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**Stock code: 5835**



**Cathay United Bank**

# **2017 Annual Report**

**Dated: April 19, 2018**

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# One. Letter to Shareholders

## I. Foreword

Dear Shareholders:

In 2017, we saw a general recovery of the global economy that ultimately contributed to corporate profit growth and market share performance. As monetary policies normalize across the world's major central banks, European economies managed to achieve better-than-expected recovery, while the USD index weakened due to Fed's halt on further rate hike. Stimulated by the global recovery, Taiwan's economy expanded by more than 2% for the year, attracting an inflow of foreign capital that strengthened the NTD currency. Taiwan should continue to benefit from global expansion in 2018, but uncertainties associated with tightened liquidity and rising trade protectionism worldwide and the outlook of the NTD currency will all pose a challenge to Taiwan's economic growth in the coming year.

Despite intensifying volatility and competition within the global market, the Bank still managed to maintain high growth by relying on its extensive experience and strong business team. Not only has the Bank out-performed peers in earnings, the organization also won recognition from local and foreign major awards such as: Euromoney - "Best Bank in Taiwan 2017," The Asian Banker - "Best Credit Card Product" and "Best Retail Risk Management Initiative," Asian Banking & Finance - "Taiwan Domestic Trade Finance Bank of the Year," The Asset" - "Best Private Bank, Taiwan," and Wealth Magazine - "Best Wealth Management" and "Best Digital Service." It is evident that financial products and services offered by the Bank have been well-perceived by experts local and abroad.

In the domestic market, the Bank offers diverse and complete services via a comprehensive banking network, and currently operates the highest number of branches as a private banking institution in Taiwan. At the end of 2017, the Bank had a total of 164 branches located throughout Taiwan. With respect to key overseas markets, the Bank currently operates 1 wholly owned subsidiary, 1 joint venture bank, 12 branches (sub-branches), and 5 representative offices in total. In the China market, the Bank has adopted the approach of connecting local sub-branches to create a complete service network that caters to the local market. Meanwhile, actions are being taken to establish and re-organize subsidiary banks to maximize business opportunities. As for the Southeast Asian market, the Bank has already established presence in 9 of the 10 ASEAN countries, making it the Taiwanese bank with the broadest service coverage in Southeast Asia. The Bank is committed to investing group resources into key markets and bringing diverse, quality and complete financial services to local customers either through branch establishment or strategic alliance.

In terms of innovation, integration between banking service and digital technology remains the primary focus, given the wide popularity of mobile devices. In addition to being the first wave of banks to support Apple Pay, the Bank also extended support for Samsung Pay and Android Pay devices, and adopted big data technologies to develop its own artificial decision-making logic for various consumer banking products and services. This new technology even led to the development of smart investment services that are aimed toward providing customers with better digital experience and added value.

For more effective fulfillment of corporate social responsibilities, the Bank transformed into Taiwan's first Equator Bank in 2015 and has since been combining financial expertise with environmental issues to support a low-carbon economy. The Bank has long been supporting domestic and foreign solar energy industries through project lending, while exerting positive influence as a financial institution to minimize impact of industrial activities on the environment and society.

Talent is the foundation for future growth in a market environment so full of opportunities and challenges at the same time, and the Bank's dedication to training talent was recognized by the Association for Talent Development in its BEST Awards in 2017. In the future, the Bank will continue integrating resources throughout the financial group to build a stronger organization, and actively expand business in size and scope under rigorous risk control and strict compliance with local as well as foreign laws to fulfill its long-term vision.

## **II. 2017 business report**

Changes in the local and foreign financial environment and outcomes of the Bank's business plan and strategy for 2017 are explained below:

### **(I) Consumer banking service**

The Bank has been improving basic services to customers by adopting a needs-driven approach. With a comprehensive network of physical and digital channels available at its disposal, the Bank is able to introduce integrated financial services and the ultimate one-stop shopping experience for customers. The Bank also cooperated pro-actively with other subsidiaries of the financial group to introduce new digital services, source new customers and attract deposits into the Bank. This enhanced coordination has generated synergies and created financial service opportunities that were favorably reflected in terms of profitability, competitiveness, and customer scale.

With regards to housing loans, the Bank continued to focus on stability and credit quality by making optimal adjustments to customer structure and capital utilization. As for unsecured lending, steps were taken

to expand target customers and distribution, including the use of digital channels, and to explore high-margin lending opportunities for improved profitability.

The Bank's deposit balance amounted to NT\$2,808 billion at the end of 2017, up NT\$66.2 billion and 3.3% from the end of 2016, and NT\$1,291.1 billion of which were demand deposit while NT\$789.7 billion of which were time deposit. 63.5% of the NTD deposit balance were demand deposits, representing relatively low cost of capital.

At the end of 2017, outstanding balance across mortgage products (including: home equity loans) totaled NT\$672.5 billion, up NT\$72.1 billion or 12.00% from the end of 2016. Balance of personal loan products amounted to NT\$59.7 billion, up NT\$13 billion or 27.71% from the end of 2016.

## (II) Financial Payment Service

1. Transaction acquisition: All electronic data captures (EDCs) supplied by the Bank are now capable of supporting Apple Pay, Android Pay, Samsung Pay and other popular payment methods. In terms of market development, the Bank has placed its growth focus on merchants, brand value and corporate alliance, and has successfully introduced cash flow services into retail giants including 7-ELEVEN and Starbucks in 2017. As of November 2017, the Bank had contracted 44,082 physical and online merchants in total.
2. New payment service: In October and December 2017, the Bank cooperated with Family Mart and 85°C Cafe, respectively, to integrate credit card and debit card with APPs of the two major retail chains for express payment and membership point collection. By introducing exclusive mobile payment features to the two merchants, consumers are able to complete transactions entirely over their mobile phone, and thereby relieve storekeepers of the hassle associated with cash handling while helping merchants realize their vision of a cashless business model.
3. Automated channels: In addition to maintaining an exclusive presence at Taipei Metro Stations, the Bank managed to expand its service reach and obtain exclusive right to place ATMs in FamilyMart and PXMart chains. The Bank is also in the midst of negotiating with the above partners to introduce cash flow and digital payment services. By the end of 2017, the Bank had deployed 3,201 ATMs, ranking 3rd with a market share of 11.31%.

(III) Credit card service

1. Utilizing an AI-driven decision-making model, the Bank was able to recommend suitable products for different customer groups using appropriate channels that ultimately increased customers' profit contribution.
2. Total outstanding cards exceeded 6 million in 2017 while the number of active cards reached 4.36 million, ranking first in the market. In addition, credit card spending amounted to a record-high of NT\$441.6 billion during the year.
3. Through strategic alliance, the Bank was able to expand payment scenarios and connect to mobile exchange platforms that make use of merchants' discount and loyalty point programs for improved user experience and loyalty among cardholders.

(IV) Wealth management service

In terms of wealth management service, the Bank continued to offer asset allocation and inheritance solutions by committing to its role as a "value creator and asset protector." A professional team of financial consultants has been assembled to provide total asset planning service and support many of the Bank's initiatives including differentiated customer management, sales process risk control, financial advisor training and digital channel interfacing for optimal customer experience. The Bank also expanded its service offerings to fulfill customers' financial needs at various stages in life.

(V) Trust service

1. Insurance trust, children's trust, nursing trust, and other personalized trust solutions have been developed and are being marketed to high net worth customers as part of the wealth management and private banking service. Furthermore, prepayment trust services were introduced to businesses such as hotels to accommodate the mandatory trust requirements imposed by law. The size of charity trust expanded 26% from 2016 to NT\$37.9 billion in 2017; total assets managed under personal and corporate trust services amounted to NT\$49.6 billion, up 18.67% from 2016.
2. The Bank continued to promote real estate escrow trust as support to existing financial services through business visits and marketing materials. For customers involved in property development or are in need of construction financing, the Bank offers pre-sale property trust,



pre-sale property development trust, urban renewal trust, and property development trust to support their business activities. Total assets managed under real estate trust service amounted to NT\$48.5 billion at the end of 2017, up 23.9% from 2016.

3. Driven by a user-centric philosophy, the Bank made extensive efforts to optimize distribution channels and application workflow across all types of investment product and create a transaction environment that is easy and convenient to users. In addition, resources were integrated throughout the group to offer smart investment service for customers.
4. The Bank actively promotes investment-linked insurance policy, foreign currency-denominated discretionary investment service, and investment custodian service for foreign institutional investors and individuals. Total assets under management amounted to NT\$785.5 billion at the end of 2017, representing a 11.4% growth over 2016.

(VI) Corporate banking service

The Bank managed to grow corporate banking services consistently across domestic target customers and key overseas markets, while at the same time maintain proper risk management and improve overall quality of the credit portfolio. At the end of 2017, the Bank had NT\$548 billion of corporate banking exposure (including overseas) outstanding.

