.	May Ling Liu	Female	Feb. 6, 2017	0	0	0	0	0	0	■ Executive Vice President, Head of Insurance Agency Group of FEIB ■ Bachelor of Business Administration, The University of West Florida, U.S.A.	None	None	None	None
Executive Vice President	R.O.C.	Steve Chi	Male	Aug. 14, 2018	159,465	0.0049	0	0	0	0	■ Executive Vice President, Head of Corporate Banking Group of FEIB ■ Master of Business Administration, University of Minnesota, U.S.A.	■ Director, Far Eastern International Securities Company Ltd.	None	None	None
Executive Vice President	R.O.C.	Lonnie Liu	Male	Mar. 20, 2013	732,228	0.0224	0	0	0	0	■ Executive Vice President, Head of Operations & Technology Group of FEIB ■ Master of Information Management, New York University, U.S.A.	■ Director, FEIB Financial Leasing Corp.	None	None	None
Executive Vice President	R.O.C.	James Dai	Male	Aug. 14, 2018	488,039	0.0149	0	0	0	0	■ Executive Vice President, Head of Risk Management Department of FEIB ■ Master of Economics, Feng Chia University	■ Director, FEIB Financial Leasing Corp.	None	None	None
Chief Auditor	R.O.C.	Chih Wei Huang	Male	Mar. 11, 2014	152,045	0.0047	0	0	0	0	■ Chief Auditor of FEIB ■ Master of Information Management, University of North Texas, U.S. A.	None	None	None	None
Chief Compliance Officer of the Head Office	R.O.C.	Elaine Yeh	Female	Apr. 11, 2019	3,508	0.0001	1,164	0.0000	0	0	■ Chief Compliance Officer of the Head Office of FEIB ■ EMBA, National Taiwan University	None	None	None	None
Senior Deputy Executive Vice President	R.O.C.	Shin Hwa Chou	Female	Aug.12, 2016	119,403	0.0037	0	0	0	0	■ Senior Deputy Executive Vice President, Head of Financial Strategy Center of FEIB ■ Master of Financial and Accounting, Case Western Reserve University, U.S.A	■ Director, DWS Ltd. ■ Supervisor , FEIB Financial Leasing Corp	None	None	None
Senior Deputy Executive Vice President	R.O.C.	Daphne Huang	Female	Apr.15, 2009	211,869	0.0065	0	0	0	0	■ Senior Deputy Executive Vice President of FEIB ■ Master of Institutional Management, Purdue University, U.S.A.	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Senior Deputy Executive Vice President	R.O.C.	Ying Ching Hu	Male	Mar. 16, 2010	423,331	0.0129	0	0	0	0	■ Senior Deputy Executive Vice President of FEIB ■ EMBA, National Chengchi University	■ Director, anfong Company Ltd.	None	None	None
Senior Deputy Executive Vice President	R.O.C.	Sam Tsai	Male	Mar. 27, 2012	258,501	0.0079	0	0	0	0	■ Senior Deputy Executive Vice President of FEIB ■ Master of Financial Management, Syracuse University, U.S.A.	None	None	None	None
Senior Deputy Executive Vice President	R.O.C.	Lionel Chen	Male	Aug. 21, 2014	232,663	0.0071	0	0	0	0	■ Senior Deputy Executive Vice President of FEIB ■ Master of Business Administration, Tamkang University	None	None	None	None
Senior Deputy Executive Vice President	R.O.C.	Hui Ling Chen	Female	Sep. 1, 2015	23,185	0.0007	0	0	0	0	■ Senior Deputy Executive Vice President of FEIB ■ BA, Dept. of Insurance, Tamkang University	None	None	None	None
Senior Deputy Executive Vice President	R.O.C.	Veichou Chih	Male	Dec. 24, 2015	0	0	0	0	0	0	■ Senior Deputy Executive Vice President of FEIB ■ Master of Business Administration, George Washington University, U.S.A.	None	None	None	None
Senior Deputy Executive Vice President	R.O.C.	Roger Lo	Male	Aug. 12, 2016	32,509	0.0010	0	0	0	0	■ Senior Deputy Executive Vice President of FEIB ■ Master of Business Administration, National Chung Hsing University	None	None	None	None
Senior Deputy Executive Vice President	R.O.C.	Vincent Liu	Male	Aug. 14, 2018	337,342	0.0103	0	0	0	0	■ Senior Deputy Executive Vice President of FEIB ■ Master of Economics, Soochow University	■ Director, FEIB Financial Leasing Corp.	None	None	None
Senior Deputy Executive Vice President	R.O.C.	Yueh Hua Wu	Male	Aug. 14, 2018	38,278	0.0012	48,344	0.0015	0	0	■ Senior Deputy Executive Vice President of FEIB ■ BA, Dept. of Economics, National Chung Hsing University	None	None	None	None
Senior Deputy Executive Vice President	R.O.C.	Bob Chen	Male	Aug. 14, 2018	145,794	0.0045	0	0	0	0	■ Senior Deputy Executive Vice President of FEIB ■ Master of Business Administration, University of Dallas, U.S.A.	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Senior Deputy Executive Vice President	R.O.C.	Chen Chen Ma	Female	Aug. 14, 2018	53,117	0.0016	0	0	0	0	■ Senior Deputy Executive Vice President of FEIB ■ BA, Dept. of Business Administration, Chinese Culture University	None	None	None	None
Senior Deputy Executive Vice President	R.O.C.	Isabel Chen	Female	Aug. 14, 2018	40,661	0.0012	0	0	0	0	■ Senior Deputy Executive Vice President of FEIB ■ Master of Business Administration, University of North Texas, U.S.A.	None	None	None	None
Deputy Executive Vice President	R.O.C.	Wen Chang	Male	Oct. 19, 2006	583	0.0000	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ BA, Dept. of Business, National Open University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Brucelo Lo	Male	May 17, 2010	148,442	0.0045	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ BA, Dept. of Accounting, National Chung Hsing University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Margaret Du	Female	Aug 23, 2012	301,841	0.0092	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ BA, Dept. of Banking, Tamkang University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Ines Hong	Female	Dec. 21, 2012	822	0.0000	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ BA, Dept. of Advertising, Chinese Culture University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Chiung Yu Song	Female	Dec. 21, 2012	437,816	0.0134	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ BA, Dept. of Banking, National Chengchi University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Civi Tsai	Female	Dec. 21, 2012	23,449	0.0007	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ EMBA, National Chengchi University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Emily Chou	Female	Aug. 15, 2013	215,262	0.0066	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ EMBA, National Chengchi University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Robin Chiu	Male	Aug. 21, 2014	221,996	0.0068	1,289	0.0000	0	0	■ Deputy Executive Vice President of FEIB ■ BA, Dept. of Transportation and Communication Management, National Cheng Kung University	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Deputy Executive Vice President	R.O.C.	Elaine Lin	Female	Aug. 21, 2014	225,201	0.0069	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ BA, Dept. of Computer Science, TungHai University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Baker Lin	Male	Aug. 21, 2014	254,628	0.0078	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Business Administration, Yuan Ze University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Cindy Chen	Female	Aug. 21, 2014	258,613	0.0079	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Accounting, National Chengchi University	■ Supervisor, Far Eastern Asset Management Corp. ■ Supervisor, Far Eastern International Securities Company Ltd.	None	None	None
Deputy Executive Vice President	R.O.C.	Joy Tien	Female	Jun. 16, 2015	3,590	0.0001	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Business Administration, Cleveland State University, U.S.A.	None	None	None	None
Deputy Executive Vice President	R.O.C.	An Li Ma	Female	Aug. 12, 2015	182,421	0.0056	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Risk Management, Temple University, U.S.A.	None	None	None	None
Deputy Executive Vice President	R.O.C.	Gloria Hsieh	Female	Aug. 12, 2015	102,593	0.0031	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Business Administration, Aalto University, Finland	None	None	None	None
Deputy Executive Vice President	R.O.C.	Senh Sing Pei	Male	Aug. 12, 2015	160,684	0.0049	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Money and Banking, National Chengchi University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Teresa Lo	Female	May. 3, 2016	0	0	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Management Science, National Chiao Tung University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Frank Song	Male	Aug. 12, 2016	6,014	0.0002	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Money and Banking, National Kaohsiung First University of Science and Technology	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Deputy Executive Vice President	R.O.C.	Shu Yun Cheng	Female	Aug. 12, 2016	138,475	0.0042	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Finance, University of Illinois at Urbana-Champaign, U.S.A.	None	None	None	None
Deputy Executive Vice President	R.O.C.	Chingh Siang Chen	Male	Aug. 9, 2017	1,330	0.0000	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ EMBA, National Taiwan University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Kuo Ying Huang	Female	Aug. 9, 2017	224,374	0.0069	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ BA, Dept. of Statistics, Tamkang University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Felicia Tseng	Female	Dec. 1, 2017	0	0	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Business Administration, University of North Alabama, U.S.A.	None	None	None	None
Deputy Executive Vice President	R.O.C.	Warren Ko	Male	Dec. 18, 2017	0	0	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ EMBA, National Sun Yat-sen University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Starsky Chiang	Male	Feb. 1, 2018	0	0	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ BA, Dept. of International Trade, TungHai University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Wen Ming Yang	Male	Aug. 14, 2018	27,714	0.0008	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Business Administration, Chinese Culture University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Audrey Lin	Female	Aug. 14, 2018	1,004	0.0000	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ EMBA, National Chengchi University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Karry Tsai	Female	Aug. 14, 2018	123,764	0.0038	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Business Administration, University of North Alabama, U.S.A.	None	None	None	None
Deputy Executive Vice President	R.O.C.	Yi Chen Wang	Male	Aug. 14, 2018	133,950	0.0041	86,710	0.0027	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Management, Yuan Ze University	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Deputy Executive Vice President	R.O.C.	Alex Kao	Male	Aug. 14, 2018	287	0.0000	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Business Administration, National Chengchi University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Justice Chang	Male	Aug. 14, 2018	0	0	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Money and Banking, National Chengchi University	None	None	None	None
Deputy Executive Vice President	R.O.C.	Alex Chien	Male	Aug. 14, 2018	901	0.0000	0	0	0	0	■ Deputy Executive Vice President of FEIB ■ Master of Money and Banking, Tamkang University	None	None	None	None
Senior Vice President	R.O.C.	Allen Li	Male	Aug. 12, 2015	146,099	0.0045	0	0	0	0	■ Senior Vice President of FEIB ■ Master of Business Adiministration, Yuan Ze University	None	None	None	None
Senior Vice President	R.O.C.	Mag Chen	Female	Aug. 12, 2015	95,863	0.0029	0	0	0	0	■ Senior Vice President of FEIB ■ Master of Agricultural Economics, National Chung Hsing University	None	None	None	None
Senior Vice President	R.O.C.	Amber Tseng	Female	Aug. 12, 2015	133,211	0.0041	0	0	0	0	■ Senior Vice President of FEIB ■ BA, Dept. of Finance, Seattle University, U.S.A.	None	None	None	None
Senior Vice President	R.O.C.	Shu Hui Lee	Female	Mar. 24, 2016	342,035	0.0105	0	0	0	0	■ Senior Vice President of FEIB ■ BA, Dept. of Cooperative Economics, National Chung Hsing University	None	None	None	None
Senior Vice President	R.O.C.	Allen Lu	Male	Aug. 12, 2016	533	0.0000	0	0	0	0	■ Senior Vice President of FEIB ■ Master of Business Administration, Tiffin University, U.S.A.	None	None	None	None
Senior Vice President	R.O.C.	Olive Yin	Female	Aug. 12, 2016	96,816	0.0030	0	0	0	0	■ Senior Vice President of FEIB ■ Master of Economics, National Taiwan University	None	None	None	None
Senior Vice President	R.O.C.	Chia Wei Hsiao	Male	Aug. 12, 2016	98,353	0.0030	0	0	0	0	■ Senior Vice President of FEIB ■ BA, Dept. of History, National Taiwan University	None	None	None	None
Senior Vice President	R.O.C.	Sofia Hsu	Female	Aug.9, 2017	51,363	0.0016	0	0	0	0	■ Senior Vice President of FEIB ■ BA, Dept. of Bank Insurance, Feng Chia University	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Senior Vice President	R.O.C.	Alex Hsieh	Male	Aug.9, 2017	0	0	0	0	0	0	■ Senior Vice President of FEIB ■ BA, Dept. of Economics, Feng Chia University	None	None	None	None
Senior Vice President	R.O.C.	Wilson Huang	Male	Aug.9, 2017	0	0	0	0	0	0	■ Senior Vice President of FEIB ■ Department of Data Processing, National Taipei College of Business	None	None	None	None
Senior Vice President	R.O.C.	Jeff Chiu	Male	May.7, 2018	0	0	0	0	0	0	■ Senior Vice President of FEIB ■ BA, Dept. of Engineering Science, National Cheng Kung University	None	None	None	None
Senior Vice President	R.O.C.	Hsing Chien Wei	Male	Aug. 14, 2018	99,288	0.0030	116,277	0.0036	0	0	■ Senior Vice President of FEIB ■ EMBA, Feng Chia University	None	None	None	None
Vice President	R.O.C.	Sandia Lu	Female	Dec. 21, 2005	102,418	0.0031	0	0	0	0	■ Branch Manager of FEIB ■ BA, Dept. of Public Finance, Feng Chia University	None	None	None	None
Vice President	R.O.C.	Bill Lee	Male	Apr. 3, 2010	66,604	0.0020	0	0	0	0	■ Branch Manager of FEIB ■ Master of Business Administration, Ling Tung University	None	None	None	None
Vice President	R.O.C.	Chia Chen Lee	Female	Jan. 1, 2013	39,096	0.0012	0	0	0	0	■ Branch Manager of FEIB ■ BA, Dept. of French Language, Tamkang University	■ Supervisor, YACCA Company Ltd.	None	None	None
Vice President	R.O.C.	Philip Chen	Male	Jan 1, 2013	36,159	0.0011	0	0	0	0	■ Branch Manager of FEIB ■ BA, Dept. of Business Administration, National Taiwan University of Science and Technology	None	None	None	None
Vice President	R.O.C.	Judy Yu	Female	Jan 1, 2013	80,568	0.0025	0	0	0	0	■ Branch Manager of FEIB ■ Master of Human Resource Management, National Sun Yat-sen University	None	None	None	None
Vice President	R.O.C.	Yu Yu Ho	Female	Jan 21, 2013	884	0.0000	0	0	0	0	■ Branch Manager of FEIB ■ Master of Business Administration, Iowa State University, U.S.A.	None	None	None	None
Vice President	R.O.C.	Kun Feng Li	Male	Nov. 1, 2013	0	0	0	0	0	0	■ Branch Manager of FEIB ■ Master of Business Administration, Aalto University, Finland	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Vice President	R.O.C.	Michael Huang	Male	Nov. 1, 2013	82,512	0.0025	0	0	0	0	■ Branch Manager of FEIB ■ Master of Business Administration, National Taiwan University of Science and Technology	None	None	None	None
Vice President	R.O.C.	Wei Cheng Chen	Male	Jan. 22, 2014	639	0.0000	0	0	0	0	■ Branch Manager of FEIB ■ Master of History, Tunghai University	None	None	None	None
Vice President	R.O.C.	Wei Li Chuang	Male	Jan 1, 2015	16,939	0.0005	0	0	0	0	■ Branch Manager of FEIB ■ Master of Finance, Feng Chia University	None	None	None	None
Vice President	R.O.C.	Lisa Hsu	Female	Mar. 20, 2015	91,657	0.0028	0	0	0	0	■ Branch Manager of FEIB ■ BA, Dept. of Finance, Ming Chuan University	None	None	None	None
Vice President	R.O.C.	Jane Tsai	Female	Mar. 20, 2015	49,766	0.0015	39,758	0.0012	0	0	■ Branch Manager of FEIB ■ BA, Dept. of Business Administration, National Cheng Kung University	None	None	None	None
Vice President	R.O.C.	Chun Yen Kuo	Male	Aug. 24, 2015	14,121	0.0004	0	0	0	0	■ Branch Manager of FEIB ■ BA, Dept. of Business Administration, Tamkang University	■ Director, HONORTRUST Company Ltd.	None	None	None
Vice President	R.O.C.	Kuoh Siung Lin	Male	Nov. 13, 2015	0	0	0	0	0	0	■ Branch Manager of FEIB ■ BA, Dept. of International Trade, Tunghai University	None	None	None	None
Vice President	R.O.C.	Wen Feng Tu	Male	Dec. 7, 2015	0	0	0	0	0	0	■ Branch Manager of FEIB ■ Department of Banking and Insurance, Shih Chien College	None	None	None	None
Vice President	R.O.C.	Hui Li Tsai	Female	Jun. 1, 2016	0	0	0	0	0	0	■ Branch Manager of FEIB ■ Department of Accounting and Statistics, National Taipei College of Business	None	None	None	None
Vice President	R.O.C.	Alen Lin	Male	Aug. 12, 2016	49,481	0.0015	0	0	0	0	■ Branch Manager of FEIB ■ BA, Dept. of Finance, Shih Chien University	None	None	None	None
Vice President	R.O.C.	Shang Fu Lin	Male	Aug. 12, 2016	16,037	0.0005	0	0	0	0	■ Branch Manager of FEIB ■ Master of International Business Management, University of South Australia, Australia	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Vice President	R.O.C.	Chiang Ming Chen	Male	Aug. 12, 2016	48,608	0.0015	0	0	0	0	■ Branch Manager of FEIB ■ EMBA, National Cheng Kung University	None	None	None	None
Vice President	R.O.C.	Shou Te Weng	Male	Aug. 12, 2016	0	0	0	0	0	0	■ Branch Manager of FEIB ■ BA, Dept. of Finance, Tamkang University	None	None	None	None
Vice President	R.O.C.	Kuang Jung Fan	Male	Sep. 29, 2016	29,301	0.0009	0	0	0	0	■ Branch Manager of FEIB ■ BA, Dept. of Business Administration, Chung Yuan Christian University	None	None	None	None
Vice President	R.O.C.	Jui Chen Hsu	Female	May. 2, 2017	0	0	0	0	0	0	■ Branch Manager of FEIB ■ Master of Business Administration, Texas A&M University, U.S.A.	None	None	None	None
Vice President	R.O.C.	Tsung Min Cheng	Male	May. 2, 2017	0	0	0	0	0	0	■ Branch Manager of FEIB ■ Master of International Business, Tamkang University	None	None	None	None
Vice President	R.O.C.	Chen I Wang	Female	May. 2, 2017	0	0	0	0	0	0	■ Branch Manager of FEIB ■ Master of Business Administration, Lincoln University, U.S.A.	None	None	None	None
Vice President	R.O.C.	Pi Yun Peng	Female	May. 15, 2017	0	0	0	0	0	0	■ Branch Manager of FEIB ■ Department of Business Tourism, Nanya Institute of Technology	None	None	None	None
Vice President	R.O.C.	Chia Jung Chang	Male	May. 15, 2017	0	0	0	0	0	0	■ Branch Manager of FEIB ■ BA, Dept. of Economics, Northeastern University, U.S.A.	None	None	None	None
Vice President	R.O.C.	Allen Chang	Male	Nov. 3, 2017	0	0	0	0	0	0	■ Branch Manager of FEIB ■ BA, Dept. of Business Administration, National Cheng Kung University	None	None	None	None
Vice President	R.O.C.	Kuan I Li	Male	Jan. 1, 2018	0	0	0	0	0	0	■ Branch Manager of FEIB ■ Department of Mechanical Engineering, Oriental Institute of Technology	None	None	None	None
Vice President	R.O.C.	Vicky Yang	Female	May. 7, 2018	24,777	0.0008	0	0	0	0	■ Branch Manager of FEIB ■ EMBA, National Taiwan Normal University	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Vice President	R.O.C.	Vivian Lee	Female	May. 7, 2018	0	0	0	0	0	0	■ Branch Manager of FEIB ■ Master of Global Entrepreneurial Management, Fu Jen University	None	None	None	None
Vice President	R.O.C.	Wen Hao Shih	Male	May. 29, 2018	0	0	0	0	0	0	■ Branch Manager of FEIB ■ BA, Dept. of International Trade, Ming Chuan University	None	None	None	None
Vice President	R.O.C.	Eason Song	Male	Feb. 6, 2017	0	0	0	0	0	0	■ Vice President of FEIB ■ BA, Dept. of Finance, Kaoshiung Polytechnic Institute	None	None	None	None
Vice President	R.O.C.	Ring Tsai	Female	Apr. 1, 2019	0	0	0	0	0	0	■ Branch Manager of FEIB ■ BA, Department of Economics, National Taipei University	None	None	None	None
Vice President	R.O.C.	James Hsieh	Male	Apr. 1, 2019	0	0	0	0	0	0	■ Branch Manager of FEIB ■ BA, Department of Social Psychology, Shih Hsin University	None	None	None	None
Vice President	R.O.C.	Rich Liu	Male	Apr. 1, 2019	0	0	0	0	0	0	■ Branch Manager of FEIB ■ Department of Industrial Engineering and Management, Lien Ho Junior College of Technology	None	None	None	None
Deputy Vice President	R.O.C.	Winnie Chiang	Female	Mar. 20, 2015	7,425	0.0002	0	0	0	0	■ Branch Manager of FEIB ■ Master of Business Administration, Taiwan University of Science and Technology	None	None	None	None
Deputy Vice President	R.O.C.	Yu Shui Chen	Male	Apr. 1, 2019	0	0	0	0	0	0	■ Branch Manager of FEIB ■ Master of International Finance, National Taipei University	None	None	None	None

(3) Data of Chairperson & President Retires from The Bank or Be Consultants

Information of Chairperson & President retire to be consultants

Title	Nationality	Name	Sex	Pre-retirement position		Be consultant date	Hire Purpose	Authority and Responsibility	Remuneration	Ratio of Remuneration as a % of Net Income (%)
				Organization & Position	Retire Date					
None										

(4) Remuneration of Directors, President, and Vice Presidents

A. Remuneration of Directors (including Independent Directors)

Unit: NT$ Thousands

December 31, 2018

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The Bank	All companies in the consolidated financial statements	The Bank	All companies in the consolidated financial statements	The Bank	All companies in the consolidated financial statements	The Bank	All companies in the consolidated financial statements	The Bank	All companies in the consolidated financial statements	The Bank	All companies in the consolidated financial statements	The Bank	All companies in the consolidated financial statements	The Bank		All companies in the consolidated financial statements		The Bank	All companies in the consolidated financial statements	
																cash	stock	cash	stock			
Chairperson	Yue Ding Industry Co., Ltd. Representative : Ching-Ing Hou	13,839	13,839	-	-	8,524	8,524	135 (note：car rental 438; Driver's compensation: 816)	135 (note：car rental 438; Driver's compensation 816)	2.361	2.363	-	-	-	-	-	-	-	-	2.361	2.363	-
Vice Chairman	Douglas Tong Hsu	11,489	11,489	-	-	6,393	6,393	115	115			-	-	-	-	-	-	-	-			970
Directors	(refer as follow)	6,580	6,628	-	-	35,897	35,897	240	240			-	-	-	-	-	-	-	-			-

Relevant Remuneration Received by Directors who are also service all companies in the consolidated financial statements (such as consultants who are not employees): None.

The list of directors:

1. Far Eastern New Century Corp. Representatives: Shaw Y. Wang / Executive Director, Humphrey Cheng / Director, James Wu / Director
2. Asia Cement Corp. Representatives: Tsung-Ming Chung / Executive Director, Shi-Chun Hsu / Director
3. U-Ming Marine Transport Corp. Representative: Min-Teh Yu / Director
4. Independent Director & managing Director: Ben C.B. Chang released & Hsiao Hui Wang newly elected on June 20, 2018.
5. Independent Director: Bing Shen / Susan S. Chang

Remuneration Range of Directors

December 31, 2018

Range of Remuneration	Name of Directors			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	The Bank	All companies in the consolidated financial statements	The Bank	All companies in the consolidated financial statements
Under NT$2,000,000	■ Ben C.B. Chang; Hsiao Hui Wang	■ Ben C.B. Chang; Hsiao Hui Wang	■ Ben C.B. Chang; Hsiao Hui Wang	■ Ben C.B. Chang; Hsiao Hui Wang
NT$2,000,000 (inclusive)～ NT$5,000,000 (non-inclusive)	■ Asia Cement Corp. Representative:Shi-Chun Hsu ■ U-Ming Marine Transport Corp. Representative: Min-Teh Yu ■ Bing Shen; Susan S. Chang	■ Asia Cement Corp. Representative:Shi-Chun Hsu ■ U-Ming Marine Transport Corp. Representative: Min-Teh Yu ■ Bing Shen; Susan S. Chang	■ Asia Cement Corp. Representative:Shi-Chun Hsu ■ U-Ming Marine Transport Corp. Representative: Min-Teh Yu ■ Bing Shen; Susan S. Chang	■ Asia Cement Corp. Representative:Shi-Chun Hsu ■ U-Ming Marine Transport Corp. Representative: Min-Teh Yu ■ Bing Shen; Susan S. Chang
NT$5,000,000 (inclusive)～ NT$10,000,000 (non-inclusive)	■ Far Eastern New Century Corp. Representatives: Shaw Y. Wang; Humphrey Cheng; James Wu ■ Asia Cement Corp. Representative:Tsung-Ming Chung	■ Far Eastern New Century Corp. Representatives: Shaw Y. Wang; Humphrey Cheng; James Wu ■ Asia Cement Corp. Representative:Tsung-Ming Chung	■ Far Eastern New Century Corp. Representatives: Shaw Y. Wang; Humphrey Cheng; James Wu ■ Asia Cement Corp. Representative:Tsung-Ming Chung	■ Far Eastern New Century Corp. Representatives: Shaw Y. Wang; Humphrey Cheng; James Wu ■ Asia Cement Corp. Representative:Tsung-Ming Chung
NT$10,000,000(inclusive)～ NT$15,000,000 (non-inclusive)	-	-	-	-
NT$15,000,000 (inclusive) ～ NT$30,000,000 (non-inclusive)	■ Yu Ding Industrial Co., Ltd. Representative:Ching-Ing Hou ■ Douglas Tong Hsu	■ Yu Ding Industrial Co., Ltd. Representative:Ching-Ing Hou ■ Douglas Tong Hsu	■ Yu Ding Industrial Co., Ltd. Representative:Ching-Ing Hou ■ Douglas Tong Hsu	■ Yu Ding Industrial Co., Ltd. Representative:Ching-Ing Hou ■ Douglas Tong Hsu
NT$30,000,000～(inclusive) NT$50,000,000 (non-inclusive)	-	-	-	-
NT$50,000,000 (inclusive)～ NT$100,000,000 (non-inclusive)	-	-	-	-
Over NT$100,000,000	-	-	-	-
Total	12	12	12	12

*Independent Director & managing Director: Ben C.B. Chang released & Hsiao Hui Wang newly elected on June 20, 2018.

B. Remuneration of the President and Vice Presidents

Unit: NT$ Thousands

December 31, 2018

Title	Name	Salary(A)		Severance or Retirement Payment (B)		Bonus and Special Allowance (C)		Dividends (D)				Ratio of Total Compensation (A+B+C+D) to Net Income(%)		Remuneration from Investee Companies Excluding Subsidiaries
		The bank	All companies in the financial statement	The bank	All companies in the financial statement	The bank	All companies in the financial statement	The bank		All companies in the financial statement		The bank	All companies in the financial statement	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend			
President	Thomas Chou	35,934	36,006	-	-	39,694 (Car rental：2,570；Driver compensation：2,600)	39,910 (Car rental：2,570；Driver compensation：2,600)	9,382	-	9,382	-	2.412%	2.420%	250
Chief Executive Vice President	Jiann Jong Lin													
Senior Executive Vice President	Ben Liao Ru													
Executive Vice President	Alan Lee													
Executive Vice President	Lonnie Liu													
Executive Vice President	Sophie Chang													
Executive Vice President	Simon Tai													
Executive Vice President	May Ling Liu													
Executive Vice President	Steve Chi (Took up office on Aug. 14, 2018)													
Executive Vice President	James Dai (Took up office on Aug. 14, 2018)													
Chief Auditor	Chih Wei Huang													
Chief Compliance Officer of the Head Office	Josephine Chen (Resigned on Jan. 12, 2019)													

Remuneration Range of President and Vice President

December 31, 2018

Range of Remuneration	Names of President and Vice President	
	The bank	All companies in the consolidated financial statement
Below NT$2,000,000	James Dai	James Dai
NT$2,000,000(inclusive)~5,000,000(exclusive)	Chih Wei Huang / Josephine Chen / Steve Chi	Chih Wei Huang /Josephine Chen / Steve Chi
NT$5,000,000(inclusive)~10,000,000(exclusive)	Ben Liao Ru / Alan Lee / Lonnie Liu / Sophie Chang / Simon Tai / May Ling Liu	Ben Liao Ru / Alan Lee / Lonnie Liu / Sophie Chang / Simon Tai / May Ling Liu
NT$10,000,000(inclusive)~15,000,000(exclusive)	Jiann Jong Lin	Jiann Jong Lin
NT$15,000,000(inclusive)~30,000,000(exclusive)	Thomas Chou	Thomas Chou
NT$30,000,000(inclusive)~50,000,000(exclusive)	-	-
NT$50,000,000(inclusive)~100,000,000(exclusive)	-	-
Over NT$100,000,000	-	-
Total	12	12

C. Remuneration of Managers

April 22, 2019

	Tile	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Managers	Please refer Page 25 to Page 35.		0	25,517,834	25,517,834	0.72%

(5) Comparison of Remuneration for Directors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, President and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, president and vice presidents of the Company, to the net income.

Unit: %

Title	2017		2018	
	The Bank	All companies in the consolidated financial statements	The Bank	All companies in the consolidated financial statements
Directors	2.585	2.586	2.361	2.363
President, Vice Presidents	3.046	3.058	2.412	2.420
Total	5.631	5.644	4.773	4.783

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

❶ The compensations for directors include compensations, expense for business execution, compensations from distribution of earnings. According to the article 25 of the Articles of Incorporation, if there be net income before income tax, remuneration of directors and employees' compensation, the Bank should retain a remuneration of directors no greater than 1.5%. The procedures for determining remuneration are based on the comparable level as offered by the other companies in the same trade and the performance evaluation results of the board of directors, and taken into account the Bank's operating performance and the expected or actual risks that have occurred, and are subject to the "Regulations for Directors' Remuneration Distribution". After the Remuneration Committee is passed, it shall be reported to the board of directors for approval.

❷ Based on the reasonable correlation between individual performance, business performance, and future risks, the policies, standards, and portfolios of remuneration for president and vice presidents are established and reviewed regularly during the

Remuneration Committee. The board of directors will determine the result after taking into account the Remuneration Committee's suggestions to ensure it's reasonable to risk management and general pay levels in the industry.

3. Implementation of Corporate Governance

(1) Information on the Operation of the Board of Directors

A. The 9th Board of Directors convened 2 meetings in 2018, and the records of attendance by directors and independent directors are shown as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Remarks
Chairperson	Yue Ding Industry Co., Ltd. Representative: Ching-Ing Hou	2	0	100%	-
Vice Chairman	Douglas Tong Hsu	2	0	100%	-
Executive Director	Far Eastern New Century Corp. Representative: Shaw Y. Wang	2	0	100%	-
Executive Director	Asia Cement Corp. Representative: Tsung-Ming Chung	2	0	100%	-
Director	Far Eastern New Century Corp. Representative: Humphrey Cheng	1	1	50%	-
Director	Far Eastern New Century Corp. Representative: James Wu	2	0	100%	-
Director	Asia Cement Corp. Representative: Shi-Chun Hsu	2	0	100%	-
Director	U-Ming Marine Transport Corp. Representative: Min-Teh Yu	2	0	100%	-
Independent Director, Managing Director	Ben C. B. Chang	2	0	100%	-
Independent Director	Bing Shen	2	0	100%	-
Independent Director	Susan S. Chang	2	0	100%	-

B. The 10th Board of Directors convened 3 meetings in 2018, and the records of attendance by directors and independent directors are shown as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Remarks
Chairperson	Yue Ding Industry Co., Ltd. Representative: Ching-Ing Hou	3	0	100%	-
Vice Chairman	Douglas Tong Hsu	3	0	100%	-
Executive Director	Far Eastern New Century Corp. Representative: Shaw Y. Wang	3	0	100%	-
Executive Director	Asia Cement Corp. Representative: Tsung-Ming Chung	3	0	100%	-
Director	Far Eastern New Century Corp. Representative: Humphrey Cheng	3	0	100%	-
Director	Far Eastern New Century Corp. Representative: James Wu	3	0	100%	-
Director	Asia Cement Corp. Representative: Shi-Chun Hsu	2	0	67%	-
Director	U-Ming Marine Transport Corp. Representative: Min-Teh Yu	3	0	100%	-
Independent Director, Managing Director	Hsiao Hui Wang	3	0	100%	-
Independent Director	Bing Shen	1	2	33%	-
Independent Director	Susan S. Chang	3	0	100%	-

Other items of mandatory registration:

1. In the event of any of the circumstances occurring while the Board of Directors conducts its activities, details including the date, session, and agenda of the board meeting, all opinions of the independent directors, and the Company's responses to the independent directors' opinions should be provided.

   (1) Matters listed in Article 14-3 of the Securities and Exchange Act: Not applicable as the Bank has established an audit committee.

   (2) In addition to matters above, other objections or qualified opinions from the independent directors to resolutions made by the Board of Directors on-record or in writing: None.

2. Details, including names of directors, resolutions, reasons for conflict of interest, and voting results, of circumstances where directors absented themselves due to conflict of interest:

   The proposals in conflict of interest in 2018 are credit proposals, purchase proposals, renewal proposal of eTag co-brand card/e-Tag inside card, budget proposal of incentive bonus, review the list of directors and independent directors candidates, the list of the 4th remuneration committee candidates, proposal of increasing renting office area in The Mall, proposal of financial institution transaction amount, proposal of undertaking U.S. dollars to NT dollars swap trading, amendment to "Regulations for Incentive Bonus Distribution" / "Regulations for

Employees' Compensation Distribution" / "Regulations for Directors' Remuneration Distribution" / "Corporate Governance Principles". When the proposals are in progress, the names of directors, resolutions, reasons for conflict of interest are stated, Chairperson Ching-Ing Hou, Vice Chairman Douglas Tong Hsu, Executive Director Shaw Y. Wang, Executive Director Tsung-Ming Chung, Director Humphrey Cheng, Director James Wu, Director Shi-Chun Hsu, Director Min-Teh Yu, Independent Director Hsiao Hui Wang, Independent Director Bing Shen, Independent Director Susan S. Chang were excused from discussion of the aforementioned proposals to avoid conflict of interest, and other directors in the meeting passed the proposals as stated.

3. Targets for strengthening the function of the board of directors in current year and the recent years and the evaluation of the execution:

(1) For strengthening the function of the board of directors, Rules of Procedure for Board of Directors Meetings of Far Eastern International Bank was established on February 23, 2005, and the eighth amendment was made on March 22, 2018.

(2) In order to prevent insider trading and ensure sound operation, Regulations Preventing Insider Trading of Far Eastern International Bank and Re-investment Business was established on December 31, 2009, and the second amendment was made on February 14, 2017.

(3) In order to establish sound corporate governance, independent director and executive director systems, Rules Governing the Scope of Powers of Independent Directors of Far Eastern International Bank and Rules Governing the Scope of Powers of Executive Directors of Far Eastern International Bank were established on May 27, 2010, and the first amendment of Rules Governing the Scope of Powers of Independent Directors was made on November 3, 2017.

(4) In accordance with Paragraph I of Article 14-6 of Securities and Exchange Act, Organizational Rules for the Remuneration Committee of Far Eastern International Bank and the remuneration committee were established on August 5, 2011, and the first amendment was made on May 7, 2015.

(5) In accordance with Paragraph I of Article 14-4 of Securities and Exchange Act, Organizational Rules for the Audit Committee of Far Eastern International Bank was established on May 5, 2015, the audit committee was established on June 16, 2015, and the first amendment was made on November 3, 2017.

(6) In order to strengthen corporate governance system, Corporate Governance Principles of Far Eastern International Bank was established on November 6, 2015, and the second amendment was made on November 2, 2018.

(7) In order to strengthen corporate governance effectiveness, Procedures for Performance Evaluation of the Board of Directors of Far Eastern International Bank was established on August 12, 2016, and the first amendment was made on March 22, 2018 and evaluated the operation in accordance with the procedures, and relevant information is disclosed on the Bank's website.

(2) Information on the Operation of Audit Committee

A. In accordance with Article 14-4 of Securities and Exchange Act, the audit committee is composed of the entire number of independent directors.

B. In accordance with Article 6 of Organizational Rules for the Audit Committee of Far Eastern International Bank, the authorities and responsibilities of the audit committee are as follows:

❶ To establish or amend the company's internal control policies pursuant to Article 14-1 of the Securities and Exchange Act.

❷ To evaluate the effectiveness of internal control policies.

❸ To pursuant to Article 36-1 of the Securities and Exchange Act, establish or amend procedures relating to asset acquisition/disposal, derivative transactions, and major financial conducts.

❹ Matters concerning the personal interests of directors.

❺ Major asset transactions or derivatives.

❻ Offering, issuance, or private placement of securities with equity characteristics.

❼ Appointment, dismissal, or compensation of the certifying CPAs.

❽ Appointment and removal of the financial, accounting, or internal auditing officers.

❾ Annual and semi-annual financial reports.

❿ Other significant issues regulated by the Company or competent authorities.

C. The 1th Audit Committee convened 2 meetings in 2018, and the records of attendance by independent directors are shown as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Remarks
Independent Director, Managing Director	Ben C. B. Chang	2	0	100%	-
Independent Director	Bing Shen	2	0	100%	-
Independent Director	Susan S. Chang	2	0	100%	-

D. The 2th Audit Committee convened 2 meetings in 2018, and the records of attendance by independent directors are shown as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Remarks
Independent Director, Managing Director	Hsiao Hui Wang	2	0	100%	-
Independent Director	Bing Shen	2	0	100%	-
Independent Director	Susan S. Chang	2	0	100%	-

Other items of mandatory registration:

1. In the event of any of the circumstances occurring while the Audit Committee conducts its activities, details including the date, session, and agenda of the board meeting, all resolutions of the Audit Committee, and the Company's responses to the Audit Committee's opinions should be provided.

   (1) Matters listed in Article 14-5 of the Securities and Exchange Act

(2) In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: None.

Audit Committee	Issues to communicate and the follow-up measures	Items with Article 14-1 of the Securities and Exchange Act	Not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors
12th Session of 1st Audit Committee March 19, 2018	■ 2019 Evaluation result of application with "lease" in IFRS 16 ■ Audit business work report ■ 2017 H2 Status of the legal compliance system and the business entrusted others to handle ■ 2017 H2 Status of the Anti-Money Laundering and Countering Financing of Terrorism ■ Proposal of signing "the remuneration payment of the cooperative promotion agreement" with Far Eastone and Oriental Securities Corporation ■ Proposal of reselling Bad Debt ■ 2017 Financial Statements and Consolidated Financial Statements. ■ 2017 Earnings Distribution ■ Proposal of New Shares Issuing – to Capitalize Shareholder Dividend ■ 2017 Proposal of Private Placement – to Issue Common Shares, Preferred Shares, Convertible Bonds or A Combination of Above Securities, maximum 10 billion NT dollars or foreign currency equivalent in total. ■ 2017 Statement of Internal Control System ■ 2017 Business Report ■ 2017 Statement of designing and executing of the Personal Information Protection Internal Control System ■ 2017 Statement of the Anti-Money Laundering and Countering Financing of Terrorism Regulations ■ 2017 Statement and investigation of the Anti-Money Laundering and Countering Financing of Terrorism mechanism targeted examination ■ 2017 "Report of comprehensive Anti-Money Laundering and Countering Financing of Terrorism risk evaluation" and "the Anti-Money Laundering and Countering Financing of Terrorism plan" ■ Amendment to "Conduct procedure about Interested Parties' Credit and other trading " ■ Amendment to "Capitalized Business Strategy and Guidelines of Financial Derivative" ■ Amendment to "Internal Control and Solicit Procedure of Insurance Agency Group" ■ Formulate Investments and Financing Regulations Governing for Leasing Company for Far Eastern International Bank ■ Renewal proposal of eTag Co-Brand Card/eTag inside Card	✓	-

Audit Committee	Issues to communicate and the follow-up measures	Items with Article 14-1 of the Securities and Exchange Act	Not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors
	■ Sign "Consigned Trading of Foreign Securities contract" ■ Credit Proposal		
	Result：The proposal was passed by a unanimous vote and no objection.		
	Dealing with result of Audit Committee：None		
13th Session of 1st Audit Committee May 07, 2018	■ 2018 Consolidated Financial Statements for the three months Ended March 31 ■ Audit business work report ■ Procedure of Foreign Exchange Margin trading business about understanding client and risk attribute investigation ■ Proposal of reselling Bad Debt ■ Review the list of Directors and Independent Directors Candidates ■ Proposal of undertaking U.S. dollars to NT dollars swap trading ■ Amendment to "Regulations Governing the Procedures to Evaluate Assets, set aside Loss Reserves, and handle Non-Performing Credit, Non-Accrual Loans and Bad Debt" ■ Purchase proposal ■ Credit Proposal Result：The proposal was passed by a unanimous vote and no objection. Dealing with result of Audit Committee：None	✓	-
1st Session of 2nd Audit Committee August 10, 2018	■ Audit business work report ■ 2018 H1 Status of the legal compliance system and business entrusting others to handle ■ 2018 H1 Status of the Anti-Money Laundering and Countering Financing of Terrorism ■ Proposal of reselling Bad Debt ■ Submission of the company's 2018 H1 Financial Statements and Consolidated Financial Statements ■ Amendment to "Precautions of dealing with illegal, immoral and dishonest behavior report" ■ Amendment to "Enforcement Regulations Governing the legal compliance system" ■ Amendment to "Conduct Business Strategy and Guidelines of Financial Derivative" ■ Amendment to "Standard Specification of Internal Control System for Concurrently Operating Government Bonds Dealer" ■ Issued Mobile Credit Card ■ Proposal of Hsinchu Jinguo Building's Continued disposal plan. ■ Proposal of increasing renting office area in The Mall ■ Credit Proposal	✓	-
	Result： 1.11th proposal (Credit Proposal)：Add Credit Proposal available cash but not exceed the borrowers' net value 2. Other Issues：The proposal was passed by a unanimous vote and no objection.		

Audit Committee	Issues to communicate and the follow-up measures	Items with Article 14-1 of the Securities and Exchange Act	Not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors
	Dealing with result of Audit Committee：The proposal was according to a unanimous vote and submitted to the board of directors.		
2nd Session of 2nd Audit Committee November 01,2018	■ 2018 Consolidated Financial Statements for the nine months Ended September 30 ■ Audit business work report ■ Proposal of reselling Bad Debt ■ 2019 Internal Audit Plan ■ Strengthen oversight of the Anti-Money Laundering and Countering Financing of Terrorism ■ Risk evaluated report of the Anti-Money Laundering and Countering Financing of Terrorism for the Insurance Agency Business ■ Amendment to “Internal Control and Solicit Procedure of Insurance Agency Group for Far Eastern International Bank” ■ Amendment to “Corporate Governance Principles for Far Eastern International Bank” ■ Amendment to “ Regulations Governing of detecting operating risk” ■ Amendment to “Conduct Business Strategy and Guidelines of Financial Derivative” ■ Proposal of Financial institution transaction limit ■ Credit Proposal Result：The proposal was passed by a unanimous vote and no objection. Dealing with result of Audit Committee：None.	✓	-

2. Details, including names of independent directors, resolutions, reasons for conflict of interest, and voting results, of circumstances where independent directors absented themselves due to conflict of interest:

   The proposals in conflict of interest in 2018 are credit proposals, proposal of signing “the remuneration payment of the cooperative promotion agreement” with Far Eastone and Oriental Securities Corporation, the list of the 4th remuneration committee candidates, proposal of undertaking U.S. dollars to NT dollars swap trading, proposal of increasing renting office area in The Mall, proposal of financial institution transaction amount. When the proposals are in progress, the names of independent directors, resolutions, reasons for conflict of interest are stated, Independent Director Bing Shen and Independent Director Susan S. Chang were excused from discussion of the aforementioned proposals to avoid conflict of interest, and other independent directors in the meeting passed the proposals as stated.

3. Communications among Independent Directors and the Bank's Chief Auditor and CPA

   (1) Communication Methods of Independent Directors with the Chief Auditor and CPA:

   i. The CPA fully communicates with the Independent Directors on the first half financial statement, annual financial statement, and annual audit planning.

   ii. Internal auditors engage independent directors in yearly meetings to present internal audit reports and to discuss fully any major issues, which are summarized in the meeting minutes to the Board of Directors for report.

iii. The Audit Committee is composed of all members of independent directors, to which the chief auditor reports on a quarterly basis on the progress of ongoing audits.

(2) Outlines of communication by Independent Directors to the chief auditor and CPAs:

i. Communication of Independent Directors with CPA

Date	Highlights of Communication	Result
The 12th meeting of the 1st Audit Committee held on March 19, 2018	CPA reported the results of auditing 2017 financial statements, and responded the questions from Independent Directors.	Noted
The 1st meeting of the 2nd Audit Committee held on August 10, 2018	CPA reported the results of auditing the second quarter of 2018 financial statements, and responded the questions from Independent Directors.	
Conference between Board of Directors and CPAs on November 1, 2018	1. Significant audit risk for auditing 2018 financial statements. 2. Key audit matters for auditing 2018 financial statements. 3. Audit planning for auditing 2018 financial statements.	
The 3rd meeting of the 2nd Audit Committee held on March 7, 2019	CPA reported the results of auditing 2018 financial statements, and responded the questions from Independent Directors.	

ii. Communication between independent directors and auditors:

Date	Highlights of Communication	Result
March 19, 2018 The 12th meeting of the 1st Audit Committee March 21, 2018 The 15th meeting of the 9th Board of Directors	Audit report for the fourth quarter of 2017	Noted
May 7, 2018 The 13th meeting of the 1st Audit Committee May 7, 2018 The 16th meeting of the 9th Board of Directors	Audit report for the first quarter of 2018	
August 10, 2018 The 1st meeting of the 2nd Audit Committee August 14, 2018 The 2nd meeting of the 10th Board of Directors	Audit report for the second quarter of 2018	
November 1, 2018 The 2nd meeting of the 2nd Audit Committee November 2, 2018 The 3rd meeting of the 10th Board of Directors	1. Audit report for the third quarter of 2018 2. 2019 Audit Plan	
November 2, 2018 Talks between the independent directors and auditors	1. Correction of 2018 audit comment by FSC 2. 2018 major audit comment and material adverse event 3. 2018 major penalty cases fined by FSC	

(3) Items to be disclosed according to the Corporate Governance Best-Practice Principles for the Banking Industry

Please refer to the Bank's webs7ite: https://www.feib.com.tw/ and http://mops.twse.com.tw/

(4) FEIB Corporate Governance Implementation Status and Deviations

Evaluation Item	Implementation Status			Deviations, from "Corporate Governance Best-Practices for Banks" and Reasons
	Yes	No	Abstract Illustration	
1. Shareholding structure and shareholders' interest (1) Does the Bank establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		■ The Bank has enacted "Corporate Governance Principle" which included a chapter of "Protecting Shareholders' Rights". Accordingly, the Bank has spokesperson, acting spokesperson, and stock agency "Oriented Securities Co., Ltd" to handle related issues and suggestions of shareholder. If any legal issue is involved, it will pass to the Legal Compliance Department.	None
(2) Does the Bank possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		■ The Bank has a clear list of the major shareholders and their ultimate control entities, and declares the transaction information in accordance with relevant laws and regulations.	
(3) Does the Bank establish and execute risk management and firewall mechanisms within affiliated businesses?	✓		■ Risk control of the bank and its related companies complied with Banking Act, and monitored by the system set by risk management department. According to Banking Act, lending to stakeholder or the same concerned party should have full guarantee, credit limit, conditions, credit approval procedures and norm. ■ The Bank formulated "FEIB's procedures for handling credit and other transactions with stakeholder". "Acquisition and Disposal Asset Handling Guidelines" is in accordance when dealing with related companies. Risk cost management and firewall has been properly established between FEIB and related companies.	
2. Composition and Responsibilities of the Board of Directors (1) Does the Bank voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	✓		■ The Bank has Personnel Review Committee, Remuneration Committee and Audit Committee. ■ Audit committee is established on June 16,2015. "Organization Rules for the Audit Committee" was formulated which is based on Article 14(4) of the Securities Exchange Act and Article 3 of the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies". Audit committee meetings were held four times in the 2018.	None
(2) Does the Bank regularly	✓		■ The Bank regularly evaluated the	

Evaluation Item	Implementation Status			Deviations, from "Corporate Governance Best-Practices for Banks" and Reasons
	Yes	No	Abstract Illustration	
evaluate the independence of CPAs?			independence of certified public accountants every year which based on No.10 Bulletin of Code of Professional Ethics for Certified Public Accountant of the Republic of China and Article 27, Item 5 of the Guidelines for the Bank's Corporate Governance. ■ This year assessments are as follows: 1. At last audit, no violations of the Bank for seven years did not replace the CPA. 2. At last audit, CPA received no punishment of violations. 3. Members of the audit team and their spouses and dependents are not involved in the following: a. Directly or indirectly hold significant financial interests in the Bank. b. Have business relations with our Bank or directors and managerial officers at the Bank, where such relations may affect their independence 4. During the audit, members of the audit team, their spouses and dependents do not serve as directors or managerial officers at the Bank or do not assume positions that may directly and significantly affect the auditing process. 5. Members of the audit team do not have spouses, immediate family members or relatives within the second degree of kinship who serve as directors or managerial officers at the Bank. 6. Members of the audit team have not received gifts or presents of significant value (where their values have not exceeded the general etiquette standards) from our Bank or directors, managerial officers or major shareholders at the Bank. ■ The Statement of Independence has been issued by the CPA, and the result has been approved by the 4th Board of Directors of the 10th term. After evaluation, the CPA is in accordance with the independence standards of the Bank.	
(3) Does the Board of	✓		■ The Bank has enacted "Corporate	

Evaluation Item	Implementation Status			Deviations, from "Corporate Governance Best-Practices for Banks" and Reasons
	Yes	No	Abstract Illustration	
Directors make diversifying guidelines for member composition and implement them precisely?			Governance Principle" and has a policy of diversifying board members in Chapter 4 "Enhancing the Functions of the Board of Directors". Among the 10th directors, the proportion of independent directors is 27%, the proportion of female directors is 27%. The term of independent directors less than 3 years is 1 person, the term of independent directors in 4-6 years is 1 person, and the term of independent directors over 6 years is 1 person. 5 directors are over 70 years old, 5 directors are 60 to 70 years old, and 1 director is under 60 years old. The Bank focused on the gender equality of the composition of the board of directors. The current female directors increased by one seat from the previous session, achieving the goal of exceeding 25% of the board of directors for each gender. The professional knowledge, skills and capabilities of each director refer to table one.	
3. A TWSE/TPEx listed bank may set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited Furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration and producing minutes of board meetings and shareholders meetings)?	✓		■ The board passed the resolution on November 3, 2017 to assign Lin Jian-Zhong, the Chief Executive Vice President, as the head of corporate governance to supervising the implementation of the corporate governance of the Bank. The administrative department as a part-time unit of corporate governance, handling matters relating to board meetings and shareholders meetings according to laws, producing minutes of board meetings and shareholders meetings, assisting in onboarding and continuous development of directors, furnishing information required for business execution by directors, assisting directors with legal compliance, and other matters set out in the articles or corporation or contracts. ■ The status of Corporate Governance implementation as follow: 1. Shareholder meeting: - Registering the date of shareholder meeting under regulation - Uploading the notice and handbook of the meeting on 30	None

Evaluation Item	Implementation Status			Deviations, from "Corporate Governance Best-Practices for Banks" and Reasons
	Yes	No	Abstract Illustration	
			days before the meeting. - Uploading the minutes to the MOPS within 20 days after the meeting 2. Board Meeting, Managing Director Meeting, and Audit Committee Meeting: - Providing the needed information to directors, managing directors and audit committees. - Providing notices and agendas of the meeting on 7 days before the meeting - Providing the minute within 20 days after the meeting. - Consolidating the resolutions and speeches of the meeting - Tracking the follow-up implementation status and report to the chairman's office. 3. Assisting in onboarding of the 10th directors and providing the information of training courses. 4. Providing compliance brochure for directors/ independent directors of TWSE, directions concerning securities market regulatory matters for TWSE listed companies and their directors, and major shareholders. Disseminating the regulation of interested party in Article 32, 33 of the Banking Act semiannually. 5. Handling company's change registration when amendment of article of incorporation or transferring capital to issue new shares. 6. Evaluating the operation in accordance with "Board Performance Evaluation Method" of the Bank, and relevant information is also disclosed on the Bank's website.	
4. Does the Bank established communication channels for stakeholders (including but not limited to shareholders, employees, and customers)?	✓		■ The Bank has set up the "Stakeholder Zone" on the company's website, which is divided different channels for investors, customers, suppliers, employees and community members/non-profit organizations. Contact person and methods are also available on the website if needed.	None

Evaluation Item	Implementation Status			Deviations, from "Corporate Governance Best-Practices for Banks" and Reasons
	Yes	No	Abstract Illustration	
5. Information Disclosure (1) Does the Bank have a corporate website to disclose both financial standings and the status of corporate governance?	✓		■ The bank disclosed the relevant information on the website.	None
(2) Does the Bank have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		■ The bank set up English website. Designated employee is responsible to collect and disclosure company information. The information and video record of investor conference is posted on the website.	
6. Is there other important information to facilitate a better understanding of the Bank's corporate governance practices (including but not limited to employee rights and interests, employee care, investor relations, rights and interests of interested parties, records of training for directors and supervisors, implementation of risk management policy and risk evaluation criteria, implementation of customer relations policy, purchases of professional indemnity insurance for directors and supervisors, and donations to political parties, stakeholders, and charitable groups)?	✓		■ Employee rights and employee wellness: Please refer to the " Employee Behavior and Ethics Standards" section on pages 118-120, and "Labor Relations" section on pages 123-125 of this annual report. ■ CSR : Referred to page 120-121 ■ Investor Relations The bank not only has specialist employee to responsible for investor's suggestion, doubts or disputes, but also has spokesperson, acting spokesperson, and stock agency "Oriented Security Co., Ltd" to handle related issues and suggestions of shareholder. Orientation will be held if needed. ■ Stakeholder rights: The Bank's disclose their financial, business-related corporate governance information on the website for stakeholders. Both Chinese and English information are available on MOPS for foreign investors. ■ Directors' training: The directors irregularly attended training courses which in accordance with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" issued by the Taiwan Stock Exchange Co., Ltd. ■ Risk management policy and risk measurement standard: In addition to the strict control of the	None

Evaluation Item	Implementation Status			Deviations, from "Corporate Governance Best-Practices for Banks" and Reasons
	Yes	No	Abstract Illustration	
			risk management department, the credit granting cases are handled in accordance with the law, and the risk management policy is detailed in the risk management disclosure on page 145. ■ The Bank also has a special person to handle the customer complaint line to protect consumers or customers; the spokesperson regularly and irregularly hold briefings for legal persons and media ■ Liability insurance purchased for directors: The Bank insures liability insurance for all directors to reduce the legal risks and financial risks of the directors and to protect against possible damages caused by the execution of duties. ■ Donations to political parties, stakeholder and charities: - Donated to NT$3,000,000 to Hualien County Government for 0206 Earthquake recovering - Donated NT$1,871,342 to Eden Social Welfare Foundation (rebate of Eden Love Credit Card) - Sponsoring NT$72,394 to the "Green Belt and Sidewalk" project of Dunhua South Road in front of THE MALL. The relevant information has been disclosed on the Bank's website.	

7. Please describe the status of improvement already made based on the results of the Corporate Governance Evaluation System released by the Taiwan Stock Exchange Corporate Governance Center in the most recent year, as well as priority matters and measures in areas where improvement has yet to be made:

Improvement of Corporate Governance Assessment in 2018

1. The Bank revised the "Articles of Incorporation" on the 15th board meeting on March 21, 2018. The revision included stock dividend distribution ratio. And the dividend policy was disclosed in the 2017 annual report.
2. The Bank has established a policy of diversity of board members. According to the assessment requirement, the policy detail is disclosed in 2017 annual report and the Bank's website.
3. The Bank introduced the greenhouse gas examination (ISO 14064-1) in 2018, and acquired the ISO 14064-1:2006 certification. The implementation status was disclosed on the Bank's website.

Priority matters and measures:

1. The bank has established Audit Committee in June 16, 2015. According to the assessment requirement, and operation status and key emphasis in work is detailed disclosed in 2018 annual report and the bank's website.
2. The bank has established Remuneration Committee in August 5, 2011. According to the assessment requirement, the discussion and resolutions in the committee meeting, and comment from the bank are disclosed in 2018 annual report and the bank's website.

Table 1: Board Membership Diversification Policy and Results

Name	Gender	Professional knowledge and skills			Ability							
		Professional background	Professional qualifications	Financial industry experience	Operational judgement	analysis of Accounting and financial	Operational management	Risk Management	crisis management	Industrial know-how	International prospective	Leadership & decision-making
Ching-Ing Hou	Female	Finance	Bank / Finance Professor	v	v	v	v	v	v	v	v	v
Douglas Tong Hsu	Male	Operating		v	v	v	v	v	v	v	v	v
Shaw Y. Wang	Male	Operating		v	v	v	v	v	v	v	v	v
Tsung-Ming Chung	Male	Technology	Accountant	v	v	v	v	v	v	v	v	v
Humphrey Cheng	Male	Operating	Law	v	v	v	v	v	v	v	v	v
James Wu	Male	Finance	Law	v	v	v	v	v	v	v	v	v
Shi-Chun Hsu	Male	management	Business management professor	v	v	v	v	v	v	v	v	v
Min-Teh Yu	Male	Finance	Financial professor	v	v	v	v	v	v	v	v	v
Hsiao Hui Wang	Female	accounting	Accountant		v	v	v	v	v	v	v	v
Bing Shen	Male	Finance		v	v	v	v	v	v	v	v	v
Susan S. Chang	Female	Finance		v	v	v	v	v	v	v	v	v

Table 2: Directors and Independent Director Training Status

Title	Name	Date elected	Training Date		Organizer	Courses	Hours
			Start	End			
Chairperson	Ching-Ing Hou	Jun 20,2018	Oct 04,2018	Oct 04,2018	Wbcsd global network partner	Corporate Social Responsibility and Trade Linkage - Sustainable Supply Chain Management	3
			Jul 24,2018	Jul 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Vice Chairman	Douglas Tong Hsu	Jun 20,2018	Dec 24,2018	Dec 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
			Jul 24,2018	Jul 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Executive Director	Shaw Y. Wang	Jun 20,2018	Dec 24,2018	Dec 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
			Jul 24,2018	Jul 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Executive Director	Tsung-Ming Chung	Jun 20,2018	Dec 24,2018	Dec 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
			Jul 24,2018	Jul 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3

Title	Name	Date elected	Training Date		Organizer	Courses	Hours
			Start	End			
Director	Humphrey Cheng	Jun 20,2018	Dec 24,2018	Dec 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
			Jul 24,2018	Jul 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	James Wu	Jun 20,2018	Dec 24,2018	Dec 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
			Jul 24,2018	Jul 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Director	Shi-Chun Hsu	Jun 20,2018	Oct 02,2018	Oct 02,2018	Taiwan Corporate Governance Association	Issue And Unfinished Business of Company Act	3
			Jul 03,2018	Jul 03,2018	Taiwan Institute of Directors	2018 Annual Forum of Taiwan Institute of Directors	3
			Jul 03,2018	Jul 03,2018	Taiwan Institute of Directors	2018 Board of Directors Annual Forum Banquet- Facing the New Global Economic and Trade Map,Taiwan in Transition	3
Director	Min-Teh Yu	Jun 20,2018	Dec 24,2018	Dec 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
			Oct 31,2018	Oct 31,2018	Taiwan Corporate Governance Association	Latest revision trend and analysis of Company Act	3
			Oct 31,2018	Oct 31,2018	Taiwan Corporate Governance Association	Response of anti-tax avoidance policies and measures	3
Independent Director, Managing Director	Hsiao Hui Wang	Jun 20,2018	Dec 24,2018	Dec 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
			Nov 30,2018	Nov 30,2018	Taiwan Corporate Governance Association	Director Responsibility and Risk Management under the Latest Corporate Governance Blueprint	3
			Nov 09,2018	Nov 09,2018	Taiwan Corporate Governance Association	A course for the directors and supervisors-Analysis of business operating risks	3
			Jul 04,2018	Jul 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3
Independent Director	Bing Shen	Jun 20,2018	Aug 03,2018	Aug 03,2018	Taiwan Corporate Governance Association	Enterprise's anti-corruption and security propaganda from the evolution of bitcoin	3
			May 08,2018	May 08,2018	Taiwan Stock Exchange Corporation	Listed company's new corporate governance blueprint summit forum	3
			May 04,2018	May 04,2018	Taiwan Institute for Sustainable Energy	Sustainable development and strategy of engineering service industry	3
Independent Director	Susan S. Chang	Jun 20,2018	Oct 15,2018	Oct 15,2018	Financial Supervisory Commission	The 12th Taipei Corporate Governance Forum	6
			Jul 24,2018	Jul 24,2018	Taiwan Academy of Banking and Finance	Board Operations and Corporate Governance	3

(5)Composition, Responsibilities and Operations of the Remuneration Committee

A.Composition of the Remuneration Committee:

Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Bank in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Bank	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Bank	1	2	3	4	5	6	7	8		
Independent Director	Hsiao Hui Wang	-	V	V	V	V	V	V	V	V	V	V	V	1	-
Independent Director	Bing Shen	-	-	V	V	V	V	V	V	V	V	V	V	2	-
others	Patrick P. Y. Wu	-	-	V	V	V	V	V	V	V	V	V	V	0	-

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Bank or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Bank, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Bank.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Bank or to any affiliate of the Bank, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the company Law.