(VII) Foreign currency service

1. The Bank has been active in the establishment of correspondence banking relations in ASEAN and Greater China regions as a means to support international businesses and facilitate more efficient transfer of capital in Asia. In the presence of a strong correspondence banking network, the Bank is able to appeal to a larger number of customers by introducing competitive remittance solutions and trade financing products, and thereby secure the foundation of success in the foreign currency market.
2. Due to the challenging global environment, the Bank has been focusing on growing its foreign currency service. Foreign currency deposit balance in 2017 amounted to US\$14.9 billion, up 11.5% from 2016; import/export and foreign exchange transactions amounted to US\$126.2 billion in 2017, up 17% from 2016; trade financing balance amounted to US\$800 million in 2017, up 49% from 2016.

(VIII) Digital banking services

1. Mobile website: A new mobile version of the Bank's website has been designed in conformity with the world's ongoing mobile movement. With this new update, the most commonly used financial services and credit card information were added to the website for easy access on-the-go.
2. Digital application: Following optimization of the credit card application process, the Bank received more than two times the number of new credit card applications. The Bank even offers full digital service for certain customers, allowing them to submit loan applications online and receive funding in as little as 30 minutes. Meanwhile, travel insurance and property insurance have been made available for Internet banking, where applications can be submitted online at any time.
3. Mobile banking APP: A new mobile banking APP has been designed to offer mobile features such as personalized push messages, transactions and credit card information. Quick login options including fingerprint and hand gesture were added to shorten customers' time.
4. A new "KOKO COMBO icash Co-branded Card" incorporating ATM, credit card and e-ticket features all-in-one was launched during the year to deliver the ultimate digital experience that appeals to young customers. Boasting a 5% cashback, exclusive account privileges and online application, the product has been popularly requested among young customers (99% of cardholders had applied for digital statements by the end of 2017, showing the high level of commitment to environmental protection). Furthermore, in an attempt to appeal to young people, the Bank created an exclusively sponsored space called "KOKO LAB" that specializes in hosting creative exhibitions in the form of a "Secret Cinema," and successfully stimulated discussion and interaction within the target audience.
5. With regards to the growth of digital banking service, new applications increased by 11% for personal online accounts and 41% for corporate online accounts in 2017.

(IX) Treasury service

On January 30, 2016, the Financial Supervisory Commission (FSC) tightened the definition of professional customer of juristic person by increasing the minimum asset requirement from NT\$50 million to NT\$100 million to ensure customers' risk tolerance. Furthermore, banks have since been instructed to perform know-your-customer (KYC) and product suitability assessments in accordance with Article 3 of the

amended “Regulations Governing Offshore Structured Products” released by FSC on March 3, 2017 for all transactions involving derivatives in order to develop proper understanding of customers’ investment experience, wealth, trading purpose, product knowledge and suitability with respect to the derivatives traded.

Increased volatility in equity and foreign exchange markets combined with tightened rules on eligible customers and product duration had reduced spread income by 33% in 2017.

(X) Overseas operations

The Bank places significant emphasis on the growth of Asian markets, especially the Greater China Region and Southeast Asia. The Bank has 6 sub-branches in China deployed throughout Northern, Central and Southern China; all of which are thriving from their localized business strategies. As for the Southeast Asian market, the Bank has already established branch presence in 9 ASEAN countries including Vietnam, Cambodia, Singapore, Malaysia, the Philippines, Laos, Thailand, Myanmar and Indonesia, making it the Taiwanese bank with the broadest service coverage in Southeast Asia. The Bank is committed to investing group resources into key markets and bringing diverse, quality and complete financial services to local customers either through branch establishment or strategic alliance.

■ Changes in organization

1. First Legal Department of Legal Affairs Division is to be renamed “Legal Affairs Department,” and the Second Legal Department is to be renamed the “Asset Security Department” .
2. Wealth Management Planning Department of Corporate Planning Division was renamed the Wealth Management Strategy Department, followed by removal of the Consumer Banking Planning Department.
3. Accounting Department of the General Administration Division was renamed the “Finance & Accounting Department.”
4. Insurance Agency Department of the Personal Banking Division was reorganized and assigned under Corporate Planning Division.
5. Information Service Department of the General IT Division was renamed the Credit Card & Financial Information Systems Department, and the Core System Department was renamed the Core Systems Solutions Department.

6. International Banking Department of the Corporate Banking Affairs Division is to be renamed the “Global Transaction Service Department” (taking effect one day after permission is given by the authority).
7. Consolidation of “Luodong Mini-branch” and “Xiushui Mini-branch” has been approved by FSC; Luodong Mini-branch will be dissolved once consolidation is completed.

■ Budget execution

The Bank achieved 99.72% of its NT\$2,086.7 billion deposit target (mainly attributed to time deposit adjustments) and 100.9% of its NT\$1,425.5 billion loan target (including revolving credit on credit cards) in 2017. In terms of credit cards, the Bank achieved 100.36% of its 6.03 million card target.

Unit: NT\$ 100 million

Business activities	2017 - actual	2017 - target	Achievement rate
Deposit	20,808	20,867	99.72%
Credit (including revolving credit on credit cards)	14,383	14,255	100.90%
Credit card	6.05 million cards	6.03 million cards	100.36%

■ Revenue, expense, and profitability analysis

Unit: NT\$ millions, %

Item	Year		Growth rate (%)
	2017	2016	
Net interest income	27,687	24,108	14.85%
Net income other than interest	25,268	25,395	-0.50%
Total net revenues	52,955	49,503	6.97%
Bad debt expenses	2,729	4,069	-32.93%
Operating expenses	28,399	26,166	8.53%
Pre-tax profit	21,826	19,268	13.28%
Income tax expense	2,524	2,056	22.76%
Net income	19,302	17,212	12.14%
EPS (after tax)(NTD)	2.53	2.35	-
Return on assets (after tax)	0.74%	0.71%	-
Return on shareholders' equity (after-tax)	11.54%	11.14%	-

■ Research and development

1. The Bank supports Apple Pay, Android Pay, Samsung Pay and several other payment tools in favor of mobile devices, and has placed its growth focus on merchants, brand value, and corporate alliance.
2. The Bank was the first among peers to integrate credit card and debit with merchants' existing APP for merchant-exclusive payment service and membership points collection.

### **III. Summary of the 2018 business plan**

■ Operational strategies for 2018

- (I) Deposit service: Promote customers' knowledge toward account opening/investment/loan/protection/wealth management through marketing campaigns; reach customers through digital and physical channels as they desire; optimize service process and minimize service disruption while improving the convenience and timeliness of services offered for higher revenues.
- (II) Consumer credit service: Create commercial opportunities through big data; develop in-depth knowledge on customers through multi-dimensional data analysis and generate revenues by satisfying their needs with the most suitable product and service offerings. In addition to enhancing competitiveness of physical channels, the Bank will also focus on the development of standardized credit products as well as automated application procedures for more efficient and streamlined financial service. We are confident in the potential of the new process to deliver the best loan application experience without compromising risk management.
- (III) SME credit service: The Bank will be adding a new target customer group called "Sophisticated Customers" to expand its corporate customer and related business opportunities, whereas an SME Transformation Program will be launched with a dedicated SME team assembled to provide differentiated services. The Bank will also be cooperating with branches to satisfy the needs of personal/corporate banking customers with a "professional" and "localized" focus. A dedicated credit assessment team will be assembled to serve as a centralized hub for all credit assessments throughout the nation, and thereby improve efficiency and quality of the credit assessment process. By bringing credit assessment from the back office toward the mid-office, we hope to improve the efficiency of our internal procedures and enhance customers' experience.

- (IV) Wealth management service: The Bank will continue training employees with focus on diversified asset allocation and differentiated customer management, as these are the professional capabilities that help customers achieve their financial goals and deliver a mutual win between the Bank and customers.
- (V) Trust service: The Bank will aim to combine trust, insurance and other financial instruments into solutions that provide elder citizens the financial means to live at old age, and help them manage and secure property in the era of an aging population. For high net worth customers, the Bank will aim to address the common issue of wealth transfer by offering solutions such as children's trust, insurance trust, inheritance trust, share ownership trust or real estate trust combined with the use of investment instruments available at disposal. Furthermore, the Bank will offer customized trust plans based on customers' actual needs and in doing so shape the Bank's reputation as a professional wealth manager.
- (VI) Corporate credit service: The Bank will aim to identify key industries at various locations and grow relationship through systematic marketing programs, while at the same time expand financial service and apply robust risk management practices to customers' group businesses. Further improvements will also be made to the global talent training system to help build a competitive corporate banking service team.
- (VII) Foreign currency service: Through expansion of the foreign currency product line, optimization of foreign exchange platform, integration of physical and virtual channels, and introduction of diverse foreign currency services, the Bank aims to increase the efficiency of customers' capital allocation as well as their attachment to the Bank's services, which ultimately improves the Bank's competitiveness in the international market and generates revenue. In terms of trade financing services, the Bank will aim to explore customers through available channels and make optimal adjustments to products and services for improved customer satisfaction. Meanwhile, more cooperative relationships will be made with peers on a higher level to further complete product offerings.
- (VIII) Credit card service: By identifying the needs of target customers and offering suitable products at high precision, the Bank will be cross-selling on a larger scale to acquire high net worth and young customers. With a solid customer base, the Bank will be able to assure the sustainability and competitiveness of its business. Alliances will be formed with strategic partners to expand payment scenarios, whereas lifestyle banking services

will be developed based on customer experience to create a financial ecosystem that benefits both consumers and merchants. Given the Bank's leading advantage in mobile payment, more attention will be devoted toward exploring application of wearable devices and development of digital credit cards that would strengthen customers' loyalty and the competitiveness of the Bank.