B .Scope of Responsibilities

The Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the board of directors.

❶ Establish and periodically review performance of the directors and managers, also the policies, systems, standards, and structure of their compensation.

❷ Periodically review and establish the compensation of the directors and managers.

❸ Performance and compensation levels of the directors and managers shall take into account the general pay levels in the industry, and also consider reasonable correlation between individual performance, business performance and future risks.

C. Operations of the Remuneration Committee

❶ The Remuneration Committee includes 3 members.

❷ The 3rd term was expired on June 15, 2018 which with two meetings in 2018. The 4th tern is from August 14, 2018 to June 19, 2021 which with one meeting in 2018.The attendance of members at remuneration committee meetings refers to the following table:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Ben C. B. Chang	2	0	100%	Tenure expired on June 15, 2018 (the 3rd term)
Convener	Hsiao Hui Wang	1	0	100%	New appointed on August 14, 2018 (the 4th term)
Committee Member	Bing Shen	3	0	100%	Tenure expired on June 15, 2018 (the 3rd term) New appointed on August 14, 2018 (the 4th term)
Committee Member	Patrick P. Y. Wu	3	0	100%	Tenure expired on June 15, 2018 (the 3rd term) New appointed on August 14, 2018 (the 4th term)

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the bank's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

❸ The Remuneration Committee convened three meetings in 2018 with an attendance rate of 100% for each member. The agenda refers to the following table:

The Remuneration Committee	Issue	Result	The Follow-Up Measures
the 9th meeting of the 3rd term February 27, 2018	1.Contributions for Employees' and Directors' Remuneration of 2017 2.Budget for Performance Bonus of 2017 3.Allocation Guidelines for Employees' remuneration and Performance Bonus	The proposals were passed by all members of the Remuneration Committee.	The proposals were approved by all members of the Board of Directors.
the 10th meeting of the 3rd term April 19, 2018	1.Allocation Guidelines for Directors' Remuneration 2.Allocation Guidelines for Performance Bonus 3.Standard Table of Salaries	The proposals were passed by all members of the Remuneration Committee.	The proposals were approved by all members of the Board of Directors.
the 1st meeting of the 4th term October 18, 2018	Business Units' Implementation Schemes of Incentives of 2019	Except for some parts of Individual Banking Business Unit should be revised. The proposal was passed by all members of the Remuneration Committee.	The proposal was revised as the Remuneration Committee's opinions and approved by all members of the Board of Directors.

(6) Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Corporate Governance Implementation (1) Does the bank declare its corporate social responsibility policy and examine the results of the implementation?	✓		■ For practicing corporate social responsibility, promoting the balance of economic and society, protecting environmental ecology and being sustainable development, the bank formulate "Corporate Social Responsibility Best Practice Principles of Far Eastern International Commercial Bank Co., Ltd." in 2015. And each department promotes the corporate social responsibility according to their duty under this principle	None
(2) Does the bank provide educational training on corporate social responsibility on a regular basis?	✓		■ Directors and managers of the bank regularly attended corporate governance educational and training programs.	
(3) Does the bank establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		■ The Bank's corporate social responsibility was handled part-time by the Public Affairs unit of the Administrative Management Department. The Corporate Social Responsibility Committee was officially operated at the end of 103. It is an inter-departmental organization composed of middle and high-level managers of all units, responsible for compiling corporate social responsibility reports and so on. "Corporate Social Responsibility Best Practice Principles of Far Eastern International Commercial Bank Co., Ltd." has been formulated and approved by the board of directors. The CSR committee meeting	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			is held annually to continue reviewing the status and implementation effect of the Bank's corporate social responsibility policy. The concept of sustainability is passed to all colleagues through the direct participation and continuous communication of the committee. So that the policies and actions of corporate social responsibility are gradually integrated into the operating system. Furthermore, The CSR implementation status is reported to the senior management and the board of directors annually.	
(4) Does the bank declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		■ The remuneration policy is determined by the board of directors after discussed by the remuneration committee. It takes into account pay level in the industry, business performance and future risks. The remuneration committee gives suggestions to the board of directors after periodically reviewing. In addition, the bank calculates each employee's bonus in accordance with business performance, individual performance, and potential. Employee performance appraisal is implemented fairly, and helps those poor performance employees to reach goals by Performance Improvement Plan. Also, cases of rewards and disciplinary sanctions are discussed and resolved by Personnel Review Committee based on "Codes of Rewards and Disciplinary Sanctions".	
2. Sustainable Environment Development (1) Does the bank endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		■ The Bank is improving the efficiency of all resources as follows: 1. Launched E-Learning platform to replace the traditional classroom training. It can reduce the transportation time, the air pollution and carbon emission from the traffic, and also the waste of paper. 2. Promoted paperless operations in the office and branch, such as: adopting electronic document system, electronic workflows, and etc. The bank also optimizes its digital platforms to continuously increase its usage rate. Due to that, the clients will more willing to use the platform instead of going to branch in person, it will reduce the carbon footprint and paper use for operation of the branch. 3. Replaced high-energy-consuming devices year by year, and purchases green energy products with energy saving, green building material, environmental protection and water saving certification logos. The amount on Green procurement of 2018 was 1.6 million, and it was 1.4 times higher than 2017. In this year, the bank received public recognition from the Taipei Environmental Protection Bureau as "Green Procurement Standard Unit of 2018". 4. Popularized waste separation and reduction, resources recycling, energy conservation and carbon reduction.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the bank establish proper environmental management systems based on the characteristics of their industries?	✓		■ The Bank, which participated in the "ISO 50001 Energy Management System Demonstration and Promotion Counseling Program of Service Industry" organized by the Energy Bureau of the Ministry of Economic Affair, built the systematic, institutionalized and standardized ISO 50001 system to acquire international certification and set energy policies. General manager led an energy management team responsible for planning and integrating the entire internal energy management of the bank. The annual team meeting is to discuss energy management strategy, inspect effectiveness of energy saving project, improve energy use, reduce operating costs and commit environmental protection. The Bank's own building in Taoyuan and the NanYa branch in Banqiao District in New Taipei City are set as two demonstration sites for energy saving project. The project set 2016 as the base year, and targeted saving 15% of power in 3 years from 2017 to 2019. In 2018, the bank saved by 80,245 kWh or 11.76% of power by replacing the LED energy-saving light and air condition engine.	
(3) Does the bank monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish bank strategies for energy conservation and carbon reduction?	✓		■ Reducing carbon dioxide emissions is a common concern in the world. The Bank conducts carbon management with the principles of prevention, early warning and screening, and achieves middle and long-term carbon management goal. Electricity is the main reason of greenhouse gas emissions, so that, energy conservation and continues to promote various energy conservation plans are the Banks' primary method of carbon dioxide emissions. 2017 as the base year, the Bank planned to achieve the goal of reducing carbon by 5% in 2020. ■ Base on environmental sustainability, the Bank continued to promote various energy conservation and carbon reduction policies to reduce greenhouse gas emissions as follows: 1. Newly established branches and some office buildings have adopted energy-saving lamps and inverter power-saving air conditioners. 2. Set air-conditioning temperature to 26 ° C ~ 28 ° C and reduce the use time. 3. Chosen the most power saving lighting for replacement, such as T8 for T5 or T5 for LED. 4. Personal computer and public OA equipment set low-energy-saving mode, and automatically shut down when sleeping for a long time. 5. Elevator partially shut down in non-peak time to concentrate transportation. 6. Quarterly review the energy saving effectiveness of water and electricity by every unit. ■ Taiwan government constructive develops renewable energy, such as wind energy, solar energy, geothermal energy, and etc. The bank	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			subscribed 50,000 kWh of renewable energy for environmental protection.	
3. Preserving Public Welfare (1) Does the bank formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		■ Please refer to the "Labor Relations" section on pages 123-125 of this annual report.	None
(2) Has the bank set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		■ Please refer to the "Labor Relations" section on pages 123-125 of this annual report.	
(3) Does the bank provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		■ Please refer to the "Labor Relations" section on pages 123-125 of this annual report.	
(4) Does the bank setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		■ Please refer to the "Labor Relations" section on pages 123-125 of this annual report.	
(5) Does the bank provide its employees with career development and training sessions?	✓		■ Please refer to the "Employee Training and Development" and "Training and Development Plan in 2019" section on pages117 of this annual report.	
(6) Does the bank establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		■ The bank has established Consumer Protection Measures dedicated to customer interest protection. The standard operating procedures and control mechanisms pertaining to advertisement, sales solicitation, promotional materials, and dispute handling are in place. The bank also set up a customer service line with dedicated staff handling calls to ensure consumers' rights and interests are well protected ■ Business units also conducted service satisfaction survey to improve service quality and protect consumer rights.	
(7) Does the bank advertise and label its products and services according to relevant regulations and international standards?	✓		■ The products and services of the Bank are in compliance with the relevant regulations and standards ■ Changes in products and services (e.g., standard contracts, notifications of changes in customer rights) are also handled in accordance with the regulations or governing rules stipulated by the competent authority	
(8) Does the bank evaluate the records of suppliers' impact on the environment and society	✓		■ The Bank had set "Supplier Social Responsibility Management Essentials", which includes labor and human rights, health and safety, environmental protection and ethics. The	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
before taking on business partnerships?			suppliers need to comply with the essentials and sign the "Supplier Social Responsibility Commitment" before signing the contract or making transaction. The purchasing unit will set up different evaluation criteria by case, and contained in the contract to ensure that the suppliers meet the requirements (e.g., ISO qualification, etc.). In 2018, the bank did not find any negative news related to human rights and labor rights of its suppliers. ■ Besides evaluating the quality, technology and finance of major suppliers which have signed the Supplier Social Responsibility Commitment, the Bank also evaluated environmental protection, social responsibility, labor conditions and environmental protection. The evaluation result is published on the official website.	
(9) Do the contracts between the bank and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		■ The Bank's contract with major suppliers may terminate at any time if the suppliers involves any violation of their corporate social responsibility policy and has significant impact on the environment and society.	
4. Enhancing Information Disclosure Does the bank disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		■ The Bank set up a Corporate Social Responsibility Zone on the company's website to expose information about promoting corporate social responsibility. And through the investment orientation, shareholders meeting, investor relations and other channels to closely communicate with stakeholders such as shareholders / investors. ■ The Bank has prepared a corporate social responsibility report and announced it on the company's website to expose the status of company's social responsibility promotion. All interested parties can download the company's corporate social responsibility report on the website.	None
5. If the Bank has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: None.				
6. Other important information to facilitate better understanding of the bank's corporate social responsibility practices： Please refer to page 120-121.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Bank's 2017 Annual Corporate Social Responsibility Report was verified by The British Standard Institution (BSI) in June 2018 against the AA 1000 Assurance Standard and the GRI Standard guideline (2016) on materiality, inclusivity and responsiveness.				

(7) Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary description	
1. Establishment of ethical corporate management policies and programs (1)Does the bank declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		■ The Bank's 3rd meeting of the 9th Board of Directors on November 6, 2015 adopted the "Ethical Corporate Management Best-Practice Principles", which clearly stated the policies and practices of the Bank's integrity management. And the commitment of the Board of Directors and the management to actively implement. More than that, the bank adopted "Employee Service and Behavior Standard" and the "Ethical Behavior Standard" to clarify the integrity of employees' behavior. The bank regularly provided regulation education and compliance tests to employees. ■ The board of directors and management also actively implement the company's integrity management in accordance with company law, securities trading law, other relevant laws and regulations and internal procedures of the company.	None
(2)Does the bank establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		■ Please refer to the "Employee Behavior and Ethics Standards" section on pages118-120, and "Labor Relations" section on pages 123-125 of this annual report.	
(3) Does the bank establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		■ The Bank formulated "Ethical Corporate Management Best-Practice Principles", which clearly regulated the behavior of business activities. In addition, we regularly educate employees and supervise them to sign the "Employee Service Rules and Conduct Code" every year to prevent the occurrence of business activities with a higher risk of dishonest behavior.	
2. Fulfill operations integrity policy (1) Does the bank evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		■ When entering into contracts with the trading counterparties, the Bank has included in such contract terms requiring ethical conducts if practicable. And the suppliers need to sign the "Supplier Social Responsibility Commitment" before signing the contract or making transaction. In the Commitment, suppliers are required to adhere to the highest standards of integrity in all business interactions.	None
(2) Does the Bank establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		■ The Bank formulated "Ethical Corporate Management Best-Practice Principles" and "Ethical Behavior Standard". Integrity Management is handled part-time by Human Resource Department. ■ Compliance Department formulated "Employee Service and Behavior Standard"	

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary description	
			and supervised employee's duty regularly. Then, the department reports the statues to the Board semiannually (reported on Q1 and Q3 Board meeting in 2018). ■ The Bank regularly provide educational training courses: (1) "Employee Service and Behavior Standard ": Held quarterly. Total participation in 2018: 10,143 Total number of hours in 2018: 1,044 (2) "Awareness of Capital Security and Personal Protection": Held annually. Total participation in 2018: 2,546 Total number of hours in 2018: 7,638	
(3) Does the Bank establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		■ Directors not only conduct the loyalty and shall exercise the due care of a good administrator with highly self-discipline and prudence to supervise the bank's operation and financial performance but also ensure that the integrity management policy has executed properly. ■ Directors avoided discussing or voting on any interest-of-conflict proposal. They also cannot exercise the voting right on behalf of other directors in this case. ■ Regarding to "Employee Service and Behavior Standard", employee cannot handle any case related to themselves, their spouse, or their third-degree relatives.	
(4) Has the Bank established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		■ The Bank has been established accounting policies in accordance with accounting principles and the template set of by the bankers association. ■ All business transactions must be recorded in the accounting system based on the substance. ■ The accounting system is regularly audited by CPAs and carried out self-checking plans without significant anomalies.	
(5) Does the bank regularly hold internal and external educational trainings on operational integrity?	✓		■ The bank carries out legal training and exams for employees regularly. All employees are required to attend Information Security and Personal Data Protection courses every year, and required to sign for Employee Code of Conduct yearly and attend its courses quarterly.	
3. Operation of the integrity channel (1)Does the bank establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		■ Please refer to the "Labor Relations" section on pages 123-125 of this annual report.	None

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Summary description	
(2)Does the bank establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		■ Please refer to the "Labor Relations" section on pages 123-125 of this annual report.	
(3)Does the bank provide proper whistleblower protection?	✓		■ Please refer to the "Labor Relations" section on pages 123-125 of this annual report.	
4. Strengthening information disclosure Does the Bank disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		■ The Bank formulated "Ethical Corporate Management Best-Practice Principles". The context of the principles and results of our implementation have been published on the official website.	None
5. If the Bank has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. None.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). "Ethic Corporate Social Responsibility Best-Practice Principles" is formulated. And it will continue reviewing and revising in response to the integrity management needs. For sustainable development, the bank applied integrity management into its corporate culture.				

(8) Corporate Governance Guidelines and Regulations

The Bank's "Corporate Governance Principle" was formulated based on "Best Corporate Governance Practices of Banks" and "Best Corporate Governance Practices of TWSE/TPEx". Please refer to the Bank's website (https://www.feib.com.tw/).

(9) Other Important Information Regarding Corporate Governance

The Bank has set up "Statutory Public Disclosure" section on the Bank's website to disclose information on operations, dividends, stock price, corporate governance, spokesperson contact, etc. The Bank dedicates to enhance transparency of information and protection of investor rights. In addition, The Bank has set up "Rule of Preventing Insider Trading of the Bank and Its Invested Entities" as the basis for the Bank's major information processing and disclosure mechanism and reviewed these measures from time to time to meet current legal and practical management needs. The rule is posted in the internal document management system for all employees' checking. The Bank also issues "The Noticeable Issues of Shareholding Change of the Bank's Insiders "as reminder to related parties.

(10) Internal Control System

A. Statement of Internal Control system of FEIB

Far Eastern International Bank Co., Ltd
Statement on Internal Control System

Date: March 26, 2019

1. On behalf of Far Eastern International Bank Co., Ltd., we hereby certify that in the period from January 1, 2018 to December 31, 2018, the Bank duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, conducting risk management, designating an independent audit department to conduct audits, and presenting reports to the Board of Directors and Audit Committee on a regular basis. With regard to the securities business, the Bank assessed the effectiveness of the design and implementation of its internal control system based on the evaluation criteria set forth in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, we hereby certify that the internal control and legal compliance systems of all departments were effectively implemented during the year.
2. Run concurrently Insurance Agent Business part：
   (1) The bank evaluates the effectiveness of the design and implementation of its internal control system based on the criteria provided in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies"(hereafter the "Regulations") promulgated by the Financial Supervisory Commission. According to the criteria set forth in the Regulations, there are five absolutely essential items: 1. controlled environment, 2. risk assessment, 3. controlled operations, 4. information and communication, and 5. supervision operations.
   (2) The bank already evaluated the effectiveness of the design and implementation of its internal control system based on the aforesaid criteria.
   (3) Based on the results of the foregoing evaluation, the Bank regards the design and implementation of its internal control system (including affirmation of the soundness of business operations, reliability of reporting, and compliance with applicable laws and regulations) during the aforesaid period as effective, thereby providing reasonable assurance for achieving the goals cited above.
   (4) This Statement was approved by the Board of Directors on March 26, 2019.
3. This Statement will be included as a major component of the Bank's annual report and other prospectuses and disclosed to the public. Any information contained in this Statement that is found to involve falsification, concealment, or other illegalities shall be subject to legal liabilities prescribed in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

The Statement is submitted to the Financial Supervisory Commission
Declarant
Chairman：Hou, Ching Ing
President：Chou, Thomas
Chief Auditor：Huang, Chih Wei
Chief Compliance Officer：Tseng, Wen Wen (agent)
Date: March 26, 2019

Far Eastern International Bank Co., Ltd
Improvement Plan of Internal Control System
（Base Date：December 31, 2018）

Item for Improvement	Improvement Measures	Scheduled Date of Completion
The Mandatory requirement to remedy defects determined in Full Scope Examination conducted by Financial Supervisory Commission, R.O.C (Taiwan) in 2017. 1. Marketing activities for wealth management business were not fully in compliance with the regulations set by FSC. 2. Hadn't submitted the registration to the Bankers Association before the qualified staffs introduced the derivative financial products to customers. 3. About mutual funds online transactions, lack of control mechanism cause the system to fail to detect the operations of the unrelated customers using the same mobile device or the same IP address.	1. A checklist to ensure marketing proposals and advertising items are in line with the check points. The checklist shall then be submitted to Legal Compliance Department for endorsement of the deeds so as to proceed further. 2. (1) Information of Relevant certifications required for Wealth Management has been subsumed in the employee orientation program. (2)Have new recruits complete the application form for registration of Certification Test for Financial Derivatives Sales Personnel with The Bankers Association of The Republic of China upon first reporting for duty. In addition, notify the administrator to withdraw the registration with Bankers Association of The Republic of China upon completion of resignation procedure with the approval of resignation form from Head of Wealth Management Department of Individual Banking Group. (3)Have professional certificates from new recruits be registered with The Bankers Association of The Republic of China within 5 working days upon reporting for duty. Regular examinations in the procedure described above will be executed by Wealth Management Department on a monthly basis. Furthermore a list of registration status for each of branch manager and recruit shall be provided to Branch Heads. (4)Any recruit fails to complete the registration of professional certificates with The Bankers Association of The Republic of China will be precluding from engaging in all financial services by supervisory control systems. 3. With regard to online trading in mutual funds, enhance the efficacy of supervisory control systems through inputting extra monitoring parameters: (1)The original parameter was to identify if sales force shared the same IP address with clients. By inputting extra monitoring parameters, the supervisory control systems shall be able to detect whether the same mobile device or IP address is shared in mutual funds online trading with one another.	1. Completed. 2. Completed.

Item for Improvement	Improvement Measures	Scheduled Date of Completion
	(2)Extend the period of supervisory control from one to five working days. (3)Extend supervisory control from mutual funds purchasing to mutual funds trading (inclusive of purchasing, transferring and redeeming) in case of sales misconduct. (4)Internal control principles on penalty in case of reoccurrence of the above have been established.	3. Completed.
The Mandatory requirement from Financial Supervisory Commission, R.O.C (Taiwan) to remedy defects in misconducts of our former clerk from Taipei Nanjing East Road Branch including misappropriation of client's funds and forgery of bank statements.	1. Enhance the standard operating procedure of making a deposit and a withdrawal by adjusting internal control principles that regardless of deposit or withdrawal amount, clients shall be requested to verify the specific amount deposited or withdrawn at the deposits and remittances counter prior to departure. 2. Warning messages shall be conveyed via a bank statement delivered by client's preferable means on the 7th day after opening an account. 3.Warning messages of "Clients shall keep bankbooks, certificates of deposit、chequebooks or seals with great caution" are revealed inside the bankbook、Account Opening Application and official website, which have been printed in bold, black type in order to further emphasize their importance.	Completed.
The findings of deficiencies of FEIB included anti-money laundering, financial business marketing campaigns and online banking operations, and the Financial Supervisory Commission ordered a correction. 1.The management of anti-money laundering and counter-terrorism financing operations has not been perfected, including the account opening operation of legal entity customer, account opening due diligence on high-risk customer, reviewing and adjusting the risk level of the customer who has material changes in customer identity and information, and the warning function of suspicious transaction red flags. 2. Marketing activities for financial	1. The following improvements have been taken: (1) Legal entity customer account opening operation – Enhanced system functions and created the "Beneficial Owner Checklist". (2) Account opening due diligence on high-risk customers - Revised the "General Banking Business Anti-Money Laundering and Counter-Terrorism Financing Operation Procedure" and the "Opening Account Operation Checklist". (3) Review and adjust the risk level of the customer who has material changes in customer identity and information - Established the relevant notification process and strengthened the risk score adding mechanism of AML system. (4) Warning signs for suspicious transactions: a. Revised the related operating procedures for deposit. b. Verified those of "A large number of customers sharing the same address, frequent address change, or wrong	1. Completed.

Item for Improvement	Improvement Measures	Scheduled Date of Completion
business were not fully in compliance with related regulations. 3. About mutual funds online transactions, lack of control mechanism cause the system to fail to detect the operations of the unrelated customers belonged the same financial consultant using the same IP address in a short time.	address. ", and monthly verify those according to "Abnormal Email/Communication Address Verification Operation Procedure". 2. A checklist to ensure marketing proposals and advertising items are in line with the check points. The checklist shall then be submitted to Legal Compliance Department for endorsement of the deeds so as to proceed further. 3.With regard to online trading in mutual funds, enhance the efficacy of supervisory control systems through inputting extra monitoring parameters: (1)The original parameter was to identify if sales force shared the same IP address with clients. By inputting extra monitoring parameters, the supervisory control systems shall be able to detect whether the same mobile device or IP address is shared in mutual funds online trading with one another. (2)Extend the period of supervisory control from one to five working days. (3)Extend supervisory control from mutual funds purchasing to mutual funds trading (inclusive of purchasing, transferring and redeeming) in case of sales misconduct. (4)Internal control principles on penalty in case of reoccurrence of the above have been established.	2. Completed. 3. Completed.

B.CPA Report

Engagement to Perform Agreed-Upon Procedures

To Far Eastern International Bank Co., Ltd.:

With regard to the accuracy of statements and reports for 2018 that Far Eastern International Bank Co., Ltd. Submitted to the competent authority, status of its implementing internal control and legal compliance systems, and appropriateness of its NPL provisions policy, I have followed procedures agreed upon by both parties in completing my job. As the said procedures were finalized by your esteemed company, I will not express any opinion on whether or not they are sufficient. This undertaking was conducted pursuant to SAS No.34 on Engagements to Perform Agreed-Upon Procedures Regarding Financial Information with a view to assisting your esteemed company in assessing its status of complying with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" promulgated by the Financial Supervisory Commission. Ensuring compliance with the aforesaid rules is the responsibility of your esteemed company's management. During the accountant's spot checking, the procedures performed the number of spot checks and the facts found are separately presented as the appendix.

As the audit in question was not conducted in accordance with generally accepted auditing principles, I am not providing assurance of any extent to the accuracy of statements and reports for 2018 that your esteemed company submitted to the competent authority, status of its implementing internal control and legal compliance systems, and appropriateness of its NPL provisions policy. If additional procedures had been adopted for this audit or it had been conducted in accordance with generally accepted auditing principles, I might have uncovered other facts worth reporting.

This report shall be offered to your esteemed company only for the purpose described in the first paragraph and shall not be used otherwise or distributed to other parties.

Jimmy Wu
Deloitte & Touche
Taipei, Taiwan
Republic of China
March 26, 2019

(11) Law Violations Resulting in Punishment, Major Deficiencies and Rectification Measures Adopted during the Most Recent Fiscal Two Years and Up to the Publication Date of the Annual Report

A. Prosecution against the responsible person or employee for criminal conduct

Regarding the convertible bond asset swap business issued by the XPEC Entertainment Inc., the Taipei District Prosecutors Office filed a charge against the deputy executive vice president for violation of the Securities and Exchange Act and breach of trust, , and the officer was acquitted in the second instance by the Taiwan High Court.

B. Fines imposed by the FSC for violations. (during the most recent fiscal two years and up to the publication date of the annual report)

❶ Major deficiencies and disciplinary actions (January 05, 2017):

a. When handling the TWD convertible bond asset swap business, the option side entered into a transaction with the prohibited party, and the fixed income side did not properly establish internal control and risk control measures, which were in violation of item 4 of Article 45-1 of the Banking Act, and the FSC imposed a fine of NT$10 million accordingly. And pursuant to the subparagraph 1 of Article 61-1 of the same act, the Bank was banned to conduct new transactions of the NTD convertible bond asset swap business, which did not include the existing customer's exercise or early exercise of the transaction under the agreement.

Improvement measures：

- For NTD Convertible Bond Asset Swap:
  - The option side: Ask customers to ensure and emphasize that they are neither a restrict party of the issuing company, nor held on behalf of others; the bank strictly examines whether the customer of the transaction is a related party through the system and uses a designated account to ensure that customer's funds are provided by the customer.
  - The fixed income side: Clearly regulate that traders are not allowed to engage in negative inventory transactions, and use monitoring system to prevent from negative inventory. More strict control over asset exchange transactions.

b. Invested in a target which was not an investment target of the"Limitations on the Types and Amounts of the Securities in Which a Commercial Bank May Invest".", which violated Article 74 of the Banking Act, and was fined NT$1 million by the FSC

Improvement measures：

- For investment in securities: The Bank has revised the "Guidelines for Investment in Foreign Currency Securities".

❷ Major deficiencies and disciplinary actions (December 15, 2017):

a. Regarding the SWIFT system, the internal control system of information security was not established or implemented properly as follows:

- The information security defense mechanism was not fully established
- Improper management use of system administrator account management
- The emergency response procedures for IT information security incidents were inadequate
- Enforcement for strengthening SWIFT system security was not implemented and enforced
- Did not effectively convey rules and regulations resulting in ineffective legal compliance
- Failed third line of defense

In violation of the subparagraph 1 of Article 45-1 of the Banking Act, the FSC imposed a fined of NT$8 million.

Improvement measures：

- The information security defense mechanism was not fully established:
  - AD and SWIFT system servers are independent network segments and establish firewall access rules to enhance the network security.
  - Expand the scope of storage of the information security incident analysis platform system, including SWIFT system logs and database monitoring system logs, and set the warning threshold for real-time monitoring.
- Improper management of the use of system administrator account:
  - The system administrator account of the SWIFT server has been limited to inquiry access and administrator accounts of each host system are reduced to 2-3 accounts. Appoint external consultants to comprehensively evaluate and improve the management structure of privileged accounts.
  - Behavior control management of system management administrators who log into the system during business and non-business hours to promptly notice system administrators and security personnel such login behavior.
- The emergency response procedures for information security incidents were inadequate：
  - Amend the "Emergency Response Procedures for Information Security Incidents" and add personal data security verification procedures for information security incidents.
- Reinforcement of SWIFT system security was not implemented and enforced：

- SWIFT system server has been separated to an independent network segment, and set firewall access rules to control.
- Add a daily check on the number of telegram messages before and after the SWIFT billing; SWIFT system logs are included in the information security event analysis platform or other monitoring platforms for monitoring to establish mechanisms for SWIFT system security and detecting suspicious transactions.
- An application has been sent to the SWIFT organization for adding transmission to the information security department officer's e-mail address, and let the officer coordinate and handle abnormal events of information security alerts according to the notification and handling procedures for information security incident.

- Did not effectively convey rules and regulations, to ensure the implementation of regulatory :
  - The Administrative Management Office has once again notified the each unit. The original document of the official document should accurately determine the purpose of the official document. If you need other unit processing, Should be notified by yourself, Communicate official information in a complete manner.
- The third line of defense in internal control was failed:
  - The Auditing Department has incorporated the SWIFT system security into the key points of audit items and conducted a special audit. In addition to operational aspects of security management such as workstations, the audit scope also including regulatory compliance regarding SWIFT system management enhancement according to the Banking Bureau's letter on September 05, 2016.

C. Disciplinary actions taken by the FSC pursuant to Article 61-1 of the Banking Act

❶ Major deficiencies and disciplinary actions (June 01, 2017):

a. When conducting derivative business, it was found to offer a template of board of directors meeting minutes with company seal by bank's staff, which may result in related disputes, and the FSC ordered a correction against the Bank.

Improvement measures :

- Provide compliance training to associated persons to prevent from any misconduct of derivative businesses.
- Announced the minutes of board of directors' or the shareholders' meeting was not a contract document of the Bank and was not an annex attached to the general agreement.

❷ Major deficiencies and disciplinary actions (January 18, 2019):

a. Deficiencies in marketing activities for wealth management business, promotion for derivatives and operations of online fund trading, were corrected by the FSC.

Improvement measures：

- Improvement plan for marketing project activity's content in wealth management business:
  - Integrate "Recommended Wealth Management to Friends and Family and Wealth Management", "Membership Promotion, etc." and "Digital Activities" with the "Fortune Points-Collection Set Plan", and do not recommend single financial product only in campaign.
  - Strengthen the application process for project activities and add a system of filling out the "Checklist for Marketing Project Activities and Gifts and Prizes Advertisements " when proposing.
- Improvement plan for register on the association of operations personnel of handling the recommendation of financial derivatives:
  - The new wealth management commissioner shall register on the day of employment. When the wealth management commissioner resigns, the system flow of the resignation application form will submit to the responsible staff for cancellation.
  - Every month, regularly review whether new wealth management commissioners registered on the Bankers Association within 5 business days after the employment.
  - Plan to be controlled by the system. Before registering on the Bankers Association, shall not perform any related business.
- Improvement Plan for Online Fund Trading Operations:
  - The Bank's external IP check report has been produced for examination.
  - The branch manager will call non-related accounts by phone to know the reasons and keep records. If there is an unusual situation, it will be further checked and included in the score deduction item for business reward of internal control and customer disputes.

❸ Major deficiencies and disciplinary actions (January 18, 2019):

a. A former staff appropriated customer's funds and provided fraudulent bank statements to customers, and was corrected by the FSC. The FSC also ordered the Bank to discharge that staff.

Improvement measures：

- Cash deposit and withdrawal practices: Cash withdrawal transactions regardless of the amounts, customers require to count and receive cash at the counter in person; if the cash deposit transaction is NT$500,000 or more, the customer needs to count and receive cash at the counter; if the cash

deposit transaction is less than NT$500,000, the customer shall use cash deposit slip, and after being accounted by the Bank's staff, deliver the receipt with relevant stamps to the customer in person.

- Satisfaction Survey on Wealth Management Commissioners: Include taking care of customer's transaction content of deposit and investment accounts by phone.
- Related Warning: When printing documents for account opening and passbooks, the Bank has printed related warnings in bold black typeface, sent a message to inform the customer within 7 days after opening the account and announced related warnings on the Bank's official website and bank statements.
- To confirm that other customers' interests have not been affected, the Bank had contacted those customers by E-mail, post or telephone, and the accounts had no errors.

❹ Major deficiencies and disciplinary actions (March 05, 2019):

a. Deficiencies in handling anti-money laundering operations, financial business marketing activities and online fund trading operations, were corrected by the FSC.

Improvement measures：

- Special Audit:
  - Account opening operations for corporate clients:
    - Increase self-checking project about opening deposit account.
    - Increase review function for the login numbers of beneficial owners.
    - Add "Beneficial Owners Checklist" to improve the documents requesting and identification.
  - Account opening review operations for high-risk customer:
    - Amend the Bank's "General Banking Prevention of Money Laundering and Anti-Terrorism Operation Procedures".
    - Increase the review requirements for customers of high-risk factors to the "Account Opening Checklist.
    - Modify the case management system, and increase fool-proof mechanism for handling and reviewing the content.
  - Review of significant changes in customer's identity and information and adjust the risk level:
    - Recorded negative news from the media by responsible personnel, keep the document in the archives check whether the system has an account opening and name scanning and keep records of inquiries and confirmation results.

- For alter account, establish an automatic risk score increasing mechanism in the system and scree suspicious money laundering transactions in the past two years to increase the risk score.
- Establish a report mechanism for criminal investigation agencies to inquire into cases and the Bank's "Operational Procedures for Criminal Investigation Agencies' Request".

- Did not request relevant authorization information to prove the fact of authorization for often making deposits and withdrawals on behalf of others or depositing or withdrawing large amounts from different third parties into and out of a specific account that showed signs of suspicious transactions:
  - Regulate cash transactions exceeding NT$500,000 shall request and retain authorization documents for verification.
  - For the deposit and withdrawal transactions of NT$400,000 to NT$500,000 in cash, if the transaction is conducted by an agent, to verify the identity of the agent and record the agent's name, ID number, date of birth, use of funds and relationship with the customer for reference.
  - Enhance system functions; add over-the-counter inquiry to verify information for account login with ID number.

- Routine Audit:
  - Improvement plan for marketing project activity's content in wealth management business:
    - Integrate "Recommend Wealth Management to Family and Friends ", "Membership Promotion" and "Digital Activities" through "Fortune Points-Collection Plan" and do not recommend single financial product only in campaign.
    - Strengthen the application process for project activities and add a system of filling out the "Checklist for Marketing Project Activities and Gifts and Prizes Advertisements " when proposing.
  - Improvement plan for marketing project activity's content in wealth management business:
    - The Bank's external IP check report has been produced for examination.
    - The branch manager will call non-related accounts by phone to know the reasons and keep records. If there is an unusual situation, it will be further checked and included in the score deduction item for business reward of internal control and customer disputes.

D.Disclosures of a total loss exceeding NT$50 million in each fiscal year due to corruptions of employees,, major incidental cases or safety accidents caused by failure to actually perform safety maintenance work.

None.

E.Other disclosures assigned by FSC:

None.

(12) Major Resolutions of Shareholders' Meeting and Board Meetings

A.Major resolutions of Shareholders' Meeting

Session	Date	Major resolutions	Execution
2018 Shareholders' Meeting	Jun 20,2018	2017 Business Report and Financial Statements	On August 14, 2018, The Board of Directors approved the ex-right date of stock dividends on September 12, 2018, and all dividends were paid on October 5, 2018.(Cash dividend per share is NT$0.439, Stock dividend per share is NT$0.271)
		Proposal of 2017 Earnings Distribution	
		Proposal of Issuing New Shares – to Capitalize Shareholder Dividends	
		Amendments to "Articles of Incorporation of Far Eastern International Bank"	The changes have been approved by the Minister of Economic Affairs on August 1, 2018 and published on the official website.
		Proposal of Private Placement - to Issue Common Shares, Preferred Shares, Convertible Bonds or a Combination of above Securities to Specific Parties	Per resolution, the notion is yet to be actually implemented, pending locating the strategic alliance.
		Election of Directors (Including Independent Directors)	The changes have been approved by the Minister of Economic Affairs on August 1, 2018 and published on the official website.
		Waiver of Non-Competition Binding to Directors	None.

B.Major Resolutions of Board Meetings

Session	Date	Major resolutions
15th Session of 9th Board of Directors	Mar 21, 2018	■ 2018 Operating Budget ■ 2017 Financial Statements and Consolidated Financial Statements ■ 2017 Earnings Distribution ■ 2017 Proposal of Issuing New Shares – to Capitalize Shareholder Dividend ■ Proposal of Private Placement – to Issue Common Shares, Preferred Shares, Convertible Bonds or A Combination of Above Securities, maximum 10 billion NT dollars or foreign currency equivalent in total ■ Election of the 10th Board of Directors. ■ Waiver of Article 209 of the Company Act related to non-competition binding to Directors ■ The 2018 Shareholders' Meeting was held on June 20,2018 and the proposal period of the 2018 shareholders' meeting was from April 13,2018 to April 23,2018 (including candidates for nomination of directors) ■ Donate for 2018 Hualien Earthquake disaster ■ Amendment to "the Articles of Incorporation of Far Eastern International Bank" ■ Amendment to "Organizational Charters of Far Eastern International Bank" ■ Amendment to "Conduct procedure about Interested Parties' Credit and other trading " ■ Amendment to "Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism" and "Precautions of Anti-Money Laundering and Countering the Financing of Terrorism" ■ Amendment to "Conduct Business Strategy and Guidelines of Financial Derivative" ■ Amendment to "Internal Control and Solicit Procedure of Insurance Agency Group" ■ Amendment to "Regulations Governing Wealth Management to know –your-customer" ■ Formulate Investments and Financing Regulations Governing for Leasing Company ■ Amendment to "Regulations for incentive bonus" and " Regulations for Employees' Compensation"
16th Session of 9th Board of Directors	May 07,2018	■ 2018 Q1 Consolidated Financial Statements ■ Amendment to "Regulations Governing the suspension and resume stock trading application" ■ Formulate "Business Crisis response measures" ■ Amendment to "Regulations Governing the Procedures to Evaluate Assets, and Deal with Non-performing/Non-accrual Loans" ■ Amendment to "Regulations for incentive bonus" ■ Amendment to "Regulations for Directors' Remuneration" ■ Review the list of Directors and Independent Directors Candidates

Session	Date	Major resolutions
1st Session of 10th Board of Directors	Jun 20,2018	■ Director Ms. Ching-Ing Hou, Director Mr. Douglas Tong Hsu, and Independent Director Ms. Hsiao Hui Wang were elected as Managing Directors, and Director Ms. Ching-Ing Hou was eleceted as Chairperson, Director Mr. Douglas Tong Hsu was elected as Vice Chairman. ■ Director Mr. Shaw Y Wang and Director Mr. Tsung-Ming Chung were elected as Executive Directors.
2nd Session of 10th Board of Directors	Aug 14,2018	■ Submission of the company's 2018 H1 Financial Statements and Consolidated Financial Statements ■ Decisions to set the ex-right date and ex-dividend date for the Company's 2017 Earnings Distribution ■ Proposal of Hsinchu Jinguo Building's Continued disposal plan ■ Amendment to "Precautions of dealing with illegal, immoral and dishonest behavior report" ■ Formulate "Strategies of Anti-Money Laundering and Countering Financing of Terrorism for Far Eastern Group" ■ Amendment to "Enforcement Regulations Governing the legal compliance system" ■ Amendment to "Conduct Business Strategy and Guidelines of Financial Derivative" ■ Amendment to "Standard Specification of Internal Control System for Concurrently Operating Government Bonds Dealer"
3rd Session of 10th Board of Directors	Nov 02, 2018	■ 2018 Consolidated Financial Statements ■ Amendment to " Regulations Governing the Security Maintenance and Administration" ■ Amendment to "Corporate Governance Principles" ■ Formulate "(Concurrently Operating Insurance Agency Business) Precautions of Anti-Money Laundering and Countering the Financing of Terrorism" ■ Amendment to "Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism" and "Precautions of Anti-Money Laundering and Countering the Financing of Terrorism" ■ Amendment to "Conduct Business Strategy and Guidelines of Financial Derivative" ■ Amendment to "Regulations Governing the Financial Markets Proprietary Trading Business authorization" ■ Amendment to Internal Control and Solicit Procedure of Insurance Agency Group ■ Formulate " Regulations Governing the Designated Foreign Exchange Branches promote foreign exchange-related structured goods business authorization" ■ Amendment to "Management Policies of using social media" ■ Amendment to "Management Regulations and Enforcement Rules of credit card credit" ■ Amendment to " Regulations Governing of detecting operating risk"

Session	Date	Major resolutions
4rd Session of 10th Board of Directors	Mar 26, 2019	■ 2018 Financial Statements and Consolidated Financial Statements ■ 2018 Earnings Distribution ■ 2018 Proposal of Issuing New Shares – to Capitalize Shareholder Dividend ■ Proposal of Private Placement – to Issue Common Shares, Preferred Shares, Convertible Bonds or A Combination of Above Securities, maximum 10 billion NT dollars or foreign currency equivalent in total ■ Amendment to "Regulations Governing the Procedures to Acquisition or Disposal of Assets" for Far Eastern Group. ■ The 2019 Shareholders' Meeting is held on June 19, 2019 and the proposal period of the 2019 shareholders' meeting is from April 15, 2019 to April 24, 2019. ■ Change of the accountant for certifying financial statements and update of independence evaluation on the new CPA. ■ Amendment to "Management of Operation of Board Meetings" ■ Amendment to "Enforcement Regulations Governing Internal Audit System of Insurance Agency Group" ■ Amendment to "Strategies of Anti-Money Laundering and Countering Financing of Terrorism for Far Eastern Group" and "Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism" ■ Amendment to "Internal Control and Solicit Procedure of Insurance Agency Group" ■ Relocation case for Taipei 101 Mini Branch ■ Relocation case for Taipei Hsiang Yang Branch ■ Relocation case for Changhua Branch

(13) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors:

None.

(14) Resignation or Dismissal of the Bank's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, and Internal Audit.

None.

4. Information on CPA audit fees

CPA Audit Fees Bracket

Accounting Firm	Name of CPA		Audit Period	Remarks
Deloitte & Touche	Shih-Tsung Wu	Chen-Hsiu Yang	2018	None

Unit: NT$ Thousands

Fee Range \ Fees Item		Audit Fees	Non-audit Fees	Total
1	Under 2,000			
2	2,000 (incl.) ～4,000			
3	4,000 (incl.) ～6,000			
4	6,000 (incl.) ～8,000	V		
5	8,000 (incl.) ～10,000			
6	10,000 and above		V	V

(1) Non-Audit Fee Exceeded 25% of Audit Fee:

Unit: NT$ Thousands

Accounting Firm	Name of CPA		Audit Fees	Non-Audit Fees					Audit Period	Remarks
				System Design	Business Registration	Human Resources	Others (Note1)	Subtotal		
Deloitte & Touche	Shih-Tsung Wu	Chen-Hsiu Yang	6,420	-	-	-	10,531	10,531	2018	-

Note：Other non-audit fees include internal control review, AML/CFT project review, personal information protection project review, APP detection, and so on.

(2) Changed Accounting Firm with Less Audit Fee Paid Compared to the Previous Year:

Not applicable.

(3) Audit fee Decreased Over 15% Compared to the Previous Year:

Not applicable.

5. Replacement of CPAs

(1) Regarding the former CPA

Replacement Date	Approved by the Board of Directors on March 26, 2019			
Replacement reasons and explanations	Due to the internal job adjustment from Deloitte & Touche, CPA will be changed from Chen-Hsiu Yang to Ying-Chou Chen from the first quarter of 2019.			
Describe whether the Company terminated or the CPA did not accept the appointment	Parties / Case		CPA	The Bank
	Termination of appointment		Not applicable	Not applicable
	No longer accepted (continued) appointment		Not applicable	Not applicable
Other issues (except for unqualified issues) in the audit reports within the last two years	Not applicable			
Differences with the company	Yes		Accounting principles or practices	
			Financial report disclosure	
			Auditing scope or procedure	
			Others	
	No	V		
	Description			
Other Revealed Matters (Matters that should be disclosed in accordance with Item 1-4, Subparagraph 6, Article 10 of these guidelines)	Not applicable			

(2) Regarding the successor CPA

Name of accounting Firm	Deloitte & Touche
Name of CPA	Ying-Chou Chen
Date of appointment	Approved by the Board of Directors on March 26, 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

6. Chairman, President, and Managers in Charge of Finance or Accounting who holds any positions in the Bank's Independent Auditing Firm or its Affiliates within the recent year

None.

7. The Changes in Shareholding

(1) Article 11 of the " Guiding principles governing directors, managers or their related parties, if holding more than certain percentage of the same bank's shares with voting rights" stipulates that any shareholding changes to the aforementioned shareholders shall be reported

Unit: share

Title	Name	2018		As of April 22, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairperson	Yue Ding Industry Co., Ltd. Representative:Ching-Ing Hou	*262,888 442	- -	- -	- -
Vice Chairman	Douglas Tong Hsu	164,004	-	-	-
Executive Director	Far Eastern New Century Corp. Representative:Shaw Y. Wang	*2,255,943 43,511	- -	- -	- -
Executive Director	Asia Cement Corp. Representative:Tsung-Ming Chung	*2,027,480 -	- -	- -	- -
Director	Far Eastern New Century Corp. Representative:Humphrey Cheng	*2,255,943 -	- -	- -	- -
Director	Far Eastern New Century Corp. Representative：James Wu	*2,255,943 -	- -	- -	- -
Director	Asia Cement Corp. Representative:Shi-Chun Hsu	*2,027,480 -	- -	- -	- -
Director	U-Ming Marine Transport Corp. Representative:Min-Teh Yu	*2,026,021 -	- -	- -	- -
Independent Director, Managing Director	Hsiao Hui Wang	-	-	-	-
Independent Director	Bing Shen	-	-	-	-
Independent Director	Susan S. Chang	-	-	-	-
President	Thomas Chou	50,643	-	-	-
Chief Executive Vice President	Jiann Jong Lin	35,279	-	-	-
Senior Executive Vice President	Ben Liao Ru	19,822	-	-	-
Executive Vice President	Alan Lee	21,499	-	-	-
Executive Vice President	Simon Tai	10,425	-	-	-

Title	Name	2018		As of April 22, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Executive Vice President	Sophie Chang	8,961	-	-	-
Executive Vice President	May Ling Liu	-	-	-	-
Executive Vice President	Steve Chi	4,207	-	-	-
Executive Vice President	Lonnie Liu	19,319	-	-	-
Executive Vice President	James Dai	12,876	-	-	-
Chief Auditor	Chih Wei Huang	4,011	-	-	-
The Chief Compliance Officer of the Head Office	Elaine Yeh	-	-	-	-
Senior Deputy Executive Vice President	Shin Hwa Chou	3,150	-	-	-
Senior Deputy Executive Vice President	Daphne Huang	5,590	-	-	-
Senior Deputy Executive Vice President	Ying Ching Hu	11,169	-	-	-
Senior Deputy Executive Vice President	Sam Tsai	6,820	-	-	-
Senior Deputy Executive Vice President	Lionel Chen	6,138	-	-	-
Senior Deputy Executive Vice President	Hui Ling Chen	611		-	
Senior Deputy Executive Vice President	Veichou Chih	-	-	-	-
Senior Deputy Executive Vice President	Roger Lo	857	-	-	-
Senior Deputy Executive Vice President	Vincent Liu	8,900	-	-	-
Senior Deputy Executive Vice President	Yueh Hua Wu	1,009	-	-	-
Senior Deputy Executive Vice President	Bob Chen	3,846	-	-	-

Title	Name	2018		As of April 22, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior Deputy Executive Vice President	Chen Chen Ma	1,401	-	-	-
Senior Deputy Executive Vice President	Isabel Chen	1,072	-	-	-
Deputy Executive Vice President	Wen Chang	(428,985)	-	-	-
Deputy Executive Vice President	Brucelo Lo	3,916	-	-	-
Deputy Executive Vice President	Margaret Du	7,964	-	-	-
Deputy Executive Vice President	Ines Hong	21	-	-	-
Deputy Executive Vice President	Chiung Yu Song	11,551	-	-	-
Deputy Executive Vice President	Civi Tsai	618	-	-	-
Deputy Executive Vice President	Emily Chou	5,679	-	-	-
Deputy Executive Vice President	Robin Chiu	5,857	-	-	-
Deputy Executive Vice President	Elaine Lin	5,941	-	-	-
Deputy Executive Vice President	Baker Lin	6,718	-	-	-
Deputy Executive Vice President	Cindy Chen	6,823	-	-	-
Deputy Executive Vice President	Joy Tien	94	-	-	-
Deputy Executive Vice President	An Li Ma	4,813	-	-	-
Deputy Executive Vice President	Gloria Hsieh	2,706	-	-	-
Deputy Executive Vice President	Senh Sing Pei	4,239	-	-	-
Deputy Executive Vice President	Teresa Lo	-	-	-	-
Deputy Executive Vice President	Frank Song	158	-	-	-
Deputy Executive Vice President	Shu Yun Cheng	3,653	-	-	-
Deputy Executive Vice President	Chingh Siang Chen	35	-	-	-
Deputy Executive Vice President	Kuo Ying Huang	5,920	-	-	-
Deputy Executive Vice President	Felicia Tseng	-	-	-	-

Title	Name	2018		As of April 22, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Deputy Executive Vice President	Warren Ko	-	-	-	-
Deputy Executive Vice President	Starsky Chiang	-	-	-	-
Deputy Executive Vice President	Wen Ming Yang	731		-	-
Deputy Executive Vice President	Audrey Lin	26		-	-
Deputy Executive Vice President	Karry Tsai	3,265		-	-
Deputy Executive Vice President	Yi Chen Wang	3,534		-	-
Deputy Executive Vice President	Alex Kao	7		-	-
Deputy Executive Vice President	Justice Chang	-	-	-	-
Deputy Executive Vice President	Alex Chien	23	-	-	-
Senior Vice President	Allen Li	3,854	-	-	-
Senior Vice President	Mag Chen	2,529	-	-	-
Senior Vice President	Amber Tseng	3,514	-	-	-
Senior Vice President	Shu Hui Lee	9,024	-	-	-
Senior Vice President	Allen Lu	14	-	-	-
Senior Vice President	Olive Yin	2,554	-	-	-
Senior Vice President	Chia Wei Hsiao	2,595	-	-	-
Senior Vice President	Sofia Hsu	1,355	-	-	-
Senior Vice President	Alex Hsieh	-	-	-	-
Senior Vice President	Wilson Huang	-	-	-	-
Senior Vice President	Jeff Chiu	-	-	-	-
Senior Vice President	Hsing Chien Wei	2,619	-	-	-
Vice President	Sandia Lu	2,702	-	-	-
Vice President	Bill Lee	1,757	-	-	-
Vice President	Chia Chen Lee	1,031	-	-	-
Vice President	Philip Chen	954	-	-	-
Vice President	Judy Yu	2,125	-	-	-
Vice President	Yu Yu Ho	23	-	-	-

Title	Name	2018		As of April 22, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Vice President	Kun Feng Li	-	-	-	-
Vice President	Michael Huang	2,177	-	-	-
Vice President	Wei Cheng Chen	(1,984)	-	-	-
Vice President	Wei Li Chuang	446	-	-	-
Vice President	Lisa Hsu	2,418	-	-	-
Vice President	Jane Tsai	1,313	-	-	-
Vice President	Chun Yen Kuo	372	-	-	-
Vice President	Kuoh Siung Lin	-	-	-	-
Vice President	Wen Feng Tu	-	-	-	-
Vice President	Hui Li Tsai	-	-	-	-
Vice President	Alen Lin	1,305	-	-	-
Vice President	Shang Fu Lin	423	-	-	-
Vice President	Chiang Ming Chen	1,282	-	-	-
Vice President	Shou Te Weng	-	-	-	-
Vice President	Kuang Jung Fan	773	-	-	-
Vice President	Jui Chen Hsu	-	-	-	-
Vice President	Tsung Min Cheng	-	-	-	-
Vice President	Chen I Wang	-	-	-	-
Vice President	Pi Yun Peng	-	-	-	-
Vice President	Chia Jung Chang	-	-	-	-
Vice President	Allen Chang	-	-	-	-
Vice President	Kuan I Li	-	-	-	-
Vice President	Vicky Yang	653	-	-	-
Vice President	Vivian Lee	-	-	-	-
Vice President	Wen Hao Shih	-	-	-	-
Vice President	Eason Song	-	-	-	-
Vice President	Ring Tsai	-	-	-	-
Vice President	James Hsieh	-	-	-	-
Vice President	Rich Liu	-	-	-	-
Deputy Vice President	Winnie Chiang	195	-	-	-
Deputy Vice President	Yu Shui Chen	-	-	-	-
Same Related Party	Yi Jiu Investment Corp.	204,203	-	-	-
Same Related Party	Ta Chu Chemical Fiber Co., Ltd.	601,060	-	-	-
Same Related Party	An Ho Garment Co.,Ltd.	567,902	-	-	-
Same Related Party	Bai Yang Investment Corp.	583,168	-	-	-
Same Related Party	Chin Feng Investment Corp.	249,198	-	-	-
Same Related Party	K.Y. Lee	16,759	-	-	-
Same Related Party	Mei Mei Lee	20	-	-	-

Title	Name	2018		As of April 22, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Same Related Party	Chin Hsin Lee	7	-	-	-
Same Related Party	Ya Li Transportation Corp.	77,647	-	-	-
Same Related Party	Oriental Securities Corporation	262,168	-	-	-
Same Related Party	Asia Cement Corp.	2,027,480	-	-	-
Same Related Party	Asia Investment Corp.	3,473,848	-	-	-
Same Related Party	Ton Fu Investment Corp.	755,365	-	-	-
Same Related Party	Peter Hsu	16,012	-	-	-
Same Related Party	Douglas Tong Hsu	164,004	-	-	-
Same Related Party	Alice Hsu	16,012	-	-	-
Same Related Party	Nancy Hsu	16,012	-	-	-
Same Related Party	Connie Hsu	16,012	-	-	-
Same Related Party	Hsiu-Neng Chen	8	-	-	-
Same Related Party	Hui Kang Investment Corp.	17,164	-	-	-
Same Related Party	Kai Yuan International Investment Co., Ltd.	2,768,729	-	-	-
Same Related Party	Richard Yang	19,109	-	-	-
Same Related Party	Frederica Yan	51,604	-	-	-
Same Related Party	Yu Yuan Investment Co., Ltd.	4,271,811	-	-	-
Same Related Party	U-Ming Marine Transport Corp.	2,026,021	-	-	-
Same Related Party	Yue Li Investment Corp.	3,783,304	-	-	-
Same Related Party	Yue-Tung Investment Corp.	3,356,267	-	-	-
Same Related Party	Ydt Technology International Co., Ltd.	75,496	-	-	-
Same Related Party	Tranquil Investment Ltd.	1,448,812	-	-	-
Same Related Party	Ding Yuan International Investment Corp.	2,280,587	(10,000,000)	-	-
Same Related Party	Far Eastern New Century Corp.	2,255,943	-	-	-

Title	Name	2018		As of April 22, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Same Related Party	Yuan Faun Co., Ltd.	120,340	-	-	-
Same Related Party	Yuan Tong Investment Co., Ltd.	2,763,187	-	-	-
Same Related Party	Yuan Ding Investment Co., Ltd.	3,069,112	-	-	-
Same Related Party	Yuan Ding Co., Ltd.	214,686	-	-	-
Same Related Party	Yuan Ding Leasing Corp.	90,908	-	-	-
Same Related Party	Der Ching Investment Corp.	3,473,430	-	-	-
Same Related Party	Tranquil Enterprise Ltd.	154,255	-	-	-

* Number of shares owned by the institutional shareholders.

(2) Shares Trading with Related Parties:

None.

(3) Shares Pledge with Related Parties:

None.

8. Relationship among the Top Ten Shareholders

April 22, 2019

Name	Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees of Kinship		Remarks
	Shares	Percentage	Shares	Percentage	Shares	Percentage	Name	Relationship (Note)	
Yu Yuan Investment Co., Ltd. Representative:C.M. Chen	161,903,227	4.95%	-	-	-	-	Yuan Ding Investment Co., Ltd. Yue-Tung Investment Corp.	(2) (2)	-
Yue Li Investment Corp. Representative: Hsiu-Neng Chen	143,388,637	4.39%	-	-	-	-	Yue-Tung Investment Corp.	(3)	-
Asia Investment Corp. Representative: Peter Hsu	131,660,130	4.03%	-	-	-	-	Der Ching Investment Corp.	(1), (3)	-
Der Ching Investment Corp. Representative:Peter Hsu	131,644,291	4.03%	-	-	-	-	Asia Investment Corp.	(2), (3)	--
Yue-Tung Investment Corp. Representative: Hsiu-Neng Chen	127,203,767	3.89%	-	-	-	-	Yu Yuan Investment Co., Ltd. Yue Li Investment Corp.	(1) (3)	-
Yuan Ding Investment Co., Ltd. Representative: Douglas Tong Hsu	116,320,507	3.56%	-	-	-	-	Yu Yuan Investment Co., Ltd.	(1)	- -
Kai Yuan International Investment Co., Ltd. Representative: Humphrey Cheng	104,935,870	3.21%	-	-	-	-	-	-	-
Yuan Tong Investment Co., Ltd. Representative: David Wang	104,725,830	3.20%					-	-	-
FEIB is Special Account for trust property of Far Eastern International Bank employee in custody of FEIB	95,162,452	2.91%	-	-	-	-	-	-	-
Ding Yuan International Investment Corp. Representative:Alan Tsai	86,435,106	2.64%	-	-	-	-	-	-	-

Note: Relationship code (1): Invested Company assessed by equity method
Relationship code (2): Investors who evaluate the company's investment using the equity method
Relationship code (3): The Chairperson or President of the companies is the same person

9. Shareholding in Affiliated Enterprises

Unit: share; % December 31, 2018

Affiliated Enterprises (Note 1)	Shareholding by the Company		Direct or Indirect Shareholding by Directors and Managers		Total Shareholding	
	share	%	share	%	share	%
Far Eastern Asset Management Corp.	68,400,000	100.00%	-	-	68,400,000	100.00%
Far Eastern International Securities Company Ltd.	20,000,000	100.00%	-	-	20,000,000	100.00%
DWS Far Eastern Investments Limited Global Client Group	12,000,000	40.00%	-	-	12,000,000	40.00%
Dah Chung Bills Finance Corp.	99,407,708	22.06%	32,479	0.01%	99,407,708	22.06%
Financial Information Service Co.,Ltd.	5,937,750	1.14%	-	-	5,937,750	1.14%
Taipei Forex Inc.	80,000	0.40%	-	-	80,000	0.40%
Sunny Asset Management Corporation	207,304	3.46%	-	-	207,304	3.46%
An Feng Entreprises Co., Ltd.	300,000	10.00%	-	-	300,000	10.00%
Yuan Hsin Digital Payment Co.,Ltd	5,094,204	4.99%	-	-	5,094,204	4.99%

Note 1: Investments under Bank Articles 74

IV. Fund Raising Status

1. Capital and Shares

(1) Sources of Capital

A. Issued Shares

Unit: share, NT$ million

April 22,2018

Month/ Year	Issuing price (NTD)	Authorized Capital		Paid-in Capital		Remarks	
		Shares	Amount	Shares	Amount	Source	Others
Founded in 1992	10	1,000,000,000	10,000	1,000,000,000	10,000	Public offering	Tai-Tsai-Rong-No.801625101(Aug.1, 1991)
Oct 1995	10	25,000,000	250	25,000,000	250	Retained earnings	(84)Tai-Tsai-Cheng(1) No.49420(Sep.4, 1995)
Jul 1997	10	29,750,000	297	28,700,000 1,050,000	287 10	Retained earnings Employee bonus	(85)Tai-Tsai-Cheng(1) No.41665 (Jul.06, 1996)
Aug 1997	15 10	135,250,000	1,353	99,170,000 34,806,750 1,273,250	992 348 13	Rights offering Retained earnings Employee bonus	(86)Tai-Tsai-Cheng(1) No.53095(Jul.25,1997) (86)Tai-Tsai-Cheng(1) No. 60585(Jul.30,1997)
Aug 1998	12.5 10 10 10	211,023,500	2,110	150,000,000 41,650,000 1,523,500 17,850,000	1,500 416 15 179	Rights offering Retained earnings Employee bonus Capital reserve	(87)Tai-Tsai-Cheng(1) No.59533(Jul.21,1998)
Jul 1999	10	78,696,500	787	44,832,752 1,640,208 26,619,446 5,604,094	448 17 266 56	Retained earnings Employee bonus Capital reserve Special reserve	(88)Tai-Tsai-Cheng(1) No.57434(Jun.23,1999)
Jul 2000	10 10 10	45,095,400	451	19,236,360 703,800 22,195,800 2,959,440	192 7 222 30	Retained earnings Employee bonus Capital reserve Special reserve	(89)Tai-Tsai-Cheng(1) No.56443 (Jun.30, 2000)
Jul 2003	10	475,184,600	4,752			New authorized capital	Jing-Shou-Shang Tze No. 09201231510(Jul 28, 2003)
Aug 2004	10 10			10,407,594 (26,579,000)	104 （266）	ECB Conversion Treasury stock cancellation	Jing-Shou-Shang Tze No. 09301158130(Aug 23, 2004)
Mar 2005	10			78,056,834	781	ECB Conversion	Jing-Shou-Shang Tze No. 09401042910(Mar 29, 2005)
Jun 2005	10			47,914,226	479	ECB Conversion	Jing-Shou-Shang Tze No. 09401103960(Jun 14, 2005)
Jul 2005	10			102,854,595 6,707,909	1,029 67	Retained earnings Employee bonus	Jin-Kuan-Cheng(1)No.0940122142 (Jun. 9, 2005)
Aug 2005	10			4,958,329	50	ECB Conversion	Jing-Shou-Shang Tze No. 09401173340(Sep 13, 2005)
Nov 2005	10			37,038,723	370	ECB Conversion	Jing-Shou-Shang Tze No. 09401226730(Nov 14, 2005)

Month/ Year	Issuing price (NTD)	Authorized Capital		Paid-in Capital		Remarks	
		Shares	Amount	Shares	Amount	Source	Others
Mar 2006	10			5,075,280	51	ECB Conversion	Jing-Shou-Shang Tze No. 09501068660(Apr 14, 2006)
Sep 2006	10			64,094,041 4,180,047 18,312,584	641 42 183	Retained earnings Employee bonus Capital reserve	Jin-Kuan-Cheng(1)No.0950132205 (Jul. 31, 2006)
Mar 2007	10			215,969	2	ECB Conversion	Jing-Shou-Shang Tze No. 09601073730(Apr 13, 2007)
Jun 2007	10	500,000,000	5,000			New authorized capital	Jing-Shou-Shang Tze No. 09601152250(Jul 4, 2007)
Jun 2007	10			647,907	6	ECB Conversion	Jing-Shou-Shang Tze No. 09601152250(Jul 19, 2007)
Dec 2007	10			1,079,849	11	ECB Conversion	Jing-Shou-Shang Tze No. 09601322290(Jan 4, 2008)
Jun 2008	10	1,000,000,000	10,000			New authorized capital	Jing-Shou-Shang Tze No. 09701146020(Jun 27, 2008)
Dec 2008	6.5 (Note)			461,538,000	4,615	Rights offering	Jing-Shou-Shang Tze No. 09801009420(Jan 17, 2009)
Jun 2009	10	1,000,000,000	10,000			New authorized capital	Jing-Shou-Shang Tze No. 09801132000(Jun 26, 2009)
Jun 2009	10			(407,520,824)	(4,075)	Capital Deduction	Jin-Kuan-Cheng No.0980031255 (Jun. 30, 2009)
Jul 2010	10			67,489,532 5,861,971	675 59	Retained earnings Employee bonus	Jin-Kuan-Cheng No.0990038736 (Jul. 30, 2010)
Jul 2011	10			103,368,172 8,043,315	1,034 80	Retained earnings Employee bonus	Jin-Kuan-Cheng No.1000033885 (Jul. 27, 2011)
Aug 2012	10			113,131,129 10,568,089	1,131 106	Retained earnings Employee bonus	Jin-Kuan-Cheng No.1010036357 (Aug. 24, 2012)
Jul 2013	10			110,543,402 9,315,191	1,105 93	Retained earnings Employee bonus	Jin-Kuan-Cheng No.1020028949 (Jul. 31, 2013)
Jan 2014	11.25			365,000,000	3,650	Rights offering	Jin-Kuan-Cheng No.1020046424 (Nov. 26, 2013) Jin-Kuan-Cheng No.1030002514 (Jan. 23, 2014)
Jul 2014	10			122,447,610 12,260,455	1,224 123	Retained earnings Employee bonus	Jin-Kuan-Cheng No.1030026505 (Jul. 18, 2014)
Aug 2015	10			153,680,074 17,736,559	1,537 177	Retained earnings Employee bonus	Jin-Kuan-Cheng No.1040026417(Aug. 3, 2015)
Sep 2016	10			60,664,859 17,459,348	607 175	Retained earnings Employee bonus	Jing-Shou-Shang Tze No. 10501227730(Sep 22, 2016)
Sep 2017	10			71,561,445	716	Retained earnings	Jing-Shou-Shang Tze No. 10601133330(Sep 18, 2017)
Sep 2018	10			86,257,365	863	Retained earnings	Jing-Shou-Shang Tze No. 10701121570(Sep 19, 2018)
Total		4,500,000,000	45,000	3,269,185,979	32,692		

Note: The price was NT$6.5 per share in private placement.

B. Authorized Capital

April 22, 2019

Share Type	Authorized Capital			Remarks
	Outstanding	Unissued	Total	
Common Shares	3,269,185,979 Shares	1,230,814,021 Shares	4,500,000,000 Shares	Listed shares

(2) Shareholder Structure

April 22, 2019

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions and Foreigners	Total
Accounts	4	19	199	74,595	245	75,062
Shares	18,380,656	117,730,172	1,675,342,583	1,013,184,023	444,548,545	3,269,185,979
Percentage	0.56%	3.60%	51.25%	30.99%	13.60%	100.00%

(3) Shares Distribution Status

A. Common Shares

Per Value: NT$10

April 22, 2019

Shareholding Segment (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	27,763	7,500,063	0.23%
1,000 ~ 5,000	23,055	50,446,594	1.54%
5,001 ~ 10,000	7,508	52,605,321	1.61%
10,001 ~ 15,000	4,961	59,982,147	1.83%
15,001 ~ 20,000	3,114	53,528,579	1.64%
20,001 ~ 30,000	2,741	66,336,025	2.03%
30,001 ~ 50,000	2,150	81,979,894	2.51%
50,001 ~ 100,000	1,809	124,906,013	3.82%
100,001 ~ 200,000	1,058	141,596,378	4.33%
200,001 ~ 400,000	474	128,494,350	3.93%
400,001 ~ 600,000	143	69,956,653	2.14%
600,001 ~ 800,000	71	48,030,599	1.47%
800,001 ~ 1,000,000	51	45,662,990	1.40%
1,000,001 or over	164	2,338,160,373	71.52%
Total	75,062	3,269,185,979	100.00%

B. Preferred Shares: None.

(4) List of Major Shareholders

Unit: shares April 22, 2019

Shareholding / Shareholder's Name	Number of Shares	Percentage
Yu Yuan Investment Co., Ltd.	161,903,227	4.95%
Yue Li Investment Corp.	143,388,637	4.39%
Asia Investment Corp.	131,660,130	4.03%
Der Ching Investment Corp.	131,644,291	4.03%
Yue-Tung Investment Corp.	127,203,767	3.89%
Yuan Ding Investment Co., Ltd.	116,320,507	3.56%
Kai Yuan International Investment Co., Ltd.	104,935,870	3.21%
Yuan Tong Investment Co., Ltd.	104,725,830	3.20%
Special Account for trust property of Far Eastern International Bank employee in custody of FEIB	95,162,452	2.91%
Ding Yuan International Investment Corp.	86,435,106	2.64%

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

(5) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$

Item / Year			2017	2018	As of April 22, 2019
Market Price Per Share	Highest		10.05	11.30	11.30
	Lowest		9.08	9.26	9.93
	Average (Note2)		9.59	10.23	10.81
Net Worth Per Share	Before Distribution		13.44	13.69	14.14(Note6)
	After Distribution		12.66	(Note1)	(Note1)
Earnings Per Share	Weighted Average Shares (Thousand Shares)		3,182,929	3,269,186	3,269,186 (Note6)
	Earnings Per Share	Original	0.90	1.08	0.35(Note 6)
		Adjusted	0.87	(Note 1)	(Note 1)
Dividends Per Share	Cash Dividends		0.439	0.450	0.450
	Stock Dividends	Dividends from Retained Earning	0.271	0.265	-
		Dividends from Capital Reserve	-	-	-
	Accumulated Undistributed Dividends		-	-	-
Return on Investment	Price/ Earnings Ratio(Note3)		10.57	9.32	-
	Price/ Dividend Ratio(Note4)		21.66	22.38	-
	Cash Dividend Yield Ratio (%) (Note5)		4.62	4.47	-

Note1: Earnings distribution yet to be approved by the 2019 shareholders' meeting.
Note2: The average market price calculated by taking into accounts each year's market turnover value and amount.
Note3: Price / Earnings ratio = Average Market Price / Earnings per Share.
Note4: Price / Dividend ratio = Average Market Price / Cash dividends per Share.
Note5: Cash Dividend Yield Rate = Cash Dividend per Share / Average Market Price.
The average market prices were NT$9.51 and NT$10.07 in 2017 and 2018, respectively.
Note6: They were calculated based on the Bank's March 31, 2019 preliminary financial reports.

(6) Dividend Policy and Implementation Status

A. Dividend Policy

In case of net income after settlement of accounts for each fiscal year, the Bank shall recover all the losses incurred in the previous years, if any, before setting aside a legal reserve of 30% of the net profit and appropriating, according to law and regulations, a special reserve shall be retained, and shall first be distributed to the dividends of Preferred Stock. The remaining amount together with the accumulated retained profits of the last year and the reversals of special reserves are available for distribution as dividends for Common Stock. The dividends for Common Stock shall be distributed at least 30% of the remaining amount. The Board of Directors shall prepare the earnings distribution in accordance with the existing circumstances at the time, taking into account the future development plan of the Bank. Any allocation of cash dividend shall, in principle, be no less than 10% of the total dividends to be distributed that year.

Before the above-mentioned legal reserve reaches the amount of total paid-in capital, the maximum appropriation of cash dividends shall not exceed 15% of the total paid-in capital.

B. Proposed Distribution of Dividend in 2019 Shareholders' Meeting

The cash dividend of NT$0.450 per share, and the stock dividend of NT$0.265 per share (26.5 shares for every thousand shares) or NT$ 0.715 per share, collectively is proposed for resolution in AGM.

(7) Impact of Stock Dividends Distribution on Operating Results, Earnings per Share and Shareholders' Return on Investment:

Unit: NT$ Thousands

Item \ Year			Year2019 (Forecast)
Beginning Paid-In Capital			32,691,859
Dividends distribution	Cash Dividend per share（NT$）		0.4500(Note1)
	Stock dividends per share, from earnings distribution (number of shares)		0.0265(Note1)
	Stock dividends per share, from capital surplus (number of shares)		- (Note1)
Changes in business results	Operating Profit		Not Applicable (Note2)
	Increase (decrease) % of operating. profit from last year		
	Net income		
	Increase (decrease)% of net income from last year		
	Earnings per share (EPS) (with retroactive adjustment)		
	Increase (decrease) % of EPS from last year		
	Annually averaged return on investment % (reverse of annually averaged price-earnings (P/E) ratio)		
Pro forma Earnings per Share and P/E Ratio	If stock dividends from earning is paid fully by cash dividends	Pro forma earnings per share (EPS)	
		Pro forma annually averaged return on investment	
	If no stock dividends from capital surplus	Pro forma earnings per share (EPS)	
		Pro forma annually averaged return on investment	
	If no stock dividends from capital surplus and from earnings are paid fully by cash dividends	Pro forma earnings per share (EPS)	
		Pro forma annually averaged return on investment	

Note1：By board resolution on March 26, 2019, cash dividends of NT$0.45 and stock dividends of NT$0.265 is approved for allocation, where the actual distribution is subject to resolution in 2019 shareholders' meeting.

Note2：The Bank's 2019 financial forecast is not disclosed to general public, hence the info is not available.

(8) Compensation of Employees and Directors

A. Percentage or scope of employees' compensation, remuneration of directors and supervisors in the Articles of Incorporation:

If there be net income before income tax, remuneration of directors and employees' compensation, the Bank should retain an employees' compensation of 3.5%-4.5% and a remuneration of directors no greater than 1.5%. Should there be accumulated loss; the Bank shall retain earnings to cover the loss in advance.

Employees' compensation may be distributed in the form of stocks or in cash. The amount distributable as employees' compensation and remuneration of directors shall be decided by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors; and in addition there to a report of such distribution shall be submitted to the shareholders' meeting.

B. In the event current bases of estimation for employees' compensation and remuneration of directors, share number calculation bases for allotment of stock compensation and actual allotted amounts are at variance with estimated amounts:

The estimated amount for employees' compensation and remuneration of directors in this period is based on the net income before income tax and the Bank's Articles of Incorporation. If there is a change in the amounts after the financial statements for the year ended were authorized for issue, the differences are recorded as a change in the accounting estimate.

C. Board of directors approved proposals for the allocation of employees' compensation and remuneration of directors:

❶ Allocation of employee cash compensation, employee stock compensation, and the amount for remuneration of directors:

Employee cash compensation is NT$ 152,444,000, employee stock compensation is zero per share and the amount for remuneration of directors is NT$ 50,814,000. 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.

❷ The ratio of the employees' stock compensation to the net income after income tax in the individual financial report for the current period and the total amount of employees' compensation: Not Applicable

D. Actual allocations of employee compensation and remuneration of directors paid for the preceding fiscal year:

❶ Employee cash compensation is NT$ 126,300,000, employee stock compensation is zero per share and the amount for remuneration of directors is NT$ 42,100,000 for the year ended December 31, 2017.

❷ There was no difference between the actual amounts of employees' compensation and remuneration of directors paid.

(9) Buyback of Treasury Stock:

2018: None.

As of Apr 22, 2019: None.

2. Bonds

To maintain capital adequacy ratio and the medium-term to long-term working capital, the Bank had applied and obtained approval from the Financial Supervisory Commission to issue bank debentures. The outstanding balances of bank debentures as of December 31, 2018 are summarized as follows:

Issuance of bank debenture

Types of bank debentures	1st subordinated bank debenture in 2012	1st subordinated bank debenture in 2013
Date and serial No. approved by authority	FSC No. 10100164700, May 25, 2012	FSC No. 10200123360, May 8, 2013
Issuing date	June 27, 2012	November 6, 2013
Face value	NT$ 10 million	NT$ 10 million
Issuing and trading	ROC	ROC
Currency	New Taiwan dollar	New Taiwan dollar
Issuing price	At par value	At par value
Total amount	NT$3.0 billion	NT$4.0 billion
Coupon	Fixed interest rate at 1.75% per annum	Fixed interest rate at 2.10% per annum
Maturity	7 years from the issue date. Maturity on June 27, 2019	7 years from the issue date. Maturity on November 6, 2020
Rank	Subordinated to deposit holders and other general creditors	Subordinated to deposit holders and other general creditors
Guarantor	None	None
Trustee	None	None
Underwriter	KGI, Master Link, Yuanta, Cathay and Grand Cathay securities	Master Link, Yuanta and Capital securities
Certified lawyer	None	None
Certified CPA	Chen, Junhon	Chen, Junhon
Certified financial institution	None	None
Repayment	By self-owned capital or refinancing bank debentures	By self-owned capital or refinancing bank debentures
Outstanding balance	NT$ 3.0 billion	NT$ 4.0 billion
Paid-in capital in the previous year	NT$21,185,604 (thousand)	NT$22,422,596 (thousand)
Net book value on the date of balance sheet in the previous fiscal year	NT$24,124,738 (thousand)	NT$26,085,624 (thousand)
Default status	Normal	Normal
The terms and conditions for redemption or early liquidation	None	None
Conditions for conversion or exchange	None	None
Restrictive terms	Subordinated	Subordinated
Use of proceeds	To finance the Bank's long term funding needs and enhance the Bank's capital structure for support of future growth of loans and investments.	To finance the Bank's long term funding needs and enhance the Bank's capital structure for support of future growth of loans and investments.
The total amount of the issuance and outstanding bonds in the percentage of the book value of previous year (%)	94.92	104.78
Eligible capital and type	Tier II	Tier II
Name of rating agency, issue date, and the rating	“A-(twn)” issued by Fitch Ratings, Taiwan Branch on June 27, 2012.	“BBB+(twn)” issued by Fitch Ratings, Taiwan Branch on November 6, 2013.

Issuance of bank debenture

Types of bank debentures	1st subordinated bank debenture in 2014	1st subordinated bank debenture in 2015
Date and serial No. approved by authority	FSC No. 10300105790, April 23, 2014	FSC No. 10400126510, June 5, 2015
Issuing date	December 23, 2014	September 30, 2015
Face value	NT$ 10 million	NT$ 10 million
Issuing and trading	ROC	ROC
Currency	New Taiwan dollar	New Taiwan dollar
Issuing price	At par value	At par value
Total amount	NT$1.1 billion	NT$3.0 billion
Coupon	Fixed interest rate at 2.05% per annum	Fixed interest rate at 1.95% per annum
Maturity	7 years from the issue date. Maturity on December 23, 2021	7 years from the issue date. Maturity on September 30, 2022
Rank	Subordinated to deposit holders and other general creditors	Subordinated to deposit holders and other general creditors
Guarantor	None	None
Trustee	None	None
Underwriter	KGI, Master Link and Capital securities	Master Link, Yuanta, GKI, SinoPac and Taiwan Cooperative securities
Certified lawyer	None	None
Certified CPA	Chen, Junhon	Chen, Junhon
Certified financial institution	None	None
Repayment	By self-owned capital or refinancing bank debentures	By self-owned capital or refinancing bank debentures
Outstanding balance	NT$ 1.1 billion	NT$ 3.0 billion
Paid-in capital in the previous year	NT$23,621,182 (thousand)	NT$28,618,263(thousand)
Net book value on the date of balance sheet in the previous fiscal year	NT$32,347,065 (thousand)	NT$35,118,001(thousand)
Default status	Normal	Normal
The terms and conditions for redemption or early liquidation	None	None
Conditions for conversion or exchange	None	None
Restrictive terms	Subordinated	Subordinated
Use of proceeds	To finance the Bank's long term funding needs and enhance the Bank's capital structure for support of future growth of loans and investments.	To finance the Bank's long term funding needs and enhance the Bank's capital structure for support of future growth of loans and investments.
The total amount of the issuance and outstanding bonds in the percentage of the book value of previous year (%)	78.62	57.52
Eligible capital and type	Tier II	Tier II
Name of rating agency, issue date, and the rating	"BBB+(twn)" issued by Fitch Ratings, Taiwan Branch on December 23, 2014.	"BBB+(twn)" issued by Fitch Ratings, Taiwan Branch on September 25, 2015.

Issuance of bank debenture

Types of bank debentures	1st subordinated bank debenture in 2016	1st perpetual non-cumulative unsecured subordinated debenture in 2018
Date and serial No. approved by authority	FSC No. 10500130430, June 3, 2016	FSC No. 10702142020, July 20, 2018
Issuing date	September 27, 2016	September 18, 2018
Face value	NT$ 10 million	NT$ 10 million
Issuing and trading	ROC	ROC
Currency	New Taiwan dollar	New Taiwan dollar
Issuing price	At par value	At par value
Total amount	NT$4.0 billion	NT$2.9 billion
Coupon	Fixed interest rate at 1.55% per annum	Fixed interest rate at 3.2% per annum
Maturity	7 years from the issue date. Maturity on September 27, 2023	Prepetural (issuer with call right)
Rank	Subordinated to deposit holders and other general creditors	Senior to the right on distribution of remaining property for shareholders, and junior to those for holders of Tier II capital instruments, depositors and other general creditors to the Bank.
Guarantor	None	None
Trustee	None	None
Underwriter	Master Link, Yuanta, GKI and Taiwan Cooperative securities	KGI and Master Link securities
Certified lawyer	None	None
Certified CPA	Wu, Shizong	Wu, Shizong
Certified financial institution	None	None
Repayment	By self-owned capital or refinancing bank debentures	By self-owned capital or refinancing bank debentures
Outstanding balance	NT$ 4.0 billion	NT$ 2.9 billion
Paid-in capital in the previous year	NT$30,332,430(thousand)	NT$31,829,286 (thousand)
Net book value on the date of balance sheet in the previous fiscal year	NT$37,764,349 (thousand)	NT$41,389,366 (thousand)
Default status	Normal	Normal
The terms and conditions for redemption or early liquidation	None	FEIB may redeem the debts in whole at their aggregate principal amount, together with any interest payment five years after the issuing date subject to regulators' approval, provided that the bank's post-redemption BIS is above legal requirement.
Conditions for conversion or exchange	None	None

Types of bank debentures	1st subordinated bank debenture in 2016	1st perpetual non-cumulative unsecured subordinated debenture in 2018
Restrictive terms	Subordinated	The bank may not pay interest if there is no earnings and dividends in previous year (including cash and stock dividends); however this restriction does not apply in circumstances where the balance of cumulative undistributed earnings less amortized losses on sale of non-performing loans is greater than the amount of payable interest, and provided that the payment results in no changes to the terms of interest. Non- payment of interest due to the above will not be accumulated or deferred in later periods. The bank shall defer interest and principal payments in situations where its capital adequacy ratio fails to meet the minimum level specified in Article 5, Paragraph 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks; in which case, deferred interest may not accrue any late interest.
Use of proceeds	To finance the Bank's long term funding needs and enhance the Bank's capital structure for support of future growth of loans and investments.	To finance the Bank's long term funding needs and enhance the Bank's capital structure for support of future growth of loans and investments.
The total amount of the issuance and outstanding bonds in the percentage of the book value of previous year (%)	64.09	43.49
Eligible capital and type	Tier II	Tier I
Name of rating agency, issue date, and the rating	"A(twn)" issued by Fitch Ratings, Taiwan Branch on September 25, 2015.	"A(twn)" issued by Fitch Ratings, Taiwan Branch on July 2, 2018.

3. Issuance of Preferred Stock

None.

4. Issuance of Global Depository Receipt

Item \ Date of Issue			Jan. 28, 2014
Date of Issue			Jan. 28, 2014
Issuance and Listing			Luxembourg Stock Exchange
Total Amount			US$135,050,000
Issue Price per GDR			US$7.4
Total units issued			1. The original issue of 18,250,000 units. 2. The total number of depositary receipts was 18,383,333 units as of December 31, 2018.
Type of underlying securities			FEIB's newly issued common shares
Amount of underlying securities			367,666,685 shares
Rights and obligations of subscribers			Same as common share holders
Trustee			None
Depositary Bank			Citibank N.A.
Custodian Bank			Citibank Taiwan
Number of outstanding units			714,972 units(As of December 2018)
Bearers of related charges incurred during issuance and holding period			Shall be borne by the Bank
Key Provision in Deposit/Custodian Agreements			None
Market Price per unit	2018	Highest	US$7.156
		Lowest	US$6.231
		Average	US$6.557
	As of April 22, 2019	Highest	US$7.350
		Lowest	US$6.450
		Average	US$6.975

5. Issuance of Employee Stock Options

None.

6. Issuance of New Restricted Shares to Employee

None.

7. Mergers and Acquisitions

(1) Any opinions by accountants that should be disclosed regarding the reasonable share swap ratio

Not applicable.

(2) Mergers & Acquisitions or Receiving of Other Financial Insitiutions in the past five years

None.

(3) Where a financial institution was merged or acquired by way of new share issuance, the lead underwriter's evaluation and opinions must be disclosed

Not applicable.

(4) In the most recent financial year and up to the printing of this annual report, disclosure of the basic data of mergers & acquisitions or sale of other financial institutions in which the Board of Directors has approved such M&A or sale that involves the issuance of new shares:

Not applicable.

8. The Execution of Fund Utilization Plan

(1) Contents of the plan

The Bank issued bank debentures to obtain long term funding, and to enhance the Bank's capital structure for future growth of loans and investments.

(2) Implementation description

Subject	Use of proceeds	The condition of execution	The comparison of the results with the desired-results	The date of the material information announced in MOPS (note)
The Board approved the issuing plan of perpetual non-cumulative unsecured subordinated debenture up to NT$2.9 billion.	To finance the Bank's long term funding needs and enhance the Bank's Tier I capital.	The issue of perpetual non-cumulative unsecured subordinated debenture of NT$2.9 billion was completed on September 18, 2018.	The outcome achieved the desired results.	November 3, 2017
The Board approved the issuing plan of subordinated debentures up to NT$ 4 billion and senior unsecured financial debentures up to NT$ 6 billion (or the equivalent in other currencies).	To finance the Bank's long term funding needs and enhance the Bank's capital structure.	The issue of 5-year senior unsecured financial debentures of NT$2.5 billion was completed on February 21, 2019.	The outcome achieved the desired results.	November 2, 2018

Note: Posted per board resolution

V. Operation Highlights

1. Business Activities

(1) Business Scope

A. Core-business

❶ Individual Banking：Responsible for branch operations and financial management, including: planning, sales and performance management of products such as deposits, investments, trusts, insurance, tax consulting, and SME Loan, etc. and manage branch access.

❷ Consumer Banking and Credit Cards：Provide credit facility for consumer banking products, such as mortgage, personal loan, car loan, consumer finance, and credit cards. And responsible for product planning, marketing, sales, management and customer service.

❸ Corporate Banking：Corporate banking businesses are driven by corporate customers' needs of different industries to satisfy them with integrated financial solutions such as corporate deposits, loans, FOREX businesses (foreign exchange, import and export), factoring, e-financing, supply-chain financing, financial hedge and structured products, etc.

❹ Financial Market：Financial Trading business covers fixed income, foreign exchange, equity, credit and derivatives. Focus on the financial institutions to provide solutions with financing, TMU transaction, automatic clearing house, etc. Execute TWD and foreign currencies funding and asset management policies of the Asset and Liability Management Committee ("ALCO"), including asset/liability, liquidity risk and interest rate sensitivity risk management.

❺ Digital Banking： Enhance customer experiences with technology, optimizes the application process, and creates new business models. We provide customers with safe, intelligent and touching digital banking services and continue to initiate digital transformation in various financial applications.

❻ Insurance Agency：Professionally select high-quality insurance companies to cooperate in Bancassurance business, assist bank colleagues to develop professional knowledge in insurance products, marketing and sales services. Facing the increasingly diverse needs of customers, the Bank includes various and comprehensive products to fulfill different customer groups and offer comprehensive financial planning through Bancassurance.

B. Weightings to Net Revenue and Changes YOY of the Respective Business Units

BU	Weightings to Net Revenue		Growth Rate (YoY)
	2018	2017	
Individual Banking	22%	21%	2%
Consumer Banking	25%	24%	4%
Credit Cards	12%	12%	2%
Corporate Banking	27%	25%	10%
Financial Market	13%	16%	-22%
Insurance Agency	1%	2%	-32%

(2) Business Plan for 2018

A. Individual Banking

❶ Wealth Management: Strengthen customer relationships and raise product penetration rate through enhancement of KYC and financial consultation skills for the purpose of expanding assets under management AUM) and wealth management business

❷ Customer-relationship management: Collaborate with FEIB affiliates to launch Privilege Scheme, granting special offers to our VIPs with aim of enhancing customer loyalty and affiliate-relationships. As a result of which resources integration and sharing with FEIB affiliates customers shall be achieved; Furthermore our recent milestone, the initiation of happy plus project for the elderly with Yuan Ze University, has encompassed courses of smart management of assets, aesthetic education, digital technology, health education and appreciation of Chinese classics.

❸ AI-advisor: the applications of innovative technology such as upgrading wealth management system to provide AI-advisor services and establishing an AI and digital zone in the branches to offer the experience of innovative digital service for the purpose of enhancing efficiency and convenience of banking transactions.

❹ Trust business: Caring trust planning for the retired through investments in accumulated funds and advanced trust service in response to the arrival of aging society and decreasing birth rate.

❺ Financing service for small and medium enterprises: make a great use of resources that each branch has possessed to enhance the relationships with small and medium enterprises and vendors nearby in order to increase customer base; search for enterprises with solid credit history and enhance post-loan management with the intention of achieving profit growth and risk control.

❻ Branch operations: the aim is to increase AUM and hence achieve profit growth; search for potential areas with high-end customers and re-allocate the branches corresponsively and together with the resources obtained from the vendors nearby and FEIB affiliates to build branches with unique value. Furthermore create digital brand identity by building AI and digital zone in all branches in response to FINTECH wave.

B. Consumer Banking and Credit Cards

Consumer Banking

❶ Mortgage Loan: Increase the high-margin product shares via better risk differentiation. Diversify the sales channels, integrate online and offline service to enrich customer experience and strengthen competitiveness.

❷ Personal Loan: Provide credit facility to both low-risk and high-risk customers via reinforcement of risk segmentation. Enhance online platform to reach into different customer segment. Offline application processes are streamlined to optimize the sales efficiency and effectiveness.

❸ Consumer Finance: Strengthen the cooperation with the existing strategic alliances and expand the Account Receivable product to boost business volume. Enhance E&M platform to modernize the application process and service.

❹ Car Loan and Motorcycle Loan: Upgrade the operating process to strengthen banks' competiveness. Balance business volume and profitability to pursue steady business growth.

Credit Card:

❶ Card issuance: Focuse on Happy Go credit card. Leverage FE Group's cross-industry advantages to ally with department stores, discount stores, telecom, online shopping, hotels, and other retail channels. Intensify the brand image of FE Happy Go credit card as FE Group card. Diversify the application channels for eParking payment with FE credit cards to penetrate the commuter group. Introduce original marketing campaigns to better serve the existing customers.

❷ Spending: Target on big ticket size spending, such as department stores, travel, and overseas consumption. Work with NCCC merchants to launch hire purchase as to boost spending volume and fee revenue. FE Group synergy is leveraged to enrich Happy Go cardholders' privilege. Provide overall service to uplift card usage and number of active cards.

❸ Digitalization: In response to dynamical changes, enhance the infrastructure of digital services for Happy Go credit card. Promote the mobile payment participation and usage. Co-work with international payment services and key e- wallet providers to expand the digital payment channels.

C. Corporate Banking

❶ Expand asset scale, enforce strict control of asset quality, and maintain steady profit growth.

❷ Continue to promote preferential demand deposit program, focus on absorbing operating funds from customers, and enlarge the deposit account base for the bank; take into account capital cost, engage in dynamic adjustment of portfolio, increase capital return and fund utilization efficiency; periodically monitor liquidity ratios (LCR & NSFR), and strengthen the risk management of liquidity

❸ Aggressively develop corporate finance businesses, proactively take the mandated lead arranger and book runner of syndicated facility, provide structured financing and corporate trust, and manage leading brand, and increase loan spreads and commission income.

❹ Focus on KYC and after-loan management to maintain high revenues, high growth, and high profits.

❺ Cope with digital business development model, promote cash management and e-banking, and expand customer base of operating bank.

❻ Proactive deployment of Asia Pacific financial service platform, through international syndicated loans and cross-border financing structure, continue to operate in Greater China and ASEAN markets, thus enlarge overseas assets and profits.

D. Financial Market

❶ Proprietary Trading: To develop the capability of in-house derivative product warehousing and provide variety of financial products to create synergy among trading, sales and customer services. Our mission are to expand investment and trading position, set up diversified asset allocation, flexible trading strategy and

create new source of profit.

❷ Corporate Treasury Sales: Our goal is to maintain awareness of policy and risk of products including robust KYC measures and adequate limit control to be in line with customer risk capability. Ensure seamless support for corporate clients with holistic FX instruments, including derivative products and a variety of interest rate tools to meet or exceed customer expectations. To strengthen functions of the electronic trading platform - FETP and to apply artificial intelligence (AI) in the business is the main task for FX Margin Trading this year.

❸ FI Client：

Deposit: Macro-control of deposits of FI client according to the bank policy. Developing and growing long-term source of funds from Non-banking organizations

Credit Financing: Expand credit line into subsidiaries of domestic financial institutions including securities and broker, non-banking financing, venture capitals, and asset management, etc. Actively pursuing the role of international syndicate loan based on discreet measurement of sovereign risk, financial soundness, loan spread

Crossing selling: Offer hedge solutions to overseas investment for IC, SC, and FC

❹ AML Asset and Liability Management: Strengthen liquidity risk management. Improve bank deposit structure to meet the supervision target with LCR above 100%

E. Digital Banking

AI transformation

❶ We aggressively promoted the digitalization of financial services and continued to upgrade digital processes.

❷ Far Eastern International Bank developed our own AI trilogy with progressive planning. First, we continue to optimize new official website and mobile banking APP, design Intelligent Assistants which will provide financial information at the right time; leverage Artificial Intelligence technology to provide smart service which can promote appropriate financial products according to customer profile.

❸ We integrated cross-border big data to analyze the consumption behavior and risk of each segment, and planned to build intelligence credit scoring models.

R&D innovation

❶ Far Eastern International Bank focused on innovation in the fintech fields. We are now looking for breakthroughs in patentable applications based on the development process of various digital projects, accumulating research and development innovation energy for the competitive edge.

❷ We developed the mobile payment ecosystem with the QR code Payment Gateway as the core, helped large retail channels to quickly introduce mobile code-scanning payment and multi-wallet services and will further develop the cash flow management OPEN API.

Digital Marketing

❶ We proposed new concepts to create public interests (Bankee, off-counter ratio, etc.),

and successfully shaped the leading Digital Bank image of Far Eastern International Bank.

❷ With a customer-centric mindset, Far Eastern International Bank built our owned media plans, and continued to expand the number of Facebook fans and VIP Line@ members. We created and operated digital platforms with scene applications, and continued to cultivate digital customers.

❸ We used big data technology to predict customer needs and to provide appropriate financial services.

F. Insurance Agency

❶ Will launch an automation system of "Insurance sales certification registration and basic individual data sharing agreement management" to strengthen the internal control and legal compliances check, which ensures the Bank meets government's regulation requirements, also cutting the usage of paper for reducing waste of resources.

❷ To in line with the trend of InsurTech (Insurance Technology), planning to develop the capabilities of purchasing insurance policies through internet web or mobile phone's application for providing customers with most convenient, flexible and handy access in anytime, and anywhere.

❸ To cross-sell overall banking services such as savings/checking accounts and time deposits, or TMU/ACH etc, to deepen customers' relationship and enlarge the Bank's profitability.

❹ Actively respond to the rapid changes in the insurance market, and cope with the technological progress, to brokerage needs-base insurance products to keep the Bank at competitive edge of Bancassurance businesses.

(3) Market Analysis

A. Business Operation Areas and Market prospective and growth

FEIB has branches in domestic urban areas and Hong Kong. The business operation scope extends to serve Greater China and Asian regions.

The U.S-China trade war is still negotiating and may not come up with a quick fix. Facing this uncertainty of US-China trade war and worldwide economic slowdown. The domestic property market maintain conservative this year as the real estate inventory keeps at high level and market demands are upheld by self-use residence. The personal loan borrowers with investment demands decrease but the needs for operating capital remain flat with intensive pricing competition. Car loan's business priority transfers to asset quality improvement, leading to a flat sales volume forecast. Motorcycle loan transaction is downward. To expand the product lines, credit facility to cash out business and refitted motorcycles will be introduced.

FSC announced Internet-Only Banks application. It encourages domestic banks to have more financial innovations. In the face of challenges from the Internet-Only Bank, FEIB combined community strength, multi-products and intelligent services to develop a dedicated service to young generations - Bankee.

FEIB is keep monitoring the changes of global economy and financial markets and the trends of international trade & industrial developments in both domestic and overseas.

Upon the strategies of steady growth and asset portfolio management, FEIB is consistently to meet customers' financial needs and to keep the core competitiveness for the better performance.

B. Competiveness, development of advantages & disadvantages and remedial strategies

FEIB has entered medium-sized bank ranking, with balanced core business development and niche products leading the market. In order to continuously enhance competitiveness, we focus on asset portfolio adjustment, implement a rigorous risk management, and ensure asset quality, process digitalization to improve operational efficiency, foster quality talents and use flexible organizational adjustments to grasp market opportunities. We also have different strategic plans for long-term and short-term business development to respond to rapidly changing market challenges.

Facing competitive financial environment, favorable and unfavorable factors and strategies of future business development of FEIB are analyzed as follow:

Strengths:

❶ The government has invested resources to promote mobile payment. The attitude of the public for the new payment methods has been upgraded from being untrustworthy to being willing to try with full expectations.

❷ Leveraging the FEG background and resources for group synergy

❸ Recruiting int'l financial professionals and optimizing human capital for int'l business team building

❹ Strengthening post-loan management for excellent asset quality and operation efficiency

❺ Diversifying multiple financial products and offering the tailor-made services with overall financial solutions for market differentiation

❻ Completed the capital injection to FEIB Leasing Company in Shanghai and enlarged the platform of Greater China

❼ Executive Yuan Consumer Protection Office published the standardized contract for supplementary education. Performance bonds provided by supplementary education companies are mandatory. New contract protects consumer rights to certain extent and reduce the risk of financial institutions.

❽ The years- long dispute of TRF transactions was coming to an end, which is a positive factor for a normal business

❾ As Common Reporting Standard(CRS) are going to be put into practice, all transactions associated with banks would be allowed for exchange within participating governments and as a result it would induce repatriation of overseas funds from China which would be encouraged to be invested in the forward-looking infrastructure development program, the 5+2 industrial transformation plan and new ventures. Not only would the overseas funds increase the size of AUM for banks, it would also benefit banks in financing service.

❿ The government is continuously striving to promote financing service for small and medium enterprises and create business opportunities by expanding the scope of financing on projects ,supported by investments from small and medium business credit guarantee fund, related to the forward-looking infrastructure development

program, green energy technology, New Southbound Policy and guaranteed financing for new ventures.

Weaknesses:

❶ Financial industry will face new challenges that are different from previous competitors and competition is more intense

❷ Fierce competition of lending businesses among domestic banks with limited spread

❸ Under the influence of Globalization, advanced technology innovations, change of customer behavior and evolution of governmental laws and regulations, The Competent Authority has implemented stricter regulations on financial products and for sales channels to follow, for instance conduct a thorough background and credit check on Offshore Banking Units(OBUs) in order to comply with the mutual evaluation criteria imposed by members of the Asia/Pacific Group on Money Laundering (APG) and CRS which is going to be in force in the near future. It enforced supervisory regulations and compliances on financial products restrict the business developments

❹ The implemented liquidity management index constrains efficiency of funding usage

❺ The global economy is facing a confluence of risks, including the uncertainty of US-China trade war, China's economic slowdown, and weak growth of European market.

❻ The regulations on revolving credit and cash in advance strict the operation of credit card business

❼ There are far too many competitors in Banking business, selling and providing similar products and services respectively. Therefore, how to charge fees reasonably and correctly on the products recommended and services provided in order to remain profitable shall be the prime focus. Furthermore, since the implementation of 2.0 version of loss-loading in insurance by Financial Supervisory Commission R.O.C (Taiwan), it has decrease investors' willingness to purchase traditional life insurance.

❽ Apart from offering financing service to certain small and medium business, enterprises in general have less intention in investing. As a result, there would be low demand for capital and low Interest rate environment shall continue to prevail. Furthermore, due to slow decline in Domestic real estate market, there are stricter restrictions of capping maximum mortgages on homes which pose more challenges to find enterprises with solid credit history.

Strategies:

❶ We continue to develop the "FE QR code Payment Gateway", expand the cooperative retail channels, increase multi-wallet partners, develop the cash flow management OPEN API, achieve the economies of scale, and create a complete mobile payment ecosystem.

❷ New generation customers love digital financial products, and Far Eastern International Bank launches the sub-brand "Bankee", which actively attracts the attention of Y- generation young customers and effectively expands our customer base.

❸ Leveraging the corporate finance and TMU products and innovating financial services for more niche and diversified products

❹ Copying the business model of B2B2C to provide digitalized financial services and leveraging new technology & cash flows to develop new business opportunities

❺ Deepening the business developments in Greater China region, coping with south-bound policy to enlarge overseas markets and customer base through participating int'l syndication facilities

❻ Improve our professional skills with the aim of raising contribution rate. Provide the suitable product portfolio and the best wealth management service through the use of KYC skills and diverse product lines. Furthermore, with the introduction of AI-advisor, asset rebalancing and risk control could be dealt with instantly.

❼ Revise internal control principles and create mistake-proofing mechanism for systems in order to lower the operational risks. Regular revision of ISO and constant compliance and risk control trainings are essential for being in compliance with code of practice required and set up by The Competent Authority and our Legal Compliance Department

❽ Establish AI and digital zone in every branch and deliver a tour for our customers to experience the smart service. Convey the core value of happy plus concept in wealth management through Line@ and e-marketing.

(4) Research and Development

A. R&D Results in Last Two Years and Future Directions:

❶ Major Financial Product：

a. Mobile payment development：The "FE QR code Payment Gateway " provides a multi-transaction platform for merchants and consumers to deliver the cross-channel, cross-wallet and cross-consumption application transactions to fulfills customers' mobile payment needs

b. Integrated Payment Service Provider：Far Eastern International Bank will develop the OPEN API based on the "FE QR code Payment Gateway "

c. Bankee：Far Eastern International Bank designs Bankee with the community as the core, combines a number of innovative patents, and integrates many creative elements such as community, games and AR.

d. FX Margin trading： FX Margin Trading launched mobile trading platform. Annual trading volume over USD 4,010 million and profits around NTD 75 million

❷ New established department and profit and loss:

None.

B. R&D expenditures and result

R&D expenditures

Year	2018	2017
Amount	260,720	365,069

The R&D results is detailed in "implementation of the staff training program" and the

"major financial products in last two years".

C. Future research and development plans and progress

Current Project	R&D Amount (NT$ Thousands)	Est. deadline	Purpose
Individual Banking Project	74,230	Dec 2019	Increase market competitiveness
Financial Strategy Center Project	41,150	Dec 2019	Cooperate with business development
Corporate Banking Project	19,100	Dec 2019	Provide convenient customer service
Consumer Banking Project	104,840	Dec 2019	Increase market competitiveness
Digital Banking Project	68,400	Dec 2019	Digital sub-brand
IT Project	363,316	Dec 2019	Cooperate with business development

(5) Short and Long-Term Business Development Plans

Short-term business development plans

A. To meet the need of Y generation, we will create many Mobile Only digital banking products. Bankee, the first social bank in Taiwan, is a good example. We actively promote Bankee with its innovative product design and community-sharing model.

B. By using big data analysis and artificial intelligence interactive technology, we integrating products and services, we will be able to provide customized digital services efficiently

C. In echo with government policies, we develop the FE QR code Payment Gateway to assist stores in the construction of mobile payment infrastructure, which support multi-wallet services. We will also develop the OPEN API and build a mobile payment ecosystem

D. We strengthen our ability of social media management, build an interactive platform for customers, expand the potential customer base of young generations, launch suitable digital financial products, and establish digital brands of FEIB through owned media

E. Reinforce bundle synergy. Offer a one-stop financial service to boost overall revenue.

F. Maintain existing strategic alliance volumes and supplement with Account Receivable business to increase the market shares.

G. Adjust the credit line and interest / fee charge dynamically for the existing sales channels. Explore new channels with Group's background to strengthen completeness and increase market shares

H. Promote big ticket size spending, such as department stores, travels, 3C, discount stores, and etc. Launch special campaigns for overseas consumption and online shopping. Leverage FE Group's resources to enhance e-application channels, reduce operating costs, boost card issuance and spending volume

I. Upgrade credit card end-to-end e&M process, including e-application, bonus point redemption and mobile statement. Simplify e&M process to boost usage。

J. Target quality customers, expand asset scale, implement dynamic risk management, and strictly control asset quality

K. Fully adopt enterprise e-banking cash flow platform, provide account integration in Greater China and Omni cash management services in domestic and cross-border transfers/remittances, making FEIB customers' operating bank

L. Develop corporate finance products and manage regional asset portfolio to satisfy middle and jumbo corporate customers' needs

M. Proactively expand overseas offices or branches and currently apply to establish Ho Chi Minh and Singapore Rep. Offices

N. Establish AI Branches with happy plus concept to provide customers with space for LOHAS and with access to digital financial services. Furthermore launch mobile financial services to improve the convenience for banking transactions. Create business opportunities and gain easier access to high-end customers through upgrades of wealth management system and enhancement of KYC skills

O. Launch AI-advisor to achieve 3P goals, Protection for customer investments, Preservation for customer assets, and Profit-making through algorithm and constant rebalancing of product portfolios

P. Build relationships with customers' offspring by providing family finance planning service through asset allocation and tax filing seminars

Q. Introduce retirement scheme in combination through the management of caring trust account and continuously initiate happy plus project for the elderly for the purpose of providing customers with long-term asset planning service

R. Continually to focus on developing Bancassurance businesses via cooperate with selected market leading insurance companies to brokerage the most suitable Bancassurance products for providing the best risk management solution both in life and property to the Bank's clients for protecting their potential damage loss

Long-term business development plans

A. We use financial innovation technology to integrate channels, services and products, and transform the bank into a "smart service + life style" complex that can provide customers with the financial services they need immediately

B. We continue to promote e/M services, and integrate O2O online/offline to create Omni Channel intelligent services, which provide consumers with the best user experience

C. Continue to accumulate our fintech R&D capabilities, and find innovative opportunities in various digital projects and apply for FinTech patents ◦

D. Keep up with economic landscape worldwide, discreet participation in international syndicate loan, flexible credit policy, take an edge in financial opportunity of Taiwan, China, and Hong Kong, diversify credit risk taking part in "go west" policy to expand revenue scope and company visibility

E. Integrate Group's e-wallets. Implement instant accumulation/redemption for HAPPY GO bonus points. Improve group synergy with digital footprint and create a win-win operating performance.

F. Provide customers a comprehensive financial products and services. Expand the business scope and deepen customer relationship

G. Search target customers along with industry trend, proactively deploy overseas market,

and expand overseas asset scale and profit ratio

H. Develop trading financial business, explore deposit customer base, optimize deposit structure, and maintain steady interest rate spread

I. Copy the successful overseas business model and consistently penetrate the markets in Greater China and ASEAN through int'l syndication facilities and structured products for more profits

J. Convey the spirit of FEIB wealth management through the promotion of the core value of happy plus concept and the spirit of which would be assisting customers in achievement of financial freedom through preservation for and appreciation of assets.

K. Enhance personnel's KYC skills and finance, tax and retirement planning abilities, to satisfy the needs for individual or family financial management and legacy planning

L. Set up Financial Consumer Protection Act and ISO-Financial Service in Wealth Management and Risk Control over customer accounts for the Prevention of mis-selling and Implementation of sales guidelines. Enhance risk-control mechanism through multi-dimensional risk control management with automatic warning system for investment portfolios to build trust in our wealth management with customers

2. Human Resources

(1) Employee Information in the Recent Two Years and as of the Date of the Publication of the Annual Report

April 22, 2019

Year		2017	2018	As of April 22, 2019
Number of Employees	Above Assistant Vice President	709	736	736
	Assistant Manager ~Manager	1,298	1,296	1,280
	Senior Clerk	417	398	409
	Contract Employee	49	46	44
	Total	2,473	2,476	2,469
Average Age		39.79	40.24	40.82
Average Years of Service		9.48	9.77	9.97
Shares of Education Degrees	Above University	20.02%	20.21%	20.94%
	University	61.99%	61.47%	60.83%
	College	16.17%	16.51%	16.57%
	Senior high school	1.78%	1.77%	1.62%
	Below senior high school	0.04%	0.04%	0.04%
Number of Professional License	Proficiency Test for Bank Internal Control and Audit	1,674	1,662	1,677
	Proficiency Test for Trust Operations Personnel	1.414	1,380	1,386
	Personal Insurance Representative	1,502	1,476	1,470
	Property Insurance Representative	1,281	1,282	1,280
	Investment-Orientated Insurance Product Representative	632	621	624
	Non-Investment-Oriented Life Insurance Eligibility and Payment of Foreign Currency Representative	796	771	776
	Certification Test for Financial Derivatives Sales Personnel	528	512	538
	Basic Proficiency Test for Bank Lending Personnel	548	541	546
	Advanced Proficiency Test for Bank Lending Personnel	24	23	22
	Basic Proficiency Test for International Banking Personnel	315	299	302
	Futures Specialist	264	257	251
	Securities Investment Trust and Consulting Professionals	145	146	148
	Securities Specialist	186	189	191
	Senior Securities Specialist	193	195	194
	Securities Investment Analyst	5	6	6
	Proficiency Test for Financial Planning Personnel	422	398	397
	Certified Financial Planner (CFP)	11	12	13
	Chartered Financial Analyst (CFA)	1	2	2
	Property Insurance Agent	3	5	5
	Property Insurance Broker	1	1	1
	Personal Insurance Agent	3	4	5
	Personal Insurance Broker	3	2	2
	General Insurance Surveyor	1	1	1
	Certified Anti-Money Laundering Specialist(CAMS)	1	12	13
	Others	5,653	5,861	5,978
	Total	15,606	15,658	15,828

(2) Employee Training and Development

The bank's training quality has been recognized by the Ministry of Labor and received silver medal for TTQS (Talent Quality-management System). For 16 years in a row, the bank has received subsidies that accumulate 8.4 million under its "Enterprises Talent Skill Progressive Program". Training result in the recent three years is summarized as below:

Unit: NT$ Thousands

Training / Year	Internal Program			External Program			Total		
	Expense	No. of Employees	No. of Classes	Expense	No. of Employees	No. of Classes	Expense	No. of Employees	No. of Classes
2016	10,414	22,810	1,108	1,937	1,181	499	12,351	23,991	1,607
2017	10,284	19,506	941	4,707	1,454	474	14,991	20,960	1,415
2018	17,180	22,723	1,024	3,828	1,523	704	21,008	24,246	1,728

In 2018, total online courses reached over one hundred thousand employees and 442 classes. Classroom training and online training courses are summarized as below:

Category		Summary	No. of Employees	No. of Classes	No. of Hours
Classroom Training	Professional	Professional knowledge to execute business and knowledge of digital finance.	17,988	1,728	103,527
	Fundamental	New employee orientation, productivity enhancement and self- management skills.	442		
	Management	Strengthening management skills for potential talents and managers.	935		
	Language	Toastmasters and English classes	1,594		
	Regulatory	Legally required courses such as information security, anti-money laundering, and occupational safety and health training.	3,287		
Online Training		Courses such as product training, legal knowledge, and sales skills.	103,082	442	114,036

(3) Training and Development Plan in 2019.

1. Solidify core-competency training and build legal compliance culture.
2. Cultivate FinTech and information security talents.
3. Promote mobile learning and make learning anytime and anywhere.
4. Develop talent and bilingual learning – foster international talent through MA (Management Associate) and HPT (High Potential Talent) training program along with English education.

(4) Employee Behavior and Ethics Standards

The bank has established "Ethical Corporate Management Best Practice Principles, "Codes of Ethical Conduct" and "Codes of Informing against Illegal, Unmoral and Lacking in Sincere Conduct" to comply with. These regulations have been unveiled in the bank's website, and announced at meetings held by each department in order to be understood by employees.

The following contents are articles of "Codes of Ethical Conduct of FEIB"

Article 1 Purpose and basis

In order to guide the Company's directors, managers, and employees to behave in accordance with ethical standards and improve stakeholders' understanding of the Company's ethical standards, the Company has stipulated the Codes of Ethical Conduct (the "Code") for them to comply.

Article 2 Applicable parties

The applicable parties of the Code are the Company's directors, managers, and employees. (the "Applicable parties")

Article 3 Principle of ethically conducting business

When conducting business, the Applicable parties shall comply with ethical standards and insist on honesty, trust, and job duties.

Article 4 Prevention of conflicts of interest

The Applicable parties shall conduct business in an objective and efficient way and are not allowed to obtain any illegitimate benefit for themselves, their spouses, parents, children or relatives within the second degree of kinship through their position in the Company.

When the Company has lending or borrowing agreements with, or gives guarantee for, or has material asset transactions with an affiliated enterprise of any person mentioned in the preceding paragraph, the relevant Applicable parties shall voluntarily elaborate any potential conflicts of interest between the Company and himself / herself, and shall be handled in accordance with the Company's codes relevant to these cases to prevent conflicts of interest.

Employees whose job is handling lending business should get the permission of avoiding to deal with lending cases of themselves, their spouses, or relatives within the third degree of kinship.

If employee's spouses or relatives by blood or by marriage within the third degree of kinship are employees of the Company, these persons shall comply with the principle of preventing conflicts of interest.

Article 5 Prohibition against coveting private profit

The Applicable parties are prohibited from:

1. Obtaining personal benefit through using the Company's properties, information or through their positions in the Company;

2. Competing with the Company

When the Company has an opportunity for profit, it is the responsibility of the

Applicable parties to maximize the reasonable and proper benefits that can be obtained by the Company.

Article 6 Responsibility of confidentiality

The Applicable parties are obligated to maintain the confidentiality of any information regarding the Company itself or customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or customers.

Article 7 Fair trade

The Applicable parties shall treat all customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

Article 8 Protection and proper use of the Company's assets

The Applicable parties shall protect the Company's assets, reduce expenses, and ensure that assets are legally and effectively used for the business purpose of the Company to avoid theft, negligence or wasting.

Article 9 Legal compliance

The Applicable parties shall comply with the Banking Act, Securities and Exchange Act, and other applicable laws and regulations. The Company shall strengthen promotion of ethics internally.

Article 10 Reporting

When a director discovers that the Company is in danger of sustaining material loss or damage, the director should promptly take appropriate actions and immediately notify the Audit Committee or independent director members of the Audit Committee, and report to the board of directors, and supervise the Company to report to the competent authority.

When the Applicable parties suspect or find any fact of violation of laws and regulations or the Code, they shall actively report such fact to the Audit Committee, managers, chief auditor, head office chief compliance officer, or other appropriate personnel and provide the Company with sufficient information for proper follow-up by the Company.

All of reports shall be kept confidential and investigated by independent channels by the Company to protect informants.

Article 11 Punishment

If any of the Applicable parties violate the Code, the Company will handle the case in accordance with relevant punishment regulations; the Company may claim compensation for any loss or damage resulting from such violation pursuant to the Civil Code. When a director or managerial officer violates the Code, the Company shall promptly disclose on the Market Observation Post System (the "MOPS") the date of the violation, reasons for the violation, the provisions of the Code violated, and the actions taken by the Company.

Before making a resolution of punishment, the suspected violator is able to make a defense or complaint in accordance with related regulations.

Article 12 Procedures for exemption

If the Applicable parties require any exemption from compliance with the Code, it shall be resolved with approval by the board of directors, and the information on the date of exemption approved by the board of directors, objections or reservations opinions of independent directors, and the period of, reasons for, and basis of exemption shall be disclosed immediately on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the Code, and to safeguard the interests of the Company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

Article 13 Way of disclosure

The Company shall disclose the Code on its web site, annual report, prospectuses and the MOPS. The same requirement applies for revision.

Article 14 Implementation

The Code shall enter into force after being approved by the board of directors, and the same shall also be reported at the shareholders' meeting. The same procedure shall be followed when the Code has been amended.

3. Corporate Social Responsibility

(1) Caring for Social Welfare

A. Eden Honor Cards were issued since 1997 with Eden Social Welfare Foundation . The Bank developed it as a core platform for diversified, convenient fund raising mechanism. Accumulated funds from FEIB and heartwarming people to donate Eden till year end of 2018 reached NT$82 million.

B. FEIB donated NT$3 million as part of the Far Eastern Group's NT$30 million donation in total for victims of the earthquake striking Hualien in early 2018. The disaster caused huge damages with tumbling buildings and casualties.

C. The 2017 CSR Report with BSI's certificate won both the silver medal and outstanding sustainability award of "2017 Taiwan Corporate Sustainability Awards."

(2) LOHAS Aesthetics

A. FEIB published 2019 calendar titled "Time Sings with Humanities in Bloom" with the collection of former residences of 12 local writers and artists. It shows these masters' spirits for watering literature and art to rich land of Taiwan.

B. Sponsored a competition named "Dress Runway" for encouraging young designers. The event aims to create a stage for designers under 30 and offer them opportunities to make connection with fashion world in Europe. By the competition, FEIB cooperated with the Far Eastern Plaza Hotel and the Marie Claire Magazine and hope to discover outstanding design talents in Taiwan.

C. Co-sponsored a learning program for VIPs above 55 with the Yuan Ze University for promoting the elderly to enjoy happy life by means of embracing new technology and knowledge.

D. FEIB co-sponsored “New Taipei Merry Christmas City”, Taiwan Lantern Festival and etc with the Far Eastern Group to spread the warm and grateful atmosphere of Christmas and New Year.

E. Co-sponsored the “FUERZA BRUTA WAYZA” with the Far Eastern Group for leading the world's creative performances into Taiwan.

(3) Environmental Protection

To save energy, reduce carbon emission, and be gearing toward international standard, FEIB established ISO 50001 and received international certification. Action are to 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.

In response to the trend of climate change and the development of international greenhouse gas reduction, the Bank introduced greenhouse gas emissions verification (ISO 14064-1) in 2018. In the first year, the Bank conducted a cross-check with the representative building of the head office and obtained the British Standards Association (BSI).) Passed the verification and obtained ISO 14064-1:2006 certification.

(4) Going Concern and Shareholder Value

FEIB has long been dedicated to improve corporate governance, and demonstrated momentum via selling by all staffs to seek better operating performance, continue to elevate asset quality and competitiveness, strengthen portfolio, and create maximum value for all shareholders. FEIB was in the top 6~20% of the listed companies in the fourth “Corporate Governance Evaluation” conducted by Taiwan Stock Exchange.

4. Non-Executive Employees, Annual Employee Welfare Costs and the Difference from the Previous Year

Unit: NT$ Thousands

year	2017	2018
Number of Non-Managers	2,370	2,370
Average Employee Welfare Expenses	1,291	1,327

5. IT Equipment

(1) Major Information System Hardware, Software Configuration and Maintenance

Information System	Hardware	Operating System
Core Banking System	Unisys Libra 750	MCP
Mutual Fund and Trust System	IBM AS/400	OS/400
Trade Finance System	IBM RS/6000	AIX
Credit Card System	IBM Mainframe	OS/390
Data Warehouse System	IBM RS/6000	AIX
Individual Internet Banking system、Mobile Banking system	IBM RS/6000	AIX
Corporate Internet Banking system	IBM RS/6000 Windows Server	AIX Windows
Financial Markets System	Windows Server	Windows
FX Margin Trading System		
Corporate CRM System		
eLoan System		
Hong Kong Branch System		
Wealth Management System	Linux Server	Linux

The software and hardware of the Bank's information system are maintained by the FEIB Information Technology Department or by professional vendors.

(2) Future Development or Acquisition Plans

A. Continue to build financial product online application platform to simplify customer applying process and enhance customer experience.

B. Base on mobile payment, continue to develop off-line payment platform to support customer on variety financial service scenarios.

C. Continuously optimize the FEIB official website, online banking and mobile banking services to provide convenient and useful banking services.

D. For the new brand of digital social banking - "Bankee", continuously optimize related function services.

E. Build Robo advisory service to support sales and customer ROI.

F. Build mobile wealth management service for sales.

G. Establish Web chat (Robot & Live) Customer Service System to improve customer service efficiency.

H. Establish and provide online insurance services for customers.

I. The Core Banking mainframe upgrades for the business expansion.

J. The Financial Markets System upgrades for the business expansion.

(3) Emergency backup and security protection measures

A. Information security has been continuously verified by BSI through biannual reviews. The objective is to implement the various information security operation systems in the ISO 27001 international standards to guarantee the quality and safety of customers' transaction services.

B. The personal information security management system has been continuously verified by BSI through biannual reviews. The objective is to implement the various information security operation systems in the BS 10012 international standard to guarantee the customers' personal information.

C. Main core systems have been set up with networks, local backup, and off-site backup servers, as well as media off-site storage mechanisms. Regular drills are conducted to ensure the comprehensiveness and feasibility of the plan. The goal is to guarantee the rights of customers and to maintain sustainable management.

E. The security protection measures have been set up with networks and web application firewalls, anti-virus, anti-malware, anti-spam, intrusion prevention, web behavior management, information security event detection and warning management systems. The protection measures centralize control operating systems and vulnerability patches, as well as regularly implement information system security evaluations, vulnerability scanning and penetration tests to ensure stability of the information system and network security.

6. Labor Relations

(1) Various Employee Welfare Measures, Retirement System and its Execution,

Labor-Management Agreements, and Various Employee Interest Protection Measures Are Listed in the Following:

A. Employee Welfare Measures

(1) Preferential Interest Rate

(2) Preferential Loan Rate

(3) Financial Transaction Fee / Remittance Offer

(4) Establish the Employee Welfare Committee. Employees are entitled to apply for different subsidies, such as marriage, funeral, birth, travel, club, and children.

(5) Employee Stock Ownership and Employee Remuneration

(6) Employee Stock Ownership Trust

(7) Pension

(8) Annual Leaves

(9) Group Insurance, Labor Insurance and Health Insurance

(10) Friendly Parenting Measures：

a. Sign a concession contract with the child care institution.

b. Leave for family care, pregnancy checkups, maternity, accompanying maternity

and implementing unpaid parental leave for raising children.

c. Under the normal working hours of the day, the staff can flexibly adjust the starting and ending time of work within 2 hours.

(11) Tuition Reimbursement Program

(12) Reward Program for Professional Certification

(13) Regular Employee Health Examination

B. Employee Retirement System

❶ The Bank contributes labor pension according to the labor pension system and related laws/regulations. Especially for the employees who staffed before July 1, 2005, the bank shall appropriate labor pension reserve funds with 2% of the total monthly wages of the employees and deposit such amount in a designated account. Before the end of each year, the bank shall assess the balance in the designated labor pension reserve funds account. As yet, the amount is adequate to pay pensions for workers retired in the same year.

❷ There's a Supervisory Committee of Labor Retirement Reserve to supervise and ensure employees' rights. The 7th term of the committee was found since April, 2016 and approval for reference by Department of Labor, Taipei City Government.

C. Labor-Management Agreements and Various Employee Interest Protection Measures Are Listed in the Following:

❶ The bank proclaims internal meeting minutes and publishes newsletters (Happy Reader) quarterly to deliver significant management decisions and messages on the regular basis. Meanwhile, it implements mailbox to serve as communication channel with employees. Also, it holds Labor-Management Meeting regularly every three months to promote mutual communication between employers and employees.

❷ Be abided by various labor laws and international human rights conventions, formulate "work rules" and personnel regulations, regularly carry out publicity courses and implement compliance, so as to protect employees' labor rights and maintain gender equality in workplace.

❸ Policies of reporting, appealing and disciplinary actions:

The bank establishes "Codes of Informing against Illegal, Unmoral and Lacking in Sincere Conduct"," Procedures of Preventing, Appealing and Punishing Sex Harassment", and" Points for Attention of Dealing with Employee's grievances " for the bank to comply with. Channels-hotline, fax and e-mail address for informing illegal and expressing complaints about their work are installed. These cases are investigated by designated departments.

Informers and details offered by informers are kept confidential, and informers are well protected in order to avoid them suffering from inappropriate retaliation.

If designated departments make sure someone who acts inappropriately after investigating, to comply with "Codes of Rewards and Disciplinary Sanctions", the person involved will be punished according to the seriousness of his inappropriate

behavior.

❹ In order to share profits with employees, the bank increases employees' salaries every year. It takes into account the general pay levels in the industry and individual performance. For 2018, the average rate of increasing salary was 3%.

❺ There's a Supervisory Committee of Labor Retirement Reserve to supervise the labor pension deposited such amount in a designated account.