- (IX) Transaction acquisition service: The Bank will aim to expand transaction acquisition with key merchants and provide them with enhanced cash flow service, diverse payment options, and customized solutions for higher loyalty.
- (X) ATM service: The Bank will aim to strengthen collaborative relationship with business partners that have ATMs in place, explore ways to acquire new customers and increase customers' ownership and use of Cathay products through ATMs, and create good user experience by adopting a customer-centric approach.
- (XI) Payment Hub service: Through innovative technologies and ongoing relationship with major merchants, the Bank hopes to explore new mobile payment applications and help merchants expand their scope of business as well as increase revenue.
- (XII) Digital banking service: The Bank's plans are to create a comprehensive network of digital channels, support operation and transformation, coordinate branch efforts to ensure end-to-end relationship management with key customers, and develop complete digital service experience for Taiwanese businesses and fully automated digital banking services for overseas companies.
- (XIII) Treasury service: The Bank will aim to coordinate with channels on end-to-end product delivery, acquire customers by offering niche products that satisfy their needs, and grow treasury into a stable, sustainable and professional service for further potential.
- (XIV) Private banking: The Bank will aim to expand the overall size of this business segment, raise productivity of the sales team, optimize private wealth management platform in Hong Kong, and integrate group resources toward providing total solutions and wealth transfer service for customers.
- (XV) Overseas operations: By supporting overseas branches in business development and local trend monitoring, the Bank hopes to make the optimal allocation of its resources based on overseas market condition while maximize local business opportunities.

■ Expected business targets and basis of estimate

2018 business targets

Unit: NT\$ 100 million

Main business category	Target
Deposit	21,636
Credit (including revolving credit on credit cards)	16,181
Credit card (outstanding cards)	6.17 million cards

Basis of target

The Bank prepares its budget in a manner that achieves optimal allocation of capital. To achieve this purpose, the Bank evaluates market outlook, economic cycle and interest rate trends for the coming year before the end of each year in order to determine business-related factors. The management then makes assumptions by taking into consideration product profitability in previous years and possible growth opportunities before setting growth targets and interest rates for the coming year. With the growth forecast in place, the Bank is able to review budgeted expenses and Bad debt expenses provisions.

■ Key policies

Faced with a rapidly changing market and intensifying competition, the Bank shall adhere to the rules of the competent authority while seeking more efficient use of its capital. In the meantime, the Bank will strive to gain insight into customers' needs and commit resources into enforcing customer segmentation and service differentiation. To achieve performance targets, the Bank will aim to enhance service to VIPs and acquire young customers by offering value-adding services.

For our next milestone, we shall strive to raise our professional capacity throughout all branches local and abroad, and implement robust management practices as well as good communication and strong corporate culture in ways that inspire employees to uphold "Integrity, Accountability and Innovation." By developing the foundation and flexibility needed for transformation, we shall take progressive steps toward realizing our vision of becoming "A Leading Financial Institution in Asia Pacific."



## **IV. Future strategies**

### **(I) Consumer banking service**

1. Introduce integrated financial products with the support of group resources, and create synergy from coordination with affiliated branches.
2. Optimize services from a “customer experience” standpoint across physical and digital channels; introduce differentiated financial services for specific customers and strengthen relationship with simpler, faster and more refined services for improvement of overall operating performance.
3. Strengthen customer relationship management and enhance cross-selling efforts to maximize customer value and prevent the loss of customers.
4. Grow e-commerce service by integrating across devices, platforms and physical/virtual channels; provide digital cash flow service and enhance account collection/payment functions to become customers’ primary banker.
5. The Bank will be adding a new target customer group called “Sophisticated Customers” to expand its corporate customer and related business opportunities, whereas an SME Transformation Program will be launched with a dedicated SME team assembled to provide differentiated services. The team will also be cooperating with branches to satisfy the needs of personal/corporate banking customers with a “professional” and “localized” focus. A dedicated credit assessment team will be assembled to serve as a centralized hub for all credit assessments throughout the nation, and thereby improve efficiency and quality of the credit assessment process. By bringing credit assessment from the back office toward the mid-office, we hope to improve the efficiency of our internal procedures and enhance customers’ experience.

### **(II) Financial Payment Service**

1. Transaction acquisition: The Bank plans to grow this market by applying different strategies for different categories of merchant, including “strategic merchant,” “total solution merchant” and “acquisition-only merchant.” This relationship would also enable other group affiliates to extend cash flow services such as salary transfer, mortgage, personal loan, insurance etc. to the merchants for risk reduction and strengthened loyalty at the same time. Furthermore, new terminal equipment incorporating e-ticket and third-party payment services will be introduced to serve as incentives for merchants.

2. New payment service: The Bank will continue seeking cooperation with prominent channels and merchants, and incorporate the latest financial technologies to open up new financial service opportunities and provide merchants with total solutions, thereby bringing innovative banking into people's lives.
3. Automated channels: Adhere to the "customer experience" focus and enhance cash flow services in ways that improve channel performance.

### **(III) Credit card service**

1. By identifying the needs of target customers and offering suitable products at high precision, the Bank will be cross-selling on a larger scale to acquire high net worth and young customers. With a solid customer base, the Bank will be able to assure the sustainability and competitiveness of its business.
2. Alliances will be formed with strategic partners to expand payment scenarios, whereas lifestyle banking services will be developed based on customer experience to create a financial ecosystem that benefits both consumers and merchants.
3. Given the Bank's leading advantage in mobile payment, more attention will be devoted toward exploring application of wearable devices and development of digital credit cards that would strengthen customers' loyalty and the competitiveness of the Bank.
4. In addition to exploring new payment scenarios, the Bank will also adopt the use of big data to offer customized privileges and raise service experience, which in turn improves brand differentiation and awareness.

### **(IV) Wealth management service**

1. Differentiated customer management: As part of the Bank's emphasis on diverse asset allocation, a professional team of financial consultants will be assembled to provide total investment advisory service, including customized asset allocation plans aimed at helping customers build up assets and realize investment goals for a mutual win.
2. Enhanced financial advisory: The Bank will aim to ensure quick response to market and customer demands, offer differentiated financial advisory, provide suitable and relevant products, services and investment information, assist customers with trading needs, and introduce smart investment tools for a better digital experience.

**(V) Corporate banking service**

The Bank will strategically strengthen corporate customers' attachment and revenue contribution, expand into Greater China and key Southeast Asian markets, develop conglomerate management, enhance group-wide risk management, offer total financial service to customers and aim toward becoming a regional financial institution in the Asia Pacific.

**(VI) Foreign currency service**

Through expansion of foreign currency product line, optimization of foreign exchange platform, integration of physical and virtual channels and introduction of diverse foreign currency services, the Bank aims to increase the efficiency of customers' capital allocation as well as their attachment to the Bank's services, which ultimately improves the Bank's competitiveness in the international market.

**(VII) Digital banking services**

Given FSC's ongoing encouragement for financial innovation and digital banking, the Bank will continue development of new financial products and services and incorporate them into virtual as well as physical channels for enhanced digital experience. Assistance will also be given to help employees transform and develop innovative capacity.

**(VIII) Overseas operations**

1. The Bank will aim to expand its customer base overseas through active deployment of overseas channels, planning, training overseas talent, implementation of robust platform and procedures, and offering differentiated and diverse products.
2. The Bank as a whole will be growing overseas markets and deploying branches in line with government policies, while adopting a localized business strategy at various locations. In the meantime, the Head Office will escalate management efforts and assistance to overseas operations to ensure that proper frameworks and models are implemented. A high-quality and complete range of financial services will be introduced to meet the needs of regional customers and to connect with international standards; by increasing the percentage of overseas profits, the Bank strives to become a leading financial institution in the Asia Pacific.
3. Resources will be coordinated throughout the Bank to create synergies between overseas operations and support local business development at the

same time. In doing so, the Bank hopes to identify growth opportunities in overseas markets and develop new products that not only take advantage of demographic dividends, but increase brand visibility internationally as well. If laws permit, the Bank may even engage overseas partners in strategic cooperative relationships through arrangements such as equity ownership, merger, acquisition, or joint ventures.

## **V. Impacts of the competitive environment, regulatory environment, and overall business environment**

### **(I) External competition**

Having predicted stable recovery in Europe and USA combined with increased growth in Asian emerging markets, the International Monetary Fund expects the global economy to sustain strong growth in the coming year. Although the market is generally optimistic toward the outlook of the economy, the fact that governments are turning away from expansionary monetary policy and increasing geopolitical risks present uncertainties to economic growth. For this reason, the Bank will focus its operating strategies largely on the control of credit exposure, while targeting service fees and cross-selling as the main sources of income, and monitor market changes with caution.