❻ In order to ensure member's rights of employee stock ownership trust, there's a committee to operate supervision.

(2) Workplace Safety and Employee Psychology Health Maintenance

A. According to the regulations and guidelines of central governing authority, the bank establishes "Code of Practice of Safety and Health", "Occupational Safety and Health Management Plan", "Illegal Harassment in the Workplace when Staff Performing their duties Prevention Plan", "Abnormal Workload Triggers Disease Prevention Plan", "Ergonomics Plan for Prevention of Musculoskeletal Disorders", "Workplace Maternal Health Protection Plan", and "Employee Health Service Program" to promote occupational safety and health business for prevention of occupational disease.

B. The bank establishes the Occupational Safety and Health Management Organization. Also it sets occupational safety and health affair managers, field first aid personnel and fire prevention supervisor, and provides them training courses. Employee self-defense group is set up, which conduct anti-robbery, self-defense and fire-fighting exercise every six months. In addition, it holds occupational safety and health e-learning training courses for employees, at least 3 hours every 3 years.

C. In order to ensure the health of employees, the frequency and budget of employee health examinations provided by the bank are superior to the mandatory requirement. With regard to employee health management, the bank arranges occupational medicine physicians available to provide medical consultation service at workplace and hires professional nurses to watch for employee psychology health maintenance. In addition, it holds various health promotion activities, including health lectures, sports club, health management competitions, etc., to create healthy workplace. The bank's implementation result has been recognized by the HPA (Health Promotion Administration, Ministry of Health and Welfare) and received 2 badges of Accredited Healthy Workplace in 2018.

D. For providing safe and comfortable working environment to employee, the Bank measures working environment every six months in accordance with Occupational Safety and Health Act. The fire safety inspection reports are announced every year by the Fire Services Act. According to Building Act, buildings are examined for public safety every two year.

(3) Specify Loss Resulting from Labor-Management Disputes (Including Labor Inspection Results in Violation of the Labor Standards Act) in 2018 and as of Date of the Publication of the Annual Report and Disclose the Value of Current and Possible Future Loss and Countermeasures, as well as Reasons for Inability to Estimate Loss

None.

7. Important Contracts

April 22, 2019

Contract	Signing Party	Covering Period	Main Content	Restrictions
Credit Card System maintenance	DXC Technology Taiwan Limited	Jan 1,2017~Dec 31,2021	Computer system professional maintenance service	None
Microsoft EA maintenance	Acer Incorporated	Sep 01,2016~Aug 31,2019	Computer system professional maintenance service	None
Financial Markets System maintenance	Finastra International Limited	Jan 01,2017~May 31,2027	Computer system professional maintenance service	None
IBM computer software and hardware equipment maintenance	IBM Taiwan Corporation	Apr 01,2019~Mar 31,2020	Computer system professional maintenance service	None
Network equipment maintenance	Datacraft Taiwan Limited	Aug 01,2018~Jul 31,2019	Computer system professional maintenance service	None
Unisys computer software and hardware equipment maintenance	Unisys Taiwan Limited	Jan 01,2019~Dec 31,2019	Computer system professional maintenance service	None
Computer room maintenance	YEON SHEN TECHNOLOGY CO., LTD.	Jan 01,2019~Dec 31,2019	Computer room professional maintenance service	None
Cooperation Agreement	Hotai Finance Corporation	Aug 03,2018~Aug 03,2020	Strategic alliance for car loan	None
Cooperation Agreement	Taiwan Acceptance Corporation	Apr 13,2018~Apr 03,2020	Strategic alliance e for car loan	None
Cooperation Agreement	Shinshih Credit Corporation	Oct 13,2017~Oct 13,2019	Strategic alliance for car loan	None
Cooperation Agreement	Fina Finance & Trading Co., Ltd	Aug 03,2018~Aug 03,2020	Strategic alliance for car loan	None
Cooperation Agreement	Chailease Consumer Finance Co., Ltd	May 30,2018~ May 30,2020	Strategic alliance for motorcycle loan	None
Cooperation Agreement	Far Trust International Finance	Sep 30,2017~Sep 30,2019	Strategic alliance for motorcycle loan	None
Collection of receivables	Apex Credit Solutions Co.,Ltd	Mar 19,2018~Mar 18,2020	Collection of debt receivables	None
Collection of receivables	Justor Collection Management Co.,Ltd	Mar 19,2018~Mar 18,2020	Collection of debt receivables	None
Collection of receivables	Unistar Asset Management Co.,Ltd	Mar 19,2018~Mar 18,2020	Collection of debt receivables	None

Contract	Signing Party	Covering Period	Main Content	Restrictions
Collection of receivables	Sunrise Consultancy Co.,Ltd	Mar 19,2018~Mar 18,2020	Collection of debt receivables	None
Collection of receivables	United Credit Services Co.,Ltd	Mar 19,2018~Mar 18,2020	Collection of debt receivables	None
Collection of receivables	Jungshin Assets Management Co.,Ltd	Mar 19,2018~Mar 18,2020	Collection of debt receivables	None
Collection of receivables	Chung Yu Collection Management Co.,Ltd	Mar 19,2018~Mar 18,2020	Collection of debt receivables	None
Collection of receivables	Lian Li Asset Management Co.,Ltd	Mar 19,2018~Mar 18,2020	Collection of debt receivables	None
Outsourcing Agreement	Crown Van Lines Co., Ltd	Mar 01,2006~Feb 28,2020	Document Storage	None
Outsourcing Agreement	National Credit Card Center	Sep 08,1992~Sep 07,2019	Information system registration, processing, and output operations.	None
Outsourcing Agreement	TUNG KUAN SYSTEM CO. LTD.	Jan 02,2006~Dec 20,2019	Data processing: Including the data entry, processing, and output of information system	None
Outsourcing Agreement	DING DING INTEGRATED MARKETING SERVICE CO., LTD.	Aug 31,2006~Dec 31,2019	Data processing: Including the data entry, processing, and output of information system	None
Outsourcing Agreement	FOONGTONE TECHNOLOGY CO., LTD.	Feb 27,2006~Feb 28,2020	1. Data processing: Including the data entry, processing, and output of information system 2. Including the opartion processing. 3. Card personalization printing 4. Mailing job processing	None
Outsourcing Agreement	TAWIWAN NAME PLATE CO., LTD.	Apr 01,2016~Mar 31,2020	1. Data processing: Including the data entry, processing, and output of information system 2. Including the operation processing. 3. Card personalization printing 4. Mailing job processing	None
Outsourcing Agreement	FUCO TECHNOLOGY CO.,LTD	Dec 10,2001~Dec 09,2019	1. The operation of bill printing and sealing 2. Mailing job processing	None
Outsourcing Agreement	Han Yeh Business Form Corporation	Mar 01,2004~Aug 31,2019	Data processing: Including the processing, and output of information system	None

Contract	Signing Party	Covering Period	Main Content	Restrictions
Outsourcing Agreement	OK MART	Mar 31,2004~Feb 28,2019	Collection processing for consumer loan and credit card payment.	None
Outsourcing Agreement	PRESIDENT CHAIN STORE CORPORATION	Jul 01, 1993~Dec 31,2019	Collection processing for consumer loan and credit card payment.	None
Outsourcing Agreement	Hi-Life INTERNATION CO., LTD.	Jul 01,2003~Jul 31,2019	Collection processing for consumer loan and credit card payment.	None
Outsourcing Agreement	TAIWAN FAMILY Mart CO., LTD.	Jul 01,2003~Jun 30,2019	Collection processing for consumer loan and credit card payment.	None
Outsourcing Agreement	FAR EAS TONE TELECOMMUNICATIONS CO., LTD.	Aug 04,2010~Sep 30,2019	Collection processing for credit card payment.	None
Outsourcing Agreement	twMP Co., Ltd.	Jun 01,2017~May 31,2019	Card-based and card lifecycle management of mobile payment instruments	None
Outsourcing Agreement	Chunghwa Post Co., Ltd	Aug 01,2003~Jul 31,2019	The business data processing operations of the logistics involved.	None
Outsourcing Agreement	Han Yeh Business Form Co., Ltd.	Dec 01,2008~Nov 30,2019	The business data processing operations of the logistics involved.	None
Outsourcing Agreement	Leebao Security Co., Ltd.	Aug 01,2015~Sep 30,2019	Securities, Checks, commercial paper and cash in transit operation.	The agreement will be auto-renewed for 1 year (max.for twice)
Outsourcing Agreement	Chun Hua Express Co., Ltd.	Feb 14,2007~Jan 31,2020	Outsourced delivery of bank-wide documents and bills.	None
Outsourcing Agreement	Anfeng Enterprise Co., Ltd.	Jul 01,2015~Sep 30,2019	ATM machine upgrade and error fixing	The agreement will be auto-renewed for 1 year (max.for twice)
Outsourcing Agreement	Brink's Co., Ltd.	Apr 01,2019~Mar 31,2020	Securities, Checks, commercial paper and cash in transit operation.	The agreement will be auto-renewed for 1 year (max.for twice)
Outsourcing Agreement	YUEN FOONG PAPER CO.,LTD	Jun 13,2017~Jun 12,2019	Valet invoicing (checks, money orders) assignments	None

8. Securitization

The Bank did not initiate securitization of any financial products in 2018.

VI. Financial Information

1. Five-Year Financial Summary

(1) Condensed Balance Sheets

Condensed Consolidated Balance Sheets

Unit: NT$ Thousands

Item \ Year (Note1)	2014	2015	2016	2017	2018
Cash, Cash Equivalents, Due from Central Bank and Due from Banks	86,210,099	85,132,512	40,106,638	30,943,984	37,566,952
Financial Assets at Fair Value Through Profit or Loss	25,944,211	39,672,053	33,830,105	30,208,333	46,507,501
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-	119,779,052
Available-for-Sale Financial Assets	30,518,170	27,478,135	79,594,706	109,631,578	-
Derivative Financial Assets for Hedging	40,439	-	-	-	-
Securities Purchased under Resale Agreements	14,385,710	15,344,855	6,396,656	11,071,393	8,289,275
Receivables, net	19,664,258	20,853,418	22,847,242	22,750,869	21,484,377
Current Tax Assets	35,024	3,085	4,117	7,372	93
Assets held for Sale, net	-	-	-	-	-
Loans and Discounts, net	319,176,466	334,063,822	355,963,672	351,056,762	379,688,118
Investment in Debt Instruments at Amortized Cost, net	-	-	-	-	2,588,654
Hold-to-Maturity Financial Assets	3,991,084	3,125,209	2,630,635	2,135,246	-
Investment accounted for using equity method, net	1,592,014	1,658,037	1,702,220	1,774,066	1,776,350
Restricted Assets	-	-	-	-	-
Other Financial Assets, net	14,811,608	13,739,260	12,841,547	10,445,556	4,695,376
Properties and Equipment, net (Note2)	2,785,884	2,840,692	2,889,674	2,889,392	2,732,431
Investment Properties, net	-	-	-	-	-
Intangible Assets, net	1,801,534	1,776,051	1,750,568	1,725,085	1,699,602
Deferred Tax Assets, net	864,280	631,541	635,104	584,502	372,184
Other Assets	157,136	236,211	222,399	200,142	171,185
Total Assets	521,977,917	546,554,881	561,415,283	575,424,280	627,351,150
Due to Central Bank and Other Banks	11,496,870	13,194,889	7,432,194	6,960,774	15,726,723
Funds borrowed from the Central Bank and other banks	-	-	-	-	-
Financial Liabilities at Fair Value Through Profit or Loss	11,055,294	9,588,248	7,954,542	4,319,121	2,752,479
Derivative Financial Liabilities for Hedging	5,204	-	-	-	-
Securities Sold under Repurchase Agreements	4,391,451	3,743,155	13,711,223	12,921,364	14,665,794
Payables	5,596,002	3,964,144	5,799,874	6,488,285	7,265,222

Item \ Year (Note1)		2014	2015	2016	2017	2018
Current Tax Liabilities		243,366	422,618	405,097	254,446	201,032
Liabilities directly associates with assets held for sale		-	-	-	-	-
Deposits and Remittances		423,242,417	451,294,909	452,720,460	472,392,183	508,407,972
Bank Debentures		25,479,749	20,312,370	24,309,357	20,216,664	18,001,900
Preferred Stock Liabilities		-	-	-	-	-
Other Financial Liabilities		2,874,070	3,030,963	6,385,369	7,416,775	13,915,274
Provisions		985,437	1,127,306	1,240,278	1,127,116	1,194,774
Deferred Tax Liabilities		-	-	-	-	-
Other Liabilities		530,549	898,631	506,012	540,880	475,240
Total Liabilities	Before Distribution	485,900,409	507,577,233	520,464,406	532,637,608	582,606,410
	After Distribution	487,045,139	508,790,530	521,771,180	534,034,914	(Note3)
Equity Attributable to Owners of The Bank		36,077,508	38,977,648	40,950,877	42,786,672	44,744,740
Capital	Before Distribution	28,618,263	30,332,430	31,113,672	31,829,286	32,691,859
	After Distribution	30,155,064	30,939,079	31,829,286	32,691,859	(Note3)
Capital Surplus		462,400	459,918	456,426	456,426	456,426
Retained Earnings	Before Distribution	7,199,140	8,300,405	9,609,340	10,486,758	11,649,127
	After Distribution	4,517,609	6,480,459	7,586,952	8,226,879	(Note3)
Other Equity		(202,295)	(115,105)	(228,561)	14,202	(52,672)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total Equity	Before Distribution	36,077,508	38,977,648	40,950,877	42,786,672	44,744,740
	After Distribution	34,932,778	37,764,351	39,644,103	41,389,366	(Note3)
Independent Auditors' Report		Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion
Names of Auditors		Chun-Hung Chen Cheng-Hsiu Yang	Shih-Tsung Wu Cheng-Hsiu Yang	Shih-Tsung Wu Cheng-Hsiu Yang	Shih-Tsung Wu Cheng-Hsiu Yang	Shih-Tsung Wu Cheng-Hsiu Yang

Note 1: The financial data had been audited by CPA.
Note 2: Asset revaluation had not been processed in each year.
Note 3: Earnings distribution yet to be approved by the 2019 shareholders' meeting

Condensed Individual Balance Sheets

Unit: NT$ Thousands

Item \ Year (Note1)	2014	2015	2016 (Note4)	2017	2018
Cash, Cash Equivalents, Due from Central Bank and Due from Banks	86,143,744	85,019,897	40,022,544	30,882,208	37,529,613
Financial Assets at Fair Value Through Profit or Loss	25,430,620	39,672,053	33,830,105	30,208,333	46,507,501
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-	119,779,052
Available-for-Sale Financial Assets	30,518,170	27,478,135	79,594,706	109,631,578	-
Derivative Financial Assets for Hedging	40,439	-	-	-	-
Securities Purchased under Resale Agreements	14,385,710	15,344,855	6,396,656	11,071,393	8,289,275
Receivables, net	18,738,407	19,622,717	21,124,237	21,534,556	19,660,289
Current Tax Assets	33,890	2,707	3,936	7,263	-
Assets held for Sale, net	-	-	-	-	-
Loans and Discounts, net	319,176,466	334,063,822	355,963,672	351,056,762	379,688,118
Investment in Debt Instruments at Amortized Cost, net	-	-	-	-	2,588,654
Hold-to-Maturity Financial Assets	3,991,084	3,125,209	2,630,635	2,135,246	-
Investment accounted for using equity method, net	2,609,533	3,026,485	2,568,315	2,758,906	2,794,977
Restricted Assets	-	-	-	-	-
Other Financial Assets, net	14,724,568	13,650,590	12,761,117	10,172,871	4,460,520
Properties and Equipment, net (Note2)	2,781,602	2,833,396	2,883,105	2,882,032	2,725,364
Investment Properties, net	-	-	-	-	-
Intangible Assets, net	1,801,534	1,776,051	1,750,568	1,725,085	1,699,602
Deferred Tax Assets, net	860,360	630,181	631,415	546,064	334,706
Other Assets	146,649	226,885	214,718	190,336	161,958
Total Assets	521,382,776	546,472,983	560,375,729	574,802,633	626,219,629
Due to Central Bank and Other Banks	11,496,870	13,194,889	7,432,194	6,960,774	15,726,723
Funds borrowed from the Central Bank and other banks	-	-	-	-	-
Financial Liabilities at Fair Value Through Profit or Loss	11,055,294	9,588,248	7,954,542	4,319,121	2,752,479
Derivative Financial Liabilities for Hedging	5,204	-	-	-	-
Securities Sold under Repurchase Agreements	4,391,451	3,743,155	13,711,223	12,921,364	14,665,794
Payables	5,537,456	3,895,944	5,719,222	6,420,726	7,187,730
Current Tax Liabilities	225,465	338,563	401,086	250,254	179,348
Liabilities directly associates with assets held for sale	-	-	-	-	-
Deposits and Remittances	423,765,479	452,068,088	452,904,998	472,621,114	508,647,889
Bank Debentures	25,479,749	20,312,370	24,309,357	20,216,664	18,001,900
Preferred Stock Liabilities	-	-	-	-	-
Other Financial Liabilities	1,844,152	2,341,145	5,265,429	6,657,217	12,649,950
Provisions	985,437	1,127,306	1,240,278	1,127,116	1,194,774

Item \ Year (Note1)		2014	2015	2016 (Note4)	2017	2018
Deferred Tax Liabilities		-	-	-	-	-
Other Liabilities		518,711	885,627	486,523	521,611	468,302
Total Liabilities	Before Distribution	485,305,268	507,495,335	519,424,852	532,015,961	581,474,889
	After Distribution	486,449,998	508,708,632	520,731,626	533,413,267	(Note3)
Capital	Before Distribution	28,618,263	30,332,430	31,113,672	31,829,286	32,691,859
	After Distribution	30,155,064	30,939,079	31,829,286	32,691,859	(Note3)
Capital Surplus		462,400	459,918	456,426	456,426	456,426
Retained Earnings	Before Distribution	7,199,140	8,300,405	9,609,340	10,486,758	11,649,127
	After Distribution	4,517,609	6,480,459	7,586,952	8,226,879	(Note3)
Other Equity		(202,295)	(115,105)	(228,561)	14,202	(52,672)
Treasury stock		-	-	-	-	-
Total Equity	Before Distribution	36,077,508	38,977,648	40,950,877	42,786,672	44,744,740
	After Distribution	34,932,778	37,764,351	39,644,103	41,389,366	(Note3)
Independent Auditors' Report		Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion
Names of Auditors		Chun-Hung Chen Cheng-Hsiu Yang	Shih-Tsung Wu Cheng-Hsiu Yang	Shih-Tsung Wu Cheng-Hsiu Yang	Shih-Tsung Wu Cheng-Hsiu Yang	Shih-Tsung Wu Cheng-Hsiu Yang

Note 1: The financial data had been audited by CPA.

Note 2: Asset revaluation has not been processed in each year.

Note 3: Earnings distribution yet to be approved by the 2019 shareholders' meeting.

Note 4: The Bank absorbed and merged Far Eastern Life Insurance Agency Co., Ltd. and Far Eastern Property Insurance Agency Co., Ltd. on February 6, 2017, so we restated our financial statements for 2016.

(2) Condensed Comprehensive Income statement

Condensed Consolidated Comprehensive Income Statement

Unit: NT$ Thousands

Item \ Year (Note)	2014	2015	2016	2017	2018
Interest Revenue	12,253,408	11,989,434	9,629,219	10,057,931	11,316,237
Less: Interest Expense	6,873,872	6,185,693	3,844,797	4,653,057	5,635,434
Net Interest Revenue	5,379,536	5,803,741	5,784,422	5,404,874	5,680,803
Noninterest Income and Gains, net	5,497,412	5,423,986	4,963,033	4,992,255	5,537,474
Net Revenue	10,876,948	11,227,727	10,747,455	10,397,129	11,218,277
Provision (Reversal of Provision) for Possible Losses, Commitment and Guarantee Obligations Reserve	70,318	32,816	452,001	731,847	514,803
Operating Expense	6,506,210	6,575,291	6,479,552	6,397,638	6,634,995
Pre-Tax Income from Continued Operations	4,300,420	4,619,620	3,815,902	3,267,644	4,068,479
Income Tax (Expense) Benefit	-602,340	-705,488	-572,016	-413,761	-544,278
After-Tax Income from Continued Operations	3,698,080	3,914,132	3,243,886	2,853,883	3,524,201
After-Tax Income from Discontinued Operations	-	-	-	-	-
Net Income	3,698,080	3,914,132	3,243,886	2,853,883	3,524,201
Other Comprehensive Income (Loss) for The Year, Net of Tax	716	-44,146	-228,461	288,686	-329,695
Total Comprehensive Income	3,698,796	3,869,986	3,015,425	3,142,569	3,194,506
Net Income Attributable to Owners of The Bank	3,698,080	3,914,132	3,243,886	2,853,883	3,524,201
Net Income Attributable to Non-Controlling Interests	-	-	-	-	-
Total Comprehensive Income Attributable to Owners of The Bank	3,698,796	3,869,986	3,015,425	3,142,569	3,194,506
Total Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-
EPS (NT$)	1.16	1.21	0.99	0.87	1.08

Note: The financial data had been audited by CPA.

Condensed Non-Consolidated Comprehensive Income Statement

Unit: NT$ Thousands

Item \ Year (Note1)	2014	2015	2016 (Note2)	2017	2018
Interest Revenue	12,251,873	11,984,430	9,612,481	10,015,147	11,261,208
Less: Interest Expense	6,876,102	6,180,139	3,833,195	4,632,022	5,608,761
Net Interest Revenue	5,375,771	5,804,291	5,779,286	5,383,125	5,652,447
Noninterest Income and Gains, net	5,194,981	5,038,200	4,739,637	4,794,618	5,286,289
Net Revenue	10,570,752	10,842,491	10,518,923	10,177,743	10,938,736
Provision (Reversal of Provision) for Possible Losses, Commitment and Guarantee Obligations Reserve	70,361	30,609	449,158	729,425	506,522
Operating Expense	6,236,507	6,299,060	6,259,739	6,164,989	6,381,959
Pre-Tax Income from Continued Operations	4,263,884	4,512,822	3,810,026	3,283,329	4,050,255
Income Tax (Expense) Benefit	-565,804	-598,690	-566,140	-429,446	-526,054
After-Tax Income from Continued Operations	3,698,080	3,914,132	3,243,886	2,853,883	3,524,201
After-Tax Income from Discontinued Operations	-	-	-	-	-
Net Income	3,698,080	3,914,132	3,243,886	2,853,883	3,524,201
Other Comprehensive Income (Loss) for The Year, Net of Tax	716	-44,146	-228,461	288,686	-329,695
Total Comprehensive Income	3,698,796	3,869,986	3,015,425	3,142,569	3,194,506
EPS (NT$)	1.16	1.21	0.99	0.87	1.08

Note 1: The financial data had been audited by CPA.

Note 2: The Bank absorbed and merged Far Eastern Life Insurance Agency Co., Ltd. and Far Eastern Property Insurance Agency Co., Ltd. on February 6, 2017, so we restated our financial statements for 2016.

2. Five-Year Financial Analysis

(1) Financial Analysis & Key Performance Index（KPI）

Consolidated Financial Analysis

Item(Note3) \ Year(Note1)			2014	2015	2016	2017	2018
Operating Ability	Loans to deposits ratio (%)		76.54	75.03	79.74	75.40	75.72
	Ratio of NPL＊		0.395	0.252	0.192	0.287	0.237
	Interest expense to average total deposits		0.84	0.83	0.68	0.78	0.89
	Interest revenue to average total loans		3.00	2.74	2.53	2.49	2.62
	Total asset turnover (times)		0.02	0.02	0.02	0.02	0.02
	Average net revenue per employee(NT$1000)		4,204	4,360	4,265	4,159	4,516
	Average net income per employee(NT$1000)		1,429	1,520	1,287	1,142	1,419
Profitability	Return on tier 1 capital(%)		14.46	13.32	10.28	8.40	9.66
	Return on total assets (%)＊		0.73	0.73	0.59	0.50	0.59
	Return on equity(%)＊		11.37	10.43	8.12	6.82	8.05
	Net income ratio (%)		34.00	34.86	30.18	27.45	31.41
	EPS (NT$) (Note5)＊	Before Distribution	1.31	1.30	1.04	0.90	1.08
		After Distribution	1.16	1.21	0.99	0.87	-
Financial Structure	Liabilities to assets ratio		93.06	92.83	92.67	92.53	92.83
	Property, plant, and equipment as a percentage of equity		7.72	7.29	7.06	6.75	6.11
Growth Ratio	Asset growth ratio		6.05	4.71	2.72	2.50	9.02
	Income growth ratio		20.69	7.42	(17.40)	(14.37)	24.51
Cash Flow	Cash flow ratio		(Note2)	38.84	(Note2)	33.47	12.23
	Cash flow adequacy ratio		(Note2)	144.64	(Note2)	(Note2)	(Note2)
	Cash flow satisfied ratio		(Note2)	1,225.24	(Note2)	(Note2)	(Note2)
Liquidity Reserve Ratio			31.10	30.19	28.20	31.72	30.30
Total Secured Loans to interested parties (NT$1000)			7,144,352	7,706,256	8,208,646	5,896,869	6,112,931
Total Secured Loans to interested parties as a Percentage of Total Loans			2.11	2.17	2.18	1.58	1.50
Operating Scale	Market share of asset		1.06	1.07	1.07	1.06	1.10
	Market share of equity		1.15	1.14	1.14	1.14	1.12
	Market share of deposits		1.23	1.23	1.16	1.17	1.20
	Market share of loans		1.22	1.24	1.23	1.15	1.16

Reasons for the changes in financial ratios over the last two years (Up to 20%):

1. The increase of average net income per employee was due to the increase of net income after tax.
2. The increase of EPS was due to the increase of net income after tax.
3. The increase of asset growth ratio was due to the increase of loans and financial assets at fair value through profit or loss.
4. The increase of income growth ratio was due to the increase of net income before tax.
5. The decrease of cash flow ratio was due to the decrease of net cash flow from operating activities.

Non-consolidated Financial Analysis

Item(Note3) \ Year(Note1)			2014	2015	2016	2017	2018
Operating Ability	Loans to deposits ratio (%)		76.45	74.90	79.71	75.37	75.68
	Ratio of NPL＊		0.395	0.252	0.192	0.287	0.237
	Interest expense to average total deposits		0.84	0.83	0.68	0.78	0.89
	Interest revenue to average total loans		3.00	2.74	2.53	2.49	2.62
	Total asset turnover (times)		0.02	0.02	0.02	0.02	0.02
	Average net revenue per employee(NT$1000)		4,261	4,390	4,309	4,221	4,569
	Average net income per employee(NT$1000)		1,491	1,585	1,329	1,184	1,472
Profitability	Return on tier 1 capital (%)		14.60	13.24	10.47	8.57	9.73
	Return on total assets (%)＊		0.73	0.73	0.59	0.50	0.59
	Return on equity(%)＊		11.37	10.43	8.12	6.82	8.05
	Net income ratio (%)		34.98	36.10	30.84	28.04	32.22
	EPS (NT$) (Note5)＊	Before Distribution	1.31	1.30	1.04	0.90	1.08
		After Distribution	1.16	1.21	0.99	0.87	-
Financial Structure	Liabilities to assets ratio		93.05	92.83	92.66	92.52	92.81
	Property, plant, and equipment as a percentage of equity		7.71	7.27	7.04	6.74	6.09
Growth Ratio	Asset growth ratio		5.95	4.81	2.64	2.57	8.95
	Income growth ratio		20.91	5.84	(15.57)	(13.82)	23.36
Cash Flow	Cash flow ratio		(Note2)	37.72	(Note2)	32.19	14.05
	Cash flow adequacy ratio		(Note2)	146.71	(Note2)	(Note2)	(Note2)
	Cash flow satisfied ratio		(Note2)	958.23	(Note2)	82,916.57	(Note2)
Liquidity Reserve Ratio			31.10	30.19	28.20	31.72	30.30
Total Secured Loans to interested parties (NT$1000)			7,144,352	7,706,256	8,208,646	5,896,869	6,112,931
Total Secured Loans to interested parties as a Percentage of Total Loans			2.11	2.17	2.18	1.58	1.50
Operating Scale	Market share of asset		1.06	1.07	1.07	1.06	1.10
	Market share of equity		1.15	1.14	1.14	1.14	1.12
	Market share of deposits		1.23	1.23	1.16	1.17	1.20
	Market share of loans		1.22	1.21	1.23	1.15	1.16

Reasons for the changes in financial ratios over the last two years (Up to 20%):

1. The increase of average net income per employee was due to the increase of net income after tax.
2. The increase of EPS was due to the increase of net income after tax.
3. The increase of asset growth ratio was due to the increase of loans and financial assets at fair value through profit or loss.
4. The increase of income growth ratio was due to the increase of net income before tax.
5. The decrease of cash flow ratio was due to the decrease of net cash flow from operating activities.

The mark "＊" are Key Performance Index for the Bank.

Note1: The annual financial data has been audited by independent auditors.
Note2: The ratio associated with cash flow is negative, and therefore not included in the analysis herein.
Note3: The aforementioned ratios are calculated as follows:

1. Operating Ability
   (1) Loans to deposits ratio = Total loans / Total deposits.
   (2) Ratio of NPL = Total non-performing loans / Total loans.
   (3) Interest expense to average total deposits = Deposits related interest expense/ Average total deposits
   (4) Interest revenue to average total loans = Loans related interest revenue/ Average total loans
   (5) Total assets turnover = Net revenue / Average total assets.
   (6) Average net revenue per employee (Note7) = Net operating revenue/ Total number of employees.
   (7) Average net income per employee = Net income after tax/ Total number of employees.
2. Profitability
   (1) Return on Tier 1 capital = Net income before tax/ Average total Tier 1 capital.
   (2) Return on total assets = Net income after tax/ Average total assets.
   (3) Return on equity = Net income after tax/ Average shareholders' equity.
   (4) Net income ratio = Net income after tax/ Net profit.
   (5) EPS = (Net income attributable to owners of the bank– preferred shares dividend)/ Average issued shares (Note5)
3. Financial Structure
   (1) Liabilities to assets ratio = Total liabilities (Note4) / Total assets.
   (2) Property and equipment as a percentage of equity = Property and equipment / Net equity.
4. Growth Ratio
   (1) Asset growth ratio = (Current total asset – Last year total asset) / Last year total asset.
   (2) Income growth ratio = (Current income before income tax– Last year income before income tax)/Last year income before income tax.
5. Cash Flow (Note8)
   (1) Cash flow ratio = Cash flows from operating activities / (Due to banks and drafts + commercial bills payable + financial liabilities at fair value through profit or loss + securities purchased under resale agreements + accounts payable in 1 year).
   (2) Cash flow adequacy ratio = Cash flows from operating activities in the last 5 Years / (Capital expenditure + cash dividends) in the last 5 Years.
   (3) Cash flow satisfied ratio = Cash flows from operating activities / Cash flows from investing activities.
6. Liquidity Reserve Ratio = Liquid assets stipulated by CBC / Reserves appropriated for various types of liabilities
7. Operating Scale
   (1) Market share of asset = Total assets / Total assets of all financial institutions available for deposits and loans (Note6)
   (2) Market share of equity = Total equities / Total equities of all financial institutions available for deposits and loans
   (3) Market share of deposits = Total deposits / Total deposits of all financial institutions available for deposits and loans
   (4) Market share of loans = Total loans / Total loans of all financial institutions available for deposits and loans

Note4: Total liabilities refer to the amount of liabilities after deducting performance guarantee reserve, contingency reserve and loan commitment provision.
Note5: The calculation formula for EPS mentioned above shall meet the following requirements during measurements:

1. Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
2. In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
3. In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
5. In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net income after tax; no adjustment is required to be made if the result of operation is a net loss.

Noet6：All financial institutions that can provide deposit and loan services including local banks, Chinese mainland bank branches in Taiwan, branches of foreign banks in Taiwan, credit unions, credit departments of fishermen's associations and farmers associations, and trust investment companies.
Noet7: Revenue refers to the sum of interest income and non-interest income.
Note8: The following notes apply when conducting cash flow analysis:

1. Net cash flow from operating activities means net cash in-flows from operating activities listed in the statement of cash flows.
2. Capital expenditures means the amounts of cash out-flows for annual capital investment.
3. Cash dividend includes cash dividends from both common shares and preferred shares.

(2) Capital Adequacy

Consolidated Capital Adequacy

Unit: NT$ Thousands

Items \ Year			2014	2015	2016	2017	2018
Regulatory capital	Common equity		33,243,204	36,095,275	38,122,066	39,698,325	42,076,829
	Additional Tier I capital		-	-	-	-	2,448,097
	Tier II capital		14,018,501	13,273,278	14,947,886	12,185,406	9,544,444
	Total regulatory capital		47,261,705	49,368,553	53,069,952	51,883,731	54,069,370
Risk-weighted assets	Credit risk	Standardized approach	324,818,191	340,251,117	358,837,133	322,187,276	369,490,534
		Internal rating-based approach	-	-	-	-	-
		Asset securitization	317,180	-	-	-	215,318
	Operational risk	Basic indicator approach	14,223,250	19,072,988	19,910,475	19,646,350	19,686,600
		Standardized approach/ alternative standardized approach	-	-	-	-	-
		Advanced measurement approach	-	-	-	-	-
	Market risk	Standardized approach	19,804,188	22,448,425	16,796,650	14,948,088	11,098,400
		Internal models approach	-	-	-	-	-
	Total risk-weighted assets		359,162,809	381,772,530	395,544,258	356,781,714	400,490,852
Capital adequacy ratio			13.16%	12.93%	13.42%	14.54%	13.50%
Ratio of Tier I capital to risk-weighted assets			9.26%	9.45%	9.64%	11.13%	11.12%
Ratio of common equity to risk-weighted assets			9.26%	9.45%	9.64%	11.13%	10.51%
Leverage ratio			5.58%	5.85%	5.97%	6.12%	6.19%
Please explain the reason of Capital adequacy ratio change in past two years. (Variation is less than 20%)							

Note：1、Regulatory capital,risk-weighted assets and Exposure Measurement are calculated under the"Regulations Governing the Capital Adequacy and Capital Category of Banks"and"The Methods for Calculating Bank's regulatory Capital and Risk Weighted Assets"

2、Formulas used were as follows:

(1)Regulatory capital = Common equity + Additional 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 = Total regulatory capital/Total risk-weighted assets

(4)Ratio of Tier I capital to risk-weighted assets = (Common equity + Additional Tier I capital)/Total risk-weighted assets

(5)Ratio of common equity to risk-weighted assets = Common equity/Total risk-weighted assets

(6)Leverage ratio = Net Tier I capital/Exposure Measurement

Individual Capital Adequacy

Unit: NT$ Thousands

Items \ Year			2014	2015	2016	2017	2018
Regulatory capital	Common equity		32,736,013	35,411,051	37,403,214	39,236,233	41,848,384
	Additional Tier I capital		-	-	-	-	2,193,441
	Tier II capital		13,504,626	12,581,780	14,218,654	11,680,665	9,014,910
	Total regulatory capital		46,240,639	47,992,831	51,621,868	50,916,898	53,056,735
Risk-weighted assets	Credit risk	Standardized approach	323,785,850	338,888,812	356,944,620	320,791,287	367,484,931
		Internal rating-based approach	-	-	-	-	-
		Asset securitization	317,180	-	-	-	215,318
	Operational risk	Basic indicator approach	14,442,463	18,490,750	19,249,288	19,112,088	19,200,700
		Standardized approach/alternative standardized approach	-	-	-	-	-
		Advanced measurement approach	-	-	-	-	-
	Market risk	Standardized approach	19,759,250	22,448,425	16,796,650	14,948,088	11,098,400
		Internal models approach	-	-	-	-	-
	Total risk-weighted assets		358,304,743	379,827,987	392,990,558	354,851,463	397,999,349
Capital adequacy ratio			12.91%	12.64%	13.14%	14.35%	13.33%
Ratio of Tier I capital to risk-weighted assets			9.14%	9.32%	9.52%	11.06%	11.07%
Ratio of common equity to risk-weighted assets			9.14%	9.32%	9.52%	11.06%	10.51%
Leverage ratio			5.50%	5.74%	5.87%	6.06%	6.14%
Please explain the reason of Capital adequacy ratio change in past two years. (Variation is less than 20%)							

Note：1、Regulatory capital,risk-weighted assets and Exposure Measurement are calculated under the"Regulations Governing the Capital Adequacy and Capital Category of Banks"and "The Methods for Calculating Bank's regulatory Capital and Risk Weighted Assets"

2、Formulas used were as follows:

(1) Regulatory capital = Common equity + Additional 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 = Total regulatory capital/Total risk-weighted assets

(4) Ratio of Tier I capital to risk-weighted assets = (Common equity + Additional Tier I capital)/Total risk-weighted assets

(5) Ratio of common equity to risk-weighted assets = Common equity/Total risk-weighted assets

(6) Leverage ratio = Net Tier I capital/Exposure Measurement

3. The Audit committee's Review Report

To: 2019 Annual Shareholders' Meeting of Far Eastern International Bank

March 26, 2019

The Board of Directors has submitted business report, audited financial statements (certified by Shih-Tsung Wu, CPA, and Chen-Hsiu Yang, CPA, of Deloitte & Touche) and earnings distribution proposal of the Bank for the year ended Dec.31 2018 for the Committee's review.

After reviewing, the Committee has found the above mentioned reports acceptable, and hence issued the review report herewith in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Bing Shen

Audit Committee Convener
Far Eastern International Bank

4. 2018 Non-Consolidated Financial Statement

Please refer to page 269 to 369.

5. 2018 Audited Consolidated Financial Statement

Please refer to page 165 to 268.

6. The Bank should disclose the financial impacts to the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2017 and as of the date of the publication of the annual report:

None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

1. Analysis of Financial Status

Unit: NT$ Thousands

Item \ Year	Dec. 31, 2018	Dec. 31, 2017	Difference	
			Amount	%
Cash and Cash Equivalents, Due from the Central Bank and Other Banks	37,529,613	30,882,208	6,647,405	22
Financial Assets at Fair Value Through Profit or Loss	46,507,501	30,208,333	16,299,168	54
Financial Assets at Fair Value Through Other Comprehensive Income	119,779,052	-	119,779,052	100
Available-for-Sale Financial Assets	-	109,631,578	(109,631,578)	(100)
Loans and Discounts, net	379,688,118	351,056,762	28,631,356	8
Receivables, net	19,660,289	21,534,556	(1,874,267)	(9)
Other Financial Assets	15,338,449	23,379,510	(8,041,061)	(34)
Other Assets	7,716,607	8,109,686	(393,079)	(5)
Total Assets	626,219,629	574,802,633	51,416,996	9
Deposits and remittance	508,647,889	472,621,114	36,026,775	8
Other Liabilities	72,827,000	59,394,847	13,432,153	23
Total Liabilities	581,474,889	532,015,961	49,458,928	9
Capital	32,691,859	31,829,286	862,573	3
Capital Surplus	456,426	456,426	-	0
Retained Earnings	11,649,127	10,486,758	1,162,369	11
Other Equity	(52,672)	14,202	(66,874)	471
Total Equity	44,744,740	42,786,672	1,958,068	5

Notes (Changes of more than 20% and more than $10,000 thousands):

1.The increase of Cash and Cash Equivalents, Due from the Central Bank and Other Banks was due to the increase of NT$7.6 billions in due from other banks, the increase of NT$1.5 billions in cash and cash equivalents, and the decrease of NT$2.4 billion in due from the central bank.

2. The increase of Financial Assets at Fair Value Through Profit or Loss was due to the increase of NT$15.2 billion in credit derivative instruments, the increase of NT$3.1 billion in commercial paper, the increase of NT$3.1 billion in government bond, and the decrease of NT$5.1 billion in convertible bond.

3. The increase of Financial Assets at Fair Value Through Other Comprehensive Income was due to the new item according to IFRS 9.

4. The decrease of Available-for-Sale Financial Assets was due to deleting the item according to IFRS 9.

5. The decrease of Other Financial Assets was due to the decrease of NT$6.7 billion in Debt Investments with no active market, and the decrease of NT$2.8 billion in Securities Purchased under Resale Agreements.

6. The increase of Other Liabilities was due to the increase of NT$8.8 billion in Due to banks, the increase of NT$1.7 billion in Securities Sold under Resale Agreements, the increase of NT$6 billion in Principal received on structured notes, and the decrease of NT$2.2 billion in Bank debentures.

7. The decrease of Other Equity was due to the decrease in Unrealized gains on financial assets at fair value through other comprehensive income.

2. Analysis of Financial Performance

Unit: NT$ Thousands

Item \ Year	2018	2017	Variance	
			Amount	(%)
Net Interest Revenue	$5,652,447	$5,383,125	$269,322	5
Net-non-interest Revenue	5,286,289	4,794,618	491,671	10
Net Revenue	10,938,736	10,177,743	760,993	7
Provision for Possible Losses, Commitment and Guarantee Obligations Reserve	506,522	729,425	(222,903)	31
Operating Expense	6,381,959	6,164,989	216,970	4
Net Income Before Tax	4,050,255	3,283,329	766,926	23
Income tax expense	526,054	429,446	96,608	22
Net Income	$3,524,201	$2,853,883	$670,318	23

1. Notes of change: (Changes of more than 20% and more than $10,000 thousands):
   (1) The decrease of provision for possible losses, commitment and guarantee obligations reserve was due to the decrease of provision for possible losses.
   (2) The increase of net income before tax was due to the increase of net revenue.
   (3) The increase of income tax expense was due to the increase of net income before tax.
2. Improvement plan in the future:
   For details, please refer to the current year's business plan on page 106.

3. Analysis of Cash Flow

(1) Liquidity Analysis for the latest 2 years:

	2018	2017	Change in %
Cash flow ratio (%)	14.05	32.19	(56)
Cash flow adequacy ratio (%)	Note	Note	-
Cash flow satisfied ratio (%)	Note	82,916.57	-

Notes of change: (Changes of more than 20%)：

1. The decrease of Cash flow ratio was due to the decrease of net cash flow from operating activities.

Note: The ratio was negative, so it would not be analyzed.

(2) Cash Flow Analysis for the Coming Year

Unit: NT$ Thousands

Estimated Cash and Cash Equivalents, Beginning of Year (A)	Estimated Net Cash Flow from Operating Activities (B)	Estimated Cash Outflow (Inflow) (C)	Cash Surplus (Deficit) (A)＋(B)－(C)	Leverage of Cash Deficit (Deficit)	
				Investment Plan	Financing Plan
9,986,581	5,179,181	6,769,505	8,396,257	-	-

4. Major Capital Expenditure in Recent Years:

None.

5. Investment Policy in Last Year, Main Causes of Profits or Losses, and Improvement and Investment Plans for the Coming Year

(1) Far Eastern International Securities Company Ltd

A. Main causes of profit or losses

The company recorded net income of NT$ 43,196 thousands for the year ended December 31, 2018. The Revenue, NT$ 286,788 thousands in 2018 compared to NT$ 276,704 thousands in the prior year period was increased by NT$ 10,084 thousands. This increase was due to the transaction volume growth and boosted by the productivity of sales teams. In 2018, the proportion of brokerage service charges to total revenue decreased from 9% to 8% as the broker lowered the transaction cost of trades. Other operating expenses increased mainly due to growth in the business that, as a result, reflected to the increased of the incentive compensation expense and continuous investment in the construction of IT, but the overall operating expenses can still be controlled within the budget.

B. Improvement and Investment Plans for the Coming Year

❶ Wealth Management Department

a. Set up a Taichung branch to expand the business into local market.

b. Expand the wealth management team through multiple sourcing channels.

c. Adjust the sales incentive program of wealth management department to attract and retain top sales.

d. Increase the variety of product types and venders to provide customers with multi-financial products and achieve customer asset appreciation.

e. Host customer MGM events and enhance customer relationships.

❷ Securities Brokerage Department

a. Increase the commission income of the stock market by increasing the custodian.

b. Develop and promote electronic trading systems to improve the efficiency of trading and delivery operations.

c. Increase customer familiarity with bond products and strengthen investment willingness.

e. Organize investment seminars to strengthen customer relationship services and enhance the development of banking channels.

❸ Implementing the company's internal control system and regulatory compliance, and enhance the company's overall risk control ability.

❹ Recruiting, training and retaining capable employees.

❺ Controlling and reducing operating expenses.

(2) Far Eastern Asset Management Corp

A. Main causes of profit or losses

Mainly due to purchase of bad debts and return on investment from joint venture projects.

B. Improvement and Investment Plans for the Coming Year

❶ Continue to purchase new NPL to gain service fee income.

❷ Purchase through various market channels new court auction real estates, and dispose of these assets to increase revenues.

6. Analysis of Risk Management

(1) Risk management structure and policy

A. Policy

❶ To foster a sound and prudent risk management culture, the Bank has employed both qualitative and quantitative measures (such as operational procedures and the ratio of asset quality), which are in compliance with the internal and external regulatory guidelines, as a reference for the Bank's business strategy.

❷ Build up an independent risk management department to implement and monitor the risk management mechanism.

❸ Effectively identify, measure, monitor and control all existing and potential risks within acceptable risk appetite, and achieve the annual budget by balancing the risk and reward.

B. Organization Structure

❶ Board of Directors :

The Board of Directors steers FEIB's risk management, and is responsible for reviewing the Bank's risk management policies, reinforcing a risk management culture and taking full responsibility for overall risk management.

❷ Assets and Liabilities Management Committee & Risk Management Committee:

The President of the Bank shall be the Chairman of the Committee(s), appoint relevant senior managers as the Committee Members, and calls regular meetings. The Committee(s) shall be responsible for supervising and reviewing the Bank's level of risk-taking and compliance results of the risk management framework.

❸ Risk Management Department :

There are two divisions under the Risk Management Department: Corporate Banking Division and Consumer Banking Division. Both divisions are responsible for the risk management of the relevant Business Unit(s) and regular reporting to the Risk Management Committee and the Board of the Directors. The responsibilities of each division are stated below.

a. The Corporate Banking Division integrates five functions, Credit Appraisal, Account Receivable Review, Financial Market Middle Office, Credit Policy Management, Midterm Credit Management. Collectively, the division is in charge

of assessment of credit application and post-lending management, formulate credit policies and monitor asset quality, mark to market of trading position via daily market value and limitation of trading volume, respectively.

b. The Consumer Banking and Credit Card Division is divided into 6 functions: Credit Policy, Consumer Lending Approval, Credit Card Approval, Debt collection, Management Information, and Customer Complaint Management/ Self-Assessment. They are responsible respectively for establishing lending policies of both consumer banking and credit card products, approving loans and credit card, collection of delinquent and non-performing assets, providing portfolio management information and internal control.

❹ Auditing Department：

The Auditing Department is responsible for regularly auditing the implementation of risk management framework, including risk management structure, processing, and shall provide suggestions for improvement.

(2) Qualitative and Quantitative Information of Various Risks

A. Credit risk management system and capital requirement

❶ Credit risk management system

2018

Item	Context
1.Strategies, goals, policies, and procedures of credit risk management	1. Develop a sound credit risk management mechanism to effectively identify, measure, monitor and control credit risk, and balance the credit risk-assumed and the reasonable return 2. Corporate Banking (including small and medium enterprises), Consumer Banking and Credit Card Business: (1) Corporate Banking 1. Strategy and goal Establish a prudent and specific procedure for lending and post-lending process to ensure a sound asset quality 2. Policy To maintain a diversified loan portfolio, the Bank shall set up credit risk proportion limits for each industry and conglomerate group. The Bank shall review those limits according to the economy trend, industry trend and the Bank's business strategy on a regular basis or whenever it is necessary. 3. Process (1) The loan approval hierarchy is based on the Bank's "Credit Authorization Guidelines". The authorized credit officer is empowered the right of approval to the loan case. For the specific credit line application, it must be approved by certain credit approval level after evaluation of the Credit Committee. (2) Establish a post-lending management system, and regularly review the credit status of borrowers, including the change of credit entity and collateral. Additionally, through the watch-list system, take counter action in time towards potential, doubtful loans. (2) Consumer Banking and Credit Cards Business： 1. Strategy and goal To formalize lending guidelines and procedures to ensure good portfolio quality with steady revenue in achieving the growth targets of lending assets. 2. Policy

Item	Context
	To structure the retail asset portfolio adequately in terms of diversification and optimization of risk and reward. To adapt to market changes and portfolio developments by enforcing effective credit quality maintenance management which supported by business intelligent information and ad-hoc analysis and followed by policy modification wherever deems appropriate. 3. Process To manage credit cycle which starts from asset product design, through credit cost assessment, credit terms formalizing, credit approval guidelines and procedures establishment, debt collection management then back to product modification if needed. An effective credit maintenance mechanism with process is established within the cycle to ensure quality is soundly secured.
2. Organization and structure of credit risk management.	1. Board of Directors： The highest decision-making unit of the Bank's credit risk, based on the overall operating strategy and operating environment. Approve the credit risk management strategy to ensure the effective operation of credit risk management and review it regularly. 2. Risk Management Committee： In compliance with the credit risk strategy approved by the Board of Directors, it manages the credit risk management mechanism, reviews credit risk norms, communicates and coordinates cross-department related credit risk management issues, and continuously monitors execution performance. 3. Credit Committee： Review the Bank's specific credit line application according to the Bank's "Credit Committee Procedures" 4. Risk Management Department： Corporate Banking Division： Responsible for the credit review of corporate lending cases, the establishment and control of post-lending management and credit-related regulations, and the implementation of credit risk management monitoring Consumer Banking Division： The Consumer Credit Division comprises functions of Credit Policy, Consumer Lending Approval, Credit Card Approval, Debt collection, Management Information, and Customer Complaint management/ Self-Assessment. It is responsible for establishing lending policies of consumer banking and credit card products, approving loans and credit card, debts collection, portfolio management information, internal self-assessment and customer complaint handling
3. Scope and characteristics of credit risk report and evaluation system	1. Corporate Banking： The credit risk report includes credit risk limits, risk exposure, post-lending management and asset quality. It shall be solicited to the Board of Directors after reporting to the Risk Management Committee quarterly. (1) Group 1. Avoid excessive concentration of credit risk in conglomerate companies 2. The credit limit of the group is determined based on the needs of the case (2) Industry Review the proportion of credit exposures among industries at the end of each quarter (3) Watch-list system Continue to observe the changes in the credit status and business activities of the borrowers and take early action when the warnings are identified (4) Asset quality classification In addition to the normal credit assets, the non-performing assets are evaluated, classified and special provision according to the collateral valuation

Item	Context
	and the length of the overdue period 2. Consumer Banking and Credit Cards Business： Report quarterly to Risk Management Committee with content of portfolio structure, asset quality status, and credit policy strategy etc. Credit measurements include concentration risk, key assets quality indicators, risk grades and industry environment changes and impacts.
4. Policies for credit risk hedging or risk mitigation, as well as strategies and processes for monitoring and risk mitigation tools continuous effectiveness	1. Evaluate the probability of default and net credit loss of asset, stipulate the appropriate credit terms and conditions, and mitigate the credit risk by levying a substantial valuable collateral or guarantor, including bank deposit slips, securities (such as treasury bills, government bonds, bank debentures, stocks, corporate bonds guaranteed by financial institutions), land and other real estate, etc., with a view to effectively reduce the risk exposures. Among them, the listed and over the counter stocks are re-evaluated daily, and the value of the collateral is monitored continuously; the value of collateral such as real estate is appraised on a case-by-case basis at each renewal. 2. Reduce the acceptance rate of the loan applications from the non-target customers to avoid credit risk. 3. The asset quality is secured by policy mechanisms ,such as establishing credit limits and loan regulation before lending and via post-lending management ,concentration analysis, mid-term lending and credit review tracing mechanisms to examine asset quality and obligor adverse change and to control, monitor risk in real-time basis. To report risk management regularly and feed-back to related business units, and to promptly control overall risk to make sure risk mitigation is effective in a continuous way.
5. Approach applied to Regulatory Capital Charge	Standardized Approach

❷ Risk Exposure after Mitigating Risks from the Standardized Approach of the Credit Risk and Capital Requirement

March 31, 2019

Unit: NT$ thousands

Exposure Type	Exposure after Risk Mitigant	Capital Requirement
Sovereign states	111,983,263	0
Non-central government public sections	500,880	8,014
Bank (including multilateral development banks)	41,555,697	1,256,873
Enterprises (including securities and insurance companies)	215,424,788	15,837,691
Retail credit	75,447,486	4,751,861
Residential real estate	173,777,974	7,400,951
Equity Investment	1,200,131	96,010
Other assets	10,151,491	433,358
Total	630,041,710	29,784,758

B.Securitization risk management system, risk exposure, and capital requirement

❶ Securitization Risk Management Framework

2018

Item	Context
1. Strategies and procedures of securitization management	Not Applicable
2. Organization and structure of securitization management	
3. Scope and characteristics of the securitization risk report and measurement system.	
4. Policies for securitization hedging or risk mitigation, as well as strategies and processes for monitoring and risk mitigation tools continuous effectiveness	
5. Approach applied to Regulatory Capital Charge	Standardized Approach
6. Overall qualitative disclosure requirements, included: 1) The purpose of engaging in securitization activities and the types of risks undertaken and retained by banks in re-securitization activities 2) Other risks implied by securitized assets (e.g. liquidity risk) 3) Different roles played by banks in the process of securitization, and the degree of participation of banks in each process 4) The monitoring process for credit and market risk in securitization 5) The risk management policy in mitigating the risks retained by securitization and re-securitization	Not Applicable
7. Overview of accounting policies for bank securitization	
8. In the banking book, the name of the external rating agency (ECAI) used in securitization, and the risk exposure in which it is used in each type of asset securitization	
9. Any significant changes in quantity since the last reporting period (e.g. assets transferred between banking book and trading book)	

Note: Items 6 to 9 are only required to be filled out by the founding bank that is currently in circulation.

❷ Engagement of Asset Securitization: None.

❸ Risk Exposure and Capital Requirement for Asset Securitization - by Transaction Type

March 31, 2019

Unit: NT$ thousands

Bank Category	Book type	Type of assets	Traditional					Synthetic		Total		
			Risk Exposure Amount				Capital Requirement (2)	Risk Exposure Amount	Capital Requirement (4)	Risk Exposure Amount (5)=(1)+(3)	Capital Requirement (6)=(2)+(4)	Capital Requirement Before Securitization
			Retained or Purchased	For Liquidity Facility	For Credit Enhancement	Sub-total (1)		Retained or Purchased (3)				
Non-Founding Bank	Banking book	CMO	2,629,465	-	-	2,629,465	42,071	-	-	2,629,465	42,071	-
	Trading book	-	-	-	-			-	-			
	Sub-total	CMO	2,629,465	-	-	2,629,465	42,071	-	-	2,629,465	42,071	
Founding Bank	Banking book	-	-	-	-	-	-	-	-	-	-	-
	Trading book	-	-	-	-	-	-	-	-	-	-	-
	Sub-total	-	-	-	-	-	-	-	-	-	-	-
Total		CMO	2,629,465	-	-	2,629,465	42,071	-	-	2,629,465	42,071	-

Note: 1. The column "Type of assets" is subdivided as securitized asset (such as credit card, home equity loan, auto loan), or the securities invested (such as mortgage-backed securities, commercial mortgage backed securities, asset-backed securities, and collateralized debt obligation), etc.
2. The risk exposure amount of the banking book should be booked after risk mitigation.
3. The column "Liquidity facility"should be included the exposure of drawdown and undrawn portion.

❹ Information on Securitized Products

a. Summarized Information on Investment in Securitized Products

March 31, 2019

Unit: NT$ thousands

Item (Note 1)	Listed accounting items	Original Cost	Accumulated valuation gain(loss)	Accumulated loss on impairment	Book Value
CMO	Financial assets at fair value through OCI	2,591,671	38,541	(747)	2,629,465

Note 1: This table contains domestic and foreign securitized products, which are registered according to the following categories and listed accounting items:
(1) Mortgage-backed securities (MBS): including beneficiary certificate for securitized claims on housing-mortgaged loans or asset-backed securities (RMBS) beneficiary certificates for securitized claims on commercial property-mortgaged loans or asset-backed securitized(CMBS), collateralized mortgage obligation (CMO), and other realty-mortgage securities.
(2) Beneficiary certificates or asset-backed securities (ABS): including beneficiary certificates for corporate-loan claims or asset- backed securitized (collateralized loan, obligation, or CLO) beneficiary certificates for securitized bond assets or asset- backed securities (collateralized bond obligation , or CBO) beneficiary certificates for securitized claims on credit card debts or asset-backed securities, beneficiary certificates by securitized claims on auto loans or asset-backed securities, beneficiary certificates for securitized claims on consumption loans/cash-card debts or asset-backed securities, beneficiary certificates for securitized leasing claims or assets-backed securities, and other securitized beneficiary certificates or asset-backed securities.
(3) (ABCP) Short-term beneficiary certificates or short-term asset-backed securities (asset-backed commercial paper).
(4) Collateralized debt obligation (CDO).
(5) Realty securitization: It refers to real estate asset trust (REAT).
(6) Bills and bonds issued as structured investment vehicles (SIV).
(7) Other securitized products.

Note 2: The table includes beneficiary certificates of asset-backed securities held by the bank with the bank serving as an originating institution.

b. a) Information of each Securitization Products Investment with Original Cost of NT$300Mn or above (excluding those held for credit enhancing purpose as a founder bank):

Name of Securities (Note 2)	Listed accounting items	Currency	Issuer & location	Purchase Date	Maturity Date	Coupon Rate	Credit Rating (Note 3)	Payment method for principal and interest	Original Cost	Accumulated valuation gain(loss)	Accumulated loss on impairment	Book Value	Attachment Point (Note 4)	Contents of assets pool (Note 5)
US38380YK530	Financial assets at fair value through OCI	USD	GENNIE MAE /US	2019/1/16	2048/8/1	3.5%	Moody's Aaa	Monthly	300,649	1,064	(51)	301,662	-	-
US38381AYP55	Financial assets at fair value through OCI	USD	GENNIE MAE /US	2019/1/16 2019/2/21	2048/5/1	3%	Moody's Aaa	Monthly	601,030	12,881	(102)	613,809	-	-
US38381BHT44	Financial assets at fair value through OCI	USD	GENNIE MAE /US	2018/12/21	2049/1/1	4%	Moody's Aaa	Monthly	618,189	17,870	(105)	635,954	-	-
US38381RYD50	Financial assets at fair value through OCI	USD	GENNIE MAE /US	2019/3/13	2049/3/1	3.5%	Moody's Aaa	Monthly	621,064	(4,459)	(105)	616,500	-	-

Note 1: The table includes domestic and foreign products.
Note 2: Full names should be provided for same securities product in difference issuance.
Note 3: Provide result of the latest credit rating.
Note 4: Attachment point refers to share of sub-issuance value with compensation priority lower than that for securities held by the bank in the total issuance value of the securitized product. Assuming, for example, a bank purchases A security of a certain CDO (collateralized debt obligation), the security has sub-security BBB and sub -equity security with compensation priority lower than A security. The total issuance value of BBB and sub-equity security amounts to 12% of the total value of the CDO. Then the attachment point for A security is 12%.
Note 5: Assets pool refers to assets portfolio handed by originating institution to trustee or other company with a special purpose. Specify kind of assets In the portfolio (denote primary lien or subordinated status), details, value on book in original currency and number.

b) Held for the purpose of enhancing credit as a securitization founder bank: None.

c) The Bank acting as a credit impaired asset purchase institution or a settlement purchase institution of securitization products: None.

c. The Bank acting as a guarantee agency or providing liquidity facilities:

None.

C. Operational risk management system and capital requirement

❶ Operational risk management system

2018

Item	Context
1. Strategies and procedures of operational risk management	1. Establish an operational risk management mechanism to enhance the risk awareness of the Bank's personnel, examine the operational risks involved in daily business activities and management processes, and take appropriate countermeasures against existing and potential risks to reduce operational risk losses 2. Through the management of risk self-assessment and loss event notification, a tracking mechanism for improvements should be established, and the operational risk management status should be reviewed by an independent audit department, and the results of the verification should be reported to the Board of Directors in due course.
2. Organization and structure of operational risk management	1. Board of Directors The highest decision-making unit of the Bank's operational risk management, based on the overall operating strategy and environment. Approve the Bank's operational risk management strategy, supervise the effective operation of the operational risk management mechanism, and review it regularly 2. Risk Management Committee： According to the operational risk management strategy approved by the Board of Directors, it manages and supervises the risk management mechanism of the Bank. 3. Risk Management Department： Develop operational risk management procedures, establish a database of risk-loss incidents for the Bank, collect risk information and implementation status of the Bank, and report to the Board of Directors on a regular basis 4. Auditing Department： The business related to the operational risk should be audited at least once a year and suggestions for improvement should be provided in due course
3. Scope and characteristics of the operational risk reporting and measurement system	1. Every aspect of daily business activities and management processes is regularly self-assessed to mitigate operational risk. In addition, the Bank shall establish a regular and immediate notification mechanism for the financial or other loss events caused by improper system operation, staff misconduct, fraud and accidental disasters, and report the causes and improvement measures of each operational risk event to the senior management. 2. To strengthen the Bank's internal controls and prevent misconducts, the Auditing Department 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.
4. Policies for operational risk hedging or risk mitigation, as well as strategies and processes for monitoring and risk mitigation tools for continuous effectiveness.	1. Per evaluation of the frequency and seriousness of operational risks in daily operations and management process, the Bank transfers or offsets the loss and impact by insurance, outsourcing, etc. 2. With measures such as the Implementation of KYC (Know Your Customer) and anti-money laundry, internal control and compliance system, , employee codes of conduct and trainings, the Bank aims to lower the possibility of risk occurrence. 3. The Bank has also set up information safety control guidelines conforming to the requirements of (ISO27001), including IT safety policies, process, supervision audit and training to mitigate information risk.
5. Approach applied to Regulatory Capital Charge	Basic Indicator Approach

❷ Operational Risk Capital Requirement

March 31, 2019

Unit: NT$ thousands

Year	Gross profit	Capital requirement
2016	10,194,958	-
2017	9,956,648	
2018	10,569,507	
Total	30,721,113	1,536,056

D. Market risk management system and capital requirement

❶ Market Risk Management system

2018

Item	Context
1. Strategies and procedures of market risk management.	1. The Bank shall develop a sound market risk management mechanism to effectively identify, measure, evaluate, monitor market risk, and take both risk and reasonable return into consideration simultaneously 2. The Bank's "Financial Market Proprietary Trading Authorization Policy" sets up position limits and stop loss limits for each financial instrument by dealing room and dealers. The Bank's position shall be monitored by the designated risk management team on a daily basis. If the stop loss limits are reached, dealers shall take prompt action to adjust positions to reduce market risk. 3. All products and services launched are subject to proper market risk assessment before launch. The assessment shall include the market risk and exposure incurred by the new product/service, and its impact to the Bank.
2. Organization and structure of market risk management	Market risk shall be monitored by the Middle Office Team of Risk Management Department, which is independent from risk-taking function (i.e. dealing room/front office) and operational function (i.e. back office), and shall directly report to the non-dealing Senior Management
3. Scope and characteristics of market risk report and valuation system	1. All the Bank's positions shall be appraised by marking to market/model to ensure a fair valuation of profit and loss 2. Risk Management Department shall report to the Senior Management regarding to the Bank's market risk positions, level of risk-taking, profit and loss, limits usage and compliance results of the market risk related regulatory policies and procedures. 3. A sound information system shall be established to ensure all the trading positions are monitored effectively and correctly.
4. Policies of market risk hedging or mitigation, and strategies and procedures of monitoring the continuous effectiveness of risk hedging and mitigation	1. Position limits and stop loss limits for each financial instrument are set up by dealing room and dealers to control the market risk within a reasonable range. 2. All the Bank's trading positions shall be appraised independently by Risk Management Department by marking to market (real time or daily market price) once on a daily basis (In case of the positions for hedging purpose, at least twice on a monthly basis). Positon limits and stop loss limits shall also be monitored by Risk Management Department.
5. Approach applied to Regulatory Capital Charge	Standardized Approach

❷ Market Risk Capital Requirement

March 31, 2019

Unit: NT$ thousands

Type of risk	Capital requirement
Interest rate risk	975,228
Equity securities risk	22,768
Foreign exchange risk	93,649
Product risk	0
Total	1,091,645

E. Evaluation of liquidity risk includes a maturity analysis of assets and liabilities and an explanation of the methods adopted to manage asset liquidity gap and funding gap:

To manage the Bank's deposit to meet loan and financial transaction growth. The Bank would adeptly adjust its funding strategy depending on market liquidity situation and the Central Bank's policies to optimize fund usage and lower liquidity risk. The Bank would manage the maturities of long-term and short-term securities to match the timing of loan drawdowns and repayments. The stability and allocation of deposits are emphasized to manage funding liquidity. The Bank follows capital liquidity control index to monitor and manage liquidity risk. The Capital liquidity control index and relevant analysis are regularly reported to the Asset and Liability Management Committee ("ALCO") and the Board of directors.

Maturity Analysis of Assets and Liabilities

For New Taiwan dollar items

December 31, 2018

Unit: NT$ Thousands

	Total	Amount for Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	657,048,134	108,223,432	83,033,715	99,353,166	67,996,227	60,087,823	238,353,771
Main capital outflow on maturity	793,951,803	46,921,837	80,819,341	163,285,185	146,268,581	190,698,533	165,958,326
Gap	(136,903,669)	61,301,595	2,214,374	(63,932,019)	(78,272,354)	(130,610,710)	72,395,445

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

FOR U.S. DOLLAR ITEMS

December 31, 2018

Unit: US$ thousands

	Total	Amount for Remaining Period to Maturity				
		0 to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	10,744,093	4,099,117	2,644,604	1,443,831	567,614	1,988,927
Main capital outflow on maturity	11,435,866	5,053,597	3,122,668	1,643,749	747,525	868,327
Gap	(691,773)	(954,480)	(478,064)	(199,918)	(179,911)	1,120,600

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

(3) Effect of Changes in Important Local and Foreign Policies and Laws on Bank's Business and Responding Measures

A. In response to the requirements of the FSC to strengthen the supervision mechanism of banks and financial holding companys invested in financial leasing subsidiary (sub-subsidiary), the Bank has amended its"Management Rules for Transferring Investment Finance Leasing Companies"and"Procedures in Engaging Credit Extension and Transactions Other Than Credit Extension with Interested Parties" to establish a specific and effective supervision and management mechanism.

B. In coordination with the amendments of the"Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business" on February 1, 2018, the Bank has amended its internal regulations under "Management Strategies and Operational Guidelines for Derivative Financial Products Business" accordingly.

C. In coordination with FSC's interpretation order to Article 72-2 of the Banking Act on August 31, 2018, the Bank has amended the relevant internal regulations accordingly.

D. In response to the amendments of the "Company Act" promulgated on August 01, 2018 and implemented on November 01, 2018, the Bank has posted the announcement, promoted the main points of the amendments, and examined the relevant operational procedures accordingly.

E. The "General Data Protection Regulation" (GDPR) officially came into force on May 25, 2018. To strengthen the protection of customers' personal data and maintain the effectiveness of BS10012 Personal Information Management System, the Bank appointed external consultants to complete the BS10012 revision and implement the GDPR.

(4) Effect of Change in Technology and Industry on Bank's Business and Responding Measures

A. The rapid development of information technology, in addition to changing the habits of customer transactions, has also changed the bank's business model. In addition to using IT to develop internet banking, mobile banking, mobile payment, third-party payment, banking online service platform, foreign exchange margin trading internet banking, intelligent wealth management service and intelligent customer service, the Bank also provides complete customer services. By updating information equipment, developing new types of businesses, applying business analytics technologies, building various risk assessment systems or models, and strengthening information security equipment to create product differentiation and gain market pioneers, and increase customer convenience. Improve customer service efficiency and reduce overall operating costs

B. Information security risk evaluation analysis:

FEIB has established an information security risk management structure. In 2018, it established a dedicated security department (Information Security Division) to formulate an information security policy and is responsible for the planning, implementation, management and audit of information security matters. In the first quarter of each year, the overall implementation of information security will be reported to the Board of Directors. The specific management plans and risk prevention measures for the overall implementation of information security are as follows:

❶ Information security and the personal information protection management system:

FEIB's information security management system architecture has been certified to the international standard ISO 27001, and the personal information protection management system architecture is also certified by the international standard BS 10012. Set up the Information Security Implementation Team (Information Security Committee) and the Personal Information Management Team under the management structure. The management review meeting is held every six months, and the information security policy and all management system documents are reviewed at least once a year to continue to be verified by BSI through biannual reviews, and ensure the implementation of various information security operations systems and protect customer personal information.

❷ Information security testing and audit:

In 2018 FEIB commissioned a qualified third-party consultation company to implement the information system security evaluation. Assessment projects include information system architecture review, network activity review, compliance review, vulnerability scanning, penetration tests, Mobile App security testing, SWIFT Customer Security Program (CSP) audit, and e-mail phishing exercise. The low-risk issues discovered during the period have been improved. In addition, FEIB commissioned an accountant to complete the personal information protection audit for the previous year, the audit result conformed to all relevant specifications. The implementation of FEIB's information security has met the specifications and requirements for testing and verification.

❸ Improving the information security protection architecture:

FEIB conduct a comprehensive inspection of FEIB's network architecture, and evaluate each system's importance and risk level. Plan and establish the overall network security area architecture. Also evaluate and strengthen the privileged account management architecture, and introduce privileged management system increased control mechanism. In addition, strengthen the security monitoring of important systems and networks, and conduct correlation analysis of information to strengthen the defense-in-depth defense mechanism.

❹ Emergency response plan:

Completed distributed denial of service (DDoS) attack response drill, ATM accident response procedure drill, and information system backup drill. The drill result conformed to expectations to confirm the effectiveness of mechanisms and procedures.

Although FEIB has not yet invested in security insurance, the management plans and preventive measures in items (1) to (4) above have effectively controlled the security risks.

(5) Effect of a Change in Bank's Image and Responding Measures

Based on the business philosophy of "Sincerity, Diligence, Thrift, Prudence, and Innovation", the Bank is committed to becoming a professional and sophisticated financial services company in Greater China and ASEAN markets, providing customers with the best modern investment and financial solutions, focusing on safeguarding consumer rights. At the same time, corporate social responsibility is regarded as one of the core values of the Bank. We are committed to sponsoring philanthropic events based on the concept of "Take

from society, Give back to society ” and have maintained a good corporate image for a long time.

(6) Expected Benefits, Possible Risks and Responding Measures for M&As

No merger or acquisition in 2018

(7) Expected Benefits, Possible Risks and Responding Measures for Network Expansion

Domestic base

A. Anticipated Benefits

❶ Enhancing access convenience of branches would result in higher customers' willingness to do business with us and would also encourage our personnel to explore more potential areas with high-end customers and to enhance relationships with customers.

❷ Through creating the best financial service space for customers and cross banking groups' corporations, the branch offers customers one stop service with a sense of worth.

B. Possible risks

❶ It takes time for a new branch to attract customers and AUM, thus the growth curve would be flat in the beginning.

❷ The depreciation cost of the refurbishment for the new branch would be high in the beginning and would result in a drop in profit.

C. Corresponding measures:

❶ Recruit experienced sales personnel with the aim of swiftly raising the size of AUM.

❷ Provide customers with diverse services through e-marketing and by making the use of Big data analysis for SME financing service, deposits and financial products in order to enhance the relationships with customers and hence lead to increase in profits.

Oversea base

The Bank is applying to establish Ho Chi Minh and Singapore rep. offices to extend the Greater China platform and to build the foundation of ASEAN markets. The investments and operation risks of establishing rep. offices are lower than branches. So far setting-up the rep. offices is of limited impact on FEIB earnings and financial structure.

(8) Risks and Responding Measures of Business Concentration

A. Consumer Banking and Credit Cards：Continue to leverage digital services and big data to create better customer experience, expand multi-business model and develop new strategic partnership. Balance the business growth among mortgage, car loans and unsecured loans. Reinforce compliance and ensure operating procedures are fully complied with internal and external policies. Upgrade risk differentiation tools to guarantee a healthy portfolio growth.

B. Corporate Banking：By internal SOP and supervisory regulation, Corporate banking group (CBG) conducts corporate credit line business. CBG periodically examines the controlling mechanism focused on the credit lines of same industry, conglomerate, affiliated enterprise and identical customer. CBG has complied with the line

management of targeted industrial proportion. There is no over- concentrated industry or region for the business development, and no any competitive disadvantage of risk dispersion. The line management is comprehensively sound.

(9) Effect, Risks and Responding Measures to Ownership Changes

No ownership changes in 2018

(10) Impact, risks and countermeasures if any board directors or shareholders who own more than 1% shares of the Bank make a significant share transfer or replacement

None.

(11) Litigation or non-litigation cases

None.

(12) Other Important Risks and Responsive Procedures

None.

7. Crisis Management Mechanism

(1) FEIB not only formulates "Guidelines on major events occurring" and "Guidelines on Emergency Response Plan", but also set Emergency Response Center. When crisis happens, FEIB can predominate immediate data effectively and integrate them timely to adopt response measures, ensuring our business to be normal.

(2) Build Duty Officer System in weekday and assign a general duty officer to coordinate sudden crisis and circulate crisis events as required.

(3) All business units should carry out crisis response measures according to FEIB's "Emergency Response Notice", "Employee Fire and Anti-robbing group exercise Plan" and "Operations of Major Crisis response".

(4) All business units should execute disaster drill and education training twice per year to reduce disaster accident losses.

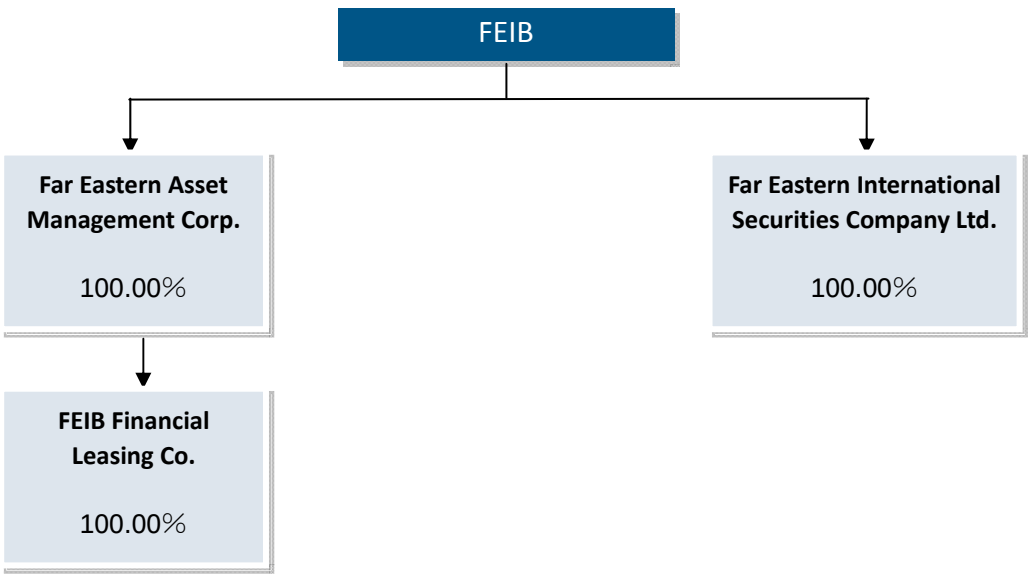
8. Other Important Items:

None.

VIII. Special Disclosure

1. Summary of affiliated companies

(1) Organization chart



Note：Affiliated companies of the Bank do not hold each other's shares

(2) Backgrounds of Affiliated Companies

Unit：NT$ Thousands　　December 31, 2018

Company Name	Established Date	Address	Paid-in Capital	Main Business
Far Eastern Asset Management Corp.	Jan 29, 2004	1st Floor, 4th Floor, No. 267, Section 2, Dunhua South Road, Taipei	684,000	Financial institutions buy, evaluate, auction and manage services for money claims. Accounts receivable purchase business. Overdue accounts receivable management services.
Far Eastern International Securities Company Ltd.	Jun 26, 2008	51F, No.7, Sec. 5, Xinyi Road, Taipei.11049, Taiwan.	200,000	Foreign securities brokerage and wealth management business.
FEIB Financial Leasing Co.	Apr 27, 2015	Rm. 2806, Tower 1 Grand Gateway 66, 1 Hong Qiao Rd., Xuhui District, Shanghai, China	USD 10,000 (eqv. NT$305,110 thousands)	Financial Leasing Business , Leasing Business ,Purchase of leasing property from domestic and foreign ,Consultation and Guarantee of Leasing Transactions, Factoring Business related to main business

(3) Backgrounds of directors, supervisors and presidents of affiliated companies

December 31 ,2018

Company Name	Title	Name of Representatives	Shareholding	
			No.of Shares	Ratio%
Far Eastern Asset Management Corp.	Chairman	LIN, JIANN-JONG (representative of FEIB)	68,400,000	100.00%
	Director	CHOU,TIEN-TSAI (representative of FEIB)	68,400,000	100.00%
	Director	DAI,GUANG JENG (representative of FEIB)	68,400,000	100.00%
	Director	WANG , SHAW Y. (representative of FEIB)	68,400,000	100.00%
	Director	CHENG,CHAN-FONG (representative of FEIB)	68,400,000	100.00%
	Supervisor	CHEN,YUN-YI (representative of FEIB)	68,400,000	100.00%
	Supervisor	CHENG , HUM PHREY (representative of FEIB)	68,400,000	100.00%
Far Eastern International Securities Company Ltd.	Chairman	LIAO,GUO-DONG (representative of FEIB)	20,000,000	100.00%
	Director	LIN, JIANN-JONG (representative of FEIB)	20,000,000	100.00%
	Director	TAI, SUNGCHIH (representative of FEIB)	20,000,000	100.00%
	Director	LIU,MAY-LING (representative of FEIB)	20,000,000	100.00%
	Director	CHOU, SHIN-HWA (representative of FEIB)	20,000,000	100.00%
	Director	YANG,YA-SEN (representative of FEIB)	20,000,000	100.00%
	Supervisor	CHEN,YUN-YI (representative of FEIB)	20,000,000	100.00%
FEIB Financial Leasing Co.	Chairman	LIN, JIANN-JONG (representative of Far Eastern Asset Management Corp)	No securities issued	100% holding
	Director	Chi, Steve (representative of Far Eastern Asset Management Corp)		
	Director	DAI,GUANG JENG (representative of Far Eastern Asset Management Corp)		
	Director	Liu, Vincent (representative of Far Eastern Asset Management Corp)		
	Director	CIOU,KUN-LONG (representative of Far Eastern Asset Management Corp)		
	Supervisor	CHOU, SHIN-HWA (representative of Far Eastern Asset Management Corp)		

(4) Performance of Affiliated Companies

Unit：NT$ Thousands

December 31, 2018

Company Name	Paid-in capital	Assets	Liabilities	Net value	Operating revenue	Operating income	Income before tax	EPS (before tax)
Far Eastern Asset Management Corp.	684,000	1,195,927	512,004	683,923	52,262	25,828	34,977	0.51
Far Eastern International Securities Company Ltd.	200,000	404,426	69,721	334,705	286,788	46,259	47,155	2.36
FEIB Financial Leasing Co.	305,110	1,098,519	792,479	306,040	72,191	17,121	12,830	-

2. Private Placement Securities and Financial Bonds:

Private Placement of Securities: None.

Private Placement of Financial Debentures: None.

3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years

None.

4. Other Important Supplementary Information

None.

5. Events Occurred in the Previous Year and Up to the Publication of this Annual Report, which Significantly Affect Shareholders' Equity or Price of Shares Pursuant to Item 2, paragraph 3 of Article 36 of the Securities and Exchange Act:

None.

VIIII. Memorabilia

Significant Events in 2018

Jan	Launched Far Eastern Happy Card built-in Easy Card version
Feb	Insurance Agency Business Group completed the BSI certification and introduced the ISO27001 information security management system. Mobile Bank APP launched the "Happy Red Packet" online community transfer service.
Mar	Online banking service obtained the accessibility conformance level A from the National Communications and Communications Commission(NCCC) i applied for the platform to add " Optical Character Recognition (OCR)" function. Received "Best Customer Recommendation Award" and "Best Video Marketing Award" by Wealth Magazine in 2018.
Apr	Mobile Bank APP launched the "Happy cash gift" online community transfer service. Corporate Internet Banking launched the "AP to AP Connected Payment" service FEIB was in the top 6~20% of the listed companies in the fourth "Corporate Governance Evaluation" conducted by Taiwan Stock Exchange.
May	Mobile Bank APP launched "Instant Message Notification" service to provide account instant push notifications
June	Received "Contact Center Award" and "High Speed Customer Service Award" by APCSC. The shareholders' meeting resoluted dividend distribution of NT$0.71 per share and elected 11 seats for the 10th board of directors. Published 2017 FEIB CSR Report.
July	Launched physical credit card binding Taiwan mobile payment service. Received 2018 "Best Wealth Management Award" and "Best Brand Image Award" by Excellence Magazine.
Aug	Received "Assistant Group Best Insurance Professional Award" and "Best Pathway Strategy Award" by RMIM Magazine. Received "Best Wealth Manager, Rising Star - Taiwan Award" by 《The Asset》Magazine.
Oct	Co-sponsored a learning program for VIPs above 55 with the Yuan Ze University for promoting the elderly. Conducted ISO 14064-1 checking in headquarter building
Nov	Launched "Bankee's official website". "FE QR code Payment Gateway" worked with LINE Pay, Xpress, and WeChat Payment to provide cross-border payment services in many department stores. Received "Outstanding CSR Sustainability Report" by BSI Standards annual conference. Received "Taiwan Corporate Sustainability Award Bronze Silver Medal" by TCSA.
Dec	Published 2019 calendar titled "Time Sings with Humanities in Bloom" with the theme of the former residences of writers and artists. Received a subsidy of NT$950,000 from the Ministry of Labor's "Enterprise Human Resources Improvement Plan - Individual Type" Received "Badge of Healthy Workplace" by Health Promotion Administration, Ministry of Health and Welfare. As the lead bank of "Lei Shing Hong Credit Limited", three-year USD3.1 billion syndicated loans.

Headquarters and Domestic Branches

Operating Unit	Address	Telephone Number
Headquarter	27F, No. 207, Dunhua S. Rd., Sec. 2, Da-an Dist., Taipei City 106,Taiwan	(886-2) 2378-6868
Taipei Chung Hsiao Branch	No. 112, Zhongxiao E. Rd., Sec. 1, Zhongzheng Dist., Taipei City 100, Taiwan	(886-2) 2327-8898
Taipei Tungmen Branch	No. 135, Sinyi Rd., Sec. 2, Zhongzheng Dist., Taipei City 100, Taiwan	(886-2) 2356-7711
Taipei Hsiang Yang Branch	No. 1, Hsiang yang Rd., Zhongzheng Dist., Taipei City 100, Taiwan	(886-2) 2381-4567
Taipei Nanmen Branch	No. 40, Roosevelt Rd., Sec. 1, Zhongzheng Dist., Taipei City 100, Taiwan	(886-2) 2392-6955
Taipei Guting Branch	No. 50, Roosevelt Rd., Sec. 3, Zhongzheng Dist., Taipei City 100, Taiwan	(886-2) 2369-5600
Taipei Dadaocheng Branch	No. 86, Yanping N. Rd., Sec. 2, Datong Dist. , Taipei City 103, Taiwan	(886-2) 2558-6186
Taipei Chungching Branch	No. 30, Chungching N. Rd., Sec. 1, Datong Dist., Taipei City 103, Taiwan	(886-2) 2550-6600
International Banking Department	2F, No. 30, Chungching N. Rd., Sec. 1, Datong Dist., Taipei City 103, Taiwan	(886-2) 2550-8811
Taipei Chungshan Branch	No. 70, Minsheng E. Rd., Sec. 1, Chungshan Dist., Taipei City 104, Taiwan	(886-2) 2523-8899
Taipei Sungchiang Branch	No. 59, Sungchiang Rd., Chungshan Dist., Taipei City 104, Taiwan	(886-2) 2505-5533
Taipei Nanjing East Road Branch	No. 101, Nanjing E. Rd., Sec. 3, Chungshan Dist., Taipei City 104, Taiwan	(886-2) 7702-9766
Taipei Nungan Mini Branch	No. 12-1, Nungan St., Chungshan Dist., Taipei City 104, Taiwan	(886-2) 2592-2255
Taipei Sungshan Branch	No. 171, Nanjing E. Rd., Sec. 5, Sungshan Dist., Taipei City 105, Taiwan	(886-2) 8787-6668
Head Office Branch	1F, No. 207, Dunhua S. Rd., Sec. 2, Da-an Dist., Taipei City 106, Taiwan	(886-2) 2378-6868
Taipei Dun Nan Branch	13F, No. 207, Dunhua S. Rd., Sec. 2, Da-an Dist., Taipei City 106, Taiwan	(886-2) 7732-0086
Trust Department	20F, No. 207, Dunhua S. Rd., Sec. 2, Da-an Dist., Taipei City 106, Taiwan	(886-2) 2312-3636
Taipei Yungji Branch	No. 7, Zhongpo N. Rd., Shinyi Dist., Taipei City 110, Taiwan	(886-2) 8785-5788
Taipei Shinyi Branch	No. 505, Guangfu S. Rd., Shinyi Dist., Taipei City 106, Taiwan	(886-2) 2720-7755
Taipei 101 Mini Branch	51-1 Floor, Taipei 101 Tower, No. 7, Shinyi Rd, Sec. 5, Taipei City 110, Taiwan	(886-2) 8101-0168
Taipei Yihsien Branch	No. 200-3, Keelung Rd., Sec. 1, Shinyi Dist., Taipei City 110, Taiwan	(886-2) 2722-9558
Shipai Branch	No. 112, Shipai Rd., Sec. 2, Beitou Dist., Taipei City 112, Taiwan	(886-2) 2826-5688
Taipei Jinhu Mini Branch	No. 495, Minquan E. Rd., Sec. 6, Neihu Dist., Taipei City 114, Taiwan	(886-2) 2630-5788
Credit Card Department	No. 33, Aly. 3, Ln 182, Wenhua Rd., Sec. 2, Panchiao City, New Taipei City 220, Taiwan	(886-2) 8073-1166
Panchiao Wenhua Branch	No. 1, Wenhua Rd., Sec. 2, Panchiao Dist., New Taipei City 220, Taiwan	(886-2) 2255-6499
Panchiao Nanya Branch	No. 172, Nanya S. Rd., Sec. 2, Panchiao Dist., New Taipei City 220, Taiwan	(886-2) 8966-3339
Panchiao Chungcheng Branch	No. 228, Chungcheng Rd., Panchiao Dist., New Taipei City 220, Taiwan	(886-2) 2272-6088
Panchiao Mega City Branch	2F, No. 18, Xinzhan Rd., Panchiao Dist., New Taipei City 220, Taiwan	(886-2) 7729-0616
Shindian Branch	No. 98, Beixin Rd., Sec. 3, Shindian Dist., New Taipei City 231, Taiwan	(886-2) 2910-6060
Yungho Branch	No. 222, Fuhe Rd., Yongho Dist., New Taipei City 234, Taiwan	(886-2) 2232-6500
Shuangho Branch	No. 535, Zhonghe Rd., Yongho Dist., New Taipei City 234, Taiwan	(886-2) 7717-6668
Chungho Branch	No. 3, Heping St., Chungho Dist., New Taipei City 235, Taiwan	(886-2) 2945-1800
Sanchung Branch	No. 46, Fude N. Rd., Sanchung Dist., New Taipei City 241, Taiwan	(886-2) 8973-1133

Operating Unit	Address	Telephone Number
Taipei Shinchuang Branch	No. 209, Fuxing Rd., Sec. 1, Shinchuang Dist., New Taipei City 242, Taiwan	(886-2) 8991-3366
Shinchuang Fu Guo Branch	No. 6, Fuguo Rd., Shinchuang Dist., New Taipei City 242, Taiwan	(886-2) 2901-6868
Luzhou Branch	No. 38, Sanmin Rd., Luzhou Dist. New Taipei City 247, Taiwan	(886-2) 7730-6978
Chungli Branch	No. 372, Yanping Rd., Chungli Dist., Taoyuan City 320, Taiwan	(886-3) 427-9696
Taoyuan Branch	No. 78, Nanhua St., Taoyuan Dist., Taoyuan City 330, Taiwan	(886-3) 339-6339
Taoyuan Tashing Branch	No. 6, Tashing W. Rd., Sec. 2, Taoyuan Dist., Taoyuan City 330, Taiwan	(886-3) 301-8966
Taoyuan Dayou Branch	No. 480, Dayou Rd., Taoyuan District, Taoyuan City 330, Taiwan	(886-3) 346-9688
Lin Kou Branch	No. 227, Fuxing 1st Rd., Guishan Dist., Taoyuan City 333, Taiwan	(886-3) 397-3888
Hsinchu Jinguo Branch	No. 100, Jinguo Rd., Sec. 2, Hsinchu City 300, Taiwan	(886-3) 533-3131
Hsinchu Scientific Park Branch	3F, No. 11, Yuanqu 2nd Rd., Hsinchu City 300, Taiwan	(886-3) 579-8833
Hsinchu Big City Branch	No. 243, Zhongyang Rd., East Dist., Hsinchu City 300, Taiwan	(886-3) 533-8168
Chupei Branch	No. 41, Guangming 6th Rd., Chupei city, Hsinchu County 302, Taiwan	(886-3) 553-6699
Taichung Jihyu Branch	No. 131, Jihyu Rd., Sec. 2, Central Dist., Taichung City 400, Taiwan	(886-4) 2225-2008
Taichung Kungyi Branch	No. 367, Kungyi Rd., West Dist., Taichung City 403, Taiwan	(886-4) 2328-8666
Taichung Daya Branch	No. 180, Wenshing Rd., Sec. 4, North Dist., Taichung City 404, Taiwan	(886-4) 2297-3266
Taichung Wenshing Branch	No. 698, Wenshin Rd., Sec. 4, Beitun Dist., Taichung City 406, Taiwan	(886-4) 2230-6689
Dali 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 2nd Rd., Nantou City, Nantou County 540, Taiwan	(886-49) 222-3311
Chiayi Branch	No. 272, Wenhua Rd., East Dist., 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
Chungde Branch	No. 87, Chongdao Rd., East Dist., Tainan City 701, Taiwan	(886-6) 290-7290
Yungkang Branch	No. 37, Zhongzheng N. Rd., Yungkang Dist., Tainan City 710, Taiwan	(886-6) 253-0400
Kaohsiung Chungcheng Branch	No. 49, Chungcheng 4th Rd., Xinxing Dist., Kaohsiung City 800, Taiwan	(886-7) 251-8199
Kaohsiung Culture Center Branch	No. 96, Siwei 2nd 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, Qingnian Rd., Sec. 2, Fengshan Dist., Kaohsiung City 830, Taiwan	(886-7) 777-8600
Hong Kong Branch	20F, No. 8, Queen's Road, Central, Hong Kong	(852) 2167-8183

Far Eastern International Bank Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

Deloitte.

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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, 2018 and 2017, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks 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, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, 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, 2018 for the Bank and its subsidiaries, which are described as follows:

Allowance for Expected Credit Losses on Loans and Receivables

As of December 31, 2018, the balances of loans and receivables in the aggregate amounted to $401,172,495 thousand, accounted for 64% of the total assets of the consolidated financial statements; an amount that is deemed to be significant to the consolidated financial statements. To the allowance for expected credit losses on loans and receivables, the Bank has assessed according to IFRS 9 and comply with relevant regulations issued

by authorities, whichever is higher. As the assessment on the impairment of loans and accounts receivables involved the management's critical judgments in accounting estimation and the underlying assumption, related disclosures refer to Notes 5 to the consolidated financial statements, we deemed to the allowance for expect credit losses on loans and receivables was a key audit matter.

Refer to Notes 4, 5, 13, 14 and 45 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 perform tests on the Bank's internal controls relevant to loans and receivables impairment assessment;

2. Identity the potential risk of loans and receivables customers from public information, and confirm that whether to include in the appropriate assessment stage;

3. Verify whether the methodology, main assumptions and parameters (consider the probability of default, probability of loss given default and exposure at default on forward-looking information) adopted by the impairment model of expected credit losses adequately reflect the actual position and compliance with IFRS 9, 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, 2018, 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 21 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, 2018 and 2017 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, 2018 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 26, 2019

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents (Note 6)	$ 10,023,920	2	$ 8,592,901	2
Due from the central bank and other banks (Notes 7 and 38)	27,543,032	4	22,351,083	4
Financial assets at fair value through profit or loss (Notes 4, 5, 8 and 43)	46,507,501	7	30,208,333	5
Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 11, 29, 39 and 43)	119,779,052	19	-	-
Investment in debt instruments at amortized cost, net (Notes 4, 5, 10, 11 and 43)	2,588,654	-	-	-
Securities purchased under resale agreements (Notes 4, 12 and 38)	8,289,275	1	11,071,393	2
Receivables, net (Notes 4, 5, 13, 14, 38 and 43)	21,484,377	4	22,750,869	4
Current tax assets (Note 4)	93	-	7,372	-
Discounts and loans, net (Notes 4, 5, 14, 38 and 43)	379,688,118	61	351,056,762	61
Available-for-sale financial assets (Notes 4, 15, 29, 39 and 43)	-	-	109,631,578	19
Held-to-maturity financial assets (Notes 4, 16 and 43)	-	-	2,135,246	-
Investment accounted for using equity method (Notes 4, 17 and 29)	1,776,350	-	1,774,066	-
Debt investments with no active market (Notes 4, 18 and 43)	-	-	6,677,076	1
Other financial assets, net (Notes 4, 19, 39 and 43)	4,695,376	1	3,768,480	1
Property and equipment, net (Notes 4 and 20)	2,732,431	1	2,889,392	1
Intangible assets, net (Notes 4, 5 and 21)	1,699,602	-	1,725,085	-
Deferred tax assets (Notes 4 and 36)	372,184	-	584,502	-
Other assets	171,185	-	200,142	-
TOTAL	$ 627,351,150	100	$ 575,424,280	100
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the central bank and other banks (Note 22)	$ 15,726,723	3	$ 6,960,774	1
Financial liabilities at fair value through profit or loss (Notes 4, 5, 8, 26, 38 and 43)	2,752,479	1	4,319,121	1
Securities sold under repurchase agreements (Notes 4 and 23)	14,665,794	2	12,921,364	3
Payables (Note 24)	7,265,222	1	6,488,285	1
Current tax liabilities (Note 4)	201,032	-	254,446	-
Deposits and remittances (Notes 25, 38 and 43)	508,407,972	81	472,392,183	82
Bank debentures (Notes 8, 26 and 43)	18,001,900	3	20,216,664	4
Principal received on structured notes	12,479,170	2	6,482,513	1
Other miscellaneous financial liabilities	1,436,104	-	934,262	-
Provisions (Notes 4, 27 and 38)	1,194,774	-	1,127,116	-
Other liabilities	475,240	-	540,880	-
Total liabilities	582,606,410	93	532,637,608	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Notes 4, 9, 15, 17 and 30)				
Share capital	32,691,859	5	31,829,286	5
Capital surplus	456,426	-	456,426	-
Retained earnings				
Legal reserve	7,400,808	1	6,544,643	1
Special reserve	36,411	-	250,703	-
Unappropriated earnings	4,211,908	1	3,691,412	1
Total retained earnings	11,649,127	2	10,486,758	2
Other equity	(52,672)	-	14,202	-
Total equity	44,744,740	7	42,786,672	7
TOTAL	$ 627,351,150	100	$ 575,424,280	100

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUES (Notes 4, 30 and 38)	$ 11,316,237	101	$ 10,057,931	97	13
INTEREST EXPENSES (Notes 4, 30 and 38)	5,635,434	50	4,653,057	45	21
NET INTERESTS	5,680,803	51	5,404,874	52	5
NET REVENUES OTHER THAN INTEREST					
Net service fee income (Notes 4, 31 and 38)	3,130,773	28	3,129,200	30	-
Net gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 5, 8, 32, 38 and 43)	1,505,960	13	1,732,217	17	(13)
Net realized gains on available-for-sale financial assets (Notes 4 and 29)	-	-	86,718	1	(100)
Net realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 29)	138,491	1	-	-	-
Net foreign exchange gains (loss) (Note 4)	263,801	2	(293,168)	(3)	190
Shares of profit of associates for using equity method (Notes 4 and 17)	92,467	1	103,337	1	(11)
Gains on disposal of property (Note 4)	174,804	2	45	-	388,353
Others (Note 19)	231,178	2	233,906	2	(1)
Total net revenues other than interest	5,537,474	49	4,992,255	48	11
CONSOLIDATED NET REVENUES	11,218,277	100	10,397,129	100	8
PROVISION FOR LOSSES ON BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE (Notes 4, 14 and 38)	514,803	5	731,847	7	(30)

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits expense (Notes 4, 28, 33 and 38)	$ 3,838,158	34	$ 3,667,799	35	5
Depreciation and amortization (Notes 4 and 34)	250,039	2	248,142	3	1
Other general and administrative expenses (Notes 35 and 38)	2,546,798	23	2,481,697	24	3
Total operating expenses	6,634,995	59	6,397,638	62	4
INCOME BEFORE INCOME TAX	4,068,479	36	3,267,644	31	25
INCOME TAX EXPENSE (Notes 4, 5 and 36)	544,278	5	413,761	4	32
NET INCOME FOR THE YEAR	3,524,201	31	2,853,883	27	23
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 5, 9, 11, 15, 17, 29 and 36)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(46,657)	(1)	55,828	1	(184)
Losses on valuation of investments in equity instruments at fair value through other comprehensive income	(37,126)	-	-	-	-
Share of other comprehensive loss of associates for using equity method	(4,832)	-	(414)	-	(1,067)
Income tax relating to items that will not be reclassified subsequently to profit or loss	23,181	-	(9,491)	-	344
	(65,434)	(1)	45,923	1	(242)

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	$ 60,367	1	$ (128,795)	(1)	147
Unrealized gain on available-for-sale financial assets	-	-	357,804	3	(100)
Share of other comprehensive income of associates for using equity method	(17,788)	-	9,528	-	(287)
Losses on valuation of investments in debt instruments at fair value through other comprehensive income	(308,014)	(3)	-	-	-
Gains on reversal of investments in debt instruments at fair value through other comprehensive income	(929)	-	-	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 37)	2,103	-	4,226	-	(50)
	(264,261)	(2)	242,763	2	(209)
Other comprehensive income (loss) for the year	(329,695)	(3)	288,686	3	(214)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 3,194,506	28	$ 3,142,569	30	2
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 3,524,201	31	$ 2,853,883	27	23
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 3,194,506	28	$ 3,142,569	30	2
EARNINGS PER SHARE (Note 37)					
Basic	$1.08		$0.87		
Diluted	$1.07		$0.84		

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Share Capital (Note 30)	Capital Surplus (Note 30)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations (Note 4)	Unrealized Loss on Available-for- sale Financial Assets (Notes 4, 13, 15 and 30)	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income(Notes 4, 15 and 29)	Total Equity
BALANCE AT JANUARY 1, 2017	$ 31,113,672	$ 456,426	$ 5,571,477	$ 121,028	$ 3,916,835	$ 115,916	$ (344,477)	$ -	$ 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$0.230 dollars per share	715,614	-	-	-	(715,614)	-	-	-	-
	715,614	-	973,166	129,675	(3,125,229)	-	-	-	(1,306,774)
Net income for the year ended December 31, 2017	-	-	-	-	2,853,883	-	-	-	2,853,883
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	45,923	(124,569)	367,332	-	288,686
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	2,899,806	(124,569)	367,332	-	3,142,569
BALANCE AT DECEMBER 31, 2017	31,829,286	456,426	6,544,643	250,703	3,691,412	(8,653)	22,855	-	42,786,672
Effects of retrospective application	-	-	-	-	(12,342)	-	(22,855)	196,065	160,868
BALANCE AT JANUARY, 2018 AS APPLIED RETROSPECTIVELY	31,829,286	456,426	6,544,643	250,703	3,679,070	(8,653)	-	196,065	42,947,540
Appropriation of the 2017 earnings									
Legal reserve	-	-	856,165	-	(856,165)	-	-	-	-
Reversal of special reserves	-	-	-	(214,292)	214,292	-	-	-	-
Cash dividends - NT$ 0.439 dollars per share	-	-	-	-	(1,397,306)	-	-	-	(1,397,306)
Stock dividends - NT$ 0.271 dollars per share	862,573	-	-	-	(862,573)	-	-	-	-
	862,573	-	856,165	(214,292)	(2,901,752)	-	-	-	(1,397,306)
Net income for the year ended December 31, 2018	-	-	-	-	3,524,201	-	-	-	3,524,201
Other comprehensive loss for the year ended December 31, 2018	-	-	-	-	(24,080)	62,470	-	(368,085)	(329,695)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	3,500,121	62,470	-	(368,085)	3,194,506
Disposal of investments in equity instruments	-	-	-	-	(65,531)	-	-	65,531	-
BALANCE AT DECEMBER 31, 2018	$ 32,691,859	$ 456,426	$ 7,400,808	$ 36,411	$ 4,211,908	$ 53,817	$ -	$ (106,489)	$ 44,744,740

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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 4,068,479	$ 3,267,644
Adjustments for:		
Depreciation	222,608	220,196
Amortization	27,431	27,946
Provision for losses on bad debts expense, commitment and guarantee	973,684	1,215,343
Net valuation loss (gain) on financial assets and liabilities at fair value through profit or loss	220,958	(160,180)
Interest expenses	5,635,434	4,653,057
Interest revenues	(11,316,237)	(10,057,931)
Dividends revenue	(124,637)	(63,321)
Shares of profit from associates	(92,467)	(103,337)
Loss (gain) on disposal and retirement of property and equipment	(173,729)	2,939
Gain on disposal financial assets carried at cost	-	(1,490)
Unrealized net loss (gain) on foreign currency exchange	(222,021)	395,728
Other adjustments	(81,687)	(103,934)
Changes in operating assets and liabilities		
Decrease (increase) in due from the central bank and other banks	(1,135,766)	7,092,056
Decrease (increase) in financial assets at fair value through profit or loss	(6,101,228)	3,781,946
Increase in financial assets at fair value through other comprehensive income	(10,572,357)	-
Increase in investments in debt instruments at amortized cost	(385,871)	-
Decrease (increase) in receivables	2,061,824	(1,776,592)
Decrease (increase) in discounts and loans	(31,530,667)	551,765
Increase in available-for-sale financial assets	-	(30,236,113)
Decrease in held-to-maturity financial assets	-	306,249
Decrease in debt investments with no active market	-	919,160
Increase in due to the central bank and other banks	8,330,844	137,136
Decrease in financial liabilities at fair value through profit or loss	(1,566,648)	(3,635,415)
Increase in payables	516,816	456,277
Increase in deposits and remittances	34,057,100	25,778,208
Increase in principal received on structured products	6,177,186	1,543,857
Cash generated from (used in) operations	(1,010,951)	4,211,194
Interest received	11,236,728	9,933,372
Dividends received	124,637	63,321
Interest paid	(5,461,669)	(4,338,543)
Income tax paid	(341,818)	(486,615)
Net cash generated from operating activities	4,546,927	9,382,729

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
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	(280,235)	(224,462)
Proceeds from disposal of property and equipment	370,883	45
Increase in other financial assets	(1,156,229)	(29,336)
Decrease in other assets	45,389	19,794
Dividends received from subsidiaries and associates	71,573	69,585
Net cash used in investing activities	(948,619)	(166,808)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of Euro Convertible Bond	(1,586,434)	-
Proceeds from the issuance of bank debentures	2,900,000	-
Redemption of bank debentures	(3,500,000)	(4,000,000)
Increase (decrease) in securities sold under repurchase agreements	2,030,599	(434,630)
Increase (decrease) in other financial liabilities	501,842	(339,255)
Increase (decrease) in other liabilities	(50,545)	30,605
Cash dividends	(1,397,306)	(1,306,774)
Net cash used in financing activities	(1,101,844)	(6,050,054)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	77,201	53,011
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,573,665	3,218,878
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	31,536,618	28,317,740
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 34,110,283	$ 31,536,618

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

	December 31	
	2018	2017
Cash and cash equivalents in consolidated balance sheets	$ 10,023,920	$ 8,592901
Due from the Central Bank and other banks that meet the IAS 7 definition of "cash and cash equivalents"	15,797,088	11,872,324
Securities purchased under resale agreements that meet the IAS 7 definition of "cash and cash equivalents"	8,289,275	11,071,393
Cash and cash equivalents in consolidated statements of cash flows	$ 34,110,283	$ 31,536,618

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

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 wholly-owned subsidiaries of the Bank, 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 the merger date.

2. APPROVAL OF FINANCIAL REPORTS

The consolidated financial statements were approved by the Bank's Board of Directors on March 26, 2019.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for IFRS 9 "Financial Instruments" and related amendments, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Bank accounting policies:

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

1) Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Bank has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Bank's and its subsidiaries' financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount	
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Hybrid contract	Debt instruments with no active market	Mandatorily at fair value through profit or loss (i.e. FVTPL)	$ 6,677,076	$ 6,669,817
	Loans and receivables	Mandatorily at FVTPL	3,161,799	3,186,456
	Financial assets at FVTPL	Mandatorily at FVTPL	5,680,038	5,680,038
Derivatives	Financial assets at FVTPL	Mandatorily at FVTPL	3,061,166	3,061,166
Equity securities	Financial assets at FVTPL	Mandatorily at FVTPL	347,783	347,783
	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	709,311	709,311
	Financial assets measured at cost	FVTOCI- equity instruments	113,636	309,655
Long-term equity investment	Equity investments under the equity method	Equity investments under the equity method	1,774,066	1,778,071
Mutual funds	Financial assets at FVTPL	Mandatorily at FVTPL	50,473	50,473
	Available-for-sale	Mandatorily at FVTPL	49,400	49,400
Debt securities	Securities purchased under resale agreements	Securities purchased under resale agreements	11,071,393	11,071,268
	Financial assets at FVTPL	Mandatorily at FVTPL	21,068,873	21,068,873
	Available-for-sale	FVTOCI - debt instruments	108,872,867	108,872,867
	Held-to-maturity	Debt instruments at amortized cost	2,135,246	2,134,976
Others	Refundable deposits	Refundable deposits	2,312,331	2,311,735
Loan commitment provision	Provision	Provision	1,127,116	1,182,684

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	$ 30,208,333						
Add: Reclassification from available-for-sale (IAS 39)							
Required reclassification	-	$ 49,400	$ -		$ (600)	$ 600	c)
Add: Reclassification from investments with no active market (IAS 39)	-	6,677,076	(7,259)		(7,259)	-	e)
Add: Reclassification from loans and receivables (IAS 39)							
Required reclassification	-	3,161,799	24,657		24,657	-	f)
	30,208,333	9,888,275	17,398	$ 40,114,006	16,798	600	
FVTOCI							
Debt instruments	-						
Add: Reclassification from available-for-sale (IAS 39)	-	108,872,867	-		(5,247)	5,247	b)
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	709,311	-		-	-	a)
Add: Reclassification and remeasurement from financial assets measured at cost	-	113,636	196,019		37,536	158,483	a)
	-	109,695,814	196,019	109,891,833	32,298	163,730	
Debt instruments at amortized cost	-						
Add: Reclassification from held-to-maturity (IAS 39)	-	2,135,246	(270)		(270)	-	d)
	-	2,135,246	(270)	2,134,976	(270)	-	
Discounts and loans	351,056,762						
Less: Reclassification to FVTPL (IFRS 9)	-	(3,161,799)	-				f)
	351,056,762	(3,161,799)	-	347,894,963	-	-	
Equity investments under the equity method	1,774,066						
Add: Remeasure the equity investments under the equity method (IAS 39)	-	-	4,010		(4,870)	8,880	g)
	1,774,066	-	4,010	1,778,076	(4,870)	8,880	
Securities purchased under resale agreements	11,071,393						
Less: Remeasure the securities purchased under resale agreements (IAS 39)	-	-	(125)		(125)	-	h)
	11,071,393	-	(125)	11,071,268	(125)	-	
Other financial assets	3,667,760						
Less: Remeasure the refundable deposits (IAS 39)	-	-	(596)		(596)	-	h)
Less: Reclassification to FVTOCI - equity instruments (IFRS 9)	-	(113,636)	-		-	-	a)
	3,667,760	(113,636)	(596)	3,553,528	(596)	-	
Assets	397,778,314	118,443,900	216,436	516,438,650	43,226	173,210	
Provision	1,127,116						
Less: Remeasure the provision (IAS 39)	-	-	55,568	-	(55,568)	-	i)
Liability	1,127,116	-	55,568	1,182,684	(55,568)	-	
	$ 396,651,198	$ 118,443,900	$ 160,868	$ 515,255,966	$ (12,342)	$ 173,210	

Note:

a) Investments in equity securities previously classified as available-for-sale under IAS 39 at FVTOCI under IFRS 9, and investments in unlisted shares previously measured at cost under IAS 39 have been classified at FVTOCI under IFRS 9. The Bank previously recognized impairment loss on certain investments in equity securities under IAS 39, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made and resulted in an increase of $37,536 thousand in retained earnings and an increase of $158,483 thousand in other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018.

b) Debt investments previously classified as available-for-sale under IAS 39 were classified as financial assets at FVTOCI with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding, and these investments were held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. As a result of retrospective application, the related adjustments comprised an increase in other equity - unrealized gain on financial assets at FVTOCI of $5,247 thousand and a decrease in retained earnings of $5,247 thousand on January 1, 2018.

c) Mutual funds were classified as available-for-sale under IAS 39. The contractual cash flows at the time of original recognition which were not classified as equity instrument were not solely used to pay for the interest on the principal and the amount of the outstanding principal. Therefore, the investments are measured at FVTPL in accordance with IFRS 9. Due to the retrospective application, the Bank decreased the retained earnings and a increase in other equity of $600 thousand on January 1, 2018.

d) Bond investments were classified as held-to-maturity at amortized cost under IAS 39. The contractual cash flows at the time of original recognition were totally used to pay for the interest on the principal and the amount of the outstanding principal. And the Bank assessed that the business model is for the purpose of collecting contractual cash flow under the current facts and circumstances existing as of January 1, 2018; therefore, such investments are measured at amortized cost in accordance with IFRS 9, and the Bank assessed the expected credit loss. Due to the retrospective application, the Bank decreased the retained earnings on January 1, 2018 by $270 thousand.

e) Investments in debt instrument without active market were classified as financial assets at amortized cost under IAS 39 and were the master contract of the hybrid contract. The classification is determined in accordance with the entire hybrid contract under IFRS 9 and classified as financial assets at FVTPL. Due to the retrospective application, the Bank decreased the retained earnings on January 1, 2018 by $7,259 thousand.

f) Some of discounts and loans were classified as financial assets at amortized cost under IAS 39 and were the master contract of the hybrid contract. The classification is determined in accordance with the entire hybrid contract under IFRS 9 and classified as financial assets at FVTPL. Due to the retrospective application, the Bank increased the retained earnings on January 1, 2018 by $24,657 thousand.

g) Due to a retrospective application with associates under IFRS 9, the Bank comprised a decrease in retained earnings of $4,870 thousand and an increase in other equity - unrealized gain and loss on financial assets at FVTPL of $8,800 thousand on January 1, 2018.

h) The assessment of expected credit loss with securities purchased under resale agreements and refundable deposits in accordance with IFRS 9 were same as investments in debt instrument. As a result of retrospective application, the Bank comprised a decrease in retained earnings of $125 thousand and $596 thousand separately on January 1, 2018.

i) With the assessment of expected credit loss on irrevocable loan commitments under IFRS 9, the Bank comprised a decrease in retained earnings of $55,568 thousand on January 1, 2018.

2) First-time application to reconciliation of the allowance for impairment under IFRS 9

The Bank reconcile the allowance for impairment from occurrence impairment model under IAS 39 to expected impairment model under IFRS 9. The reconciliation on January 1, 2018 is as followed:

Measurement Categories	Allowance for Impairment under IAS 39 and the Account under IAS 37	Reclassification	Remeasurements	Allowance for Impairment under IFRS 9
Loans and receivables (IAS 39)/ financial assets at amortized cost(IFRS 9)				
Receivables and other financial assets	$ 1,006,495	$ -	$ 4,491	$ 1,010,986
Discount and loans	1,642,959	-	34,688	1,677,647
Account the impairment with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	3,390,655	(31,937)	(39,179)	3,319,539
	6,040,109	(31,937)	-	6,008,172
Available for sale(IAS 39)/financial assets at FVTOCI(IFRS 9)	-	-	5,247	5,247
Financial Assets at cost(IAS 39)/ financial assets at FVTOCI (IFRS 9)	37,536	-	(37,536)	-
Held to maturity(IAS 39)/financial assets at amortized cost(IFRS 9)	-	-	270	270
Loan Commitments	-	-	55,568	55,568
Securities purchased under resell agreements	-	-	125	125
Refundable deposits	-	-	596	596
	$ 6,077,645	$ (31,937)	$ 24,270	$ 6,069,978

b. The Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed by the FSC for application starting from 2019.

New, Amended or Revised Standards and Interpretations (the "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)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
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 the election for early adoption of the amendments starting from 2018.

Note 3: The Bank and its subsidiaries shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

Except for the above IFRS 16 “Leases”, as of the date the financial statements were authorized for issue, the Bank is continuously assessing that the application of other standards and interpretations won’t have material impact on the Bank’s financial position and financial performance.

IFRS 16 “Leases”

IFRS 16 sets out the identification of lease agreements and the accounting standards for lessor and lessee that will supersede IAS 17“Leases”、 IFRIC 4“Determining Whether an Arrangement Contains a Lease” and a number of related interpretations.

Definition of leases

When applying IFRS 16 for the first time, the Bank will choose whether a contract signed or changed on or after January 1, 2019 will be assessed as a lease according to IFRS 16. Currently, lease contracts under IAS 17 and IFRIC 4 are not allowed to be reassessed, which should be processed in accordance with the transitional provisions of IFRS 16.

The Bank as lessee

When IFRS 16 is applied for the first time, except for the low-value target asset leases and short-term lease options, which are recognized under a straight-line basis, other leases will be recognized as the right-of-use assets and lease liabilities in the consolidated balance sheets. The consolidated comprehensive income statements will represent the depreciation expense of the right-of-use assets and the interest expense arising from the effective interest method on the lease liabilities separately. In the consolidated cash flow statements, the principal amount of lease liabilities is expressed as financing activities, and the interest payment portion is classified as operating activities. The identified right-of-use assets will be subject to an IAS 36 impairment assessment.

The Bank planned to adjust the cumulative effects of the retroactive application of IFRS 16 to the retained earnings on January 1, 2019, without restating the comparative information.

At present, in accordance with the agreement of IAS 17 for operating leases, the measurement of lease liabilities on January 1, 2019 will be discounted by the remaining lease payments at the increased borrowing rate of the lessee at that date. All assets with use rights will be measured at the amount of lease liabilities on that date.

Anticipated impact on assets, liabilities and equity of January 1, 2019 is set out below:

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepaid lease	$ 3,294	$ (3,294)	$ -
Right-of-use assets	-	902,034	902,034
Total effect on assets		$ 898,740	
Lease liabilities	-	$ 915,878	915,878
Total effect on liabilities		$ 915,878	
Retained earning	11,649,127	$ (17,138)	11,631,989

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Bank and its subsidiaries shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Bank and its subsidiaries shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 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.

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 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. Refer to Note 45 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 2018	% of Ownership December 31 2017
The Bank	Far Eastern Asset Management Co., Ltd. ("FEAMC")	Purchase, evaluation, auction and management of rights of financial institution creditors	100	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

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 branches (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 FVTPL) 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 FVTPL 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. The Bank owns financial assets which are classified into the following specified categories:

2018

1) Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Fair value is determined in the manner described in Note 43.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Any exchange difference is recognized in profit or loss.

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

a) Purchased or originated credit-impaired financial assets, for which interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and

b) Financial assets that have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

3) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

a) The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest revenue calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

4) Investments in equity instruments at FVTOCI

On initial recognition, the Bank and its subsidiaries may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Bank's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

1) Financial assets at FVTPL

Include financial assets at FVTPL and available-for-sale financial assets.

Financial asset may be designated as at FVTPL upon initial recognition if:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

b) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis in accordance with the Bank's documented risk management or investment strategy, and information about the portfolio is provided internally on that basis; or

c) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses, dividends or interest arising on re-measurement 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 FVTPL.

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

2018

The Bank recognizes an allowance for loss for expected credit losses on financial assets at amortized cost, investments in debt instruments that are measured at FVTOCI. For such financial assets, the Bank recognizes lifetime expected credit losses (i.e. ECLs) when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the allowance for loss for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through an allowance for loss account, except for investments in debt instruments that are measured at FVTOCI, for which the allowance for loss is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

2017

Financial assets, other than those at FVTPL, 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, breach of contract (such as a default or delinquency in interest or principal payments), 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

Before 2017, 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through 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.

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 FVTPL

Financial liabilities are classified as at FVTPL 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

2018

The financial guarantee contracts issued by the Bank and not measured at FVTPL are measured at the higher of the allowance for the expected credit losses and the amortized amount after original recognition.

2017

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of the best estimate of the obligation under the contract and the amount initially recognized less the cumulative amortization recognized.

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.

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 derivative host contracts

2018

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract.

2017

Derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; the contracts were not measured at FVTPL.

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 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 expense and deferred tax expense.

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 expense.

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 financial assets (application to 2108)

The estimate of impairment for receivables, discount and loans and investments in debt instruments is based on the assumptions about the probability of default and loss given default. The Bank uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Bank's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 44 where the actual future cash inflows are less than expect, a material impairment loss may arise.

b. Estimating impairment of discounts and loans and receivables (application to 2017)

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.

c. 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.

d. 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 44 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.

e. 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	
	2018	2017
Cash on hand	$ 2,904,762	$ 2,889,476
Notes and checks for clearing	2,416,502	2,018,305
Deposits due from other banks	4,665,317	3,623,344
Balance with other banks	37,339	61,776
	$ 10,023,920	$ 8,592,901

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2018	2017
Due from the central bank - certificates of deposit	$ -	$ 125,000
Due from other banks	12,879,815	5,281,521
New Taiwan dollar reserve deposits - Type A	2,733,295	6,272,154
New Taiwan dollar reserve deposits - Type B	11,745,944	10,353,759
Foreign-currency reserve deposits	125,269	118,969
Due from foreign central bank	58,709	199,680
	$ 27,543,032	$ 22,351,083

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 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, 2018 and 2017, 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 $15,797,088 thousand and $11,872,324 thousand, respectively, and were included in cash and cash equivalents in the consolidated statements of cash flows.

8. FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	December 31, 2018
Financial assets mandatorily classified as at FVTPL (application to 2018)	
Non-derivative financial assets	
Commercial paper	$ 17,068,878
Government bond	8,324,585
Negotiable certificates of deposit	1,487,146
Stock listed on TWSE and TPEx	64,115
	26,944,724
Derivative financial assets	
Foreign-currency swap contracts	2,292,356
Interest rate swap contracts	853,399
Currency option contracts	354,604
Others	282,755
	3,783,114
Hybrid contract	
Asset swap fixed-income contracts	9,345,266
Credit linked loan contracts	3,829,179
Credit linked bond contracts	2,060,823
Convertible (exchangeable) bonds	544,395
	15,779,663
Total financial assets mandatorily classified as at FVTPL	$ 46,507,501

	December 31, 2017
Financial assets mandatorily classified as at FVTPL (application to 2017)	
Financial assets held for trading	
Non-derivative financial assets	
Commercial paper	$ 13,979,621
Government bond	5,238,586
Negotiable certificates of deposit	1,850,666
Stock listed on TWSE and TPEx	347,783
Beneficiary certificates	50,473
	21,467,129
Derivative financial assets	
Foreign-currency swap contracts	950,685
Convertible (exchangeable) bond asset swap contracts	766,433
Interest rate swap contracts	721,496
Currency option contracts	296,384
Forward exchange contracts	149,661
Others	176,507
	3,061,166
Financial assets designated as at FVTPL	
Convertible (exchangeable) bonds	5,680,038
Total financial assets at FVTPL	$ 30,208,333

	December 31	
	2018	2017
Financial liabilities at FVTPL		
Non-derivative financial liabilities		
Settlement coverage bonds payable of short sale	$ -	$ 50,241
Derivative financial liabilities		
Foreign-currency swap contracts	1,159,611	1,161,278
Interest rate swap contracts	758,670	545,246
Currency option contracts	355,293	283,706
Forward exchange contracts	225,459	80,710
Convertible (exchangeable) bond option contracts	122,750	2,125,712
Others	130,696	72,228
	2,752,479	4,268,880
Total financial liabilities at FVTPL	$ 2,752,479	$ 4,319,121

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 (notional) amounts were as follows:

	December 31	
	2018	2017
Foreign-currency swap contracts	$ 383,201,438	$ 312,727,831
Interest rate swap contracts	134,879,271	121,214,106
Currency option contracts	54,427,257	57,406,578
Credit default swap contracts	32,750,274	18,028,192
Forward exchange contracts	21,234,471	16,842,966
Asset swap fixed-income contracts	9,355,595	5,337,816
Cross-currency swap contracts	4,428,940	8,413,280
Interest rate option contracts	1,000,000	4,492,400
Convertible (exchangeable) bond option contracts	683,300	8,122,800
Domestic convertible (exchangeable) bond asset swap contracts	317,000	4,015,800
Commodity forward contracts	111,303	-
Bond futures	225,755	1,295,168
Non-deliverable forward contracts	61,617	356,566

9. FINANCIAL ASSETS AT FVTOCI - 2018

	December 31, 2018
Investments in equity instruments	
Stock listed on TWSE and TPEx	$ 930,492
Stock unlisted on TWSE and TPEx	335,330
	1,265,822
Investments in debt instruments	
Negotiable certificates of deposit from the central bank	62,950,846
Government bonds	31,436,956
Bank debentures	20,548,214
Corporate bonds	2,500,626
Mortgage backed securities	1,076,588
	118,513,230
Total financial assets at FVTOCI	$ 119,779,052

The above investments in equity instrument in the form of ordinary shares for medium- and long-term strategic purposes and expects to make a profit through long-term investments. Therefore, the designated investments are selected to be measured at FVTOCI. These investments were originally classified as available-for-sale financial assets and financial assets measured at cost under IAS 39. For reclassification and other information of 2017, refer to Notes 3, 15 and 19.

The above investments in debt instrument were originally classified as available-for-sale financial assets under IAS 39. For reclassification and other information of 2017, refer to Notes 3 and 15. For the information of credit risk management and impairment assessment on investments in debt instruments at FVTOCI, refer to Note 11. For the information of mortgage backed securities, refer to Note 40.

Part of the bank debentures and government bonds have been issued under repurchase agreements. The book value were as follows. Refer to Note 23 for related information.

	December 31, 2018
Bank debentures	$ 12,745,196
Government bonds	$ 2,702,559

10. DEBT INSTRUMENT INVESTMENT MEASURED AT AMORTIZED COST - 2018

	December 31, 2018
Bank debentures	$ 1,974,153
Corporate bonds	614,660
	2,588,813
Less: Allowance for loss	159
	$ 2,588,654

For the information on financial assets' related credit risk management and impairment at amortized cost, see Note 11.