Mobile technology and digital transformation continue to challenge traditional banking practices and intensify competition within the industry. Meanwhile, the government has been actively introducing deregulations and creating collaborative opportunities as a means to inspire financial creativity and growth. Given how digital banking has flourished, conventional practices and channels alone could no longer satisfy customers' needs for financial products and services; furthermore, ongoing deregulation and policy incentives have attracted banking institutions to direct investment toward new areas and undertake transformations that are gradually changing how banks are run today. In addition to introducing a multitude of online banking services and satisfying customers' needs with a customer-centric "full channel network," the Bank also incorporates digital and social networking features into its financial service for enhanced user experience, which in turn benefits customers and the Bank at the same time.

Competition for overseas businesses has already intensified as governments in the Greater China Region and Southeast Asia have become

more open to foreign investors; additionally, technology and internet companies are also finding ways to compete for financial service, escalating the competition to an unprecedented level. In response to the new competitive landscape, the Bank will actively explore the needs of local customers and continue to satisfy them by delivering the best experience and more innovative services.

## **(II) The regulatory environment**

Given the supervisory trend in Asia Pacific, we expect financial supervision to tighten across all local authorities, for which the Bank will be required to respond with enhanced information security measures, a more robust business continuity plan, rigorous anti-money laundering and counter financing of terrorism (AML/CFT) practices, and more thorough customer due diligence investigation. While these requirements pose additional compliance costs, they also present opportunities to align banking practice with international standards.

The Bank continues to enforce its compliance and internal control systems in line with international supervisory trends and instructions of the home country authority, and makes timely changes to internal policies to ensure conformity with external regulations. In preparation for the mutual evaluation by the “Asia-Pacific Group on Money Laundering” (APG) in 2018, the Bank has implemented a “risk-based” management framework that introduces a number of emphases including enhanced identification and assessment of ML/FT risk, enhanced know-your-customer (KYC) investigation, suspicious transaction monitoring and reporting, and optimized AML system for more effective combat against money laundering and terrorism financing activities. The Bank has programs in place to help employees react to FSC’s policy on financial technologies (FinTech), and pays close attention to the legislative progress of FSC’s “Financial Technology Development and Innovative Experimentation Act” (commonly referred to as “Regulatory Sandbox”) and application of regulatory technology (RegTech) so that innovative financial services, products and risk management measures can be introduced in conformity with ongoing trends to take advantage of new market opportunities while at the same time contribute to the long-term growth, risk control, integrity, innovation, and sustainability of the financial industry as a whole.

The FSC has relaxed the “Capital Requirement Risk Weight” on real estate loans in favor of local banks since December 31, 2017. This new

measure not only frees up resources for financial institutions to expand business, but also allows capital to be allocated more efficiently to compete on a global scale.

### (III) The overall business environment

Overall, the global economy is expected to sustain its current rate of expansion, and according to an analysis by the Central Bank, future economic outlook remains positive with leading indicators suggesting further growth recovery driven by the manufacturing sector in 2018. However, global trade growth may level due to weakened demand from China relative to the previous year, which puts world’s major economies at risk of an economic downturn. In response, the Bank will continue supporting multi-national corporate customers with timely advisory and helping them weather through challenging times.

The Bank remains committed to maintaining stability, and strives to develop banking relationship with diverse customers of good credit quality. The organization uses risk-weighted returns and eliminates non-performers to optimize its portfolio; percentage of high-margin loans is constantly monitored for improved profitability. More complete financial services and account features are being offered to customers as well as a solid deposits base, while providing demand-oriented integrated products. The Bank also takes advantage of group synergy by cross-selling through platforms of other Cathay subsidiaries online as well as offline to attract new capital.

## VI. Credit rating

Institution for credit rating	Rating Received		Rating Outlook	Date of last rating
	Long-term	Short-term		
Taiwan Ratings	twAA+	twA-1+	Stable	2017.10
Standard & Poor’s	A-	A-2	Stable	2017.10
Moody’s	A2	Prime-1	Stable	2017.12

## **Two. Bank profile**

### **I. Date of Establishment**

January 4, 1975

### **II. Bank history**

The United World Chinese Commercial Bank (UWCCB) and Cathay Commercial Bank (CCB) was merged and renamed Cathay United Bank. UWCCB was found in September 1971 during the 4th Cathay Financial Association Gathering where representatives of Chinese entrepreneurs around the world gave their determined support to the economy of their motherland. A total of 17 national and regional overseas Chinese leaders as well as 17 members of The Bankers Association of Taipei provided 50% of the investment shares to establish UWCCB. In May 1974, the Conference of Sponsors was convened, creating a bank with an approved capital sum of US\$ 12 million. Shares would be divided into equal halves to domestic shareholders and overseas shareholders. In December 1974, the Ministry of Finance submitted the relevant applications to the Executive Yuan, which then approved the establishment of Cathay United Bank. UWCCB flagship office at No. 10, Yongsui Street, Taipei City formally opened for business on 20 May 1975. Cathay United Bank later acquired Overseas Chinese Trust and Investment Co., Ltd. on 17 April 1995.

Cathay Commercial Bank (CCB) was originally founded as the First Trust and Investment Co., Ltd. which established in June 1971. The reelection of the entire board of directors and election of Chen-yu Tsai as Chairperson of the Board in 1993 served as a turning point for this Company. Mr. Tsai initiated the 5-Year Reformation Program and successfully renamed the Company as Huitong Commercial Bank Co., Ltd. on 16 November 1998. Cathay United Bank was later renamed as Cathay Commercial Bank (CCB) on 3 July 2002.

We have initiated financial reformations in response to the government's Financial Holding Company Act. Since Taiwan's entry to the World Trade Organization (WTO), we have faced intense competition from multinational financial conglomerates. We thus provided our clients with improved and comprehensive financial services. Both Cathay Commercial Bank (CCB) and United World Chinese Commercial Bank (UWCCB) joined Cathay Financial Holdings Co., Ltd. in 22 April 2002 and 18 December 2002 respectively, becoming two wholly-owned subsidiary banks under Cathay Financial Holdings. To maximize

the combined performance of Cathay Financial Holding, we have implemented measures such as integrating the resources of the two banks, streamlining operational costs, improving operational efficiency, and expanded our services. Both UWCCB and CCB have been merged in compliance with the Financial Institution Merger Act and other relevant laws. UWCCB would be the surviving company while CCB would be dissolved in the merger. The merger contract and other associated issues were resolved and passed in the Board of Directors meeting on 21 April 2003 and approved in 26 June by the Ministry of Finance. The reference date for the merger was 27 October 2003. The merged bank was renamed “Cathay United Bank Co., Ltd.”.

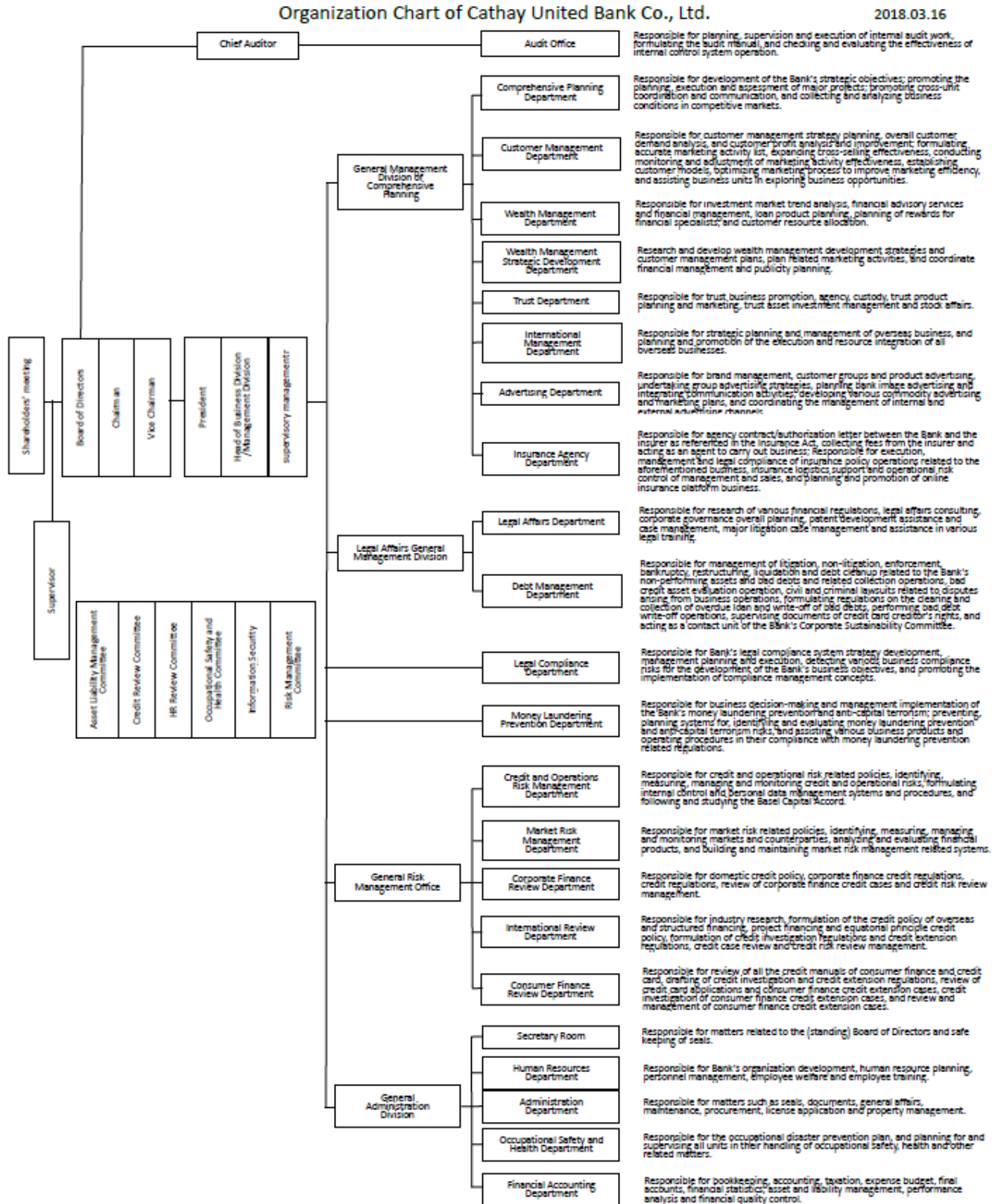
To expand the scope of services provided and our market share, we then acquired Diqi Shangye Yinhang (Seventh Commercial Bank) on 1 January 2007. Further growth was achieved by accepting specific asset debt balances and operations of Zhonglian Xintuo on 29 December 2007. Since these acquisitions and mergers, Cathay United Bank has continued to expand its local branch offices in Taiwan, becoming a private bank with the largest number (164) of branches.



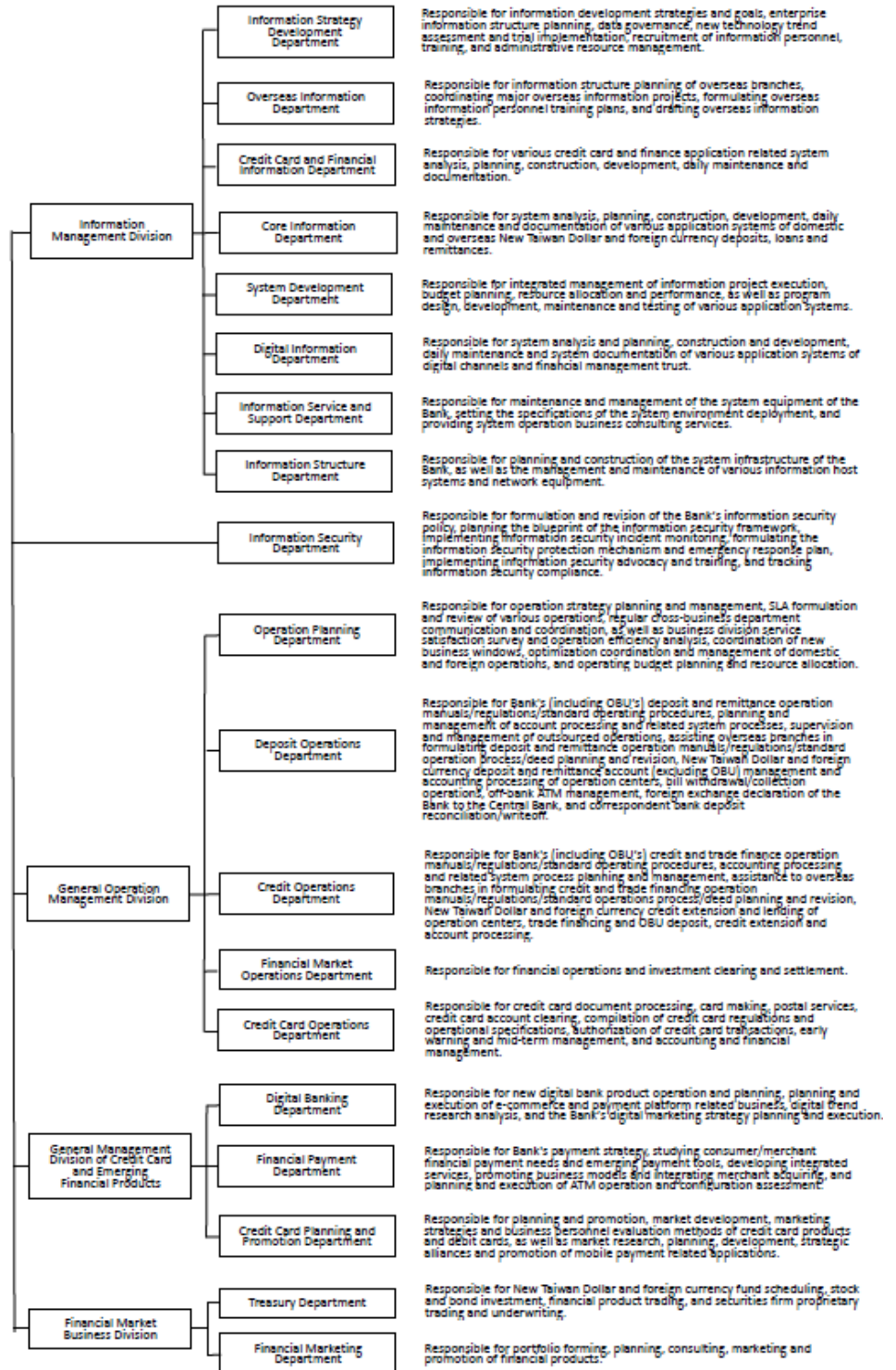
# Three. Corporate Governance Report

## I. Organization :

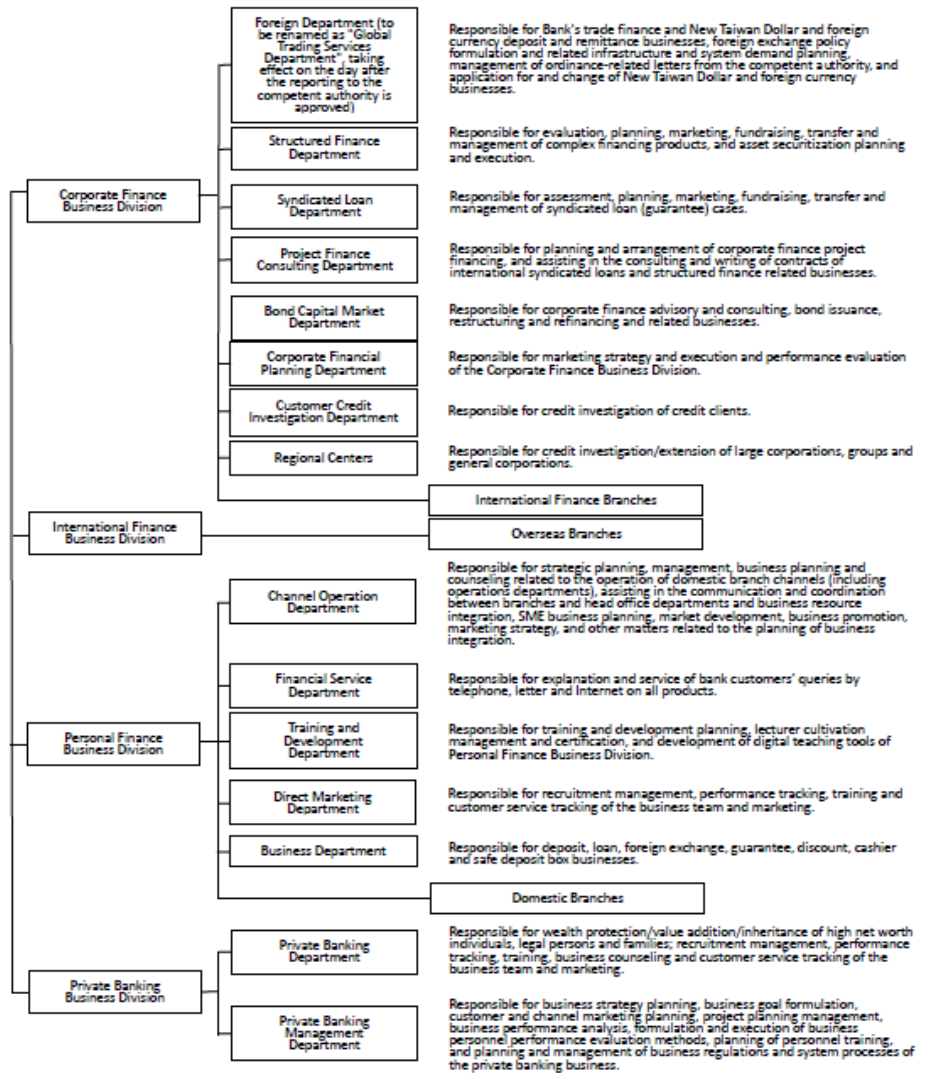
### Organization and responsibilities of main departments