11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS - 2018

The investments in debt instruments are classified as financial assets at FVTOCI and financial assets at amortized cost, respectively:

December 31, 2018

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 118,563,978	$ 2,588,813	$ 121,152,791
Less: Allowance for loss	4,318	159	4,477
Amortized cost	118,559,660	$ 2,588,654	121,148,314
Fair value adjustment	(46,430)		(46,430)
	$ 118,513,230		$ 121,101,884

The policy which the Bank implements is to invest only in debt instruments with credit ratings above (and including) investment grade and with impairment low in credit risk. The Bank continued to track external rating information to monitor changes in credit risk of the investments in debt instruments and to review other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investments has increased significantly since the original recognition.

The Bank considers the historical default loss rate provided by the independent rating agencies, the debtor's current financial status and the industry's forward-looking forecast to measure the 12-month expected credit loss or full-lifetime expected credit loss of the debt instrument investments. The total book value of investments in debt instrument is $121,152,791 which indicates normal credit level under assessment. The information of changes in allowance for loss which is 12-month expected credit loss is as follows:

	At FVTOCI	At Amortized Cost	Total
Retrospective application of the impact of IFRS 9 on January 1, 2018	$ 5,247	$ 270	$ 5,517
Purchase of new debt instruments	2,834	107	2,941
Derecognition	(3,681)	(135)	(3,816)
Exchange rate and other changes	(82)	(83)	(165)
Allowance for loss on December 31, 2018	$ 4,318	$ 159	$ 4,477

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	December 31	
	2018	2017
Government bonds	$ 5,641,393	$ 7,852,936
Commercial paper	1,498,448	499,411
Negotiable certificates of deposit	1,150,496	2,719,046
	8,290,337	11,071,393
Less: Allowance for loss	1,062	-
	$ 8,289,275	$ 11,071,393
Resale date	2019.01.02-2019.01.24	2018.01.02-2018.01.30
Resale price	$ 8,292,920	$ 11,074,058

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

13. RECEIVABLES, NET

	December 31	
	2018	2017
Credit card	$ 14,374,622	$ 15,045,932
Factoring	3,017,197	4,843,249
Interest	1,067,409	917,409
Buying debt receivable	868,097	272,475
Spot exchange transactions	645,906	598,100
Lease receivables	502,740	350,625
Acceptances	439,359	421,416
Proceeds from disposal of securities	345,671	154,944
Convertible bond redemption	187,414	569,629

(Continued)

	December 31	
	2018	2017
Entrustment loans	$ 175,789	$ 175,574
Others	390,204	557,580
	22,014,408	23,906,933
Less: Allowance for possible losses (Note 14)	530,031	1,156,064
	$ 21,484,377	$ 22,750,869

(Concluded)

The changes in the total carrying amount of receivables and other financial assets in 2018 are as follows:

	Stage 1 (Note1)	Stage 2 (Note2)	Stage 3 (Note3)	Total
Beginning on January 1, 2018	$ 19,954,137	$ 75,443	$ 2,123,312	$ 22,152,892
Changes due to financial assets recognized at the beginning of the period:				
Transfer to Stage2	(56,753)	59,977	(111)	3,113
Transfer to Stage3	(117,060)	(20,729)	152,911	15,122
Transfer to Stage1	8,504	(11,871)	(269)	(3,636)
Financial assets derecognized in the current period	(9,075,785)	(13,015)	(345,091)	(9,433,891)
Purchased or original financial assets	8,021,749	10,727	55,100	8,087,576
Write-offs	(83,437)	(27,894)	(657,815)	(769,146)
Exchange rate and other changes	1,111	(696)	14,849	15,264
Balance on December 31, 2018	$ 18,652,466	$ 71,942	$ 1,342,886	$ 20,067,294

Note 1: 12-Month ECLs
Note 2: Lifetime ECLs
Note 3: Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets)

The changes in the allowance of receivables and other financial assets in 2018 are as follows:

	12-Month Expected Credit Loss (Stage 1)	Lifetime ECLs (Stage 2)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
January 1, 2018	$ 46,393	$ 13,104	$ 951,489	$ 1,010,986	$ 145,266	$ 1,156,252
Changes due to financial assets recognized at the beginning of the period:						
Transfer to Stage2	(69)	5,136	(25)	5,042	-	5,042
Transfer to Stage3	(144)	(3,792)	40,046	36,110	-	36,110
Transfer to Stage1	3	(1,922)	(53)	(1,972)	-	(1,972)
Financial assets derecognized in the current period	(26,252)	(1,916)	(51,209)	(79,377)	-	(79,377)
Purchased or original financial assets	8,227	952	21,392	30,571	-	30,571
The difference of impairment under the 'Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans'	-	-	-	-	(22,463)	(22,463)
Write-offs	(83,437)	(27,894)	(657,815)	(769,146)	-	(769,146)
Exchange rate and other changes	83,060	22,480	69,509	175,049	-	175,049
December 31, 2018	$ 27,781	$ 6,148	$ 373,334	$ 407,263	$ 122,803	$ 530,066

14. DISCOUNTS AND LOANS, NET

	December 31	
	2018	2017
Negotiations, discounts and overdraft	$ 189,594	$ 100,576
Short-term loans	73,855,519	69,042,425
Medium-term loans	140,748,897	124,489,833
Long-term loans	169,517,735	161,806,758
Overdue receivable	611,272	501,027
	384,923,017	355,940,619
Less: Allowance for possible losses	5,234,899	4,883,857
	$ 379,688,118	$ 351,056,762

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

	For the Year Ended December 31	
	2018	2017
Provision for possible losses - discounts and loans	$ 833,097	$ 373,153
Provision for possible losses - others	122,026	830,783
Provision for possible losses - reserve for guarantee obligations	18,561	11,407
Amounts recovered - discounts and loans	(229,379)	(257,773)
Amounts recovered - others	(229,502)	(225,723)
	$ 514,803	$ 731,847

The changes in the total carrying amount of discounts and loan in 2018 are as follows:

	Stage 1 (Note1)	Stage 2 (Note2)	Stage 3 (Note3)	Total
Beginning on January 1, 2018	$ 347,782,666	$ 1,423,658	$ 3,540,559	$ 352,746,883
Changes due to financial assets recognized at the beginning of the period:				
Transfer to Stage2	(392,867)	363,684	(58)	(29,241)
Transfer to Stage3	(604,008)	(370,042)	821,752	(152,298)
Transfer to Stage1	97,281	(113,824)	(1,292)	(17,835)
Financial assets derecognized in the current period	(86,740,476)	(815,201)	(815,269)	(88,370,946)
Purchased or original financial assets	120,569,098	48,464	273,091	120,890,653
Write-offs	(96,709)	(40,686)	(396,228)	(533,623)
Exchange rate and other changes	384,855	696	3,873	389,424
Balance on December 31, 2018	$ 380,999,840	$ 496,749	$ 3,426,428	$ 384,923,017

Note 1: 12-Month ECLs
Note 2: Lifetime ECLs
Note 3: Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets)

The changes in the allowance of discounts and loan in 2018 are as follows:

	12-Month Expected Credit Loss (Stage1)	Lifetime ECLs (Stage2)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets) (Stage3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
January 1, 2018	$ 617,108	$ 67,265	$ 993,274	$ 1,677,647	$ 3,174,273	$ 4,851,920
Changes due to financial assets recognized at the beginning of the period:						
Transfer to Stage2	(1,341)	55,586	(49)	54,196	-	54,196
Transfer to Stage3	(1,090)	(2,964)	179,929	175,875	-	175,875
Transfer to Stage1	100	(12,961)	(678)	(13,539)	-	(13,539)
Financial assets derecognized in the current period	(252,878)	(30,940)	(82,132)	(365,950)	-	(365,950)
Purchased or original financial assets	235,269	27,805	85,284	348,358	-	348,358
The difference of impairment under the 'Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans'.	-	-	-	-	468,488	468,488
Write-offs	(96,709)	(40,686)	(396,228)	(533,623)	-	(533,623)
Exchange rate and other changes	(96,719)	23,604	128,851	249,174	-	249,174
December 31, 2018	$ 597,178	$ 86,709	$ 908,251	$ 1,592,138	$ 3,642,761	$ 5,234,899

Movements of allowance for possible losses on discounts and loans and others (including receivables and other financial assets) in 2017 were as follows:

	Discounts and Loans	Others	Total
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	(54,610)	(50,050)	(104,660)
Balance, December 31, 2017	$ 4,883,857	$ 1,156,252	$ 6,040,109

For the years ended December 31, 2018 and 2017, 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 (Not application in 2018) of financial assets. The results were as follows:

Discounts and loans

Item		December 31, 2017	
		Discounts and Loans	Allowance for Possible Losses
With objective evidence of individual impairment	Assessed individually	$ 1,603,535	$ 563,826
	Assessed by portfolio	1,937,024	441,292
Without objective evidence of individual impairment	Assessed individually	3,193,736	31,937
	Assessed by portfolio	349,206,324	3,846,802
Total		$ 355,940,619	$ 4,883,857

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

Item		December 31, 2017	
		Others	Allowance for Possible Losses
With objective evidence of individual impairment	Assessed individually	$ 657,574	$ 580,751
	Assessed by portfolio	1,465,738	493,309
Without objective evidence of individual impairment	Assessed individually	9,533,501	7,210
	Assessed by portfolio	18,842,391	74,982
Total		$ 30,499,204	$ 1,156,252

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS-2017

	December 31, 2017
Negotiable certificates of deposit issued by the central bank	$ 62,523,204
Government bonds	25,343,404
Bank debentures	21,006,259
Stocks listed on TWSE and TPEx	709,311
Beneficiary certificates	49,400
	$ 109,631,578

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 (refer to Note 23 for the related information on repurchase agreements):

	December 31, 2017
Bank debentures	$ 12,366,170
Government bonds	$ 1,162,801

The assets pledged as collaterals are disclosed in Note 40.

16. HELD-TO-MATURITY FINANCIAL ASSETS-2017

	December 31, 2017
Bank debentures	$ 1,479,602
Government bonds	655,644
	$ 2,135,246

17. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2018		2017	
	Amount	% of Ownership	Amount	% of Ownership
Dah Chung Bills Finance Corp.	$ 1,667,505	22.06	$ 1,646,555	22.06
Deutsche Far Eastern Asset Management Co., Ltd.	108,845	40.00	127,511	40.00
	$ 1,776,350		$ 1,774,066	

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	
	2018	2017
Net income from continuing operation	$ 92,467	$ 103,337
Other comprehensive income	(22,620)	9,114
Total comprehensive income	$ 69,847	$ 112,451

18. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Foreign convertible bond asset swap contracts - master agreement	$ 5,337,816
Convertible bonds	742,300
Credit-linked bond - master agreement	596,960
	$ 6,677,076

19. OTHER FINANCIAL ASSETS, NET

	December 31	
	2018	2017
Nonaccrual loans other than discounts and loans	$ 70	$ 261
Less: Allowance for possible losses (Note 13 and Note 14)	35	188
	35	73
Refundable deposits	2,945,944	2,312,331
Less: Allowance for loss	446	-
	2,945,533	2,312,404
Deposits with original maturity more than 3 months	894,600	549,239
Interbank clearing account	700,805	600,941
Restricted assets	154,438	192,260
Financial assets carried at cost - 2017	-	113,636
	$ 4,695,376	$ 3,768,480

The above restricted assets are margin and collection payment charged form customer in specified current deposit by FEIL.

The assets pledged as collaterals are disclosed in Note 40.

Financial assets carried at cost consist of the following domestic unlisted common stocks in 2017:

	December 31, 2017
Yuan Hsin Digital Payment Co., Ltd.	$ 62,263
Financial Information Service Co., Ltd.	45,500
An Feng Enterprise Co., Ltd.	3,000
Sunshine Asset Management Co., Ltd.	2,073
Taipei Forex Inc.	800
	$ 113,636

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 on Yuan Hsin Digital Payment Co., Ltd. in September 2017 and participated in its cash capital increase with the amount of $24,950 thousand in September 2017.

20. PROPERTY AND EQUIPMENT, NET

	For the Year Ended December 31, 2018						
	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
Cost							
Beginning balance	$ 1,581,625	$ 1,247,852	$ 1,714,492	$ 2,542	$ 1,507,341	$ 16,565	$ 6,070,417
Additions	-	4,605	161,038	79	74,573	39,940	280,235
Disposals	(134,192)	(118,134)	(27,916)	(218)	(57,298)	-	(337,758)
Others	-	(3,760)	(9,564)	-	4,438	(7,760)	(16,646)
Ending balance	1,447,433	1,130,563	1,838,050	2,403	1,529,054	48,745	5,996,248
Accumulated depreciation							
Beginning balance	-	624,555	1,225,695	2,420	1,328,355	-	3,181,025
Depreciation	-	22,438	134,448	81	65,641	-	222,608
Disposals	-	(56,166)	(27,914)	(218)	(56,284)	-	(140,582)
Others	-	(3,584)	1,423	-	2,927	-	766
Ending balance	-	587,243	1,333,652	2,283	1,340,639	-	3,263,817
Net ending balance	$ 1,447,433	$ 543,320	$ 504,398	$ 120	$ 188,415	$ 48,745	$ 2,732,431

	For the Year Ended December 31, 2017						
	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
Cost							
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	1,581,625	1,247,852	1,714,492	2,542	1,507,341	16,565	6,070,417
Accumulated depreciation							
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	-	624,555	1,225,695	2,420	1,328,355	-	3,181,025
Net ending balance	$ 1,581,625	$ 623,297	$ 488,797	$ 122	$ 178,986	$ 16,565	$ 2,889,392

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

21. INTANGIBLE ASSETS, NET

	December 31	
	2018	2017
Operation rights	$ 1,538,210	$ 1,538,210
Fair value of core deposits	428,887	428,887
	1,967,097	1,967,097
Less: Accumulated amortization	267,495	242,012
	$ 1,699,602	$ 1,725,085

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 in 2018 and 2017 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 tasted. For the years ended December 31, 2018 and 2017, the Bank did not recognize any impairment loss on its operation rights.

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2018	**2017**
Call loans to banks	$ 15,665,915	$ 6,601,520
Due to banks	60,808	231,834
Overdraft	-	127,420
	$ 15,726,723	$ 6,960,774

23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2018	**2017**
Bank debentures (Notes 9 and 15)	$ 12,015,591	$ 11,785,554
Government bonds (Notes 9 and 15)	2,650,203	1,135,810
	$ 14,665,794	$ 12,921,364
Repurchase date	2019.01.07-2019.01.29	2018.01.08-2018.01.29
Repurchase price	$ 14,704,830	$ 12,943,304

24. PAYABLES

	December 31	
	2018	2017
Notes and checks for clearing	$ 2,416,502	$ 2,018,305
Accrued expenses	1,559,136	1,265,570
Accrued interest	1,135,458	964,691
Securities settlement payables	721,949	267,124
Liabilities on bank acceptances	439,359	421,416
Accounts payable factoring	372,420	898,253
Others	620,398	652,926
	$ 7,265,222	$ 6,488,285

25. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Checking deposits	$ 4,697,065	$ 2,913,365
Demand deposits	67,897,773	71,810,392
Demand savings	68,974,857	63,329,655
Time savings	77,180,132	80,875,765
Negotiable certificates of deposit	6,040,500	6,387,500
Time deposits	283,567,017	246,743,099
Remittances	50,628	332,407
	$ 508,407,972	$ 472,392,183

26. BANK DEBENTURES

	December 31	
	2018	2017
Domestic bank debentures	$ 18,001,900	$ 18,601,900
Euro Convertible Bonds	-	1,614,764
	$ 18,001,900	$ 20,216,664

Domestic Bank Debentures

Item	Issuance Period	Note	December 31 2018	December 31 2017
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
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
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 - perpetual; first issue in 2018	2018.09.18-	Interest payable on September 18 with fixed interest rate at 3.2% per annum	2,900,000	-
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			$ 18,001,900	$ 18,601,900

The Bank issued the first issuance of perpetual non-cumulative subordinated bank debentures in 2018 in the amount of $2,900,000 thousand in September 18, 2018 with an interest rate of 3.20% and the interest is paid once a year under the interest payment condition. After five years of issuance, the Bank has the right to redeem in advance under the regulation of issuance and the permission by authorities.

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. From August, 2015, the issuance balance decreased to US$54,200 thousand because some bondholders had put the right to require the Bank to redeem the Bonds after 30 months from issue date. As 10th calendar day prior to the Maturity Date, conversion price have been adjusted from NT$15.24 per share to NT$10.57 per share annually according to the original issue conditions. No one applied for conversion during the period. The Bank redeemed the Bonds at 101.89% of their principal amount in U.S. dollars on February 7, 2018, which was the Maturity Date.

27. OTHER FINANCIAL LIABILITIES

	December 31 2018	December 31 2017
Deposit received	$ 343,862	$ 373,195
Bank loan - December 31, 2018: 1.18% - 6.50%; December 31, 2017: 1.20% - 6.50%	1,012,313	561,067
Commercial paper	79,929	-
	$ 1,436,104	$ 934,262

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

	December 31, 2018
International Bills Finance Corp.	$ 50,000
Mega Bills Finance Corp.	30,000
Less: Unamortized discount on commercial paper	71
	$ 79,929
Interest rates	1.18% - 1.20%

28. PROVISIONS

	December 31	
	2018	2017
Reserve for employee benefits liability - defined benefit plans (Note 29)	$ 933,914	$ 940,747
Reserve for obligations guarantee	212,903	186,369
Reserve for financing commitment (Note 3)	47,957	-
	$ 1,194,774	$ 1,127,116

29. 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	
	2018	2017
Present value of defined benefit obligation	$ 1,276,052	$ 1,259,285
Fair value of plan assets	(342,138)	(318,538)
Reserve for employee benefits liability	$ 933,914	$ 940,747

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, 2018	$ 1,259,285	$ (318,538)	$ 940,747
Service cost			
Current service cost	9,295	-	9,295
Net interest expense (revenue)	21,406	(5,609)	15,797
Recognized in profit or loss	30,701	(5,609)	25,092
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,266)	(7,266)
Actuarial benefit - experience adjustments	(662)	-	(662)
Actuarial loss - changes in financial assumptions	62,571	-	62,571
Actuarial benefit - changes in demographic assumptions	(7,986)	-	(7,986)
Recognized in other comprehensive income	53,923	(7,266)	46,657
Contributions from the employer	-	(18,715)	(18,715)
Contributions from plan assets	(7,990)	7,990	-
Contributions from provisions	(59,867)	-	(59,867)
Balance at December 31, 2018	$ 1,276,052	$ (342,138)	$ 933,914
Balance at January 1, 2017	$ 1,381,862	$ (317,031)	$ 1,064,831
Service cost			
Current service cost	12,016	-	12,016
Net interest expense (revenue)	16,651	(4,002)	12,649
Recognized in profit or loss	28,667	(4,002)	24,665
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	936	936
Actuarial loss - experience adjustments	17,769	-	17,769
Actuarial benefit - changes in financial assumptions	(74,533)	-	(74,533)
Recognized in other comprehensive income	(56,764)	936	(55,828)
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	(71,788)	-	(71,788)
Balance at December 31, 2017	$ 1,259,285	$ (318,538)	$ 940,747

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	
	2018	**2017**
Discount rates	1.25%	1.75%
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	
	2018	**2017**
Discount rates		
0.50% increase	$ (62,571)	$ (68,810)
0.50% decrease	$ 67,350	$ 74,533
Expected rates of salary increase		
0.50% increase	$ 65,876	$ 73,251
0.50% decrease	$ (61,872)	$ (68,348)

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 $19,725 thousand, and the average duration of the defined benefit obligation is 10.2 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.

30. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	2017
Authorized shares (in thousands)	4,500,000	4,500,000
Authorized capital	$ 45,000,000	$ 45,000,000
Issued and paid shares (in thousands)	3,269,186	3,182,929
Issued capital	$ 32,691,859	$ 31,829,286

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

At the shareholders' meeting held on June 20, 2018, the Bank resolved to increase its capital by using its undistributed earnings of $862,573 thousand. As a result, the Bank issued 86,257 thousand ordinary shares at a par value of NT$10. After the issuance, the share capital of the Bank amounted to $32,691,859 thousand.

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.

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

The appropriations of earnings were approved in the shareholders' meetings held on June 20, 2018. In case of net income after settlement of accounts for each fiscal year, the Bank shall recover all the losses incurred in the previous years, if any, before setting aside a legal reserve of thirty percent (30%) of the net profit and appropriating, according to law and regulations, a special reserve shall be retained, and shall first be distributed to the dividends of Preferred Stock. The remaining amount together with the accumulated retained profits of the last year and the reversals of special reserves are available for distribution as dividends for Common Stock. The dividends for Common Stock shall be distributed at least thirty per cent (30%) of the remaining amount. The Board of Directors shall prepare the earnings distribution in accordance with the existing circumstances at the time, taking into account the future development plan of the Bank. Any allocation of cash dividend shall, in principle, be no less than 10% of the total dividends to be distributed that year.

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, gains (losses) on valuation of investments in equity instruments measured at FVTOCI) 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.

When foreign shareholders are entitled to the distribution of dividends and the dividends' amount includes the previous year's profit-seeking enterprise income tax, the tax amount can be entitled to tax credit.

The appropriations of earnings for the 2018 and 2017, which were approved in the shareholders' meetings on June 20, 2018 and June 15, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2017	2016	2017	2016
Legal reserve	$ 856,165	$ 973,166		
Appropriate (reversal) of special reserve	(214,292)	129,675		
Cash dividends	1,397,306	1,306,774	$ 0.439	$ 0.420
Stock dividends	862,573	715,614	0.271	0.230
	$ 2,901,752	$ 3,125,229		

The appropriations of earnings for 2018 had been proposed by the Bank's Board of Directors on March 26, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 1,057,260	
Special reserve	39,804	
Cash dividends	1,471,134	$0.450
Stock dividends	866,334	0.265
	$ 3,434,532	

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 19, 2019.

d. Other equity items

Unrealized gain or loss on financial assets measured at FVTOCI in 2018:

Balance of adjustment on initial application of IFRS 9 at January 1, 2018	$ 196,065
Recognized for the year	
Unrealized gain or loss	
Debt instruments	(279,393)
Equity instruments	(37,126)
Net remeasurement of allowance for loss	(929)
Share of associates accounted for using the equity method	(22,016)
Reclassification adjustment - disposal of investments in debt instruments	(28,621)
Other comprehensive income recognized for the year	(368,085)
Disposal of equity instruments at FVTOCI	65,531
Balance, ending of year	$ (106,489)

Movements of unrealized gain (loss) on available-for-sale financial assets under equity attributable to owners of the Bank in 2017 were as follows:

Balance, beginning of year	$ (344,477)
Unrealized gain on available-for-sale financial assets	408,303
Cumulative gain (loss) reclassified to profit or loss on sale of available-for-sale financial assets	(50,499)
Share of unrealized gain (loss) on available-for-sale financial assets of associates	9,528
Balance, ending of year	$ 22,855

31. NET INTERESTS

	For the Year Ended December 31	
	2018	2017
Interest revenues		
Discounts and loans	$ 8,726,303	$ 7,764,549
Securities	1,252,950	1,110,544
Credit cards	818,190	819,965
Others	518,794	362,873
	11,316,237	10,057,931
Interest expenses		
Deposits and remittances	4,387,085	3,591,784
Bank debentures	368,192	445,663
Structured products	299,317	219,021
Due to other banks	286,192	92,837
Bonds under repurchase agreements	243,164	256,037
Others	51,484	47,715
	5,635,434	4,653,057
	$ 5,680,803	$ 5,404,874

32. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2018	2017
Service fee income		
Wealth management	$ 1,383,464	$ 1,405,341
Credit business	1,045,171	1,022,157
Credit cards	978,553	951,500
Service fee, brokering	265,140	261,619
Others	218,285	207,110
	3,890,613	3,847,727
Service fee expense		
Benefit and chargeback fee	199,360	196,669
Visa and Master	157,537	152,078
Agency service fee	72,938	73,154
National credit card center fee	64,684	65,927
Credit investigation	46,522	45,994
Interbank service fee	46,122	42,091
Others	172,677	142,614
	759,840	718,527
	$ 3,130,773	$ 3,129,200

33. NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Year Ended December 31	
	2018	2017
Realized gains	$ 1,354,054	$ 1,433,686
Valuation gains (loss)	(220,958)	160,180
Net interests	350,232	127,548
Dividends	22,632	10,803
	$ 1,505,960	$ 1,732,217

34. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2018	2017
Salaries	$ 3,095,932	$ 3,030,685
Labor and health insurance	218,586	218,636
Post-employment benefits (Note 29)	150,633	143,343
Others	373,007	275,135
	$ 3,838,158	$ 3,667,799

According to the Articles that if there be net income before income tax, remuneration of directors and employees' compensation, the Bank should retain an employees' compensation of 3.5%-4.5% and a remuneration of directors no greater than 1.5%. On March 26, 2019 the Bank's Board of Directors resolved to pay employees' compensation of $152,444 thousand and remuneration of directors of $50,814 thousand for the year ended December 31, 2018, both in cash. 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.
If there is a change in the amounts after the financial statements for the year ended December 31, 2018 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, 2017.

Information on the employees' compensation and remuneration of directors resolved by the Bank's Board of Directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

35. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2018	2017
Depreciation (Note 20)	$ 222,608	$ 220,196
Amortization	$ 27,431	$ 27,946

36. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2018	2017
Tax and government fees	$ 605,600	$ 578,778
Rental	444,482	440,427
Marketing and advertising	405,262	403,685
Software	188,957	184,352
Telecommunications	165,201	164,686
Others	737,296	709,769
	$ 2,546,798	$ 2,481,697

37. 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	
	2018	2017
Current tax expense		
Current period	$ 319,342	$ 367,768
Prior years	(772)	(3,607)
	318,570	364,161
Deferred tax expense		
Current period	318,458	50,823
Effect of change in tax rate	(91,040)	-
Prior years	(1,710)	(1,223)
Deferred tax expense	225,708	49,600
Income tax expense recognized in profit or loss	$ 544,278	$ 413,761

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

	For the Year Ended December 31	
	2018	2017
Income before income tax	$ 4,068,479	$ 3,267,644
Income tax expense calculated at the statutory rate	$ 836,802	$ 580,792
Income from offshore banking unit (OBU)	(281,594)	(153,740)
Tax-exempted investment income	(314,653)	(373,349)
Tax-exempted other items	(64,470)	77,010
Unrecognized loss carryforwards	(11,696)	(69,413)
Unrecognized deductible temporary differences	181,124	-
Additional income tax under the Alternative Minimum Tax Act	254,199	324,786
Income tax on unappropriated earnings	-	365
Overseas branch income tax	38,088	29,482
Adjustments for prior years' tax	(2,482)	(4,830)
Effect of change in tax rate	(91,040)	-
Others	-	2,658
Income tax expense recognized in profit or loss	$ 544,278	$ 413,761

The tax rate applicable to the Bank were 17% and 20% in 2017 and 2018, respectively. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

2019 appropriation of earnings is subject to the shareholders' meeting in June, 2019, and the income tax rate of the unappropriated earnings in 2018 will be 5%.

b. Deferred tax recognized in other comprehensive income

	December 31	
	2018	2017
Remeasurement of defined benefit plans	$ 23,181	$ (9,491)
Exchange differences on translation of foreign currency	2,103	4,226
	$ 25,284	$ (5,265)

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

For the year ended December 31, 2018

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	$ 401,409	$ (212,661)	$ -	$ 188,748
Defined benefit plans in excess of the limit	137,528	90	23,181	160,799
Unrealized gain or loss on financial instruments	(47,290)	(4,715)	-	(52,005)
Others	28,703	17,625	2,103	48,431
	520,350	(199,661)	25,284	345,973
Unused loss carryforwards	64,152	(37,941)	-	26,211
	$ 584,502	$ (237,602)	$ 25,284	$ 372,184

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	$ (15,013)	$ 15,013	$ -	$ -
Income from equity investments in foreign company under the equity method	(3,396)	(3,119)	-	(6,515)
	$ (18,409)	$ 11,894	$ -	$ (6,515)

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	29,503	(5,026)	4,226	28,703
	547,125	(21,510)	(5,265)	520,350
Unused loss carryforwards	87,979	(23,827)	-	64,152
	$ 635,104	$ (45,337)	$ (5,265)	$ 584,502

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 in foreign company under the equity method	(88)	(3,308)	-	(3,396)
	$ (14,146)	$ (4,263)	$ -	$ (18,409)

d. Items not recognized as deferred tax assets

	December 31	
	2018	2017
Loss carryforwards		
The Bank		
Expire in 2018	$ -	$ 2,044,870
Expire in 2021	133,968	133,968
	$ 133,968	$ 2,178,838
FEIS		
Expire in 2021	$ 4,942	$ 4,942
Expire in 2022	22,380	22,380
Expire in 2023	10,626	10,626
Expire in 2024	1,920	1,920
	$ 39,868	$ 39,868
Deductible temporary differences		
Allowance for possible losses in excess of the limit	$ 905,618	$ -

e. Information about unused loss carryforwards

As of December 31, 2018, loss carryforwards comprised:

Expiry Year	Unused Amount
The Bank	
2021	$ 133,968 (assessed)
FEIS	
2019	44,350 (assessed)
2020	53,563 (assessed)
2021	38,085 (assessed)
2022	22,380 (assessed)
2023	10,626 (assessed)
2024	1,920 (assessed)
	$ 170,924

f. Income tax assessments

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

38. EARNINGS PER SHARE

The earnings per share (EPS) disclosed in the consolidated income statement are based on net income attributable to owners of the Bank.

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic EPS	$ 1.08	$ 0.87
Diluted EPS	$ 1.07	$ 0.84

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	
	2018	2017
Net income attributable to owners of the Bank	$ 3,524,201	$ 2,853,883
Effect of dilutive potential ordinary shares		
Euro Convertible Bonds	3,420	44,029
Net income used in the computation of diluted EPS	$ 3,527,621	$ 2,897,912

Number of Ordinary Shares (In Thousand Shares)

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares in the computation of basic EPS	3,269,186	3,269,186
Effect of dilutive potential ordinary shares		
Euro Convertible Bonds	15,785	151,621
Employees' compensation	18,516	16,289
Weighted average number of ordinary shares used in the computation of diluted EPS	3,303,487	3,437,096

The weighted average number of ordinary shares outstanding for 2017 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	$ 0.90	$ 0.87
Diluted EPS	$ 0.86	$ 0.84

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 board meeting resolves the number of shares to be distributed as employees' compensation at their board meeting in the following year.

39. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Bank and Its Subsidiaries
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
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
Oriental Union Chemical Corporation	Chairman is the vice-chairman of the Bank
Far Eastern New Century Corp.	Chairman is the vice-chairman of the Bank
Far EasTone Telecommunications Corporation	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
Everest Textile 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
Pacific SOGO Department Stores Corporation	Substantive related party since September 2017
Others	The Bank's chairman, vice-chairman, managers, their second-degree relatives or substantive related party

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

Related Party	Highest Balance in Current Year	Ending Balance	Interest Revenues	Interest Rates
Dah Chung Bills Finance Corp.				
For the year ended December 31				
2018	$ 1,600,000	$ -	$ 1,153	0.34%-0.41%
2017	$ 2,300,000	$ 500,000	$ 2,095	0.20%-0.42%

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, 2018							
Consumer loans	Five individuals	$ 1,847	$ 801	$ 801	$ -	Unsecured loan	Note 2
Loans for residential mortgage	Twenty five individuals	281,695	254,190	254,190	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	1,706,572	1,706,000	1,706,000	-	Real estate	Note 2
	Asia Cement Corp.	600,000	400,000	400,000	-	Stock listed on TWSE	Note 2
	Far Eastern New Century Corp.	390,000	300,000	300,000	-	Machinery	Note 2
	Others(Note 1)	1,889,065	86,000	86,000	-	Real estate, ship and certificates of deposit, unquoted stock, and listed on TWSE	Note 2
			$ 2,746,991	$ 2,746,991	$ -		
For the year ended December 31, 2017							
Consumer loans	Three individuals	$ 1,885	$ 1,645	$ 1,645	$ -	Unsecured loan	Note 2
Loans for residential mortgage	Twenty one individuals	207,796	193,154	193,154	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	1,740,000	1,520,000	1,520,000	-	Real estate	Note 2
	Asia Cement Corp.	600,000	600,000	600,000	-	Stock listed on TWSE	Note 2
	Others(Note 1)	3,050,000	75,000	75,000	-	Unquoted stock, ship and certificates of deposit, machinery, real estate, and stock listed on TWSE and list stock	Note 2
			$ 2,389,799	$ 2,389,799	$ -		

Note 1: The individual amount does not exceed 10% of the total disclosure amount.

Note 2: 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			
2018	0.99% - 3.68%	$ 30,835	$ 3,877
2017	0.90% - 2.24%	$ 18,138	$ 7,809

Balances of related allowance for possible losses were $28,741 thousand and $24,864 thousand as of December 31, 2018 and 2017, 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, 2018					
Yuan Long Stainless Steel Co.	$ 60,000	$ 30,000	$ 300	0.60%	Machinery
Ding Ding Hotel Co., Ltd.	20,000	20,000	200	0.80%	Unquoted stock
Yuan Ding Investment Co.	13,000	13,000	130	0.80%	Unquoted stock
Others(Note)	749,835	-	-	0.45%-0.80%	Real estate, unquoted stock, ship and certificates of deposit
		$ 63,000	$ 630		
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
Others(Note)	33,935	32,835	328	0.50%-0.80%	Real estate, unquoted stock, and certificates of deposit
		$ 212,835	$ 2,128		

Note: The individual amount does not exceed 10% of the total disclosure amount.

d. Letters of credit issued

	December 31	
	2018	2017
Yuan Long Stainless Steel Co.	$ 8,664	$ -
Everest Textile Co., Ltd.	3,331	10,537
Far Eastern Department Store Corp.	-	17,908
	$ 11,995	$ 28,445

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						
2018	$ -	$ 100,000	$ -	$ -	$ 9,977,023	$ -
2017	$ 150,000	$ 150,000	$ 150,000	$ 50,000	$ 39,362,203	$ -

f. Derivative instruments

Related Party	Derivative Instrument	Contract Period	Nominal Amount	Valuation Gain (Loss)	Balance Sheet Account	Balance Sheet Balance
For the year ended December 31, 2018						
U-Ming Marine Transport Corp.	Cross-currency swap contracts	2018.12.03 - 2019.01.07	$ 307,330	$ (805)	Financial liabilities at FVTPL	$ 335
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.09.27 - 2027.09.30	3,489,425	15,320	Financial assets at FVTPL	16,413
					Financial liabilities at FVTPL	13,051
Far Eastern New Century Corp.	Forward exchange contracts	2018.11.27 - 2019.03.27	439,107	3,354	Financial assets at FVTPL	4,194
					Financial liabilities at FVTPL	840
New Century InfoComm Tech Co., Ltd.	Foreign-currency swap contracts	2018.10.29 - 2019.01.31	537,828	(928)	Financial assets at FVTPL	30
					Financial liabilities at FVTPL	958
Asia Cement Corp.	Cross-currency swap contracts	2018.12.25 - 2021.09.15	460,995	489	Financial assets at FVTPL	2,244
Dah Chung Bills Finance Corp.	Domestic convertible (exchangeable) bond asset swap contracts	2016.01.19 - 2019.06.16	20,000	(14,405)	Financial assets at FVTPL	450
					Financial liabilities at FVTPL	69
For the year ended December 31, 2017						
U-Ming Marine Transport Corp.	Cross-currency swap contracts	2017.06.16 - 2018.06.28	5,671,120	(8,066)	Financial assets at FVTPL	$ 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 FVTPL	11,959
Far Eastern New Century Corp.	Forward exchange contracts	2017.11.06 - 2018.02.26	1,007,212	5,651	Financial assets at FVTPL	7,391
					Financial liabilities at FVTPL	1,740
New Century InfoComm Tech Co., Ltd.	Foreign-currency swap contracts	2017.12.27 - 2018.02.26	298,480	(458)	Financial liabilities at FVTPL	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 FVTPL	15,416
					Financial liabilities at FVTPL	630

g. Deposits

	December 31 2018	December 31 2017
Deposits of related parties (each account balance did not exceed 5% of total deposits)	$44,743,009	$44,426,319
Interest rate	0% - 6.08%	0% - 6.08%

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Interest expenses	$ 473,588	$ 228,739

h. Service fee expense

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Ding Ding Integrated Marketing Service Co.	$ 128,252	$ 144,650
Far EasTone Telecommunications Corporation	21,418	-
Far Eastern Department Store Corp.	19,465	18,534
	$ 169,135	$ 163,184

i. Operating expenses

	For the Year Ended December 31	
	2018	2017
Marketing and advertising - Pacific SOGO Department Stores Corp.	$ 86,303	$ 44,663
Rental - Yuan Ding Co., Ltd.	84,617	79,068
Marketing and advertising - Far Eastern Department Store Corp.	84,393	116,629
Marketing and advertising - Ding Ding Hotel Co., Ltd.	13,422	16,801
	$ 268,735	$ 257,161

Note: Pacific SOGO Department Stores Corp. has been a related party since September 2017, as a result, the prior period accounts were prepared for comparison with the same period.

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	
	2018	2017
Short-term employee benefits	$ 177,647	$ 166,913
Post-employment benefits	2,189	2,618
	$ 179,836	$ 169,531

40. PLEDGED ASSETS

	December 31	
	2018	2017
FVTOCI - 2018		
Government bonds	$ 3,586,922	$ -
Negotiable certificates of deposits issued by the central bank	3,306,146	-
Available-for-sale financial assets - 2017		
Government bonds	-	3,602,186
Negotiable certificates of deposits issued by the central bank	-	3,003,045
Other financial assets - deposits with original maturity more than 3 months	894,600	549,240
	$ 7,787,668	$ 7,154,471

The 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 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.

41. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those mentioned in Note 44, the Bank and its subsidiaries' contingent liabilities and commitments resulting from operating activities as of December 31, 2018 and 2017 are summarized as follows:

a. Operating leases commitment

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

	December 31	
	2018	2017
Within one year	$ 374,568	$ 366,779
After one year but within five years	528,106	687,092
After five years	49,598	69,942
	$ 952,272	$ 1,123,813

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

Balance Sheets of Trust Accounts

	December 31	
	2018	2017
Assets		
Deposits in banks	$ 5,397,051	$ 5,495,110
Accounts receivable	17,043	14,672
Funds	41,006,506	38,592,345
Equity stocks	4,955,244	5,175,789
Bond investments	5,468	5,434
Real estate, net	3,878,851	1,240,973
Marketable securities in custody	10,924,845	7,942,426
Others	1,793,961	1,513,200
	$ 67,978,969	$ 59,979,949
Liabilities		
Accounts payable	$ 1,920	$ 3,158
Income tax payable	196	189
Marketable securities in custody payable	10,924,845	7,942,426
Trust capital	56,058,747	50,359,002
Reserve and earnings	993,261	1,675,174
	$ 67,978,969	$ 59,979,949

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2018	2017
Trust revenue		
Interest	$ 37,404	$ 35,618
Cash dividends	1,870,890	1,640,769
Unrealized investment gain	-	4,851
Revenue from stock lending	16	75
Others	159	19,075
	1,908,469	1,700,388
Trust expenses		
Management	41,951	48,014
Supervision	487	477
Service charges	8,743	16,259
Taxes	33,976	2,177
Service fee for stock affairs	-	1
Service fee for stock lending	1	2
Realized investment loss	569,646	366,599
Unrealized investment loss	89,346	-
	744,150	433,529
Income before tax	1,164,319	1,266,859
Income tax	396	391
Net income	$ 1,163,923	$ 1,266,468

Trust Asset Lists

	December 31	
	2018	2017
Deposits in banks	$ 5,397,051	$ 5,495,110
Accounts receivable	17,043	14,672
Funds	41,006,506	38,592,345
Equity stocks	4,955,244	5,175,789
Bonds investments	5,468	5,434
Real estate, net		
Land	2,766,640	591,940
Building	39,743	25,211
Construction in progress	1,072,468	623,822
Marketable securities in custody	10,924,845	7,942,426
Others	1,793,961	1,513,200
	$ 67,978,969	$ 59,979,949

As of December 31, 2018 and 2017, funds amounting to $1,393,772 thousand and $1,183,824 thousand, respectively, had been recognized in the OBU's books as investment in overseas securities through Non-discretionary Pecuniary Trust of the OBU.

42. UNSETTLED LITIGATION EVENTS

Regarding the claims of the Bank against Allied Material Technology Co., in October 2017, the Taiwan High Court ruled that the Bank shall pay $244,563 thousand plus interest to other banks (the amount was derived from the reorganization of Allied Material Technology Co.). The Bank has appealed in accordance with laws and regulations. The Supreme Court remanded the case to the Taiwan High Court on December 20, 2018. Based on attorney's assessment of the remand, the probability of winning the litigation may be high. Accordingly, the Bank hasn't evaluated related liabilities.

43. 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					
	2018			2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 3,847,847	30.733	$ 118,255,874	$ 3,349,475	29.848	$ 99,975,133
HKD	3,129,424	3.924	12,279,860	2,978,848	3.819	11,376,220
AUD	457,217	21.670	9,907,900	506,770	23.260	11,787,470
CNY	928,509	4.473	4,153,219	1,174,009	4.577	5,373,440
JPY	12,639,326	0.278	3,518,788	8,504,053	0.265	2,253,574
ZAR	1,316,853	2.130	2,804,897	1,034,693	2.421	2,504,990
EUR	64,066	35.210	2,255,778	53,261	35.700	1,901,434
SGD	36,216	22.480	814,145	1,643	22.320	36,675
GBP	7,840	38.880	304,813	7,809	40.210	314,007
CAD	10,243	22.580	231,284	16,429	23.780	390,683
NZD	7,251	20.620	149,518	9,076	21.200	192,406
Financial liabilities						
Monetary items						
USD	3,728,931	30.733	114,601,236	3,115,598	29.848	92,994,369
HKD	3,086,761	3.924	12,112,450	2,934,977	3.819	11,208,676
AUD	456,347	21.670	9,889,048	503,348	23.260	11,707,874
CNY	932,046	4.473	4,169,043	1,181,070	4.577	5,405,758
JPY	12,397,679	0.278	3,451,514	8,156,806	0.265	2,161,554
ZAR	1,319,968	2.130	2,811,532	1,082,688	2.421	2,621,187
EUR	66,480	35.210	2,340,753	53,705	35.700	1,917,278
SGD	36,159	22.480	812,851	1,698	22.320	37,889
GBP	7,782	38.880	302,562	7,929	40.210	318,839
CAD	10,244	22.580	231,300	15,874	23.780	377,478
NZD	7,326	20.620	151,067	9,527	21.200	201,970

44. 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 fair value information

a) Level 1

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.

b) Level 2

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).

c) Level 3

Level 3 inputs are unobservable items such as inputs derived through extrapolation or interpolation and thus cannot be corroborated by observable market data.

b. Fair value information - Financial instrument measured at fair value under repetitive basis

1) Information of the financial instruments measured at fair value categorized by level is as follows:

	December 31, 2018			
Repetitive Financial Instruments	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-derivative financial assets and liabilities				
Assets				
Mandatorily at FVTPL				
Bonds investments	$ 8,324,585	$ 8,324,585	$ -	$ -
Equity investments	64,115	64,115	-	-
Bills investments	18,556,024	-	18,556,024	-
FVTOCI				
Equity instruments	1,265,822	930,492	-	335,330
Debt instruments				
Bonds investments	55,562,384	55,562,384	-	-
Bills investments	62,950,846	-	62,950,846	-
Derivative financial assets and liabilities				
Assets				
Mandatorily at FVTPL	3,783,114	351	3,698,910	83,853
Liabilities				
Financial liabilities at FVTPL	(2,752,479)	(161)	(2,685,579)	(66,739)
Hybrid contract				
Mandatorily at FVTPL	15,779,663	544,395	15,235,268	-
	$ 163,534,074	$ 65,426,161	$ 97,755,469	$ 352,444

Repetitive Financial Instruments	December 31, 2017 Total	Level 1	Level 2	Level 3
Non-derivative financial assets and liabilities				
Assets				
Financial assets at FVTPL				
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 FVTPL				
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	-
Liabilities				
Financial liabilities at FVTPL				
Settlement coverage bonds payable of short sale	(50,241)	(50,241)	-	-
Derivative financial assets and liabilities				
Assets				
Financial assets at FVTPL				
Held for trading	3,061,166	477	2,950,088	110,601
Liabilities				
Financial liabilities at FVTPL	(4,268,880)	(1,668)	(4,263,385)	(3,827)
	$ 135,520,790	$ 58,373,822	$ 77,040,194	$ 106,774

2) Valuation techniques for fair value measurement

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:

a) The consistency and adequacy of the market parameters used in the valuation;

b) 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;

c) 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 uncertainly 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, 2018 and 2017.

5) Level 3 financial instruments

a) Movement of Level 3 financial assets

December 31, 2018

Item	Beginning Balance	Valuation		Increase in the Current Year		Decrease in the Current Year		Ending Balance
		Included in Profit or Loss	Included in Other Comprehen-sive Income	Purchase or Issue	Transfer-in (Note)	Sale, Disposition or Settlement	Transfer-out from Level 3	
Mandatorily at FVTPL	$ 110,601	$ (18,265)	$ -	$ 8,321	$ -	$ (16,804)	$ -	$ 83,853
Financial assets at FVTOCI	-	-	25,675		309,655	-	-	335,330
Total	$ 110,601	$ (18,265)	$ 25,675	$ 8,321	$ 309,655	$ (16,804)	$ -	$ 419,183

Note: Due to retroactive classification IFRS 9 in beginning balance of 2018.

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 FVTPL Held for trading - derivative financial assets	$ 92,774	$ 32,470	$ 48,024	$ -	$ (62,667)	$ -	$ 110,601

b) Movements of Level 3 financial liabilities

December 31, 2018

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 FVTPL							
Derivative financial liabilities	$ 3,827	$ (1,675)	$ 66,739	$ -	$ (2,152)	$ -	$ 66,739

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 FVTPL							
Derivative financial liabilities	$ 6,818	$ (1,198)	$ 3,481	$ -	$ (5,274)	$ -	$ 3,827

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

Level 3 financial instruments mainly consist of credit default swap and investment in equity instrument at FVTOCI which have single major unobservable parameters; quantitative information is as follows:

Measured at Fair Value Based on Repetition	Fair Value as of December 31, 2018	Valuation Techniques	Significant Unobservable Parameters	Interval (Weighted-average)	Relationship Between Parameters and Fair Value
Derivative financial assets					
December 31, 2018	$ 83,853	Default probability model	Credit separation	0.40%-3.50%	The increase of credit separation decreases its fair value.
December 31, 2017	110,601	Default probability model	Credit separation	0.80%-3.65%	The increase of credit separation decreases its fair value.
Investments in equity					
December 31, 2018	299,678	Income approach - cash dividend discount method	Without open market marketable discount	20.16%	The increase of discount decreases its fair value.
	24,809	Market approach - analogy company law	Without open market marketable discount	10.00%	The increase of discount decreases its fair value.
	10,843	Net asset value method	N/A	N/A	N/A
Derivative financial liabilities					
December 31, 2018	66,739	Default probability model	Credit separation	0.40%-3.50%	The increase of credit separation decreases its fair value.
December 31, 2017	3,827	Default probability model	Credit separation	0.80%-3.65%	The increase of credit separation decreases its fair value.

d) Valuation procedures for Level 3 fair value

Valuation of Level 3 financial instruments is executed by a specific department and external expert 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

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, 2018		December 31, 2017	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Mandatorily at FVTPL	$ 2,892	$ (2,893)	$ 2,706	$ (2,706)
Liabilities				
Financial liabilities at FVTPL	4,300	(4,302)	958	(958)

Had the valuation parameters for financial instruments categorized within Level 3 been 0.01% higher/lower, the impact on other comprehensive income or loss for the current year would have been as follows:

Item	Impact on Other Comprehensive Income and Losses			
	December 31, 2018		December 31, 2017	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at FVTOCI	$ 59	$ (59)	$ -	$ -

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. Fair Value information - 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:

	2018		The fair value hierarchy of financial instruments	
	Book Value	Fair Value	Level 1	Level 2
Financial asset				
Investments in debt instrument at amortized cost	$ 2,588,654	$ 2,577,856	$ 2,577,856	$ -

	2017		The fair value hierarchy of financial instruments	
	Book Value	Fair Value	Level 1	Level 2
Financial asset				
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

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

45. 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.

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

2018

a) The credit risk has increased significantly after original recognition
The Bank assesses the change in the risk of default over the expected duration of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since original recognition. For this assessment, the Bank's considerations show that the credit risk has increased significantly since original recognition and can be corroborated. The main considerations include the following:

Qualitative Index

The debtor's payment is overdue for 30 - 89 days.

Quantitative Index

i. Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.

ii. Significant changes in actual or expected results of the debtor's operations.

iii. The credit risk of other financial instruments of the same debtor has increased significantly.

b) The definition of default and credit impairment on financial assets

The Bank's definition of default on financial assets is the same as the judgment of credit impairment on financial assets. If one or more of the following conditions are met, the Bank determines that the financial assets have defaulted and have credit impairment:

Qualitative Index

The debtor's payment is overdue for more than 90 days.

Quantitative Index

If there is any evidence indicates that the debtor can not pay the contract, or the debtor is in a material financial difficulties as follows:

i. The debtor has become bankrupt or may file for bankruptcy or financial restructuring.

ii. The debtor has conformed to a non-performed loan by authorities.

iii. The debtor has conducted a negotiation of debts or self-negotiating.

iv. The active market of the financial assets disappeared due to financial difficulties.

The aforementioned default and credit impairment definitions apply to all financial assets held by the Bank and are consistent with the definitions used for the internal credit risk management purposes of the financial assets and are applied to the relevant impairment assessment model.

If the financial assets have not conformed to the definition of default and credit impairment on financial assets for 6 consecutive months, it would not be classified as a default and credit impairment on financial assets.

c) Write off policy

When the Bank can not reasonably expect the recoverable from the entire or partial financial assets, the entire or partial financial assets will be written off. The index of unexpected reasonably recoverable amount includes the following:

i. The recovery of debt has stopped.

ii. The debtor doesn't have enough assets or income resource to pay the debt after assessment.

Financial asset which has been written-off can do the recovery of debt and institute legal proceedings continuously under related policies.

d) Measurement of expected credit loss

i. Loan and receivables

The Bank considers both the 12-month and lifetime probability of default ("PD") of the borrower with the loss given default ("LGD"), multiplying, the exposure at default ("EAD"), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

The above "PD" and "LGD" are applied to the credit business according to each group's historical information (such as credit loss experience) from internal statistical data, and adjust historical data based on current observable and forward-looking macroeconomic information (such as GDP and unemployment rate), then calculate by applying the progressive one factor model respectively.

When the Bank measured the credit loss of assets combination, the forward-looking information were taken into the PD's consideration. Among them, the index of forward-looking adjustment in PD is predicted by the Corporate banking Sector which adopted the growth rate of real GDP in Taiwan and the Consumer banking Sector which adopted the unemployment rate in Taiwan.

According to the measurement of predict loss in IFRS 9, the forward-looking adjustment in PD is requested to assess any consequences (at least 2 circumstances) and expresses with weighted-average probability. As a result, the Bank took the prediction authorities' consensus forecasting into consideration and adopted the prediction value by at least 2 macroeconomic prediction authorities as the index of forward-looking adjustment.

The Bank considered the estimate on credit loss with the forward-looking information by the above methods.

ii. The investments in debt instrument at amortized cost and at FVTOCI

The measurement of predict credit loss consider the information of PD and LGD which is announced from the external credit ratings and Moody's to calculate. The international credit rating authority has considered the forward-looking information when assessed the credit rating which is taken consideration to measure the predict credit loss by the Bank consequently.

2017

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 each quarter, view the transaction limits for each financial institution in the Risk Management Committee.

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.

4) 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) Through policy mechanism, such as credit limits and credit regulation prior to the credit being committed to customers, to control the quality of credit assets. Via post-loan management, concentration analysis, midway credit and review tracking to view assets quality and changes of each case. Master and monitor risk in time. Periodic reports and feedbacks to understand credit portfolios and overall credit risks, ensure risk offsets for continued effectiveness.

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, 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.

5) 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	
	2018	**2017**
Unused portion of credit card lines	$ 179,890,598	$ 171,589,511
Guarantees and standby L/Cs	19,271,353	17,455,518
Irrevocable loan commitments	15,866,641	12,171,019

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, 2018

	Maximum Credit Risk Exposure			
	With Collaterals	Other Credit Enhancements	Without Collaterals	Total
Balance sheet items				
Discounts and loans	$ 248,098,498	$ 60,682,444	$ 76,142,075	$ 384,923,017
Receivables - credit card	-	-	14,417,111	14,417,111
Receivables - acceptances	-	98,272	341,087	439,359
Off-Balance sheet items				
Unused portion of credit card lines	-	-	179,890,598	179,890,598
Guarantee	5,843,474	6,147,476	6,609,086	18,600,036
Letters of credit issued	11,995	220,265	439,057	671,317
Irrevocable loan commitments	798,815	-	15,067,826	15,866,641
	$ 254,752,782	$ 67,148,457	$ 292,906,840	$ 614,808,079

December 31, 2017

	Maximum Credit Risk Exposure			
	With Collaterals	Other Credit Enhancements	Without Collaterals	Total
Balance sheet items				
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
Off-Balance sheet items				
Unused portion of credit card lines	-	-	171,589,511	171,589,511
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	1,795,770	-	10,375,249	12,171,019
	$ 240,767,915	$ 58,520,782	$ 273,075,639	$ 572,364,336

The Bank set the procedure for the range of available to classify as collaterals and estimation of collaterals with collaterals assessed management and estimation loans of collaterals which is in order to check the nonperforming loans.

When loan contracts set the security of nonperforming loans, article of collaterals and definition of credit event occurrence, the quota and the repayment period can be reduced or regard as maturity to reduce the credit risk.

6) 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

Credit Risk Profile by Industry Sector	December 31, 2018 Amount	%
Finance and insurance	$ 53,669,412	14
Manufacturing	43,696,595	11
Wholesale and retail trade	15,946,673	4
	$ 113,312,680	29

Credit Risk Profile by Industry Sector	December 31, 2017 Amount	%
Finance and insurance	$ 52,415,634	15
Manufacturing	41,373,608	12
Wholesale and retail trade	11,331,381	3
	$ 105,120,623	30

b) By geography

Region	December 31 2018 Amount	2018 % to Total	2017 Amount	2017 % to Total
Taiwan	$ 319,847,652	83	$ 299,813,491	84
Asia Pacific except Taiwan	32,731,935	9	30,750,120	9
Others	32,343,430	8	25,377,008	7
	$ 384,923,017	100	$ 355,940,619	100

c) By type of collaterals

Type of Collaterals	December 31 2018 Amount	2018 %	2017 Amount	2017 %
Unsecured	$ 136,824,519	36	$ 121,596,263	34
Secured				
Real estate	209,070,047	54	191,379,527	54
Movable property	18,601,434	5	19,630,122	5
Financial collateral	17,274,959	4	20,035,658	6
Others	3,152,058	1	3,299,049	1
	$ 384,923,017	100	$ 355,940,619	100

7) 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 FVTPL, 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.

An analysis of credit quality of financial assets other than those listed above is shown below:

a) Credit quality analysis of discounts and loans and receivables - December 31, 2017

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	Subtotal (A)				With Objective Evidence of Individual Impairment	Without Objective Evidence of Individual Impairment	
Discounts and loans	$ 202,127,029	$ 91,546,163	$ 53,657,111	$ 1,464,776	$ 348,795,079	$ 3,604,981	$ 3,540,559	$ 355,940,619	$ 1,005,118	$ 3,878,739	$ 351,056,762
Receivables											
Credit card	5,553,263	2,525,409	4,676,783	14,347	12,769,802	574,604	1,441,847	14,786,253	469,259	2,209	14,314,785
Others	1,285,406	686,972	4,203,354	-	6,175,732	2,572	670,909	6,849,213	579,375	68,084	6,201,754

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

c) Loans and receivables past due but not impaired-December 31, 2017

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

d) An analysis of credit quality of security investments-December 31, 2017

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	Subtotal (A)					
Available-for-sale financial assets										
Bond investments	$ 46,349,663	$ -	$ -	$ -	$ 46,349,663	$ -	$ -	$ 46,349,663	$ -	$ 46,349,663
Bill investments	62,523,204	-	-	-	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	-	2,135,246
Debt investments with no active market	4,009,518	2,667,558	-	-	6,677,076	-	-	6,677,076	-	6,677,076
Total	$ 115,017,631	$ 2,667,558	$ -	$ -	$ 117,685,189	$ -	$ -	$ 117,685,189	$ -	$ 117,685,189

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 and 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 FVTPL for which there is an active and liquid market and maintain legal ratio related to liquidity.

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, 2018	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	$ 8,715,791	$ 55,32,147	$ 1,382.985	$ 59,800	$ -	$ 15,726,723
Securities sold under repurchase agreement	14,704,830	-	-	-	-	14,704,830
Payables	3,975,153	1,254,124	672,467	619,621	743,857	7,265,222
Deposits and remittances	196,945,980	92,549,698	68,393,781	136,525,003	13,993,510	508,407,972
Bank debentures	1,900	-	3,000,000	-	15,000,000	18,001,900
Principal received on structured products	65,452	16,965	71,214	-	12,325,539	12,479,170
Other financial liabilities	480,000	134,190	39,909	92,791	689,285	1,436,175
Total	$ 224,925,106	$ 99,487,124	$ 73,560,356	$ 137,297,215	$ 42,752,191	$ 578,021,992

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
Settlement coverage bonds payable of short sale	50,241	-	-	-	-	50,241
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
Principal received on structured products	277,530	70,989	193,172	41,586	5,899,236	6,482,513
Other financial liabilities	110,000	27,821	125,609	134,582	536,250	934,262
Total	$ 213,231,237	$ 92,340,142	$ 65,914,729	$ 109,269,614	$ 45,715,502	$ 526,471,224

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, 2018	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 FVTPL						
Foreign exchange derivatives	$ 382	$ 558	$ 199	$ -	$ -	$ 1,139
Interest rate derivatives	3,675	6,361	8,378	5,375	552,531	576,320
Total	$ 4,057	$ 6,919	$ 8,577	$ 5,375	$ 552,531	$ 577,459

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 FVTPL						
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

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), interest rate derivatives (cross currency swaps) and credit derivates (credit default swap). Maturity analysis of derivative financial liabilities that will be settled on a gross basis is as follows:

December 31, 2018	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 FVTPL						
Foreign exchange derivatives						
Cash outflow	$ 66,817,020	$ 66,620,982	$ 43,980,954	$ 14,101,278	$ 1,363,279	$ 192,883,513
Cash inflow	66,388,975	66,181,803	43,707,316	14,043,361	1,386,102	191,707,557
Interest rate derivatives						
Cash outflow	921,990	-	-	-	614,660	1,536,650
Cash inflow	903,800	-	-	-	603,750	1,507,550
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	3,299	20,218	28,563	45,507	292,691	390,278
Subtotal of cash outflow	67,739,010	66,620,982	43,980,954	14,101,278	1,977,939	194,420,163
Subtotal of cash inflow	67,296,074	66,202,021	43,735,879	14,088,868	2,282,543	193,605,385
Net cash flow	$ (442,936)	$ (418,961)	$ (245,075)	$ (12,410)	$ 304,604	$ (814,778)

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 FVTPL						
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
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	2,232	9,058	11,665	23,331	144,496	190,782
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	63,980,380	74,438,429	37,149,388	22,386,681	442,976	198,397,854
Net cash flow	$ (270,189)	$ (146,780)	$ 79,191	$ 248,783	$ 138,056	$ 49,061

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, 2018	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	$ 15,866,641	$ -	$ -	$ -	$ -	$ 15,866,641
Irrevocable credit card commitments	179,890,598	-	-	-	-	179,890,598
Issued but unused letters of credit	671,317	-	-	-	-	671,317
Other guarantees	13,012,636	5,117,400	20,000	-	450,000	18,600,036
Total	$ 209,441,192	$ 5,117,400	$ 20,000	$ -	$ 450,000	$ 215,028,592

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

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 in banking book and trading book, 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) Market risk management process

a) Recognition and measurement

The Group's operation and risk management sections both identify market risk factors of exposure positions, which are used to measure market risks. Market risk factors include interest rates, foreign exchange rates and market price of equity securities, and exposures, gains and losses and sensitivity (PVO1, Delta, Beta) etc. Measurement of investment portfolio is affected by interest rate risk, foreign exchange risk and price of equity securities.

b) Monitoring and reporting

The Group's risk management department regularly reviews market risk management objective, positions and control of gains and losses, sensitivity analysis and pressure test and reports to the Board of Directors. Therefore, the Board of Directors could well understand market risk control. The Group has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management, and the department should report to relevant committee regularly.

4) Management process of interest risk

Interest rate risk is the risk of loss or changes in the fair value resulting from interest rate or credit spread fluctuations. It includes interest rates or credit spread 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 sensitivity

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 or credit spread.

Assuming all other variables remain constant, where the interest rate increases/decreases by 1 bps, there would be a decrease of $10,472 thousand and an increase of $10,462 thousand in income before income tax for the year ended December 31, 2018. There would be a decrease of $1,811 thousand and an increase of $1,810 thousand in income before income tax for the year ended December 31, 2017. There would be a decrease/increase of $18,572 thousand and $12,268 thousand in other comprehensive income for the years ended December 31, 2018 and 2017, respectively.

ii. Foreign exchange sensitivity

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 $169,021 thousand and $374,288 thousand in income before income tax for the year ended December 31, 2018 and 2017, 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 $6,085 thousand and $60,783 thousand in income before income tax for the year ended December 31, 2018 and 2017 respectively. There would be an increase/decrease of $12,658 thousand and $7,587 thousand in other comprehensive income for the years ended December 31, 2018 and 2017, respectively.

8) Concentration of foreign exchange risk

Information on concentration of foreign currency exposures at the balance sheet date is shown in Note 42.