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## II. Board Members, Supervisors and Top Managers from Each Division and Subsidiary

### Board Members and Supervisors Information (1)

March 31, 2018

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Number of shares	Ratio of shareholding	Title
Chairman	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Andrew Ming-Jian Kuo	M	2017.06.29 (Note 9,10)	3 years	2007.07.03	(Note)	(Note)	-	-	-	-	-	-	M.B.A., Baruch College, City University of New York, USA	Director of Cathay FHC, Long Chen Paper, Far East Horizon Limited, Zoyi Capital, Ltd., Zoyi Partners Ltd., Zoyi Capital Fund I GP, Ltd., Taiwan Farm Industry Co., Ltd., Avary Holding (Shenzhen) Co., Limited, and Financial Information Service Co. Ltd.; Independent Director of Samson Holding Ltd.; Director of MAPECT	None		
Vice Chairman	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Tzung-Han Tsai	M	2016.06.20 (Note 1,2)	3 years	2011.06.29	(Note)	(Note)	-	-	-	-	-	-	J.D., Georgetown University, USA	Director of Cathay Life Insurance, Conning Holdings Limited and The Taiwan Entrepreneurs Fund Limited; Executive Vice President of Tung Chi Capital	Director	Tsung-Hsien Tsai	Brothers
Managing Director (Independent Director)	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Tsing-Yuan Hwang	M	2016.06.20 (Note 1,2)	3 years	2007.07.03	(Note)	(Note)	-	-	-	-	-	-	Ph.D. Candidate, Business Graduate School, Nihon University, Japan	Independent Director of Cathay FHC, Cathay Life Insurance, Cathay Century Insurance, and Taiwan Glass Industry Corp.; Chairman of Wei Heng Asset Management, Ta Sheng Venture Capital Investment, Ta Sheng 1B Venture Capital Investment, Ta Sheng 1A Investment, Kuang Hsin IV, and Kuang Hsin V; Director of Hon Hai Precision Industrial, Ta Sheng Financial Consultant, Wan Po, Te Po, Chuang Ching, Te Chin, Chien Yung, Ta Sheng IV Venture Capital Investment, Kuang Hsin I, KHL Investment I Ltd., United Communication Group, Scope	None		

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
																Star International Limited, and Gloss Victory International Limited; Supervisor of Chinese National Association of Industry and Commerce			
Managing Director (Independent Director)	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Tsing-Yuan Hwang	M	2016.06.20 (Note 1,2)	3 years	2007.07.03	(Note)	(Note)	-	-	-	-	-	-	Ph.D. Candidate, Business Graduate School, Nihon University, Japan	Independent Director of Cathay FHC, Cathay Life Insurance, Cathay Century Insurance, and Taiwan Glass Industry Corp.; Chairman of Wei Heng Asset Management, Ta Sheng Venture Capital Investment, Ta Sheng 1B Venture Capital Investment, Ta Sheng 1A Investment, Kuang Hsin IV, and Kuang Hsin V; Director of Hon Hai Precision Industrial, Ta Sheng Financial Consultant, Wan Po, Te Po, Chuang Ching, Te Chin, Chien Yung, Ta Sheng IV Venture Capital Investment, Kuang Hsin I, KHL Investment I Ltd., United Communication Group, Scope Star International Limited, and Gloss Victory International Limited; Supervisor of Chinese National Association of Industry and Commerce			None
Managing Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Alan Lee	M	2016.06.20 (Note 1,2)	3 years	2010.05.13	(Note)	(Note)	-	-	-	-	-	-	Master's Degree, National Taiwan University	President of Cathay United Bank; Director of CDIB Partners Investment Holding, Taiwan Real Estate Management, Taiwan Finance Corporation, National Credit Card Center; Supervisor of PT Bank Mayapada Internasional, Tbk			
Managing Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Chun-Wei Yang	M	2016.06.20 (Note 1,2)	3 years	2013.07.12	(Note)	(Note)	-	-	-	-	-	-	National Chengchi University	Chairman of Cathay Securities (Shanghai) Investment Consultancy; Senior Executive Vice President of Cathay United Bank; Director of EasyCard Corporation; Supervisor of National Credit Card Center			

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship			
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship	
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Chang-Ken Lee	M	2016.06.20 (Note 1)	3 years	2002.12.18	(Note)	(Note)	-	-	-	-	-	-	M.B.A., University of Pennsylvania, USA	President of Cathay FHC; Managing Director of CDIB Partners Investment Holding; Director of Cathay FHC, Cathay Securities, Cathay Charity Foundation, Cathay United Bank Foundation, Cathay General Hospital, Joint Credit Information Center and Taiwan Real Estate Management; Supervisor of The Bankers Association of Taipei	None			
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Chuan-Chuan Hsieh	F	2016.06.20 (Note 1)	3 years	2012.12.21	(Note)	(Note)	-	-	-	-	-	-	National Taiwan University	Director of Small and Medium Enterprise Credit Guarantee Fund; Vice President of Bank of Taiwan				
Independent Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Feng-Chiang Miao	M	2016.06.20 (Note 1)	3 years	2016.06.20	(Note)	(Note)	-	-	-	-	-	-	M.B.A., Santa Clara University, USA, B.A. in Electrical Engineering, UC Berkeley, USA	Independent Director of Cathay FHC, Cathay Life Insurance, Cathay Century Insurance and Cathay Securities; Chairman of MiTAC Holdings, MiTAC Inc., Synnex Technology International, Lien Hwa Industrial, UPC Technology, Harbinger Venture Capital, Lien Chieh Investment, MiTAC International, Harbinger II Venture Capital, Harbinger V Venture Capital, Harbinger VII Venture Capital, Harbinger Management Consultancy, Lien Cheng Venture Capital and Mei Feng Investment; Director of Getac Technology, Taita Chemical, Wei Cheng Investment, Winbond Electronics, BOC Lien Hwa Industrial, Harbinger III Venture Capital, Harbinger VI Venture Capital, MiTAC Information Technology, MiTAC Computing Technology, United Industrial Gases, MiTAC Digital Technology, Synnex Corporation, TAITA (BVI) HOLDING,				

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
																GLORY ACE INTERNATIONAL INC. and Synnex Global Ltd.; Managing Director of Institute for Information Industry			
Independent Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Edward Yung Do Way	M	2017.06.16 (Note 6)	3 years	2017.06.16	(Note)	(Note)	-	-	-	-	-	-	M.B.A., University of Georgia, USA	Independent Director of Cathay FHC, Far Eastern Department Stores, Synnex Technology International and Primax Electronics; Independent Non-Managing Director of Da Chan Food (Asia) Limited; Chairman of Yong Chin Enterprise; Director of Iron Force Industrial, Vanguard International Semiconductor and MiTAC Holdings; Supervisor of Chilisin Electronic Corp. and Jamicon Corporation			
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Chi-Wei Joong	M	2016.06.20 (Note 1)	3 years	2013.07.12	(Note)	(Note)	-	-	-	-	-	-	Keynesian University USA	CEO of Yu Shun Investment consultancy (Shanghai); Director of Cathay FHC and Essence Management Services			None
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Chung-Yi Teng	M	2016.06.20 (Note 1)	3 years	2013.07.12	(Note)	(Note)	-	-	-	-	-	-	M.B.A., Massachusetts Institute of Technology, USA	Chairman of Cathay United Bank (Cambodia); Senior Executive Vice President of Cathay FHC and Cathay United Bank; Director of Taiwan Star Telecom			
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Po-Tsang Hsieh	M	2016.06.20 (Note 1)	3 years	2013.07.12	(Note)	(Note)	-	-	-	-	-	-	Bachelor of Business Administration, Chinese Culture University	Senior Executive Vice President of Cathay FHC and Cathay United Bank			

Title	Nationality or Place of Registration	Name	Gender	On-Board Date	Office Term	Date first Elected	Shareholding when Elected		Current shareholding		Shareholdings of spouse and underage children		Shares held in the name of others		Education and selected past positions	Concurrent duties in the Bank and in other companies	Managers, directors or supervisors who are spouses or relatives within the second degree of kinship		
							Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Tsung-Hsien Tsai	M	2016.06.20 (Note 1)	3 years	2013.07.12	(Note)	(Note)	-	-	-	-	-	-	Master's Degree, Harvard University	Director of Cathay Century Insurance; Senior Executive Vice President of Cathay FHC	Vice Chairman	Tzung-Han Tsai	Brothers
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Jian-Hsing Wu	M	2016.06.20 (Note 1)	3 years	2016.06.20	(Note)	(Note)	-	-	-	-	-	-	Master of Information Engineering, Tamkang University	Senior Executive Vice President of Cathay FHC and Cathay United Bank	None		
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Wei-Hua Chou	M	2017.06.29 (Note 9)	3 years	2017.06.29	(Note)	(Note)	-	-	-	-	-	Master of Finance, National Chengchi University	Senior Executive Vice President of Cathay United Bank				
Resident Supervisor	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Peggy Wang	F	2016.06.20 (Note 1,2)	3 years	2009.03.05	(Note)	(Note)	-	-	-	-	-	National Taiwan University	Chairman of Wei Chi International; Independent Director of Actron Technology; Supervisor of Jilson Intertrade				

Note: The Bank became a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd.(Cathay FHC) through an exchange of shares valued at December 18, 2002. The Bank's directors and supervisors are corporate representatives appointed by the parent company.