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
FVTOCI- transactions under repurchase agreements December 31, 2018	$ 15,447,755	$ 14,665,794	$ 15,447,755	$ 14,665,794	$ 781,961
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

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 / Business			December 31, 2018				
			Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Corporate Banking	Secured		$ 399,735	$ 55,072,485	0.73%	$ 771,445	192.99%
	Unsecured		26,210	109,101,455	0.02%	1,307,531	4,988.67%
Consumer Banking	Residential mortgage (Note d)		175,415	123,690,577	0.14%	1,950,925	1,112.18%
	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		229,975	22,122,691	1.04%	390,942	169.99%
	Others (Note f)	Secured	78,062	69,335,436	0.11%	744,497	953.73%
		Unsecured	2,941	5,600,373	0.05%	69,559	2,365.15%
Total			912,338	384,923,017	0.24%	5,234,899	573.79%
Item / Business			Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit card			42,987	14,417,111	0.30%	432,188	1,005.39%
Accounts receivable factored without recourse (Note g)			-	2,769,097	-	31,690	-

Item / Business			December 31, 2017				
			Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
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 / Business			Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
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	-

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: Nonperforming loans ÷ Outstanding loan balance.

Ratio of nonperforming credit cards receivables: Nonperforming credit cards receivables ÷ Outstanding credit cards receivables balance.

Note c: Coverage ratio of allowance for possible losses for loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of allowance for possible losses for credit cards receivables: Allowance for possible losses for credit cards receivables ÷ 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 / Business	December 31, 2018		December 31, 2017	
	Nonperforming Loans Excluded	Nonperforming Receivables Excluded	Nonperforming Loans Excluded	Nonperforming Receivables Excluded
Loans not classified as NPL upon debt restructuring and performed as agreed (Note a)	$ 64,037	$ 184,939	$ 88,969	$ 250,530
Loans upon performance of a debt discharge program and rehabilitation program (Note b)	791,658	1,005,612	721,064	1,076,306
Total	855,695	1,190,551	810,033	1,326,836

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, 2018		
	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 - 6700 - real estate development	$ 9,501,000	21%
2	B Group - 6499 - non-categorized and other financial services	3,831,176	9%
3	C Group - 6496 - private financing industry	3,725,413	8%
4	D Group - 4841 - retail of motor vehicles	3,027,281	7%
5	E Group - 6700 - real estate development	2,971,350	7%
6	F Group - 4210 - road engineering	2,820,240	6%
7	G Group - 5260 - air transportation assistance	2,815,985	6%
8	H Group - 2411 - smelting and refining of iron and steel	2,469,000	6%
9	I Group - 2630 - bare Printed Circuit Boards Manufacturing	2,225,583	5%
10	J Group - 2859 - other household appliances manufacturing	2,161,075	5%

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	B Group - 6499 - non-categorized and other financial services	$ 4,194,556	10%
2	J Group - 2859 - other household appliances manufacturing	3,614,918	8%
3	C Group - 6496 - private financing industry	3,119,667	7%
4	K Group - 3010 - manufacture of motor vehicles	2,743,460	6%
5	L Group - 6499 - non-categorized and other financial services	2,655,873	6%
6	M Group - 0850 - manufacture of dairy products	2,566,960	6%
7	I Group - 2630 - printed circuit board manufacturing	2,359,822	6%
8	F Group - 4210 - ocean freight transportation forwarding services	2,333,686	5%
9	H Group - 2411 - smelting and refining of iron and steel	2,332,835	5%
10	N Group - 6499 - non-categorized and other financial services	2,279,666	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, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 290,024,783	$ 146,052,263	$ 5,650,758	$ 30,665,306	$ 472,393,110
Interest rate-sensitive liabilities	152,122,187	152,884,130	102,738,671	18,929,935	426,674,923
Interest rate sensitivity gap	137,902,596	(6,831,867)	(97,087,913)	11,735,371	45,718,187
Net worth					44,744,740
Ratio of interest rate-sensitive assets to liabilities					110.71%
Ratio of interest rate-sensitivity gap to net worth					102.18%

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%

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, 2018

(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	$ 2,920,039	$ 202,692	$ 35,945	$ 99,853	$ 3,258,529
Interest rate-sensitive liabilities	2,483,940	1,112,830	159,579	-	3,756,349
Interest rate sensitivity gap	436,099	(910,138)	(123,634)	99,853	(497,820)
Net worth					1,455,918
Ratio of interest rate-sensitive assets to liabilities					86.75%
Ratio of interest rate-sensitivity gap to net worth					(34.19%)

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%)

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, 2018	For the Year Ended December 31, 2017
Return on total assets	Before tax	0.68%	0.57%
	After tax	0.59%	0.50%
Return on equity	Before tax	9.30%	7.80%
	After tax	8.05%	6.82%
Net income ratio		31.41%	27.45%

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, 2018

	Total	Amount for Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 657,048,134	$ 108,223,432	$ 83,033,715	$ 99,353,166	$ 67,996,227	$ 60,087,823	$ 238,353,771
Main capital outflow on maturity	793,951,803	46,921,837	80,819,341	163,285,185	146,268,581	190,698,533	165,958,326
Gap	(136,903,669)	61,301,595	2,214,374	(63,932,019)	(78,272,354)	(130,610,710)	72,395,445

December 31, 2017

	Total	Amount for Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 Days to 90 Days	91 Days to 180 Days	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

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

b) For U.S. dollar items

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		1 to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 10,744,093	$ 4,099,117	$ 2,644,604	$ 1,443,831	$ 567,614	$ 1,988,927
Main capital outflow on maturity	11,435,866	5,053,597	3,122,668	1,643,749	747,525	868,327
Gap	(691,773)	(954,480)	(478,064)	(199,918)	(179,911)	1,120,600

December 31, 2017

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		1 to 30 Days	31 Days to 90 Days	91 Days to 180 Days	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

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

46. CAPITAL MANAGEMENT

a. Objective of capital management

1) Unconsolidated regulatory capital and the consolidated regulatory 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 regulatory 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 regulatory capital, risk-weighted assets and capital adequacy ratio were as follows:

			December 31, 2018	
			Unconsolidated	**Consolidated**
Regulatory capital	Common equity		$ 41,848,384	$ 42,076,829
	Additional Tier I capital		2,193,441	2,448,097
	Tier II capital		9,014,910	9,544,444
	Total common capital		53,056,735	54,069,370
Risk-weighted assets	Credit risk	Standardized approach	367,484,931	369,490,534
		Internal rating-based approach	-	-
		Asset securitization	215,318	215,318
	Operational risk	Basic indicator approach	19,200,700	19,686,600
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	11,098,400	11,098,400
		Internal models approach	-	-
	Total risk-weighted assets		397,999,349	400,490,852
Capital adequacy ratio			13.33%	13.50%
Ratio of common equity to risk-weighted assets			10.51%	10.51%
Ratio of Tier I capital to risk-weighted assets			11.07%	11.12%
Leverage ratio			6.14%	6.19%

			December 31, 2017	
			Unconsolidated	Consolidated
Regulatory capital	Common equity		$ 39,236,233	$ 39,698,325
	Additional Tier I capital		-	-
	Tier II capital		11,680,665	12,185,406
	Total common 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 common 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%

Note a: Regulatory capital, risk-weighted assets and exposure measurement are calculated under the "Regulations Governing the Capital Adequacy and capital category of Banks" and the "The Methods for Calculating the Bank's regulatory Capital and Risk-weighted Assets amended by the FSC on November 16, 2017.

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) Regulatory capital = Common equity + Additional 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 = Regulatory capital/Total risk-weighted assets.

4) Ratio of Common equity to risk-weighted assets = Common equity/Total risk-weighted assets.

5) Ratio of Tier I capital to risk-weighted assets = (Common equity + Additional Tier I capital)/Total risk-weighted assets.

6) Leverage ratio = Net Tier I capital/Exposure measurement.

47. 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
For the year ended December 31, 2018				
Net interests	$ 4,536,177	$ 2,500,350	$ (1,355,724)	$ 5,680,803
Net revenues other than interest				
Net service fee income	2,173,824	713,603	243,346	3,130,773
Other net income	262,960	1,387,386	756,355	2,406,701
Consolidated net revenues	6,972,961	4,601,339	(356,023)	11,218,277
Provision for possible losses	(158,110)	(280,608)	(76,085)	(514,803)
Operating expenses	(4,721,871)	(1,349,304)	(563,820)	(6,634,995)
Segment income before income tax	$ 2,092,980	$ 2,971,427	$ 995,928 ()	$ 4,068,479
For the year ended December 31, 2017				
Net interests	$ 4,361,617	$ 2,579,276	$ (1,536,019)	$ 5,404,874
Net revenues other than interest				
Net service fee income	2,202,360	691,003	235,837	3,129,200
Other net income	291,567	1,441,747	129,741	1,863,055
Consolidated net revenues	6,855,544	4,712,026	(1,170,441)	10,397,129
Provision for possible losses	(112,037)	(616,342)	(3,468)	(731,847)
Operating expenses	(4,739,977)	(1,315,019)	(342,642)	(6,397,638)
Segment income before income tax	$ 2,003,530	$ 2,780,665	$ (1,516,551)	$ 3,267,644

48. 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: Table 1 (attached)

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 2 (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 3 and Table 4 (attached)

c. Related information of investees on which the Bank and its subsidiaries exercises significant influence: Table 5 (attached)

d. Information about branches and investments in mainland China: Table 6 (attached)

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Type of Asset	Transaction Date	Acquisition Date	Book Value	Transaction Amount	Receipt Status	Disposition of Benefits	Counter-party	Nature of Relationship	Purpose	Reference of the Price	Other Appointments
Far Eastern International Bank Ltd.	Hsinchu Jingguo building and land	2018/9/27	2010/4/3	$ 196,255	$ 385,166	Receipt in full	$ 174,755 (Note)	A company	Nil	Activated assets	Valuation report	N/A

Note: Has deducted transaction costs of $14,156 thousand.

TABLE 2

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	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. Far Eastern International Securities Co., Ltd.	From parent company to subsidiary From parent company to subsidiary From parent company to subsidiary	Deposits and remittances Deposits and remittances Service charge	$ 9,163 230,754 11,455	Note 3 Note 3 Note 3	- 0.04 0.10
1	Far Eastern Asset Management Co., Ltd.	Far Eastern International Bank Ltd.	From subsidiary to parent company	Cash and cash equivalents	9,163	Note 3	-
2	Far Eastern International Securities Co., Ltd.	Far Eastern International Bank Ltd. Far Eastern International Bank Ltd.	From subsidiary to parent company From subsidiary to parent company	Cash and cash equivalents Service fee	230,754 11,455	Note 3 Note 3	0.04 0.10

Note 1: Transacting parties are identified as follows: Number 0 - parent company; and number 1 and the following numbers - subsidiaries.

Note 2: 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 3: The terms of intercompany transactions are not significantly different from those to third parties.

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

SUBSIDIARIES' FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	Entrusted loan receivables	No	$ 134,190	$ 134,190	$ 99,748	6%-10%	a	$ 4,026	-	$ 997	Real estate	$ 301,455	$ 306,040	$ 306,040
		B company	Entrusted loan receivables	No	26,838	26,838	26,838	6%-10%	a	805	-	268	Real estate	51,257	306,040	306,040
		C company	Entrusted loan receivables	No	26,838	26,838	26,838	6%-10%	a	805	-	268	Stock	379,526	306,040	306,040
		D company	Entrusted loan receivables	No	22,365	22,365	22,365	6%-10%	a	926	-	224	Real estate	33,748	306,040	306,040

Note 1: No. column is coded as follows:

a. The Issuer is coded "0".
b. 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:

a. Business transaction is coded "1".
b. Short-term financing is coded "2".

Note 3: The limits on financing are as follows:

a. Financing limit for each borrower

1) 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.

2) 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.

b. Aggregate financing limit

1) 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.

2) 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.

TABLE 4

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

Information of subsidiaries' guarantee provided at cost or prices at least NT$300 million or 10% of the paid-in capital and derivative transactions
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, In Thousand Shares)

No. (Note 1)	Company Providing Endorsements/Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity (Note 3)	Maximum Balance for the Period	Ending Balance	Drawdown Amounts	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Most Current Financial Statement (%)	Maximum Endorsements/ Guarantees Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 2)											
1	Far Eastern Asset Management Co., Ltd.	FEIB Financial Leasing Co., Ltd.	b	$ 3,073,300	$ 71,568	$ 71,568	$ -	$ -	10.46	$ 6,839,231	N	N	Y	

Note 1: No. column is coded as follows:

a. The Issuer is coded "0".
b. The investees are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: No. column is coded as follows:

a. A company with which it does business.
b. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
c. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
d. Companies hold, directly or indirectly, 90% or more of the voting shares for each other.
e. Where a company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project
f. Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages
g. Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 3: According to the FEAMC's "Regulations of Endorsements/Guarantees", the limit of amount of its endorsements/guarantees for any single subsidiaries is 10 times of the total amount invested in this subsidiaries, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the company.

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 Investees				Note
						Present Shares (In Thousands)	Pro Forma Shares	Total		
								Shares (In Thousands)	Percentage of Ownership (%)	
Held by the Bank										
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	$ 108,845	$ (18,595)	12,000	-	12,000	40.00	
Dah Chung Bills Finance Corp.	4F, 4F-1, 4F-2, 4F-3, Np. 88 Dun Hwa North Road, Taipei, Taiwan	Underwriting, dealing and brokering of short-term bills	22.06	1,667,505	111,062	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	683,922	24,926	68,400	-	68,400	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	334,705	43,196	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	3,802	-	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	2,616	-	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	299,678	-	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	24,809	-	5,094	-	5,094	4.99	
Nonfinancial business										
An Feng Enterprise Co., Ltd.	3F., No. 139, Jhengjhou Road, Taipei, Taiwan	ATM maintenance, replacement and repair	10.00	4,425	-	300	-	300	10.00	
Held by Far Eastern Asset Management Co., Ltd.										
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	306,040	12,598	N/A	-	N/A	100.00	

TABLE 6

FAR EASTERN INTERNATIONAL BANK LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2017	Investment Flow (Note 4)		Accumulated Outflow of Investment as of December 31, 2018 (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, 2018 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2018	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)	$ 12,598 (CNY 2,825 thousand)	100%	$ 12,598 (CNY 2,825 thousand)	$ 306,040	$ -	

Accumulated Investment in Mainland China as of December 31, 2018 (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)	$410,354

Note 1: Routes of investment in Mainland China are listed below:

a. Direct investment.
b. Investment via third place company (state third place investment company).
c. 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 2018.

Far Eastern International Bank Ltd.

Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Far Eastern International Bank Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

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 Financial Statements section of our report. We are independent of the Bank 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 financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Bank's financial statements for the year ended December 31, 2018 for the Bank, which are described as follows:

Allowance for Expected Credit Losses on Loans and Receivables

As of December 31, 2018, the balances of loans and receivables in the aggregate amounted to $399,348,407 thousand, accounted for 64% of the total assets of the financial statements; an amount that is deemed to be significant to the financial statements. To the allowance for expected credit losses on loans and receivables, the Bank has assessed according to IFRS 9 and comply with relevant regulations issued by authorities, whichever is higher. As the assessment on the impairment of loans and accounts receivables involved the management's critical judgments in accounting estimation and the underlying assumption, related disclosures refer to Notes 5 to the

financial statements, we deemed to the allowance for expect credit losses on loans and receivables was a key audit matter.

Refer to Notes 4, 5, 13, 14 and 44 to the 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 perform tests on the Bank's internal controls relevant to loans and receivables impairment assessment;

2. Identity the potential risk of loans and receivables customers from public information, and confirm that whether to include in the appropriate assessment stage;

3. Verify whether the methodology, main assumptions and parameters (consider the probability of default, probability of loss given default and exposure at default on forward-looking information) adopted by the impairment model of expected credit losses adequately reflect the actual position and compliance with IFRS 9, 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, 2018, 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 21 to the 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Bank audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 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 26, 2019

Notice to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.

FAR EASTERN INTERNATIONAL BANK LTD.

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents (Note 6)	$ 9,986,581	2	$ 8,531,125	2
Due from the central bank and other banks (Notes 7 and 38)	27,543,032	4	22,351,083	4
Financial assets at fair value through profit or loss (Notes 4, 5, 8, 38 and 43)	46,507,501	7	30,208,333	5
Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 11, 29, 39 and 43)	119,779,052	19	-	-
Investment in debt instruments at amortized cost, net (Notes 4, 5, 10, 11 and 43)	2,588,654	-	-	-
Securities purchased under resale agreements, net (Notes 4, 12 and 38)	8,289,275	1	11,071,393	2
Receivables, net (Notes 4, 5, 13, 14, 38 and 43)	19,660,289	3	21,534,556	4
Current tax assets (Note 4)	-	-	7,263	-
Discounts and loans, net (Notes 4, 5, 14, 38 and 43)	379,688,118	61	351,056,762	61
Available-for-sale financial assets (Notes 4, 15, 29, 39 and 43)	-	-	109,631,578	19
Held-to-maturity financial assets (Notes 4, 16 and 43)	-	-	2,135,246	-
Investment accounted for using equity method (Notes 4, 17 and 29)	2,794,977	1	2,758,906	-
Debt investments with no active market (Notes 4, 18 and 43)	-	-	6,677,076	1
Other financial assets, net (Notes 4, 19, 39 and 43)	4,460,520	1	3,495,795	1
Property and equipment, net (Notes 4 and 20)	2,725,364	1	2,882,032	1
Intangible assets, net (Notes 4, 5 and 21)	1,699,602	-	1,725,085	-
Deferred tax assets (Notes 4 and 36)	334,706	-	546,064	-
Other assets	161,958	-	190,336	-
TOTAL	$ 626,219,629	100	$ 574,802,633	100
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the central bank and other banks (Note 22)	$ 15,726,723	3	$ 6,960,774	1
Financial liabilities at fair value through profit or loss (Notes 4, 5, 8, 26, 38 and 43)	2,752,479	1	4,319,121	1
Securities sold under repurchase agreements (Notes 4 and 23)	14,665,794	2	12,921,364	3
Payables (Note 24)	7,187,730	1	6,420,726	1
Current tax liabilities (Note 4)	179,348	-	250,254	-
Deposits and remittances (Notes 25, 38 and 43)	508,647,889	81	472,621,114	82
Bank debentures (Notes 8, 26 and 43)	18,001,900	3	20,216,664	4
Principal received on structured notes	12,479,170	2	6,482,513	1
Other miscellaneous financial liabilities	170,780	-	174,704	-
Provisions (Notes 4, 27 and 38)	1,194,774	-	1,127,116	-
Other liabilities	468,302	-	521,611	-
Total liabilities	581,474,889	93	532,015,961	93
EQUITY (Notes 4, 9, 15, 17 and 29)				
Share capital	32,691,859	5	31,829,286	5
Capital surplus	456,426	-	456,426	-
Retained earnings				
Legal reserve	7,400,808	1	6,544,643	1
Special reserve	36,411	-	250,703	-
Unappropriated earnings	4,211,908	1	3,691,412	1
Total retained earnings	11,649,127	2	10,486,758	2
Other equity	(52,672)	-	14,202	-
Total equity	44,744,740	7	42,786,672	7
TOTAL	$ 626,219,629	100	$ 574,802,633	100

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

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUES (Notes 4, 30 and 38)	$ 11,261,208	103	$ 10,015,147	98	12
INTEREST EXPENSES (Notes 4, 30 and 38)	5,608,761	51	4,632,022	45	21
NET INTERESTS	5,652,447	52	5,383,125	53	5
NET REVENUES OTHER THAN INTEREST					
Net service fee income (Notes 4, 31 and 38)	2,859,767	26	2,870,149	28	-
Net gains on financial assets and liabilities at fair value through profit or loss (Notes 4, 5, 8, 32, 38 and 43)	1,504,371	14	1,732,217	17	(13)
Net realized gains on available-for-sale financial assets (Notes 4 and 29)	-	-	86,718	1	(100)
Net realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 29)	138,491	1	-	-	-
Net foreign exchange gains (loss) (Note 4)	275,464	2	(296,415)	(3)	193
Shares of profit of subsidiaries and associates for using equity method (Notes 4 and 17)	160,589	1	220,435	2	(27)
Gains on disposal of property (Note 4)	174,804	2	45	-	388,353
Others (Note 19)	172,803	2	181,469	2	(5)
Total net revenues other than interest	5,286,289	48	4,794,618	47	10
NET REVENUES	10,938,736	100	10,177,743	100	7
PROVISION FOR LOSSES ON BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE (Notes 4, 14 and 38)	506,522	5	729,425	7	(31)

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits expense (Notes 4, 28, 33 and 38)	$ 3,658,016	33	$ 3,499,119	34	5
Depreciation and amortization (Notes 4 and 34)	245,832	2	244,536	3	1
Other general and administrative expenses (Notes 35 and 38)	2,478,111	23	2,421,334	24	2
Total operating expenses	6,381,959	58	6,164,989	61	4
INCOME BEFORE INCOME TAX	4,050,255	37	3,283,329	32	23
INCOME TAX EXPENSE (Notes 4, 5 and 36)	526,054	5	429,446	4	22
NET INCOME FOR THE YEAR	3,524,201	32	2,853,883	28	23
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 5, 9, 11, 15, 17, 29 and 36)					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(46,657)	(1)	55,828	1	(184)
Losses on valuation of investments in equity instruments at fair value through other comprehensive income	(37,126)	-	-	-	-
Share of other comprehensive loss of associates for using equity method	(4,832)	-	(414)	-	(1,067)
Income tax relating to items that will not be reclassified subsequently to profit or loss	23,181	-	(9,491)	-	344
	(65,434)	(1)	45,923	1	(242)

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	$ 67,153	1	$ (126,216)	(1)	153
Unrealized gain on available-for-sale financial assets	-	-	357,804	3	(100)
Share of other comprehensive income of subsidiaries and associates for using equity method	(22,471)	-	11,175	-	(301)
Losses on valuation of investments in debt instruments at fair value through other comprehensive income	(308,014)	(3)	-	-	-
Gains on reversal of investments in debt instruments at fair value through other comprehensive income	(929)	-	-	-	-
	(264,261)	(2)	242,763	2	(209)
Other comprehensive income (loss) for the year	(329,695)	(3)	288,686	3	(214)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 3,194,506	29	$ 3,142,569	31	2
EARNINGS PER SHARE (Note 37)					
Basic	$1.08		$0.87		
Diluted	$1.07		$0.84		

The accompanying notes are an integral part of the financial statements. (Concluded)

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

						Other Equity			
			Retained Earnings (Note 29)						
	Share Capital (Note 29)	Capital Surplus (Note 29)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations (Note 4)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Notes 4, 15 and 29)	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income(Notes 4, 9 and 29)	Total Equity
BALANCE AT JANUARY 1, 2017	$ 31,113,672	$ 456,426	$ 5,571,477	$ 121,028	$ 3,916,835	$ 115,916	$ (344,477)	$ -	$ 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)	367,332	-	288,686
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	2,899,806	(124,569)	367,332	-	3,142,569
BALANCE AT DECEMBER 31, 2017	31,829,286	456,426	6,544,643	250,703	3,691,412	(8,653)	22,855	-	42,786,672
Effects of retrospective application	-	-	-	-	(12,342)	-	(22,855)	196,065	160,868
BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY	31,829,286	456,426	6,544,643	250,703	3,679,070	(8,653)	-	196,065	42,947,540
Appropriation of the 2017 earnings									
Legal reserve	-	-	856,165	-	(856,165)	-	-	-	-
Reversal of special reserves	-	-	-	(214,292)	214,292	-	-	-	-
Cash dividends - NT$0.439 dollars per share	-	-	-	-	(1,397,306)	-	-	-	(1,397,306)
Stock dividends - NT$0.271 dollars per share	862,573	-	-	-	(862,573)	-	-	-	-
	862,573	-	856,165	(214,292)	(2,901,752)	-	-	-	(1,397,306)
Net income for the year ended December 31, 2018	-	-	-	-	3,524,201	-	-	-	3,524,201
Other comprehensive loss for the year ended December 31, 2018	-	-	-	-	(24,080)	62,470	-	(368,085)	(329,695)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	3,500,121	62,470	-	(368,085)	3,194,506
Disposal of investments in equity instruments at fair value through other comprehensive income (loss)	-	-	-	-	(65,531)	-	-	65,531	-
BALANCE AT DECEMBER 31, 2018	$ 32,691,859	$ 456,426	$ 7,400,808	$ 36,411	$ 4,211,908	$ 53,817	$ -	$ (106,489)	$ 44,744,740

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

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 4,050,255	$ 3,283,329
Adjustments for:		
Depreciation	220,349	218,094
Amortization	25,483	26,442
Provision for losses on bad debts expense, commitment and guarantee	965,403	1,212,921
Net valuation loss (gain) on financial assets and liabilities at fair value through profit or loss	220,958	(160,180)
Interest expenses	5,608,761	4,632,022
Interest revenues	(11,261,208)	(10,015,147)
Dividends revenue	(124,637)	(63,321)
Shares of profit from associates	(160,589)	(220,435)
Loss (gain) on disposal and retirement of property and equipment	(173,729)	2,939
Gain on disposal financial assets carried at cost	-	(1,490)
Unrealized net loss (gain) on foreign currency exchange	(217,180)	395,746
Other adjustments	(79,831)	(94,863)
Changes in operating assets and liabilities		
Decrease (increase) in due from the central bank and other banks	(1,135,766)	7,092,056
Decrease (increase) in financial assets at fair value through profit or loss	(6,101,228)	3,781,946
Increase in financial assets at fair value through other comprehensive income	(10,572,357)	-
Increase in investments in debt instruments at amortized cost	(385,871)	-
Decrease (increase) in receivables	2,665,236	(2,280,507)
Decrease (increase) in discounts and loans	(31,530,667)	551,765
Increase in available-for-sale financial assets	-	(30,236,113)
Decrease in held-to-maturity financial assets	-	306,249
Decrease in debt investments with no active market	-	919,160
Increase in due to the central bank and other banks	8,330,844	137,136
Decrease in financial liabilities at fair value through profit or loss	(1,566,648)	(3,635,415)
Increase in payables	507,702	469,910
Increase in deposits and remittances	34,068,086	25,822,601
Increase in principal received on structured products	6,177,186	1,543,857
Cash generated from (used in) operations	(469,448)	3,688,702
Interest received	11,182,540	9,890,215
Dividends received	124,637	63,321
Interest paid	(5,435,815)	(4,318,048)
Income tax paid	(332,024)	(481,138)
Net cash generated from operating activities	5,069,890	8,843,052
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

(Continued)

FAR EASTERN INTERNATIONAL BANK LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Acquisition of investments accounted for using equity method	$ -	$ (28,980)
Acquisition of property and equipment	(278,229)	(221,460)
Proceeds from disposal of property and equipment	370,883	45
Decrease (increase) in other financial assets	(1,194,058)	141,506
Decrease in other assets	46,758	23,423
Dividends received from subsidiaries and associates	101,225	69,585
Net cash generated from (used in) investing activities	(953,421)	10,665
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of Euro Convertible Bond	(1,586,434)	-
Proceeds from the issuance of bank debentures	2,900,000	-
Redemption of bank debentures	(3,500,000)	(4,000,000)
Increase (decrease) in securities sold under repurchase agreements	2,030,599	(434,630)
Increase (decrease) in other financial liabilities	(3,924)	21,127
Increase (decrease) in other liabilities	(38,485)	35,088
Cash dividends	(1,397,306)	(1,306,774)
Net cash used in financing activities	(1,595,550)	(5,685,189)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	77,183	51,255
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,598,102	3,219,783
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	31,474,842	28,255,059
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 34,072,944	$ 31,474,842

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

	December 31	
	2018	2017
Cash and cash equivalents in balance sheets	$ 9,986,581	$ 8,531,125
Due from the Central Bank and other banks that meet the IAS 7 definition of "cash and cash equivalents"	15,797,088	11,872,324
Securities purchased under resale agreements that meet the IAS 7 definition of "cash and cash equivalents"	8,289,275	11,071,393
Cash and cash equivalents in statements of cash flows	$ 34,072,944	$ 31,474,842

The accompanying notes are an integral part of the financial statements. (Concluded)

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 wholly-owned subsidiaries of the Bank, 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 the merger date.

2. APPROVAL OF FINANCIAL REPORTS

The financial statements were approved by the Bank's board of Directors on March 26, 2019.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for IFRS 9 "Financial Instruments" and related amendments, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Bank accounting policies:

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

1) Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Bank has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Bank's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount	
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Hybrid contract	Debt instruments with no active market	Mandatorily at fair value through profit or loss (i.e. FVTPL)	$ 6,677,076	$ 6,669,817
	Loans and receivables	Mandatorily at FVTPL	3,161,799	3,186,456
	Financial assets at FVTPL	Mandatorily at FVTPL	5,680,038	5,680,038
Derivatives	Financial assets at FVTPL	Mandatorily at FVTPL	3,061,166	3,061,166
Equity securities	Financial assets at FVTPL	Mandatorily at FVTPL	347,783	347,783
	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	709,311	709,311
	Financial assets measured at cost	FVTOCI - equity instruments	113,636	309,655
Long-term equity investment	Equity investments under the equity method	Equity investments under the equity method	2,758,906	2,762,916
Mutual funds	Financial assets at FVTPL	Mandatorily at FVTPL	50,473	50,473
	Available-for-sale	Mandatorily at FVTPL	49,400	49,400
Debt securities	Securities purchased under resale agreements	Securities purchased under resale agreements	11,071,393	11,071,268
	Financial assets at FVTPL	Mandatorily at FVTPL	21,068,873	21,068,873
	Available-for-sale	FVTOCI - debt instruments	108,872,867	108,872,867
	Held-to-maturity	Debt instruments at amortized cost	2,135,246	2,134,976
Others	Refundable deposits	Refundable deposits	2,231,905	2,231,309
Loan commitment provision	Provision	Provision	1,127,116	1,182,684

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	$ 30,208,333						
Add: Reclassification from available-for-sale (IAS 39)							
Required reclassification	-	$ 49,400	$ -		$ (600)	$ 600	c)
Add: Reclassification from investments with no active market (IAS 39)	-	6,677,076	(7,259)		(7,259)	-	e)
Add: Reclassification from loans and receivables (IAS 39)							
Required reclassification	-	3,161,799	24,657		24,657	-	f)
	30,208,333	9,888,275	(17,398)	$ 40,114,006	16,798	600	
FVTOCI							
Debt instruments	-						
Add: Reclassification from available-for-sale (IAS 39)	-	108,872,867	-		(5,247)	5,247	b)
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	709,311	-		-	-	a)
Add: Reclassification and remeasurement from financial assets measured at cost	-	113,636	196,019		37,536	158,483	a)
	-	19,695,814	196,019	109,891,833	32,898	163,730	
Debt instruments at amortized cost	-						
Add: Reclassification from held-to-maturity (IAS 39)	-	2,135,246	(270)		(270)	-	d)
	-	2,135,246	(270)	2,134,976	(270)	-	
Discounts and loans	351,056,762						
Less: Reclassification to FVTPL (IFRS 9)	-	(3,161,799)	-				f)
	351,056,762	(3,161,799)	-	347,894,963	-	-	
Equity investments under the equity method	2,758,906						
Add: Remeasure the equity investments under the equity method (IAS 39)	-	-	4,010		(4,870)	8,880	g)
	2,758,906	-	4,010	2,762,916	(4,870)	8,880	
Securities purchased under resale agreements	11,071,393						
Less: Remeasure the securities purchased under resale agreements (IAS 39)	-	-	(125)		(125)	-	h)
	11,071,393	-	(125)	11,071,268	(125)	-	
Other financial assets	3,495,795						
Less: Remeasure the refundable deposits (IAS 39)	-	-	(596)		(596)	-	h)
Less: Reclassification to FVTOCI - equity instruments (IFRS 9)	-	(113,636)	-		-	-	a)
	3,495,795	(113,636)	(596)	3,381,563	(596)	-	
Assets	398,591,189	118,443,900	216,436	517,251,525	43,226	173,210	
Provision	1,127,116						
Less: Remeasure the provision (IAS 39)	-	-	55,568	1,182,684	(55,568)	-	i)
Liability	1,127,116	-	55,568	1,182,684	(55,568)	-	
	$ 37,464,073	$ 118,443,900	$ 160,868	$ 516,068,841	$ (12,342)	$ 173,210	

Note:

a) Investments in equity securities previously classified as available-for-sale under IAS 39 at FVTOCI under IFRS 9, and investments in unlisted shares previously measured at cost under IAS 39 have been classified at FVTOCI under IFRS 9. The Bank previously recognized impairment loss on certain investments in equity securities under IAS 39, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made and resulted in an increase of $37,536 thousand in retained earnings and an increase of $158,483 thousand in other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018.

b) Debt investments previously classified as available-for-sale under IAS 39 were classified as financial assets at FVTOCI with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding, and these investments were held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. As a result of retrospective application, the related adjustments comprised an increase in other equity - unrealized gain on financial assets at FVTOCI of $5,247 thousand and a decrease in retained earnings of $5,247 thousand on January 1, 2018.

c) Mutual funds were classified as available-for-sale under IAS 39. The contractual cash flows at the time of original recognition which were not classified as equity instrument were not solely used to pay for the interest on the principal and the amount of the outstanding principal. Therefore, the investments are measured at FVTPL in accordance with IFRS 9. Due to the retrospective application, the Bank decreased the retained earnings and a increase in other eqity of $600 thousand on January 1, 2018.

d) Bond investments were classified as held-to-maturity at amortized cost under IAS 39. The contractual cash flows at the time of original recognition were totally used to pay for the interest on the principal and the amount of the outstanding principal. And the Bank assessed that the business model is for the purpose of collecting contractual cash flow under the current facts and circumstances existing as of January 1, 2018; therefore, such investments are measured at amortized cost in accordance with IFRS 9, and the Bank assessed the expected credit loss. Due to the retrospective application, the Bank decreased the retained earnings on January 1, 2018 by $270 thousand.

e) Investments in debt instrument without active market were classified as financial assets at amortized cost under IAS 39 and were the master contract of the hybrid contract. The classification is determined in accordance with the entire hybrid contract under IFRS 9 and classified as financial assets at FVTPL. Due to the retrospective application, the Bank decreased the retained earnings on January 1, 2018 by $7,259 thousand.

f) Some of discounts and loans were classified as financial assets at amortized cost under IAS 39 and were the master contract of the hybrid contract. The classification is determined in accordance with the entire hybrid contract under IFRS 9 and classified as financial assets at FVTPL. Due to the retrospective application, the Bank increased the retained earnings on January 1, 2018 by $24,657 thousand.

g) Due to a retrospective application with associates under IFRS 9, the Bank comprised a decrease in retained earnings of $4,870 thousand and an increase in other equity - unrealized gain and loss on financial assets at FVTPL of $8,800 thousand on January 1, 2018.

h) The assessment of expected credit loss with securities purchased under resale agreements and refundable deposits in accordance with IFRS 9 were same as investments in debt instrument. As a result of retrospective application, the Bank comprised a decrease in retained earnings of $125 thousand and $596 thousand separately on January 1, 2018.

i) With the assessment of expected credit loss on irrevocable loan commitments under IFRS 9, the Bank comprised a decrease in retained earnings of $55,568 thousand on January 1, 2018.

2) First-time application to reconciliation of the allowance for impairment under IFRS 9

The Bank reconcile the allowance for impairment from occurrence impairment model under IAS 39 to expected impairment model under IFRS 9. The reconciliation on January 1, 2018 is as followed:

Measurement Categories	Allowance for Impairment Under IAS 39 and the Account Under IAS 37	Reclassification	Remeasurements	Allowance for Impairment Under IFRS 9
Loans and receivables (IAS 39)/ financial assets at amortized cost (IFRS 9)				
Receivables and other financial assets	$ 994,174	$ -	$ 4,491	$ 998,665
Discount and loans	1,642,959	-	34,688	1,677,647
Account the impairment with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	3,390,655	(31,937)	(39,179)	3,319,539
	6,027,788	(31,937)	-	5,995,851
Available for sale (IAS 39)/financial assets at FVTOCI (IFRS 9)	-	-	5,247	5,247
Financial Assets at cost (IAS 39)/ financial assets at FVTOCI (IFRS 9)	37,536	-	(37,536)	-
Held to maturity (IAS 39)/financial assets at amortized cost (IFRS 9)	-	-	270	270
Loan commitments	-	-	55,568	55,568
Securities purchased under resell agreements	-	-	125	125
Refundable deposits	-	-	596	596
	$ 6,065,324	$ (31,937)	$ 24,270	$ 6,057,657

b. The Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed by the FSC for application starting from 2019.

New, Amended or Revised Standards and Interpretations (the "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)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
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 the election for early adoption of the amendments starting from 2018.

Note 3: The Bank shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

Except for the above IFRS 16 “Leases”, as of the date the financial statements were authorized for issue, the Bank is continuously assessing that the application of other standards and interpretations won’t have material impact on the Bank’s financial position and financial performance.

IFRS 16 “Leases”

IFRS 16 sets out the identification of lease agreements and the accounting standards for lessor and lessee that will supersede IAS 17 “Leases”, IFRIC 4 “Determining Whether an Arrangement Contains a Lease” and a number of related interpretations.

Definition of leases

When applying IFRS 16 for the first time, the Bank will choose whether a contract signed or changed on or after January 1, 2019 will be assessed as a lease according to IFRS 16. Currently, lease contracts under IAS 17 and IFRIC 4 are not allowed to be reassessed, which should be processed in accordance with the transitional provisions of IFRS 16.

The Bank as lessee

When IFRS 16 is applied for the first time, except for the low-value target asset leases and short-term lease options, which are recognized under a straight-line basis, other leases will be recognized as the right-of-use assets and lease liabilities in the balance sheets. The comprehensive income statements will represent the depreciation expense of the right-of-use assets and the interest expense arising from the effective interest method on the lease liabilities separately. In the cash flow statements, the principal amount of lease liabilities is expressed as financing activities, and the interest payment portion is classified as operating activities. The identified right-of-use assets will be subject to an IAS 36 impairment assessment.

The Bank planned to adjust the cumulative effects of the retroactive application of IFRS 16 to the retained earnings on January 1, 2019, without restating the comparative information.

At present, in accordance with the agreement of IAS 17 for operating leases, the measurement of lease liabilities on January 1, 2019 will be discounted by the remaining lease payments at the increased borrowing rate of the lessee at that date. All assets with use rights will be measured at the amount of lease liabilities on that date.

Anticipated impact on assets, liabilities and equity of January 1, 2019 is set out below:

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepaid lease	$ 3,294	$ (3,294)	$ -
Investment in the equity method	2,794,977	289	2,795,266
Right-of-use assets	-	832,364	832,364
Total effect on assets		$ 829,359	
Lease liabilities	-	$ 846,497	846,497
Total effect on liabilities		$ 846,497	
Retained earning	11,649,127	$ (17,138)	11,631,989

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Bank shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Bank shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the 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 financial reports have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

Basis of Preparation

The 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.

The measurement of investment in subsidiaries and investment in associates were classified at equity method when the Bank was compiling the financial report. The net income, other comprehensive income, equity of the financial report and the net income, other comprehensive income and equity of the consolidated financial report which were attributed to the parent company.

Current and Noncurrent Assets and Liabilities

Accounts included in the balance sheets are not classified as current or noncurrent since the operating characteristics of the Bank, whose operating cycle cannot be reasonably identified. Nevertheless, accounts are properly categorized in accordance with their nature and sequenced by their liquidity. Refer to Note 44 for the maturity analysis of liabilities.

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 branches (including OBU) 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 and OBU are recognized as other comprehensive income-exchange differences on translating foreign operations.

Investment Accounted for Using Equity Method

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

Subsidiaries are the entity which were controlled by the Bank.

An associate is an entity over which the Bank 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 a subsidiary and associate is initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the associate. The Bank also recognize the changes in the Bank's 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 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 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 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 FVTPL) 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 FVTPL 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. The Bank owns financial assets which are classified into the following specified categories:

2018

1) Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Fair value is determined in the manner described in Note 43.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Any exchange difference is recognized in profit or loss.

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

a) Purchased or originated credit-impaired financial assets, for which interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and

b) Financial assets that have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

3) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

a) The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest revenue calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

4) Investments in equity instruments at FVTOCI

On initial recognition, the Bank may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Bank's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

1) Financial assets at FVTPL

Include financial assets at FVTPL and available-for-sale financial assets.
Financial asset may be designated as at FVTPL upon initial recognition if:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

b) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis in accordance with the Bank's documented risk management or investment strategy, and information about the portfolio is provided internally on that basis; or

c) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses, dividends or interest arising on re-measurement 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 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 FVTPL.

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

2018

The Bank recognizes an allowance for loss for expected credit losses on financial assets at amortized cost, investments in debt instruments that are measured at FVTOCI. For such financial assets, the Bank recognizes lifetime expected credit losses (i.e. ECLs) when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the allowance for loss for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through an allowance for loss account, except for investments in debt instruments that are measured at FVTOCI, for which the allowance for loss is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

2017

Financial assets, other than those at FVTPL, 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, breach of contract (such as a default or delinquency in interest or principal payments), 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 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

Before 2017, 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through 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.

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 FVTPL

Financial liabilities are classified as at FVTPL 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

2018

The financial guarantee contracts issued by the Bank and not measured at FVTPL are measured at the higher of the allowance for the expected credit losses and the amortized amount after original recognition.

2017

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of the best estimate of the obligation under the contract and the amount initially recognized less the cumulative amortization recognized.

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.

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 derivative host contracts

2018

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract.

2017

Derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; the contracts were not measured at FVTPL.

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 have a present obligation as a result of a past event, it is probable that the Bank 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.

When the Bank 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 expense and deferred tax expense.

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 expense.

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 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 financial assets (application to 2108)

The estimate of impairment for receivables, discount and loans and investments in debt instruments is based on the assumptions about the probability of default and loss given default. The Bank uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Bank's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 44 where the actual future cash inflows are less than expect, a material impairment loss may arise.

b. Estimating impairment of discounts and loans and receivables (application to 2017)

When there is objective evidence of impairment loss, the Bank 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.

c. 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.

d. 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 44 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.

e. 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	
	2018	**2017**
Cash on hand	$ 2,904,762	$ 2,889,476
Notes and checks for clearing	2,416,502	2,018,305
Deposits due from other banks	4,665,317	3,623,344
	$ 9,986,581	$ 8,531,125

7. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2018	**2017**
Due from the central bank - certificates of deposit	$ -	$ 125,000
Due from other banks	12,879,815	5,281,521
New Taiwan dollar reserve deposits - Type A	2,733,295	6,272,154
New Taiwan dollar reserve deposits - Type B	11,745,944	10,353,759
Foreign-currency reserve deposits	125,269	118,969
Due from foreign central bank	58,709	199,680
	$ 27,543,032	$ 22,351,083

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 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, 2018 and 2017, 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 $15,797,088 thousand and $11,872,324 thousand, respectively, and were included in cash and cash equivalents in the statements of cash flows.

8. FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	December 31, 2018
Financial assets mandatorily classified as at FVTPL (application to 2018)	
Non-derivative financial assets	
Commercial paper	$ 17,068,878
Government bond	8,324,585
Negotiable certificates of deposit	1,487,146
Stock listed on TWSE and TPEx	64,115
	26,944,724
Derivative financial assets	
Foreign-currency swap contracts	2,292,356
Interest rate swap contracts	853,399
Currency option contracts	354,604
Others	282,755
	3,783,114
Hybrid contract	
Asset swap fixed-income contracts	9,345,266
Credit linked loan contracts	3,829,179
Credit linked bond contracts	2,060,823
Convertible (exchangeable) bonds	544,395
	15,779,663
Total financial assets mandatorily classified as at FVTPL	$ 46,507,501

	December 31, 2017
Financial assets mandatorily classified as at FVTPL (application to 2017)	
Financial assets held for trading	
Non-derivative financial assets	
Commercial paper	$ 13,979,621
Government bond	5,238,586
Negotiable certificates of deposit	1,850,666
Stock listed on TWSE and TPEx	347,783
Beneficiary certificates	50,473
	21,467,129
Derivative financial assets	
Foreign-currency swap contracts	950,685
Convertible (exchangeable) bond asset swap contracts	766,433
Interest rate swap contracts	721,496
Currency option contracts	296,384
Forward exchange contracts	149,661
Others	176,507
	3,061,166
Financial assets designated as at FVTPL	
Convertible (exchangeable) bonds	5,680,038
Total financial assets at FVTPL	$ 30,208,333

	December 31	
	2018	2017
Financial liabilities at FVTPL		
Non-derivative financial liabilities		
Settlement coverage bonds payable of short sale	$ -	$ 50,241
Derivative financial liabilities		
Foreign-currency swap contracts	1,159,611	1,161,278
Interest rate swap contracts	758,670	545,246
Currency option contracts	355,293	283,706
Forward exchange contracts	225,459	80,710
Convertible (exchangeable) bond option contracts	122,750	2,125,712
Others	130,696	72,228
	2,752,479	4,268,880
Total financial liabilities at FVTPL	$ 2,752,479	$ 4,319,121

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 (notional) amounts were as follows:

	December 31	
	2018	2017
Foreign-currency swap contracts	$ 383,201,438	$ 312,727,831
Interest rate swap contracts	134,879,271	121,214,106
Currency option contracts	54,427,257	57,406,578
Credit default swap contracts	32,750,274	18,028,192
Forward exchange contracts	21,234,471	16,842,966
Asset swap fixed-income contracts	9,355,595	5,337,816
Cross-currency swap contracts	4,428,940	8,413,280
Interest rate option contracts	1,000,000	4,492,400
Convertible (exchangeable) bond option contracts	683,300	8,122,800
Domestic convertible (exchangeable) bond asset swap contracts	317,000	4,015,800
Commodity forward contracts	111,303	-
Bond futures	225,755	1,295,168
Non-deliverable forward contracts	61,617	356,566

9. FINANCIAL ASSETS AT FVTOCI - 2018

	December 31, 2018
Investments in equity instruments	
Stock listed on TWSE and TPEx	$ 930,492
Stock unlisted on TWSE and TPEx	335,330
	1,265,822
Investments in debt instruments	
Negotiable certificates of deposit from the central bank	62,950,846
Government bonds	31,436,956
Bank debentures	20,548,214
Corporate bonds	2,500,626
Mortgage backed securities	1,076,588
	118,513,230
Total financial assets at FVTOCI	$ 119,779,052

The above investments in equity instrument in the form of ordinary shares for medium- and long-term strategic purposes and expects to make a profit through long-term investments. Therefore, the designated investments are selected to be measured at FVTOCI. These investments were originally classified as available-for-sale financial assets and financial assets measured at cost under IAS 39. For reclassification and other information of 2017, refer to Notes 3, 15 and 19.

The above investments in debt instrument were originally classified as available-for-sale financial assets under IAS 39. For reclassification and other information of 2017, refer to Notes 3 and 15. For the information of credit risk management and impairment assessment on investments in debt instruments at FVTOCI, refer to Note 11. For the information of mortgage backed securities, refer to Note 39.

Part of the bank debentures and government bonds have been issued under repurchase agreements. The book value were as follows. Refer to Note 23 for related information.

	December 31, 2018
Bank debentures	$ 12,745,196
Government bonds	$ 2,702,559

10. DEBT INSTRUMENT INVESTMENT MEASURED AT AMORTIZED COST - 2018

	December 31, 2018
Bank debentures	$ 1,974,153
Corporate bonds	614,660
	2,588,813
Less: Allowance for loss	159
	$ 2,588,654

For the information on financial assets' related credit risk management and impairment at amortized cost, see Note 11.

11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS - 2018

The investments in debt instruments are classified as financial assets at FVTOCI and financial assets at amortized cost, respectively:

December 31, 2018

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 118,563,978	$ 2,588,813	$ 121,152,791
Less: Allowance for loss	4,318	159	4,477
Amortized cost	118,559,660	$ 2,588,654	121,148,314
Fair value adjustment	(46,430)		(46,430)
	$ 118,513,230		$ 121,101,884

The policy which the Bank implements is to invest only in debt instruments with credit ratings above (and including) investment grade and with impairment low in credit risk. The Bank continued to track external rating information to monitor changes in credit risk of the investments in debt instruments and to review other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investments has increased significantly since the original recognition.

The Bank considers the historical default loss rate provided by the independent rating agencies, the debtor's current financial status and the industry's forward-looking forecast to measure the 12-month expected credit loss or full-lifetime expected credit loss of the debt instrument investments. The total book value of investments in debt instrument is $121,152,791, which indicates normal credit level under assessment. The information of changes in allowance for loss which is 12-month expected credit loss is as follows:

	At FVTOCI	At Amortized Cost	Total
Retrospective application of the impact of IFRS 9 on January 1, 2018	$ 5,247	$ 270	$ 5,517
Purchase of new debt instruments	2,834	107	2,941
Derecognition	(3,681)	(135)	(3,816)
Exchange rate and other changes	(82)	(83)	(165)
Allowance for loss on December 31, 2018	$ 4,318	$ 159	$ 4,477

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	December 31	
	2018	2017
Government bonds	$ 5,641,393	$ 7,852,936
Commercial paper	1,498,448	499,411
Negotiable certificates of deposit	1,150,496	2,719,046
	8,290,337	11,071,393
Less: Allowance for loss	1,062	-
	$ 8,289,275	$ 11,071,393
Resale date	2019.01.02-2019.01.24	2018.01.02-2018.01.30
Resale price	$ 8,292,920	$ 11,074,058

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

13. RECEIVABLES, NET

	December 31	
	2018	2017
Credit card	$ 14,374,622	$ 15,045,932
Factoring	2,769,097	4,646,743
Interest	1,064,989	915,830
Spot exchange transactions	645,906	598,100
Acceptances	439,359	421,416
Proceeds from disposal of securities	345,671	154,944
Convertible bond redemption	187,414	569,629
Others	343,042	325,705
	20,170,100	22,678,299
Less: Allowance for possible losses (Note 14)	509,811	1,143,743
	$ 19,660,289	$ 21,534,556

The changes in the total carrying amount of receivables and other financial assets in 2018 are as follows:

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total
Beginning on January 1, 2018	$ 18,760,901	$ 75,443	$ 2,118,201	$ 20,954,545
Changes due to financial assets recognized at the beginning of the period:				
Transfer to Stage 2	(56,753)	59,977	(111)	3,113
Transfer to Stage 3	(117,060)	(20,729)	152,911	15,122
Transfer to Stage 1	8,504	(11,871)	(269)	(3,636)
Financial assets derecognized in the current period	(8,354,188)	(13,015)	(345,091)	(8,712,294)
Purchased or original financial assets	6,685,390	10,727	55,100	6,751,217
Write-offs	(83,437)	(27,894)	(657,591)	(768,922)
Exchange rate and other changes	16,939	(696)	14,847	31,090
Balance on December 31, 2018	$ 16,860,296	$ 71,942	$ 1,337,997	$ 18,270,235

Note 1: 12-Month ECLs.

Note 2: Lifetime ECLs.

Note 3: Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets).

The changes in the allowance of receivables and other financial assets in 2018 are as follows:

	12-Month Expected Credit Loss (Stage 1)	Lifetime ECLs (Stage 2)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
January 1, 2018	$ 39,183	$ 13,104	$ 946,378	$ 998,665	$ 145,266	$ 1,143,931
Changes due to financial assets recognized at the beginning of the period:						
Transfer to Stage 2	(69)	5,136	(25)	5,042	-	5,042
Transfer to Stage 3	(144)	(3,792)	40,046	36,110	-	36,110
Transfer to Stage 1	3	(1,922)	(53)	(1,972)	-	(1,972)
Financial assets derecognized in the current period	(22,770)	(1,916)	(51,209)	(75,895)	-	(75,895)
Purchased or original financial assets	2,559	952	15,296	18,807	-	18,807
The difference of impairment under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(22,463)	(22,463)
Write-offs	(83,437)	(27,894)	(657,591)	(768,922)	-	(768,922)
Exchange rate and other changes	83,219	22,480	69,509	175,208	-	175,208
December 31, 2018	$ 18,544	$ 6,148	$ 362,351	$ 387,043	$ 122,803	$ 509,846

14. DISCOUNTS AND LOANS, NET

	December 31	
	2018	2017
Negotiations, discounts and overdraft	$ 189,594	$ 100,576
Short-term loans	73,855,519	69,042,425
Medium-term loans	140,748,897	124,489,833
Long-term loans	169,517,735	161,806,758
Overdue receivable	611,272	501,027
	384,923,017	355,940,619
Less: Allowance for possible losses	5,234,899	4,883,857
	$ 379,688,118	$ 351,056,762

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

	For the Year Ended December 31	
	2018	2017
Provision for possible losses - discounts and loans	$ 833,097	$ 373,153
Provision for possible losses - others	113,745	828,361
Provision for possible losses - reserve for guarantee obligations	18,561	11,407
Amounts recovered - discounts and loans	(229,379)	(257,773)
Amounts recovered - others	(229,502)	(225,723)
	$ 506,522	$ 729,425

The changes in the total carrying amount of discounts and loan in 2018 are as follows:

	Stage 1 (Note 1)	Stage 2 (Note 2)	Stage 3 (Note 3)	Total
Beginning on January 1, 2018	$ 347,782,666	$ 1,423,658	$ 3,540,559	$ 352,746,883
Changes due to financial assets recognized at the beginning of the period:				
Transfer to Stage 2	(392,867)	363,684	(58)	(29,241)
Transfer to Stage 3	(604,008)	(370,042)	821,752	(152,298)
Transfer to Stage 1	97,281	(113,824)	(1,292)	(17,835)
Financial assets derecognized in the current period	(86,740,476)	(815,201)	(815,269)	(88,370,946)
Purchased or original financial assets	120,569,098	48,464	273,091	120,890,653
Write-offs	(96,709)	(40,686)	(396,228)	(533,623)
Exchange rate and other changes	384,855	696	3,873	389,424
Balance on December 31, 2018	$ 380,999,840	$ 496,749	$ 3,426,428	$ 384,923,017

Note 1: 12-Month ECLs.

Note 2: Lifetime ECLs.

Note 3: Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets).

The changes in the allowance of discounts and loan in 2018 are as follows:

	12-Month Expected Credit Loss (Stage 1)	Lifetime ECLs (Stage 2)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets) (Stage 3)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
January 1, 2018	$ 617,108	$ 67,265	$ 993,274	$ 1,677,647	$ 3,174,273	$ 4,851,920
Changes due to financial assets recognized at the beginning of the period:						
Transfer to Stage 2	(1,341)	55,586	(49)	54,196	-	54,196
Transfer to Stage 3	(1,090)	(2,964)	179,929	175,875	-	175,875
Transfer to Stage 1	100	(12,961)	(678)	(13,539)	-	(13,539)
Financial assets derecognized in the current period	(252,878)	(30,940)	(82,132)	(365,950)	-	(365,950)
Purchased or original financial assets	235,269	27,805	85,284	348,358	-	348,358
The difference of impairment under the 'Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans'.	-	-	-	-	468,488	468,488
Write-offs	(96,709)	(40,686)	(396,228)	(533,623)	-	(533,623)
Exchange rate and other changes	96,719	23,604	128,851	249,174	-	249,174
December 31, 2018	$ 597,178	$ 86,709	$ 908,251	$ 1,592,138	$ 3,642,761	$ 5,234,899

Movements of allowance for possible losses on discounts and loans and others (including receivables and other financial assets) in 2017 were as follows:

	Discounts and Loans	Others	Total
Balance, January 1, 2017	$ 5,031,824	$ 1,108,757	$ 6,140,581
Provision for possible losses	373,153	828,361	1,201,514
Amounts written-off	(466,510)	(743,155)	(1,209,665)
Effects of exchange rate changes	(54,610)	(50,032)	(104,642)
Balance, December 31, 2017	$ 4,883,857	$ 1,143,931	$ 6,027,788

For the years ended December 31, 2018 and 2017, the Bank had no written-off credits for which legal proceedings had not been initiated.

The Bank' financial assets were assessed for impairment loss on the basis of credit risk characteristics (Not application in 2018) of financial assets. The results were as follows:

Discounts and loans

Item		December 31, 2017	
		Discounts and Loans	Allowance for Possible Losses
With objective evidence of individual impairment	Assessed individually	$ 1,603,535	$ 563,826
	Assessed by portfolio	1,937,024	441,292
Without objective evidence of individual impairment	Assessed individually	3,193,736	31,937
	Assessed by portfolio	349,206,324	3,846,802
Total		$ 355,940,619	$ 4,883,857

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

Item		December 31, 2017	
		Others	Allowance for Possible Losses
With objective evidence of individual impairment	Assessed individually	$ 652,463	$ 575,640
	Assessed by portfolio	1,465,738	493,309
Without objective evidence of individual impairment	Assessed individually	8,340,265	-
	Assessed by portfolio	18,842,391	74,982
Total		$ 29,300,857	$ 1,143,931

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Negotiable certificates of deposit issued by the central bank	$ 62,523,204
Government bonds	25,343,404
Bank debentures	21,006,259
Stocks listed on TWSE and TPEx	709,311
Beneficiary certificates	49,400
	$ 109,631,578

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 (refer to Note 23 for the related information on repurchase agreements):

	December 31, 2017
Bank debentures	$ 12,366,170
Government bonds	$ 1,162,801

The assets pledged as collaterals are disclosed in Note 39.

16. HELD-TO-MATURITY FINANCIAL ASSETS - 2017

	December 31, 2017
Bank debentures	$ 1,479,602
Government bonds	655,644
	$ 2,135,246

17. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Investment in subsidiaries	$ 1,018,627	$ 984,840
Investments in associates	1,776,350	1,774,066
	$ 2,794,977	$ 2,758,906

a. Investment in subsidiaries

	December 31			
	2018		2017	
	Amount	% of Ownership	Amount	% of Ownership
Far Eastern Asset Management Co., Ltd.	$ 683,922	100.00	$ 663,679	100.00
Far Eastern International Securities Co., Ltd.	334,705	100.00	321,161	100.00
	$ 1,018,627		$ 984,840	

Far Eastern Asset Management Co., Ltd has reduced its capital to cover accumulated deficit of $516,000 in September 2018. It withdraw 51,600 thousand outstanding shares and increased cash capital by $1,000,000 thousand in January 2019. The Bank purchased a total of 100,000 thousand ordinary shares with a par value of $10 per share.

b. Investments in associates

	December 31			
	2018		2017	
	Amount	% of Ownership	Amount	% of Ownership
Dah Chung Bills Finance Corp.	$ 1,667,505	22.06	$ 1,646,555	22.06
Deutsche Far Eastern Asset Management Co., Ltd.	108,845	40.00	127,511	40.00
	$ 1,776,350		$ 1,774,066	

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; the shares of the Bank in these associates' financial performance are summarized as follows:

	For the Year Ended December 31	
	2018	2017
Net income from continuing operation	$ 92,467	$ 103,337
Other comprehensive income	(22,620)	9,114
Total comprehensive income	$ 69,847	$ 112,451

18. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Foreign convertible bond asset swap contracts - master agreement	$ 5,337,816
Convertible bonds	742,300
Credit-linked bond - master agreement	596,960
	$ 6,677,076

19. OTHER FINANCIAL ASSETS, NET

	December 31	
	2018	2017
Nonaccrual loans other than discounts and loans	$ 70	$ 261
Less: Allowance for possible losses (Note 13 and Note 14)	35	188
	35	73
Refundable deposits	2,865,526	2,231,905
Less: Allowance for loss	446	-
	2,865,115	2,231,978
Deposits with original maturity more than 3 months	894,600	549,240
Interbank clearing account	700,805	600,941
Financial assets carried at cost - 2017	-	113,636
	$ 4,460,520	$ 3,495,795

The assets pledged as collaterals are disclosed in Note 39.

Financial assets carried at cost consist of the following domestic unlisted common stocks in 2017:

	December 31, 2017
Yuan Hsin Digital Payment Co., Ltd.	$ 62,263
Financial Information Service Co., Ltd.	45,500
An Feng Enterprise Co., Ltd.	3,000
Sunshine Asset Management Co., Ltd.	2,073
Taipei Forex Inc.	800
	$ 113,636

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 on Yuan Hsin Digital Payment Co., Ltd. in September 2017 and participated in its cash capital increase with the amount of $24,950 thousand in September 2017.

20. PROPERTY AND EQUIPMENT, NET

	For the Year Ended December 31, 2018						
	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
Cost							
Beginning balance	$ 1,581,625	$ 1,247,852	$ 1,714,492	$ 2,542	$ 1,454,224	$ 16,565	$ 6,017,300
Additions	-	4,605	161,038	79	72,567	39,940	278,229
Disposals	(134,192)	(118,134)	(27,916)	(218)	(57,103)	-	(337,563)
Others	-	(3,760)	(9,564)	-	4,479	(7,760)	(16,605)
Ending balance	1,447,433	1,130,563	1,838,050	2,403	1,474,167	48,745	5,941,361
Accumulated depreciation							
Beginning balance	-	624,555	1,225,695	2,420	1,282,598	-	3,135,268
Depreciation	-	22,438	134,448	81	63,382	-	220,349
Disposals	-	(56,166)	(27,914)	(218)	(56,111)	-	(140,409)
Others	-	(3,584)	1,423	-	2,950	-	789
Ending balance	-	587,243	1,333,652	2,283	1,292,819	-	3,215,997
Net ending balance	$ 1,447,433	$ 543,320	$ 504,398	$ 120	$ 181,348	$ 48,745	$ 2,725,364

	For the Year Ended December 31, 2017						
	Land	Buildings and Improvements	Computer Equipment	Transportation Equipment	Miscellaneous Equipment	Equipment Prepayment	Total
Cost							
Beginning balance	$ 1,581,625	$ 1,247,533	$ 1,584,981	$ 3,364	$ 1,480,245	$ 31,495	$ 5,929,243
Additions	-	1,130	143,251	67	50141	26,871	221,460
Disposals	-	(811)	(57,083)	(889)	(69,125)	-	(127,908)
Others	-	-	43,343	-	(7,037)	(41,801)	(5,495)
Ending balance	1,581,625	1,247,852	1,714,492	2,542	1,454,224	16,565	6,017,300
Accumulated depreciation							
Beginning balance	-	601,642	1,151,444	3,202	1,289,850	-	3,046,138
Depreciation	-	23,721	129,477	106	64,790	-	218,094
Disposals	-	(808)	(56,979)	(888)	(66,249)	-	(124,924)
Others	-	-	1,753	-	(5,793)	-	(4,040)
Ending balance	-	624,555	1,225,695	2,420	1,282,598	-	3,135,268
Net ending balance	$ 1,581,625	$ 623,297	$ 488,797	$ 122	$ 171,626	$ 16,565	$ 2,882,032

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

21. INTANGIBLE ASSETS, NET

	December 31	
	2018	2017
Operation rights	$ 1,538,210	$ 1,538,210
Fair value of core deposits	428,887	428,887
	1,967,097	1,967,097
Less: Accumulated amortization	267,495	242,012
	$ 1,699,602	$ 1,725,085

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 in 2018 and 2017 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 tasted. For the years ended December 31, 2018 and 2017, the Bank did not recognize any impairment loss on its operation rights.

22. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2018	**2017**
Call loans to banks	$ 15,665,915	$ 6,601,520
Due to banks	60,808	231,834
Overdraft	-	127,420
	$ 15,726,723	$ 6,960,774

23. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2018	**2017**
Bank debentures (Note 9 and 15)	$ 12,015,591	$ 11,785,554
Government bonds (Note 9 and 15)	2,650,203	1,135,810
	$ 14,665,794	$ 12,921,364
Repurchase date	2019.01.07-2019.01.29	2018.01.08-2018.01.29
Repurchase price	$ 14,704,830	$ 12,943,304

24. PAYABLES

	December 31	
	2018	2017
Notes and checks for clearing	$ 2,416,502	$ 2,018,305
Accrued expenses	1,485,636	1,205,134
Accrued interest	1,133,327	963,379
Securities settlement payables	721,949	267,124
Liabilities on bank acceptances	439,359	421,416
Accounts payable factoring	372,420	898,253
Others	618,537	647,115
	$ 7,187,730	$ 6,420,726

25. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Checking deposits	$ 4,697,065	$ 2,913,365
Demand deposits	67,909,690	71,829,323
Demand savings	68,974,857	63,329,655
Time savings	77,180,132	80,875,765
Negotiable certificates of deposit	6,040,500	6,387,500
Time deposits	283,795,017	246,953,099
Remittances	50,628	332,407
	$ 508,647,889	$ 472,621,114

26. BANK DEBENTURES

	December 31	
	2018	2017
Domestic bank debentures	$ 18,001,900	$ 18,601,900
Euro Convertible Bonds	-	1,614,764
	$ 18,001,900	$ 20,216,664

Domestic Bank Debentures

Item	Issuance Period	Note	December 31 2018	December 31 2017
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
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
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 - perpetual; first issue in 2018	2018.09.18-	Interest payable on September 18 with fixed interest rate at 3.2% per annum	2,900,000	-
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			$ 18,001,900	$ 18,601,900

The Bank issued the first issuance of perpetual non-cumulative subordinated bank debentures in 2018 in the amount of $2,900,000 thousand in September 18, 2018 with an interest rate of 3.20% and the interest is paid once a year under the interest payment condition. After of five years of issuance, the Bank has the right to redeem in advance under the regulation of issuance and the permission by authorities.

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. From August 2015, the issuance balance decreased to US$54,200 thousand because some bondholders had put the right to require the Bank to redeem the Bonds after 30 months from issue date. As 10th calendar day prior to the Maturity Date, conversion price have been adjusted from NT$15.24 per share to NT$10.57 per share annually according to the original issue conditions. No one applied for conversion during the period. The Bank redeemed the Bonds at 101.89% of their principal amount in U.S. dollars on February 7, 2018, which was the Maturity Date.

27. PROVISIONS

	December 31	
	2018	2017
Reserve for employee benefits liability - defined benefit plans (Note 28)	$ 933,914	$ 940,747
Reserve for obligations guarantee	212,903	186,369
Reserve for financing commitment (Note 3)	47,957	-
	$ 1,194,774	$ 1,127,116

28. 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 balance sheets were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 1,276,052	$ 1,259,285
Fair value of plan assets	(342,138)	(318,538)
Reserve for employee benefits liability	$ 933,914	$ 940,747

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, 2018	$ 1,259,285	$ (318,538)	$ 940,747
Service cost			
Current service cost	9,295	-	9,295
Net interest expense (revenue)	21,406	(5,609)	15,797
Recognized in profit or loss	30,701	(5,609)	25,092
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,266)	(7,266)
Actuarial benefit - experience adjustments	(662)		(662)
Actuarial loss - changes in financial assumptions	62,571	-	62,571
Actuarial benefit - changes in demographic assumptions	(7,986)	-	(7,986)
Recognized in other comprehensive income	53,923	(7,266)	46,657
Contributions from the employer	-	(18,715)	(18,715)
Contributions from plan assets	(7,990)	7,990	-
Contributions from provisions	(59,867)	-	(59,867)
Balance at December 31, 2018	$ 1,276,052	$ (342,138)	$ 933,914
Balance at January 1, 2017	$ 1,381,862	$ (317,031)	$ 1,064,831
Service cost			
Current service cost	12,016	-	12,016
Net interest expense (revenue)	16,651	(4,002)	12,649
Recognized in profit or loss	28,667	(4,002)	24,665
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	936	936
Actuarial loss - experience adjustments	17,769	-	17,769
Actuarial benefit - changes in financial assumptions	(74,533)	-	(74,533)
Recognized in other comprehensive income	(56,764)	936	(55,828)
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	(71,788)	-	(71,788)
Balance at December 31, 2017	$ 1,259,285	$ (318,538)	$ 940,747

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	
	2018	**2017**
Discount rates	1.25%	1.75%
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,	
	2018	**2017**
Discount rates		
0.50% increase	$ (62,571)	$ (68,810)
0.50% decrease	$ 67,350	$ 74,533
Expected rates of salary increase		
0.50% increase	$ 65,876	$ 73,251
0.50% decrease	$ (61,872)	$ (68,348)

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 $19,725 thousand, and the average duration of the defined benefit obligation is 10.2 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.

29. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	2017
Authorized shares (in thousands)	4,500,000	4,500,000
Authorized capital	$ 45,000,000	$ 45,000,000
Issued and paid shares (in thousands)	3,269,186	3,182,929
Issued capital	$ 32,691,859	$ 31,829,286

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

At the shareholders' meeting held on June 20, 2018, the Bank resolved to increase its capital by using its undistributed earnings of $862,573 thousand. As a result, the Bank issued 86,257 thousand ordinary shares at a par value of NT$10. After the issuance, the share capital of the Bank amounted to $32,691,859 thousand.

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.

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

The appropriations of earnings were approved in the shareholders' meetings held on June 20, 2018. In case of net income after settlement of accounts for each fiscal year, the Bank shall recover all the losses incurred in the previous years, if any, before setting aside a legal reserve of thirty percent (30%) of the net profit and appropriating, according to law and regulations, a special reserve shall be retained, and shall first be distributed to the dividends of Preferred Stock. The remaining amount together with the accumulated retained profits of the last year and the reversals of special reserves are available for distribution as dividends for Common Stock. The dividends for Common Stock shall be distributed at least thirty per cent (30%) of the remaining amount. The Board of Directors shall prepare the earnings distribution in accordance with the existing circumstances at the time, taking into account the future development plan of the Bank. Any allocation of cash dividend shall, in principle, be no less than 10% of the total dividends to be distributed that year.

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, gains (losses) on valuation of investments in equity instruments measured at FVTOCI) 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.

When foreign shareholders are entitled to the distribution of dividends and the dividends' amount includes the previous year's profit-seeking enterprise income tax, the tax amount can be entitled to tax credit.

The appropriations of earnings for the 2018 and 2017, which were approved in the shareholders' meetings on June 20, 2018 and June 15, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2017	2016	2017	2016
Legal reserve	$ 856,165	$ 973,166		
Appropriate (reversal) of special reserve	(214,292)	129,675		
Cash dividends	1,397,306	1,306,774	$0.439	$0.420
Stock dividends	862,573	715,614	0.271	0.230
	$ 2,901,752	$ 3,125,229		

The appropriations of earnings for 2018 had been proposed by the Bank's Board of Directors on March 26, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 1,057,260	
Special reserve	39,804	
Cash dividends	1,471,134	$0.450
Stock dividends	866,334	0.265
	$ 3,434,532	

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 19, 2019.

d. Other equity items

Unrealized gain or loss on financial assets measured at FVTOCI in 2018:

Balance of adjustment on initial application of IFRS 9 at January 1, 2018	$ 196,065
Recognized for the year	
Unrealized gain or loss	
Debt instruments	(279,393)
Equity instruments	(37,126)
Net remeasurement of allowance for loss	(929)
Share of associates accounted for using the equity method	(22,016)
Reclassification adjustment - disposal of investments in debt instruments	(28,621)
Other comprehensive income recognized for the year	(368,085)
Disposal of equity instruments at FVTOCI	65,531
Balance, ending of year	$ (106,489)

Movements of unrealized gain (loss) on available-for-sale financial assets under equity attributable to owners of the Bank in 2017 were as follows:

Balance, beginning of year	$ (344,477)
Unrealized gain on available-for-sale financial assets	408,303
Cumulative gain (loss) reclassified to profit or loss on sale of available-for-sale financial assets	(50,499)
Share of unrealized gain (loss) on available-for-sale financial assets of associates	9,528
Balance, ending of year	$ 22,855

30. NET INTERESTS

	For the Year Ended December 31	
	2018	2017
Interest revenues		
Discounts and loans	$ 8,726,303	$ 7,764,549
Securities	1,252,950	1,110,544
Credit cards	818,190	819,965
Others	463,765	320,089
	11,261,208	10,015,147
Interest expenses		
Deposits and remittances	4,388,049	3,592,592
Bank debentures	368,192	445,663
Structured products	299,317	219,021
Due to other banks	286,192	92,837
Bonds under repurchase agreements	243,164	256,037
Others	23,847	25,872
	5,608,761	4,632,022
	$ 5,652,447	$ 5,383,125

31. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2018	2017
Service fee income		
Wealth management	$ 1,383,464	$ 1,405,341
Credit business	1,042,326	1,018,169
Credit cards	978,553	951,500
Others	204,147	196,494
	3,608,490	3,571,504
Service fee expense		
Benefit and chargeback fee	199,360	196,669
Visa and Master	157,537	152,078
Agency service fee	72,938	73,154
National credit card center fee	64,684	65,927
Credit investigation	46,522	45,994
Interbank service fee	46,122	42,091
Others	161,560	125,442
	748,723	701,355
	$ 2,859,767	$ 2,870,149

32. NET GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FVTPL

	For the Year Ended December 31	
	2018	2017
Realized gains	$ 1,352,465	$ 1,433,686
Valuation gains (loss)	(220,958)	160,180
Net interests	350,232	127,548
Dividends	22,632	10,803
	$ 1,504,371	$ 1,732,217

33. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2018	2017
Salaries	$ 2,941,983	$ 2,891,155
Labor and health insurance	209,610	209,816
Post-employment benefits (Note 28)	144,633	137,544
Others	361,790	260,604
	$ 3,658,016	$ 3,499,119

According to the Articles that if there be net income before income tax, remuneration of directors and employees' compensation, the Bank should retain an employees' compensation of 3.5%-4.5% and a remuneration of directors no greater than 1.5%. On March 26, 2019 the Bank's board of directors resolved to pay employees' compensation of $152,444 thousand and remuneration of directors of $50,814 thousand for the year ended December 31, 2018, both in cash. 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

If there is a change in the amounts after the financial statements for the year ended December 31, 2018 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, 2017.

Information on the employees' compensation and remuneration of directors resolved by the Bank's Board of Directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

34. DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31	
	2018	2017
Depreciation (Note 20)	$ 220,349	$ 218,094
Amortization	$ 25,483	$ 26,442

35. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2018	2017
Tax and government fees	$ 594,366	$ 572,816
Rental	417,156	412,911
Marketing and advertising	403,850	403,007
Software	180,829	177,660
Telecommunications	162,891	162,669
Others	719,019	692,271
	$ 2,478,111	$ 2,421,334

36. 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	
	2018	2017
Current tax expense		
Current period	$ 292,287	$ 357,293
Prior years	(772)	(3,707)
	291,515	353,586
Deferred tax expense		
Current period	318,761	76,983
Effect of change in tax rate	(82,512)	-
Prior years	(1,710)	(1,123)
Deferred tax expense	234,539	75,860
Income tax expense recognized in profit or loss	$ 526,054	$ 429,446

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

	For the Year Ended December 31	
	2018	2017
Income before income tax	$ 4,050,255	$ 3,283,329
Income tax expense calculated at the statutory rate	$ 810,050	$ 558,166
Income from offshore banking unit (OBU)	(281,594)	(153,740)
Tax-exempted investment income	(314,653)	(373,349)
Tax-exempted other items	(64,470)	76,999
Unrecognized loss carryforwards	(11,696)	(31,091)
Unrecognized deductible temporary differences	181,124	-
Additional income tax under the Alternative Minimum Tax Act	254,199	324,786
Income tax on unappropriated earnings	-	365
Overseas branch income tax	38,088	29,482
Adjustments for prior years' tax	(2,482)	(4,830)
Effect of change in tax rate	(82,512)	-
Others	-	2,658
Income tax expense recognized in profit or loss	$ 526,054	$ 429,446

The tax rate applicable to the Bank were 17% and 20% in 2017 and 2018, respectively. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

2019 appropriation of earnings is subject to the shareholders' meeting in June 2019, and the income tax rate of the unappropriated earnings in 2018 will be 5%.

b. Deferred tax recognized in other comprehensive income

	December 31	
	2018	2017
Remeasurement of defined benefit plans	$ 23,181	$ (9,491)

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

For the year ended December 31, 2018

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	$ 398,739	$ (213,278)	$ -	$ 185,461
Defined benefit plans in excess of the limit	137,528	90	23,181	160,799
Unrealized gain or loss on financial instruments	(47,290)	(4,715)	-	(52,005)
Others	23,265	17,186	-	40,451
	512,242	(200,717)	23,181	334,706
Unused loss carryforwards	33,822	(33,822)	-	-
	$ 546,064	$ (234,539)	$ 23,181	$ 334,706

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	$ 400,496	$ (1,757)	$ -	$ 398,739
Defined benefit plans in excess of the limit	158,608	(11,589)	(9,491)	137,528
Unrealized gain or loss on financial instruments	(43,551)	(3,739)	-	(47,290)
Others	28,463	(5,198)	-	23,265
	544,016	(22,283)	(9,491)	512,242
Unused loss carryforwards	87,399	(53,577)	-	33,822
	$ 631,415	$ (75,860)	$ (9,491)	$ 546,064

d. Items not recognized as deferred tax assets

	December 31	
	2018	2017
Loss carryforwards		
Expire in 2018	$ -	$ 2,044,870
Expire in 2021	133,968	133,968
	$ 133,968	$ 2,178,838
Deductible temporary differences		
Allowance for possible losses in excess of the limit	$ 905,618	$ -

e. Information about unused loss carryforwards

As of December 31, 2018, loss carryforwards comprised:

Expiry Year	Unused Amount
2021	$133,968 (assessed)

f. Income tax assessments

The income tax returns of the Bank through 2014 had been assessed by the tax authorities.

37. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic EPS	$ 1.08	$ 0.87
Diluted EPS	$ 1.07	$ 0.84

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	
	2018	2017
Net income attributable to owners of the Bank	$ 3,524,201	$ 2,853,883
Effect of dilutive potential ordinary shares		
Euro Convertible Bonds	3,420	44,029
Net income used in the computation of diluted EPS	$ 3,527,621	$ 2,897,912

Number of Ordinary Shares (In Thousand Shares)

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares in the computation of basic EPS	3,269,186	3,269,186
Effect of dilutive potential ordinary shares		
Euro Convertible Bonds	15,785	151,621
Employees' compensation	18,516	16,289
Weighted average number of ordinary shares used in the computation of diluted EPS	3,303,487	3,437,096

The weighted average number of ordinary shares outstanding for 2017 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	$ 0.90	$ 0.87
Diluted EPS	$ 0.86	$ 0.84

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 board meeting resolves the number of shares to be distributed as employees' compensation at their board meeting in the following year.

38. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Bank
Far Eastern Asset Management Co., Ltd.	Subsidiary company
Far Eastern International Securities Co., Ltd.	Subsidiary company
FEIB Financial Leasing Co., Ltd.	Subsidiary company of Far Eastern Asset Management Co., Ltd.
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
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
Oriental Union Chemical Corporation	Chairman is the vice-chairman of the Bank
Far Eastern New Century Corp.	Chairman is the vice-chairman of the Bank
Far EasTone Telecommunications Corporation	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
Everest Textile 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
Pacific SOGO Department Stores Corporation	Substantive related party since September 2017
Others	The Bank's chairman, vice-chairman, managers, their second-degree relatives or substantive related party

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

Related Party	Highest Balance in Current Year	Ending Balance	Interest Revenues	Interest Rates
Dah Chung Bills Finance Corp.				
For the year ended December 31				
2018	$ 1,600,000	$ -	$ 1,153	0.34%-0.41%
2017	$ 2,300,000	$ 500,000	$ 2,095	0.20%-0.42%

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, 2018							
Consumer loans	Five individuals	$ 1,847	$ 801	$ 801	$ -	Unsecured loan	Note 2
Loans for residential mortgage	Twenty five individuals	281,695	254,190	254,190	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	1,706,572	1,706,000	1,706,000	-	Real estate	Note 2
	Asia Cement Corp.	600,000	400,000	400,000	-	Stock listed on TWSE	Note 2
	Far Eastern New Century Corp.	390,000	300,000	300,000	-	Machinery	Note 2
	Others (Note 1)	1,889,065	86,000	86,000	-	Real estate, ship and certificates of deposit, unquoted stock stock, and listed on TWSE	Note 2
			$ 2,746,991	$ 2,746,991	$ -		
For the year ended December 31, 2017							
Consumer loans	Three individuals	$ 1,885	$ 1,645	$ 1,645	$ -	Unsecured loan	Note 2
Loans for residential mortgage	Twenty one individuals	207,796	193,154	193,154	-	Real estate	Note 2
Others	Yuan Long Stainless Steel Co.	1,740,000	1,520,000	1,520,000	-	Real estate	Note 2
	Asia Cement Corp.	600,000	600,000	600,000	-	Stock listed on TWSE	Note 2
	Others (Note 1)	3,050,000	75,000	75,000	-	Unquoted stock, ship and certificates of deposit, machinery, real estate, and stock listed on TWSE and list stock	Note 2
			$ 2,389,799	$ 2,389,799	$ -		

Note 1: The individual amount does not exceed 10% of the total disclosure amount.
Note 2: 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			
2018	0.99% - 3.68%	$ 30,835	$ 3,877
2017	0.90% - 2.24%	$ 18,138	$ 7,809

Balances of related allowance for possible losses were $28,741 thousand and $24,864 thousand as of December 31, 2018 and 2017, 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, 2018					
Yuan Long Stainless Steel Co.	$ 60,000	$ 30,000	$ 300	0.60%	Machinery
Ding Ding Hotel Co., Ltd.	20,000	20,000	200	0.80%	Unquoted stock
Yuan Ding Investment Co.	13,000	13,000	130	0.80%	Unquoted stock
Others (Note)	749,835	-	-	0.45%-0.80%	Real estate, unquoted stock, ship and certificates of deposit
		$ 63,000	$ 630		
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
Others (Note)	33,935	32,835	328	0.50%-0.80%	Real estate, unquoted stock, and certificates of deposit
		$ 212,835	$ 2,128		

Note: The individual amount does not exceed 10% of the total disclosure amount.

d. Letters of credit issued

	December 31	
	2018	2017
Yuan Long Stainless Steel Co.	$ 8,664	$ -
Everest Textile Co., Ltd.	3,331	10,537
Far Eastern Department Store Corp.	-	17,908
	$ 11,995	$ 28,445

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						
2018	$ -	$ 100,000	$ -	$ -	$ 9,977,023	$ -
2017	$ 150,000	$ 150,000	$ 150,000	$ 50,000	$ 39,362,203	$ -

f. Derivative instruments

Related Party	Derivative Instrument	Contract Period	Nominal Amount	Valuation Gain (Loss)	Balance Sheet Account	Balance Sheet Balance
For the year ended December 31, 2018						
U-Ming Marine Transport Corp.	Cross-currency swap contracts	2018.12.03 - 2019.01.07	$ 307,330	$ (805)	Financial liabilities at FVTPL	$ 335
U-Ming Marine Transport (Singapore) Private, Ltd.	Interest rate swap contracts	2012.09.27 - 2027.09.30	3,489,425	15,320	Financial assets at FVTPL	16,413
					Financial liabilities at FVTPL	13,051
Far Eastern New Century Corp.	Forward exchange contracts	2018.11.27 - 2019.03.27	439,107	3,354	Financial assets at FVTPL	4,194
					Financial liabilities at FVTPL	840
New Century InfoComm Tech Co., Ltd.	Foreign-currency swap contracts	2018.10.29 - 2019.01.31	537,828	(928)	Financial assets at FVTPL	30
					Financial liabilities at FVTPL	958
Asia Cement Corp.	Cross-currency swap contracts	2018.12.25 - 2021.09.15	460,995	489	Financial assets at FVTPL	2,244
Dah Chung Bills Finance Corp.	Domestic convertible (exchangeable) bond asset swap contracts	2016.01.19 - 2019.06.16	20,000	(14,405)	Financial assets at FVTPL	450
					Financial liabilities at FVTPL	69
For the year ended December 31, 2017						
U-Ming Marine Transport Corp.	Cross-currency swap contracts	2017.06.16 - 2018.06.28	$ 5,671,120	$ (8,066)	Financial assets at FVTPL	$ 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 FVTPL	11,959
Far Eastern New Century Corp.	Forward exchange contracts	2017.11.06 - 2018.02.26	1,007,212	5,651	Financial assets at FVTPL	7,391
					Financial liabilities at FVTPL	1,740
New Century InfoComm Tech Co., Ltd.	Foreign-currency swap contracts	2017.12.27 - 2018.02.26	298,480	(458)	Financial liabilities at FVTPL	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 FVTPL	15,416
					Financial liabilities at FVTPL	630

g. Deposits

	December 31 2018	December 31 2017
Deposits of related parties (each account balance did not exceed 5% of total deposits)	$44,982,925	$44,655,250
Interest rate	0% - 6.08%	0% - 6.08%

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Interest expenses	$ 474,553	$ 229,547

h. Service fee expense

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Ding Ding Integrated Marketing Service Co.	$ 128,252	$ 144,650
Far EasTone Telecommunications Corporation	21,418	-
Far Eastern Department Store Corp.	19,465	18,534
Far Eastern International Securities	11,455	9,314
	$ 180,590	$ 172,498

i. Operating expenses

	For the Year Ended December 31	
	2018	2017
Marketing and advertising - Pacific SOGO Department Stores Corp.	$ 86,303	$ 44,663
Rental - Yuan Ding Co., Ltd.	84,617	79,068
Marketing and advertising - Far Eastern Department Store Corp.	84,393	116,629
Marketing and advertising - Ding Ding Hotel Co., Ltd.	13,422	16,801
	$ 268,735	$ 257,161

Note: Pacific SOGO Department Stores Corp. has been a related party since September 2017, as a result, the prior period accounts were prepared for comparison with the same period.

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	
	2018	2017
Short-term employee benefits	$ 177,335	$ 166,789
Post-employment benefits	2,189	2,619
	$ 179,524	$ 169,408

39. PLEDGED ASSETS

	December 31	
	2018	2017
FVTOCI - 2018		
Government bonds	$ 3,586,922	$ -
Negotiable certificates of deposits issued by the central bank	3,306,146	-
Available-for-sale financial assets - 2017		
Government bonds	-	3,602,186
Negotiable certificates of deposits issued by the central bank	-	3,003,045
Other financial assets - deposits with original maturity more than 3 months	894,600	549,240
	$ 7,787,668	$ 7,154,471

The 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 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.

40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those mentioned in Note 43, the Bank' contingent liabilities and commitments resulting from operating activities as of December 31, 2018 and 2017 are summarized as follows:

a. Operating leases commitment

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

	December 31	
	2018	2017
Within one year	$ 348,320	$ 342,253
After one year but within five years	477,638	613,042
After five years	49,598	69,942
	$ 875,556	$ 1,025,237

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

Balance Sheets of Trust Accounts

	December 31	
	2018	2017
Assets		
Deposits in banks	$ 5,397,051	$ 5,495,110
Accounts receivable	17,043	14,672
Funds	41,006,506	38,592,345
Equity stocks	4,955,244	5,175,789
Bond investments	5,468	5,434
Real estate, net	3,878,851	1,240,973
Marketable securities in custody	10,924,845	7,942,426
Others	1,793,961	1,513,200
	$ 67,978,969	$ 59,979,949
Liabilities		
Accounts payable	$ 1,920	$ 3,158
Income tax payable	196	189
Marketable securities in custody payable	10,924,845	7,942,426
Trust capital	56,058,747	50,359,002
Reserve and earnings	993,261	1,675,174
	$ 67,978,969	$ 59,979,949

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2018	2017
Trust revenue		
Interest	$ 37,404	$ 35,618
Cash dividends	1,870,890	1,640,769
Unrealized investment gain	-	4,851
Revenue from stock lending	16	75
Others	159	19,075
	1,908,469	1,700,388
Trust expenses		
Management	41,951	48,014
Supervision	487	477
Service charges	8,743	16,259
Taxes	33,976	2,177
Service fee for stock affairs	-	1
Service fee for stock lending	1	2
Realized investment loss	569,646	366,599
Unrealized investment loss	89,346	-
	744,150	433,529
Income before tax	1,164,319	1,266,859
Income tax	396	391
Net income	$ 1,163,923	$ 1,266,468

Trust Asset Lists

	December 31	
	2018	2017
Deposits in banks	$ 5,397,051	$ 5,495,110
Accounts receivable	17,043	14,672
Funds	41,006,506	38,592,345
Equity stocks	4,955,244	5,175,789
Bonds investments	5,468	5,434
Real estate, net		
Land	2,766,640	591,940
Building	39,743	25,211
Construction in progress	1,072,468	623,822
Marketable securities in custody	10,924,845	7,942,426
Others	1,793,961	1,513,200
	$ 67,978,969	$ 59,979,949

As of December 31, 2018 and 2017, funds amounting to $1,393,772 thousand and $1,183,824 thousand, respectively, had been recognized in the OBU's books as investment in overseas securities through Non-discretionary Pecuniary Trust of the OBU.

41. UNSETTLED LITIGATION EVENTS

Regarding the claims of the Bank against Allied Material Technology Co., in October 2017, the Taiwan High Court ruled that the Bank shall pay $244,563 thousand plus interest to other banks (the amount was derived from the reorganization of Allied Material Technology Co.). The Bank has appealed in accordance with laws and regulations. The Supreme Court remanded the case to the Taiwan High Court on December 20, 2018. Based on attorney's assessment of the remand, the probability of winning the litigation may be high. Accordingly, the Bank hasn't evaluated related liabilities.

42. 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					
	2018			2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 3,846,562	30.733	$ 118,216,382	$ 3,348,542	29.848	$ 99,947,285
HKD	3,129,424	3.924	12,279,860	2,978,848	3.819	11,376,220
AUD	457,123	21.670	9,905,863	506,714	23.260	11,786,167
CNY	928,509	4.473	4,153,219	1,174,009	4.577	5,373,440
JPY	12,639,326	0.278	3,518,788	8,504,053	0.265	2,253,574
ZAR	1,315,093	2.130	2,801,148	1,033,761	2.421	2,502,734
EUR	64,066	35.210	2,255,778	53,261	35.700	1,901,434
SGD	36,216	22.480	814,145	1,643	22.320	36,675
GBP	7,840	38.880	304,813	7,809	40.210	314,007
CAD	10,243	22.580	231,284	16,429	23.780	390,683
NZD	7,251	20.620	149,518	9,076	21.200	192,406
Financial liabilities						
Monetary items						
USD	3,723,220	30.733	114,425,720	3,106,626	29.848	92,726,574
HKD	3,086,761	3.924	12,112,450	2,934,977	3.819	11,208,676
AUD	456,347	21.670	9,889,048	503,321	23.260	11,707,251
CNY	932,046	4.473	4,169,043	1,181,070	4.577	5,405,758
JPY	12,397,679	0.278	3,451,514	8,156,806	0.265	2,161,554
ZAR	1,319,035	2.130	2,809,545	1,082,141	2.421	2,619,863
EUR	66,480	35.210	2,340,753	53,705	35.700	1,917,278
SGD	36,159	22.480	812,851	1,698	22.320	37,889
GBP	7,782	38.880	302,562	7,929	40.210	318,839
CAD	10,244	22.580	231,300	15,874	23.780	377,478
NZD	7,326	20.620	151,067	9,527	21.200	201,970

43. 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 fair value information

a) Level 1

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.

b) Level 2:

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).

c) Level 3

Level 3 inputs are unobservable items such as inputs derived through extrapolation or interpolation and thus cannot be corroborated by observable market data.

b. Fair value information - Financial instrument measured at fair value under repetitive basis

1) Information of the financial instruments measured at fair value categorized by level is as follows:

	December 31, 2018			
Repetitive Financial Instruments	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-derivative financial assets and liabilities				
Assets				
Mandatorily at FVTPL				
Bonds investments	$ 8,324,585	$ 8,324,585	$ -	$ -
Equity investments	64,115	64,115	-	-
Bills investments	18,556,024	-	18,556,024	-
FVTOCI				
Equity instruments	1,265,822	930,492	-	335,330
Debt instruments				
Bonds investments	55,562,384	55,562,384	-	-
Bills investments	62,950,846	-	62,950,846	-
Derivative financial assets and liabilities				
Assets				
Mandatorily at FVTPL	3,783,114	351	3,698,910	83,853
Liabilities				
Financial liabilities at FVTPL	(2,752,479)	(161)	(2,685,579)	(66,739)
Hybrid contract				
Mandatorily at FVTPL	15,779,663	544,395	15,235,268	-
	$ 163,534,074	$ 65,426,161	$ 97,755,469	$ 352,444

Repetitive Financial Instruments	December 31, 2017 Total	Level 1	Level 2	Level 3
Non-derivative financial assets and liabilities				
Assets				
Financial assets at FVTPL				
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 FVTPL				
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	-
Liabilities				
Financial liabilities at FVTPL				
Settlement coverage bonds payable of short sale	(50,241)	(50,241)	-	-
Derivative financial assets and liabilities				
Assets				
Financial assets at FVTPL				
Held for trading	3,061,166	477	2,950,088	110,601
Liabilities				
Financial liabilities at FVTPL	(4,268,880)	(1,668)	(4,263,385)	(3,827)
	$ 135,520,790	$ 58,373,822	$ 77,040,194	$ 106,774

2) Valuation techniques for fair value measurement

When the Bank 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' 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:

a) The consistency and adequacy of the market parameters used in the valuation;

b) 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;

c) 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 uncertainly 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, 2018 and 2017.

5) Level 3 financial instruments

a) Movement of Level 3 financial assets

December 31, 2018

Item	Beginning Balance	Valuation		Increase in the Current Year		Decrease in the Current Year		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Purchase or Issue	Transfer-in (Note)	Sale, Disposition or Settlement	Transfer-out from Level 3	
Mandatorily at FVTPL	$ 110,601	$ (18,265)	$ -	$ 8,321	$ -	$ (16,804)	$ -	$ 83,853
Financial assets at FVTOCI	-	-	25,675		309,655	-	-	335,330
Total	$ 110,601	$ (18,265)	$ 25,675	$ 8,321	$ 309,655	$ (16,804)	$ -	$ 419,183

Note: Due to retroactive classification per IFRS 9 in the beginning balance of 2018.

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 FVTPL							
Held for trading - derivative financial assets	$ 92,774	$ 32,470	$ 48,024	$ -	$ (62,667)	$ -	$ 110,601

b) Movements of Level 3 financial liabilities

December 31, 2018

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 FVTPL							
Derivative financial liabilities	$ 3,827	$ (1,675)	$ 66,739	$ -	$ (2,152)	$ -	$ 66,739

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 FVTPL							
Derivative financial liabilities	$ 6,818	$ (1,198)	$ 3,481	$ -	$ (5,274)	$ -	$ 3,827

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

Level 3 financial instruments mainly consist of credit default swap and investment in equity instrument at FVTOCI which have single major unobservable parameters; quantitative information is as follows:

Measured at Fair Value Based on Repetition	Fair Value as of December 31, 2018	Valuation Techniques	Significant Unobservable Parameters	Interval (Weighted-average)	Relationship Between Parameters and Fair Value
Derivative financial assets					
December 31, 2018	$ 83,853	Default probability model	Credit separation	0.40%-3.50%	The increase of credit separation decreases its fair value.
December 31, 2017	110,601	Default probability model	Credit separation	0.80%-3.65%	The increase of credit separation decreases its fair value.
Investments in equity					
December 31, 2018	299,678	Income approach - cash dividend discount method	Without open market marketable discount	20.16%	The increase of discount decreases its fair value
	24,809	Market approach - analogy company law	Without open market marketable discount	10.00%	The increase of discount decreases its fair value
	10,843	Net asset value method	N/A	N/A	N/A
Derivative financial liabilities					
December 31, 2018	66,739	Default probability model	Credit separation	0.40%-3.50%	The increase of credit separation decreases its fair value.
December 31, 2017	3,827	Default probability model	Credit separation	0.80%-3.65%	The increase of credit separation decreases its fair value.

d) Valuation procedures for Level 3 fair value

Valuation of Level 3 financial instruments is executed by a specific department and external expert 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

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, 2018		December 31, 2017	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Mandatorily at FVTPL	$ 2,892	$ (2,893)	$ 2,706	$ (2,706)
Liabilities				
Financial liabilities at FVTPL	4,300	(4,302)	958	(958)

Had the valuation parameters for financial instruments categorized within Level 3 been 0.01% higher/lower, the impact on other comprehensive income or loss for the current year would have been as follows:

Item	Impact on Other Comprehensive Income and Losses			
	December 31, 2018		December 31, 2017	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets at FVTOCI	$ 59	$ (59)	$ -	$ -

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. Fair Value information - Financial instruments not measured at fair value

The Bank 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:

	2018		The Fair Value Hierarchy of Financial Instruments	
	Book Value	Fair Value	Level 1	Level 2
Financial asset				
Investments in debt instrument at amortized cost	$ 2,588,654	$ 2,577,856	$ 2,577,856	$ -

	2017		The Fair Value Hierarchy of Financial Instruments	
	Book Value	Fair Value	Level 1	Level 2
Financial asset				
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

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

44. 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.

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

2018

a) The credit risk has increased significantly after original recognition

The Bank assesses the change in the risk of default over the expected duration of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since original recognition. For this assessment, the Bank's considerations show that the credit risk has increased significantly since original recognition and can be corroborated. The main considerations include the following:

Qualitative Index

The debtor’s payment is overdue for 30-89 days.

Quantitative Index

i. Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.

ii. Significant changes in actual or expected results of the debtor’s operations.

iii. The credit risk of other financial instruments of the same debtor has increased significantly.

b) The definition of default and credit impairment on financial assets

The Bank's definition of default on financial assets is the same as the judgment of credit impairment on financial assets. If one or more of the following conditions are met, the Bank determines that the financial assets have defaulted and have credit impairment:

Qualitative Index

The debtor’s payment is overdue for more than 90 days.

Quantitative Index

If there is any evidence indicates that the debtor can not pay the contract, or the debtor is in a material financial difficulties as follows:

i. The debtor has become bankrupt or may file for bankruptcy or financial restructuring.

ii. The debtor has conformed to a non-performed loan by authorities.

iii. The debtor has conducted a negotiation of debts or self-negotiating.

iv. The active market of the financial assets disappeared due to financial difficulties.

The aforementioned default and credit impairment definitions apply to all financial assets held by the Bank and are consistent with the definitions used for the internal credit risk management purposes of the financial assets and are applied to the relevant impairment assessment model.

If the financial assets have not conformed to the definition of default and credit impairment on financial assets for 6 consecutive months, it would not be classified as a default and credit impairment on financial assets.

c) Write off policy

When the Bank can not reasonably expect the recoverable from the entire or partial financial assets, the entire or partial financial assets will be written off. The index of unexpected reasonably recoverable amount includes the following:

i. The recovery of debt has stopped.

ii. The debtor doesn't have enough assets or income resource to pay the debt after assessment.

Financial asset which has been written-off can do the recovery of debt and institute legal proceedings continuously under related policies.

d) Measurement of expected credit loss

i. Loan and receivables

The Bank considers both the 12-month and lifetime probability of default ("PD") of the borrower with the loss given default ("LGD"), multiplying, the exposure at default ("EAD"), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

The above "PD" and "LGD" are applied to the credit business according to each group's historical information (such as credit loss experience) from internal statistical data, and adjust historical data based on current observable and forward-looking macroeconomic information (such as GDP and unemployment rate), then calculate by applying the progressive one factor model respectively.

When the Bank measured the credit loss of assets combination, the forward-looking information were taken into the PD's consideration. Among them, the index of forward-looking adjustment in PD is predicted by the Corporate banking Sector which adopted the growth rate of real GDP in Taiwan and the Consumer banking Sector which adopted the unemployment rate in Taiwan.

According to the measurement of predict loss in IFRS 9, the forward-looking adjustment in PD is requested to assess any consequences (at least 2 circumstances) and expresses with weighted-average probability. As a result, the Bank took the prediction authorities' consensus forecasting into consideration and adopted the prediction value by at least 2 macroeconomic prediction authorities as the index of forward-looking adjustment.

The Bank considered the estimate on credit loss with the forward-looking information by the above methods.

ii. The investments in debt instrument at amortized cost and at FVTOCI

The measurement of predict credit loss consider the information of PD and LGD which is announced from the external credit ratings and Moody's to calculate. The international credit rating authority has considered the forward-looking information when assessed the credit rating which is taken consideration to measure the predict credit loss by the Bank consequently.

2017

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 each quarter, view the transaction limits for each financial institution in the Risk Management Committee.
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.

4) 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) Through policy mechanism, such as credit limits and credit regulation prior to the credit being committed to customers, to control the quality of credit assets. Via post-loan management, concentration analysis, midway credit and review tracking to view assets quality and changes of each case. Master and monitor risk in time. Periodic reports and feedbacks to understand credit portfolios and overall credit risks, ensure risk offsets for continued effectiveness.

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, 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.

5) 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	
	2018	**2017**
Unused portion of credit card lines	$ 179,890,598	$ 171,589,511
Guarantees and standby L/Cs	19,271,353	17,455,518
Irrevocable loan commitments	15,866,641	12,171,019

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, 2018

	Maximum Credit Risk Exposure			
	With Collaterals	Other Credit Enhancements	Without Collaterals	Total
Balance sheet items				
Discounts and loans	$ 248,098,498	$ 60,682,444	$ 76,142,075	$ 384,923,017
Receivables - credit card	-	-	14,417,111	14,417,111
Receivables - acceptances	-	98,272	341,087	439,359
Off-Balance sheet items				
Unused portion of credit card lines	-	-	179,890,598	179,890,598
Guarantee	5,843,474	6,147,476	6,609,086	18,600,036
Letters of credit issued	11,995	220,265	439,057	671,317
Irrevocable loan commitments	798,815	-	15,067,826	15,866,641
	$ 254,752,782	$ 67,148,457	$ 292,906,840	$ 614,808,079

December 31, 2017

	Maximum Credit Risk Exposure			
	With Collaterals	Other Credit Enhancements	Without Collaterals	Total
Balance sheet items				
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
Off-Balance sheet items				
Unused portion of credit card lines	-	-	171,589,511	171,589,511
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	1,795,770	-	10,375,249	12,171,019
	$ 240,767,915	$ 58,520,782	$ 273,075,639	$ 572,364,336

The Bank set the procedure for the range of available to classify as collaterals and estimation of collaterals with collaterals assessed management and estimation loans of collaterals which is in order to check the nonperforming loans.

When loan contracts set the security of nonperforming loans, article of collaterals and definition of credit event occurrence, the quota and the repayment period can be reduced or regard as maturity to reduce the credit risk.

6) 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

	December 31, 2018	
Credit Risk Profile by Industry Sector	**Amount**	**%**
Finance and insurance	$ 53,669,412	14
Manufacturing	43,696,595	11
Wholesale and retail trade	15,946,673	4
	$ 113,312,680	29

	December 31, 2017	
Credit Risk Profile by Industry Sector	**Amount**	**%**
Finance and insurance	$ 52,415,634	15
Manufacturing	41,373,608	12
Wholesale and retail trade	11,331,381	3
	$ 105,120,623	30

b) By geography

	December 31			
	2018		2017	
Region	**Amount**	**% to Total**	**Amount**	**% to Total**
Taiwan	$ 319,847,652	83	$ 299,813,491	84
Asia Pacific except Taiwan	32,731,935	9	30,750,120	9
Others	32,343,430	8	25,377,008	7
	$ 384,923,017	100	$ 355,940,619	100

c) By type of collaterals

	December 31			
	2018		2017	
Type of Collaterals	**Amount**	**%**	**Amount**	**%**
Unsecured	$ 136,824,519	36	$ 121,596,263	34
Secured				
Real estate	209,070,047	54	191,379,527	54
Movable property	18,601,434	5	19,630,122	5
Financial collateral	17,274,959	4	20,035,658	6
Others	3,152,058	1	3,299,049	1
	$ 384,923,017	100	$ 355,940,619	100

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

Some of the financial assets held by the Bank, such as cash and cash equivalents, due from the central bank and other banks, financial assets at FVTPL, securities purchased under resale agreements, bond investment, refundable deposits and operating deposits, are assessed with low credit risk due to the good credit rating of the counterparties.

An analysis of credit quality of financial assets other than those listed above is shown below:

a) Credit quality analysis of discounts and loans and receivables - December 31, 2017

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	Subtotal (A)				With Objective Evidence of Individual Impairment	Without Objective Evidence of Individual Impairment	
Discounts and loans	$ 202,127,029	$ 91,546,163	$ 53,657,111	$ 1,464,776	$ 348,795,079	$ 3,604,981	$ 3,540,559	$ 355,940,619	$ 1,005,118	$ 3,878,739	$ 351,056,762
Receivables											
Credit card	5,553,263	2,525,409	4,676,783	14,347	12,769,802	574,604	1,441,847	14,786,253	469,259	2,209	14,314,785
Others	640,792	686,972	3,356,223	-	4,983,987	2,572	665,798	5,652,357	574,264	68,084	5,017,219

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

c) Loans and receivables past due but not impaired - December 31, 2017

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

d) An analysis of credit quality of security investments - December 31, 2017

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	Subtotal (A)					
Available-for-sale financial assets										
Bond investments	$ 46,349,663	$ -	$ -	$ -	$ 46,349,663	$ -	$ -	$ 46,349,663	$ -	$ 46,349,663
Bill investments	62,523,204	-	-	-	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	-	2,135,246
Debt investments with no active market	4,009,518	2,667,558	-	-	6,677,076	-	-	6,677,076	-	6,677,076
Total	$ 115,017,631	$ 2,667,558	$ -	$ -	$ 117,685,189	$ -	$ -	$ 117,685,189	$ -	$ 117,685,189

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 and 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 FVTPL for which there is an active and liquid market and maintain legal ratio related to liquidity.

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 balance sheet.

December 31, 2018	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	$ 8,751,791	$ 5,532,147	$ 1,382,985	$ 59,800	$ -	$ 15,726,723
Securities sold under repurchase agreement	14,704,830	-	-	-	-	14,704,830
Payables	3,972,687	1,254,123	672,467	619,621	668,832	7,187,730
Deposits and remittances	197,090,896	92,644,699	68,393,781	136,525,003	13,993,510	508,647,889
Bank debentures	1,900	-	3,000,000	-	15,000,000	18,001,900
Principal received on structured products	65,452	16,965	71,214	-	12,325,539	12,479,170
Other financial liabilities	-	-	-	-	170,780	170,780
Total	$ 224,587,556	$ 99,447,934	$ 73,520,447	$ 137,204,424	$ 42,158,661	$ 576,919,022

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
Settlement coverage bonds payable of short sale	50,241	-	-	-	-	50,241
Securities sold under repurchase agreement	12,943,304	-	-	-	-	12,943,304
Payables	3,485,320	1,270,370	604,547	450,368	610,121	6,420,726
Deposits and remittances	193,514,469	85,691,816	64,791,402	105,119,158	23,504,269	472,621,114
Bank debentures	1,900	1,617,762	-	3,500,000	15,100,000	20,219,662
Principal received on structured products	277,530	70,990	193,172	41,586	5,899,235	6,482,513
Other financial liabilities	-	-	-	-	174,704	174,704
Total	$ 213,278,234	$ 92,382,322	$ 65,789,121	$ 109,135,032	$ 45,288,329	$ 525,873,038

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 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, 2018	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 FVTPL						
Foreign exchange derivatives	$ 382	$ 558	$ 199	$ -	$ -	$ 1,139
Interest rate derivatives	3,675	6,361	8,378	5,375	552,531	576,320
Total	$ 4,057	$ 6,919	$ 8,577	$ 5,375	$ 552,531	$ 577,459

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 FVTPL						
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

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 balance sheet.

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

December 31, 2018	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 FVTPL						
Foreign exchange derivatives						
Cash outflow	$ 66,817,020	$ 66,620,982	$ 43,980,954	$ 14,101,278	$ 1,363,279	$ 192,883,513
Cash inflow	66,388,975	66,181,803	43,707,316	14,043,361	1,386,102	191,707,557
Interest rate derivatives						
Cash outflow	921,990	-	-	-	614,660	1,536,650
Cash inflow	903,800	-	-	-	603,750	1,507,550
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	3,299	20,218	28,563	45,507	292,691	390,278
Subtotal of cash outflow	67,739,010	66,620,982	43,980,954	14,101,278	1,977,939	194,420,163
Subtotal of cash inflow	67,296,074	66,202,021	43,735,879	14,088,868	2,282,543	193,605,385
Net cash flow	$ (442,936)	$ (418,961)	$ (245,075)	$ (12,410)	$ 304,604	$ (814,778)

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 FVTPL						
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
Credit derivatives						
Cash outflow	-	-	-	-	-	-
Cash inflow	2,232	9,058	11,665	23,331	144,496	190,782
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	63,980,380	74,438,429	37,149,388	22,386,681	442,976	198,397,854
Net cash flow	$ (270,189)	$ (146,780)	$ 79,191	$ 248,783	$ 138,056	$ 49,061

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 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, 2018	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	$ 15,866,641	$ -	$ -	$ -	$ -	$ 15,866,641
Irrevocable credit card commitments	179,890,598	-	-	-	-	179,890,598
Issued but unused letters of credit	671,317	-	-	-	-	671,317
Other guarantees	13,012,636	5,117,400	20,000	-	450,000	18,600,036
Total	$ 209,441,192	$ 5,117,400	$ 20,000	$ -	$ 450,000	$ 215,028,592

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

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 in banking book and trading book, 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) Market risk management process

a) Recognition and measurement

The Group's operation and risk management sections both identify market risk factors of exposure positions, which are used to measure market risks. Market risk factors include interest rates, foreign exchange rates and market price of equity securities, and exposures, gains and losses and sensitivity (PVO1, Delta, Beta) etc. Measurement of investment portfolio is affected by interest rate risk, foreign exchange risk and price of equity securities.

b) Monitoring and reporting

The Group's risk management department regularly reviews market risk management objective, positions and control of gains and losses, sensitivity analysis and pressure test and reports to the board of directors. Therefore, the board of directors could well understand market risk control. The Group has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management, and the department should report to relevant committee regularly.

4) Management process of interest risk

Interest rate risk is the risk of loss or changes in the fair value resulting from interest rate or credit spread fluctuations. It includes interest rates or credit spread 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 sensitivity

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 or credit spread.

Assuming all other variables remain constant, where the interest rate increases/decreases by 1 bps, there would be a decrease of $10,472 thousand and an increase of $10,462 thousand in income before income tax for the year ended December 31, 2018. There would be a decrease of $1,811 thousand and an increase of $1,810 thousand in income before income tax for the year ended December 31, 2017. There would be a decrease/increase of $18,572 thousand and $12,268 thousand in other comprehensive income for the years ended December 31, 2018 and 2017, respectively.

ii. Foreign exchange sensitivity

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 $169,021 thousand and $374,288 thousand in income before income tax for the year ended December 31, 2018 and 2017, 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 $6,085 thousand and $60,783 thousand in income before income tax for the year ended December 31, 2018 and 2017 respectively. There would be an increase/decrease of $12,658 thousand and $7,587 thousand in other comprehensive income for the years ended December 31, 2018 and 2017, respectively.

8) Concentration of foreign exchange risk

Information on concentration of foreign currency exposures at the balance sheet date is shown in Note 42.

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
FVTOCI - transactions under repurchase agreements December 31, 2018	$ 15,447,755	$ 14,665,794	$ 15,447,755	$ 14,665,794	$ 781,961
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

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 / Business			December 31, 2018				
			Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
Corporate Banking	Secured		399,735	55,072,485	0.73%	771,445	192.99%
	Unsecured		26,210	109,101,455	0.02%	1,307,531	4,988.67%
Consumer Banking	Residential mortgage (Note d)		175,415	123,690,577	0.14%	1,950,925	1,112.18%
	Cash card		-	-	-	-	-
	Small-scale credit loan (Note e)		229,975	22,122,691	1.04%	390,942	169.99%
	Others (Note f)	Secured	78,062	69,335,436	0.11%	744,497	953.73%
		Unsecured	2,941	5,600,373	0.05%	69,559	2,365.15%
Total			912,338	384,923,017	0.24%	5,234,899	573.79%
Item / Business			Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit card			42,987	14,417,111	0.30%	432,188	1,005.39%
Accounts receivable factored without recourse (Note g)			-	2,769,097	-	31,690	-

Item / Business			December 31, 2017				
			Nonperforming Loans (Note a)	Loans	Ratio of Nonperforming Loans (Note b)	Allowance for Possible Losses	Coverage Ratio (Note c)
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 / Business			Nonperforming Receivables	Accounts Receivable	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
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	-

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: Nonperforming loans ÷ Outstanding loan balance.

Ratio of nonperforming credit cards receivables: Nonperforming credit cards receivables ÷ Outstanding credit cards receivables balance.

Note c: Coverage ratio of allowance for possible losses for loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of allowance for possible losses for credit cards receivables: Allowance for possible losses for credit cards receivables ÷ 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 / Business	December 31, 2018		December 31, 2017	
	Nonperforming Loans Excluded	Nonperforming Receivables Excluded	Nonperforming Loans Excluded	Nonperforming Receivables Excluded
Loans not classified as NPL upon debt restructuring and performed as agreed (Note a)	64,037	184,939	88,969	250,530
Loans upon performance of a debt discharge program and rehabilitation program (Note b)	791,658	1,005,612	721,064	1,076,306
Total	855,695	1,190,551	810,033	1,326,836

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, 2018		
	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 - 6700 - real estate development	$ 9,501,000	21%
2	B Group - 6499 - non-categorized and other financial services	3,831,176	9%
3	C Group - 6496 - private financing industry	3,725,413	8%
4	D Group - 4841 - retail of motor vehicles	3,027,281	7%
5	E Group - 6700 - real estate development	2,971,350	7%
6	F Group - 4210 - road engineering	2,820,240	6%
7	G Group - 5260 - air transportation assistance	2,815,985	6%
8	H Group - 2411 - smelting and refining of iron and steel	2,469,000	6%
9	I Group - 2630 - bare Printed Circuit Boards Manufacturing	2,225,583	5%
10	J Group - 2859 - other household appliances manufacturing	2,161,075	5%

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	B Group - 6499 - non-categorized and other financial services	$ 4,194,556	10%
2	J Group - 2859 - other household appliances manufacturing	3,614,918	8%
3	C Group - 6496 - private financing industry	3,119,667	7%
4	K Group - 3010 - manufacture of motor vehicles	2,743,460	6%
5	L Group - 6499 - non-categorized and other financial services	2,655,873	6%
6	M Group - 0850 - manufacture of dairy products	2,566,960	6%
7	I Group - 2630 - printed circuit board manufacturing	2,359,822	6%
8	F Group - 4210 - ocean freight transportation forwarding services	2,333,686	5%
9	H Group - 2411 - smelting and refining of iron and steel	2,332,835	5%
10	N Group - 6499 - non-categorized and other financial services	2,279,666	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, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 290,024,783	$ 146,052,263	$ 5,650,758	$ 30,665,306	$ 472,393,110
Interest rate-sensitive liabilities	152,122,187	152,884,130	102,738,671	18,929,935	426,674,923
Interest rate sensitivity gap	137,902,596	(6,831,867)	(97,087,913)	11,735,371	45,718,187
Net worth					44,744,740
Ratio of interest rate-sensitive assets to liabilities					110.71%
Ratio of interest rate-sensitivity gap to net worth					102.18%

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%

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, 2018

(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	$ 2,920,039	$ 202,692	$ 35,945	$ 99,853	$ 3,258,529
Interest rate-sensitive liabilities	2,483,940	1,112,830	159,579	-	3,756,349
Interest rate sensitivity gap	436,099	(910,138)	(123,634)	99,853	(497,820)
Net worth					1,455,918
Ratio of interest rate-sensitive assets to liabilities					86.75%
Ratio of interest rate-sensitivity gap to net worth					(34.19%)

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%)

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, 2018	For the Year Ended December 31, 2017
Return on total assets	Before tax	0.67%	0.58%
	After tax	0.59%	0.50%
Return on equity	Before tax	9.25%	7.84%
	After tax	8.05%	6.82%
Net income ratio		32.22%	28.04%

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, 2018

	Total	Amount for Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 657,048,134	$ 108,223,432	$ 83,033,715	$ 99,353,166	$ 67,996,227	$ 60,087,823	$ 238,353,771
Main capital outflow on maturity	793,951,803	46,921,837	80,819,341	163,285,185	146,268,581	190,698,533	165,958,326
Gap	(136,903,669)	61,301,595	2,214,374	(63,932,019)	(78,272,354)	(130,610,710)	72,395,445

December 31, 2017

	Total	Amount for Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 Days to 90 Days	91 Days to 180 Days	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

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

b) For U.S. dollar items

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		1 to 30 Days	31 Days to 90 Days	91 Days to 180 Days	181 Days to One Year	Over One Year
Main capital inflow on maturity	$ 10,744,093	$ 4,099,117	$ 2,644,604	$ 1,443,831	$ 567,614	$ 1,988,927
Main capital outflow on maturity	11,435,866	5,053,597	3,122,668	1,643,749	747,525	868,327
Gap	(691,773)	(954,480)	(478,064)	(199,918)	(179,911)	1,120,600

December 31, 2017

(In Thousands of U.S. Dollars)

	Total	Amount for Remaining Period to Maturity				
		1 to 30 Days	31 Days to 90 Days	91 Days to 180 Days	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

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

45. CAPITAL MANAGEMENT

a. Objective of capital management

1) Unconsolidated regulatory capital and the consolidated regulatory 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 regulatory 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 regulatory capital, risk-weighted assets and capital adequacy ratio were as follows:

			December 31, 2018	
			Unconsolidated	**Consolidated**
Regulatory capital	Common equity		$ 41,848,384	$ 42,076,829
	Additional Tier I capital		2,193,441	2,448,097
	Tier II capital		9,014,910	9,544,444
	Total common capital		53,056,735	54,069,370
Risk-weighted assets	Credit risk	Standardized approach	367,484,931	369,490,534
		Internal rating-based approach	-	-
		Asset securitization	215,318	215,318
	Operational risk	Basic indicator approach	19,200,700	19,686,600
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	11,098,400	11,098,400
		Internal models approach	-	-
	Total risk-weighted assets		397,999,349	400,490,852
Capital adequacy ratio			13.33%	13.50%
Ratio of common equity to risk-weighted assets			10.51%	10.51%
Ratio of Tier I capital to risk-weighted assets			11.07%	11.12%
Leverage ratio			6.14%	6.19%

			December 31, 2017	
			Unconsolidated	Consolidated
Regulatory capital	Common equity		$ 39,236,233	$ 39,698,325
	Additional Tier I capital		-	-
	Tier II capital		11,680,665	12,185,406
	Total common 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 common 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%

Note a: Regulatory capital, risk-weighted assets and exposure measurement are calculated under the "Regulations Governing the Capital Adequacy and capital category of Banks" and the "The Methods for Calculating the Bank's regulatory Capital and Risk-weighted Assets " amended by the FSC on November 16, 2017.

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) Regulatory capital = Common equity + Additional 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 = Regulatory capital/Total risk-weighted assets.

4) Ratio of Common equity to risk-weighted assets = Common equity/Total risk-weighted assets.

5) Ratio of Tier I capital to risk-weighted assets = (Common equity + Additional Tier I capital)/Total risk-weighted assets.

6) Leverage ratio = Net Tier I capital/Exposure measurement.

46. SEGMENT INFORMATION

According to the Article 23 of "Regulations Governing the Preparation of Financial Reports by Public Banks", the Bank does not prepare the segment information of IFRS 8.

47. 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: Table 1 (attached)

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: Nil

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 and Table 3 (attached)

c. Related information of investees on which the Bank exercises significant influence: Table 4 (attached)

d. Information about branches and investments in mainland China: Table 5 (attached)

FAR EASTERN INTERNATIONAL BANK LTD.

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Type of Asset	Transaction Date	Acquisition Date	Book Value	Transaction Amount	Receipt Status	Disposition of Benefits	Counter-party	Nature of Relationship	Purpose	Reference of the Price	Other Appointments
Far Eastern International Bank Ltd.	Hsinchu Jingguo building and land	2018/9/27	2010/4/3	$ 196,255	$ 385,166	Receipt in full	$ 174,755 (Note)	A company	Nil	Activated assets	Valuation report	N/A

Note: Has deducted transaction costs of $14,156 thousand.

TABLE 2

FAR EASTERN INTERNATIONAL BANK LTD.

SUBSIDIARIES' FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	Entrusted loan receivables	No	$ 134,190	$ 134,190	$ 99,748	6%-10%	a	$ 4,026	-	$ 997	Real estate	$ 301,455	$ 306,040	$ 306,040
		B company	Entrusted loan receivables	No	26,838	26,838	26,838	6%-10%	a	805	-	268	Real estate	51,257	306,040	306,040
		C company	Entrusted loan receivables	No	26,838	26,838	26,838	6%-10%	a	805	-	268	Stock	379,526	306,040	306,040
		D company	Entrusted loan receivables	No	22,365	22,365	22,365	6%-10%	a	926	-	224	Real estate	33,748	306,040	306,040

Note 1: No. column is coded as follows:

a. The Issuer is coded "0".
b. 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:

a. Business transaction is coded "1".
b. Short-term financing is coded "2".

Note 3: The limits on financing are as follows:

a. Financing limit for each borrower

1) 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.

2) 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.

b. Aggregate financing limit

1) 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.

2) 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.

INFORMATION OF SUBSIDIARIES' GUARANTEE PROVIDED AT COST OR PRICES AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL AND DERIVATIVE TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, In Thousand Shares)

No. (Note 1)	Company Providing Endorsements/Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity (Note 3)	Maximum Balance for the Period	Ending Balance	Drawdown Amounts	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Most Current Financial Statement (%)	Maximum Endorsements/ Guarantees Amount Allowable (Note 3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 2)											
1	Far Eastem Asset Management Co., Ltd.	FEIB Financial Leasing Co., Ltd.	b	$ 3,073,300	$ 71,568	$ 71,568	$ -	$ -	10.46	$ 6,839,231	N	N	Y	

Note 1: No. column is coded as follows:

a. The Issuer is coded "0".
b. The investees are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: No. column is coded as follows:

a. A company with which it does business.
b. A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
c. A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
d. Companies hold, directly or indirectly, 90% or more of the voting shares for each other.
e. Where a company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
f. Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
g. Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: According to the FEAMC's "Regulations of Endorsements/Guarantees", the limit of amount of its endorsements/guarantees for any single subsidiaries is 10 times of the total amount invested in this subsidiaries, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the company.

TABLE 4

FAR EASTERN INTERNATIONAL BANK LTD.

RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 Investees				Note
						Present Shares (In Thousands)	Pro Forma Shares	Total		
								Shares (In Thousands)	Percentage of Ownership (%)	
Held by the Bank										
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	$ 108,845	$ (18,595)	12,000	-	12,000	40.00	
Dah Chung Bills Finance Corp.	4F, 4F-1, 4F-2, 4F-3, Np. 88 Dun Hwa North Road, Taipei, Taiwan	Underwriting, dealing and brokering of short-term bills	22.06	1,667,505	111,062	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	683,922	24,926	68,400	-	68,400	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	334,705	43,196	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	3,802	-	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	2,616	-	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	299,678	-	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	24,809	-	5,094	-	5,094	4.99	
Nonfinancial business										
An Feng Enterprise Co., Ltd.	3F., No. 139, Jhengjhou Road, Taipei, Taiwan	ATM maintenance, replacement and repair	10.00	4,425	-	300	-	300	10.00	
Held by Far Eastern Asset Management Co., Ltd.										
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	306,040	12,598	N/A	-	N/A	100.00	

FAR EASTERN INTERNATIONAL BANK LTD.

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(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, 2017	Investment Flow (Note 4)		Accumulated Outflow of Investment as of December 31, 2018 (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, 2018 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2018	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)	$ 12,598 (CNY 2,825 thousand)	100%	$ 12,598 (CNY 2,825 thousand)	$ 306,040	$ -	

Accumulated Investment in Mainland China as of December 31, 2018 (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)	$410,354

Note 1: Routes of investment in Mainland China are listed below:

a. Direct investment.
b. Investment via third place company (state third place investment company).
c. 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 2018.

遠東國際商業銀行

Far Eastern Int'l Bank

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