Note 1: Cathay FHC appointed the Bank's 15th board of directors on June 20, 2016 to serve a term of 3 years from June 20, 2016 to June 19, 2019.

Note 2: During the 1st extraordinary meeting of the 15th board of directors held on June 20, 2016, the board selected its Managing Directors who further elected Mr. Tsu-Pei Chen to serve as Chairman and Mr. Tzung-Han Tsai to serve as Vice Chairman. On the same day, the 15th board of supervisors held its 1st meeting to appoint Mrs. Peggy Wang as Resident Supervisor.

Note 3: Ms. Yu-Kuo Pan resigned from the Bank's supervisor position on November 17, 2016, effective from November 23, 2016.

Note 4: On December 5, 2016, Cathay FHC appointed Mrs. Shu-Chen Lan to succeed as the Bank's supervisor until the end of the existing term, effective from December 5, 2016.

Note 5: Mr. Min-Houng Hong resigned from the Bank's independent director position on February 23, 2017, effective from June 16, 2017.

Note 6: On June 16, 2017, Cathay FHC appointed Mr. Edward Yung Do Way to succeed as the Bank's independent director until the end of the existing term, effective from June 16, 2017.

Note 7: Mr. Tsu-Pei Chen resigned from the Bank's Chairman position (Managing Director and Director) on June 28, 2017, effective from June 29, 2017.

Note 8: Mr. Shang-Chi Liu resigned from the Bank's director position on June 29, 2017, effective from June 29, 2017.

Note 9: On June 29, 2017, Cathay FHC appointed Mr. Andrew Ming-Jian Kuo and Mr. Wei-Hua Chou to succeed as the Bank's directors until the end of the existing term, effective from June 29, 2017.

Note 10: During the 7th interim meeting of the 15th board of directors held on June 29, 2017, the board selected its Managing Directors who further elected Mr. Andrew Ming-Jian Kuo to serve as Chairman (Mr. Andrew Ming-Jian Kuo had served as the Bank's independent director from July 3, 2007 to March 31, 2016).

Note 11: Mrs. Shu-Chen Lan resigned from the Bank's supervisor position on January 16, 2018, effective from January 16, 2018.



Chart 1: Major Shareholders of Institutional Shareholders

April 10, 2018

Institutional Shareholders (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)
Cathay Financial Holding Co., Ltd.	Wan Pao Development Co., Ltd. (16.67%), Lin Yuan Investment Co., Ltd (14.56%), New Labor Pension Fund Scheme (2.08%), Old Labor Pension Fund Scheme (1.36%), Shin Kong Life Insurance Co., Ltd. (1.30%), Citibank (Taiwan) as Directed Trustee For GIC-Government of Singapore (1.22%), TransGlobe Life Insurance Inc. (1.05%), Wan Ta Investment Co., Ltd. (1.05%), Nan Shan Life Insurance Company, Ltd. (1.03%), Fubon Life Insurance Co., Ltd. (1.01%)

Note 1: For directors and supervisors who are representatives of institutional shareholders, the name of the institutional shareholder should be filled.

Note 2: The above table shows the names and shareholding percentages of major shareholders (top 10 shareholders) for each of the corporate shareholders (shareholding percentage includes common and preferred shares). Fill in Chart 2 below, if the major shareholders are institutions/corporate.

Chart 2: Major Shareholders of the Entities from Chart 1 that Are Institutions/Corporate

April 10, 2018

Institutional Shareholders (Note)	Major Shareholders of Institutional Shareholders
Wan Pao Development Co., Ltd.	Tung Chi Capital Co., Ltd. (19.96%), Chia Yi Capital Co., Ltd. (19.85%), Liang Ting Industrial Co., Ltd. (17.85%), Lin Yuan Investment Co., Ltd (14.70%), Wan Ta Investment Co., Ltd. (12.89%), Pai Hsing Investment Co., Ltd. (9.18%), Chen Sheng Industrial Co., Ltd. (3.57%), Tzung Lien Industrial Co., Ltd. (2.00%)
Lin Yuan Investment Co., Ltd.	Chia Yi Capital Co., Ltd. (19.75%), Tung Chi Capital Co., Ltd. (19.69%), Liang Ting Industrial Co., Ltd. (17.74%), Wan Pao Development Co., Ltd. (14.81%), Wan Ta Investment Co., Ltd. (13.01%), Pai Hsing Investment Co., Ltd. (9.45%), Chen Sheng Industrial Co., Ltd. (3.54%), Tzung Lien Industrial Co., Ltd. (2.01%)
New Labor Pension Fund Scheme	Non-company organization
Old Labor Pension Fund Scheme	Non-company organization
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd. 100%
Citibank (Taiwan) as Directed Trustee For GIC-Government of Singapore	Non-company organization
TransGlobe Life Insurance Inc.	Chung Wei Yi Co., Ltd. 100%
Wan Ta Investment Co., Ltd.	Cheng-Ta Tsai (92.99%), Lin Yuan Investment Co., Ltd (1.87%), Liang Ting Industrial Co., Ltd. (0.41%)
Nan Shan Life Insurance Company, Ltd.	First Commercial Bank in its capacity as trustee for the trust account of Ruen Chen Investment Holding (75.14%), Ruen Chen Investment Holding (15.48%), Ying-Zong Tu (3.25%), Ruen Hua Dyeing & Weaving Co., Ltd. (0.28%), Ruentex Leasing Co., Ltd. (0.15%), Wen-De Kuo (0.11%), Jipin Investment Co., Ltd. (0.11%), Bao Chi Investment Co., Ltd. (0.05%), Bao Yi Investment Co., Ltd. (0.05%), Bao Hui Investment Co., Ltd. (0.05%), Bao Huang Investment Co., Ltd. (0.05%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. 100%

Note 1: The name of the institutional shareholder should be filled in for an institutional investor, like that in Chart 1.

Note 2: Fill in the major shareholders (top-10 shareholdings) of the institutional shareholders and their individual holding percentage.

## Board Members and Supervisors Information (2)

March 31, 2018

Name	Criteria			Independence Criteria (Note 1)										Name of other Taiwanese Companies currently Serves as an independent Director (Note 2)
	Has at least five years of relevant working experience and the following professional qualifications	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to banking in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification relevant to banking	Commercial, legal, financial, accounting or other work experience required to perform banking duties	1	2	3	4	5	6	7	8	9	
Andrew Ming-Jian Kuo			✓	✓		✓	✓			✓	✓	✓		
Tzung-Han Tsai			✓			✓		✓		✓		✓		
Tsing-Yuan Hwang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Alan Lee			✓			✓	✓	✓		✓	✓	✓		
Chun-Wei Yang			✓			✓	✓	✓		✓	✓	✓		
Chang-Ken Lee			✓			✓	✓			✓	✓	✓		
Chuan-Chuan Hsieh			✓	✓	✓	✓	✓	✓		✓	✓	✓		
Feng-Chiang Miao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Edward Yung Do Way			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Chi-Wei Joong			✓	✓		✓	✓			✓	✓	✓		
Chung-Yi Teng			✓			✓	✓			✓	✓	✓		
Po-Tsang Hsieh			✓		✓	✓	✓			✓	✓	✓		
Tsung-Hsien Tsai			✓			✓				✓		✓		
Jian-Hsing Wu			✓		✓	✓	✓			✓	✓	✓		
Wei-Hua Chou			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Peggy Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note 1: Directors or supervisors who, during the two years before being elected or during the term of office, meet any of the following situations, please tick (✓) the appropriate corresponding boxes.

- (1) Not employed by the Bank or any of its affiliated companies.
- (2) Not a director or supervisor of any of the Bank's affiliated enterprises (this restriction does not apply to independent director positions in the Bank, its parent company or subsidiary, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country).
- (3) Does not hold more than 1% of the Bank's outstanding shares under own name or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Bank.
- (4) Not a spouse, relative of second degree or closer, or direct kinship of fifth degree or closer to any person listed in the three preceding criteria.
- (5) Not a director, supervisor, or employee of any company that has 5% or higher ownership interest in the Bank; nor a director, supervisor, or employee of any of the top-5 corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Bank.
- (7) Not a professional, business owner, partner, director, supervisor, or manager of any sole proprietorship, partnership, company, or institution providing commercial, legal, financial, accounting or consultancy services to the Bank or any of its affiliated enterprises; nor a spouse to anyone listed herein. This does not include members from a remuneration committee who exercises his/her power based on 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 relative within the second degree of kinship to any other director of the Bank.
- (9) Not been a person of any conditions defined in Article 30 of the Company Act.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

Note 2: Calculated in accordance with Letter No. Jin-Guan-Zheng-I-0960010070.

**(II) Background information of the President, Executive Vice Presidents, Senior Vice Presidents, and heads of departments and branch offices**

March 31, 2018

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
President	R.O.C.	Alan Lee	M	20080930	(Note)	—	—	—	—	—	Master of Law, National Taiwan University	Managing Director of Cathay United Bank; CDIB Partners Investment Holding, Taiwan Real Estate Management and Taiwan Finance Corporation; Director of National Credit Card Center; Supervisor of PT Bank Mayapada Internasional, Tbk	—	—	—
Chief Auditor	R.O.C.	Hung-Chang Yang	M	20070213	(Note)	—	—	—	—	—	Bachelor of Law, Chinese Culture University		—	—	—
Senior Executive Vice President	R.O.C.	Chun-Wei Yang	M	20110901	(Note)	—	—	—	—	—	Bachelor of Law, National Chengchi University	Chairman of Cathay Securities (Shanghai) Investment Consultancy; Managing Director of Cathay United Bank; Director of EasyCard Corporation; Supervisor of National Credit Card Center	—	—	—
Senior Executive Vice President	R.O.C.	Po-Tsang Hsieh	M	20031027	(Note)	—	—	—	—	—	Bachelor of Business Administration, Chinese Culture University	Senior Executive Vice President of Cathay FHC; Director of Cathay United Bank	—	—	—
Senior Executive Vice President	R.O.C.	Chung-Yi Teng	M	20140711	(Note)	—	—	—	—	—	M.B.A., Massachusetts Institute of Technology, USA	Chairman of Cathay United Bank (Cambodia); Senior Executive Vice President of Cathay FHC; Director of Cathay United Bank; Director of Taiwan Star Telecom	—	—	—
Senior Executive Vice President	R.O.C.	Jian-Hsing Wu	M	20160118	(Note)	—	—	—	—	—	Master of Information Engineering, Tamkang University	Senior Executive Vice President of Cathay FHC; Director of Cathay United Bank	—	—	—
Senior Executive Vice President	R.O.C.	Wei-Hua Chou	M	20170501	(Note)	—	—	—	—	—	Master of Finance, National Chengchi University	Director of Cathay United Bank	—	—	—
Executive Vice President	R.O.C.	Ching-Yuan Kung	M	20151101	(Note)	—	—	—	—	—	MBA, Carlson School of Management, University of Minnesota	Executive Vice President of Cathay FHC	—	—	—
Executive Vice President	R.O.C.	Yu-Chin Cheng	M	20160317	(Note)	—	—	—	—	—	Master of Civil Engineering, National Taiwan University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Executive Vice President	Singapore	Winston Quek	M	20160406	(Note)	–	–	–	–	–	Bachelor of Business Administration, University of Hawaii		–	–	–
Executive Vice President	Hong Kong	Chi-Yuan Chien	M	20160419	(Note)	–	–	–	–	–	MBA, York University (Canada)		–	–	–
Executive Vice President	R.O.C.	Yuan-Lan Hung	F	20031027	(Note)	–	–	–	–	–	MBA, University of Tennessee		–	–	–
Executive Vice President	R.O.C.	Yi-Fang Chan	M	20170309	(Note)	–	–	–	–	–	MBA, American International College	Director of Cathay United Bank (Cambodia)	–	–	–
Executive Vice President	R.O.C.	Su-Chu Li	F	20050523	(Note)	–	–	–	–	–	MBA, University of Central Florida	Director of Cathay United Bank (Cambodia)	–	–	–
Executive Vice President	R.O.C.	Chao-Kuei Kuo	M	20031027	(Note)	–	–	–	–	–	Bachelor of Cooperative Economy, Tamkang University		–	–	–
Executive Vice President	R.O.C.	Tsung-Meng Huang	M	20070401	(Note)	–	–	–	–	–	Bachelor of Economics, National Taiwan University		–	–	–
Executive Vice President	R.O.C.	Feng-Chih Hsu	M	20050608	(Note)	–	–	–	–	–	Bachelor of Economics, Chinese Culture University		–	–	–
Executive Vice President	R.O.C.	Cho-Min Chin	M	20060101	(Note)	–	–	–	–	–	Bachelor of Statistics, Feng Chia University		–	–	–
Executive Vice President	R.O.C.	Hsiu-Chu Chuang	F	20031027	(Note)	–	–	–	–	–	MBA, New York Institute of Technology		–	–	–
Executive Vice President	R.O.C.	Tung-Wen Li	M	20040407	(Note)	–	–	–	–	–	Bachelor of Ethnology, National Chengchi University		–	–	–
Executive Vice President	R.O.C.	Francis Peng	M	20130322	(Note)	–	–	–	–	–	Master of Information Management, National Central University		–	–	–
Executive Vice President	R.O.C.	Chang-Li Tsao	M	20050501	(Note)	–	–	–	–	–	Bachelor of Business Administration, Soochow University		–	–	–
Executive Vice President	R.O.C.	Shang-Min Lin	M	20131025	(Note)	–	–	–	–	–	Master of Economics, University of Wisconsin-Madison		–	–	–
Executive Vice President	R.O.C.	Hsing-Ming Li	M	20090122	(Note)	–	–	–	–	–	MBA, University of Southern Queensland		–	–	–
Executive Vice President	R.O.C.	Hsiang-Hsin Tsai	F	20160323	(Note)	–	–	–	–	–	MBA, Thunderbird School of Global Management	Executive Vice President of Cathay FHC	–	–	–
Executive Vice President	R.O.C.	Ching-Li Chang	M	20160618	(Note)	–	–	–	–	–	MBA, Massachusetts Institute of Technology		–	–	–
Executive Vice President	R.O.C.	Shu-Ying Wu	F	20160930	(Note)	–	–	–	–	–	MBA, University of Michigan, USA	Director of Taiwan Finance Corporation; Executive Vice President of Cathay FHC	–	–	–
Executive Vice President	R.O.C.	Chih-Feng Wang	M	20161206	(Note)	–	–	–	–	–	MBA, National Tsing Hua University		–	–	–

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Executive Vice President	R.O.C.	Yun-Wei Huang	M	20170701	(Note)	—	—	—	—	—	Master of Law, Graduate Institute of Interdisciplinary Legal Studies, National Chengchi University		—	—	—
Executive Vice President	R.O.C.	Chen-Tung Chang	M	20050613	(Note)	—	—	—	—	—	MBA, Chiayi University	Executive Vice President of Cathay FHC	—	—	—
Executive Vice President	R.O.C.	Ching-Hsiang Chan	M	20130715	(Note)	—	—	—	—	—	Master of Investment Management, City, University of London		—	—	—
Executive Vice President	R.O.C.	Xu-Jie Yao	M	20170310	(Note)	—	—	—	—	—	M.I.T. SLOAN Business	Executive Vice President of Cathay FHC	—	—	—
Executive Vice President	USA	Hua-Pen Miao	M	20160201	(Note)	—	—	—	—	—	MBA, Pennsylvania State University		—	—	—
Executive Vice President	R.O.C.	Chien-Hui Hung	F	20170220	(Note)	—	—	—	—	—	Master of Law, The London School of Economics and Political Science		—	—	—
Senior Vice President	R.O.C.	Shu-Yu Tu	F	20040501	(Note)	—	—	—	—	—	EMBA, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Po-Hsiung Li	M	20070917	(Note)	—	—	—	—	—	MBA, Bernard M. Baruch College of the City University of New York		—	—	—
Senior Vice President	R.O.C.	Hui-Ting Li	F	20080501	(Note)	—	—	—	—	—	Master of Non-Profit Organization Management, Fu Jen Catholic University		—	—	—
Senior Vice President	R.O.C.	Shu-Chun Chuang	F	20090122	(Note)	—	—	—	—	—	Master of Investment Analysis, University of Stirling		—	—	—
Senior Vice President	R.O.C.	Tzu-Jen Chao	M	20101101	(Note)	—	—	—	—	—	Bachelor of Accounting, Tamkang University		—	—	—
Senior Vice President	R.O.C.	Chia-Hui Sun	F	20120501	(Note)	—	—	—	—	—	Bachelor of Theatre Arts, Chinese Culture University		—	—	—
Senior Vice President	R.O.C.	Hsiung-Hui Lin	M	20130826	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Wei-Ting Kao	M	20130826	(Note)	—	—	—	—	—	MBA, Pace University		—	—	—
Senior Vice President	R.O.C.	Yen-Wen Chen	M	20130826	(Note)	—	—	—	—	—	Bachelor of Food Science, Fu Jen Catholic University		—	—	—
Senior Vice President	R.O.C.	Sheng-Chieh Kuo	M	20140429	(Note)	—	—	—	—	—	MBA, Rotterdam School of Management		—	—	—
Senior Vice President	R.O.C.	Mei-Ju Li	F	20140606	(Note)	—	—	—	—	—	Master of Information Science, University of Pittsburgh		—	—	—
Senior Vice President	R.O.C.	Chang-Ying Tu	M	20140606	(Note)	—	—	—	—	—	Bachelor of Applied Mathematics, Chinese Culture University		—	—	—
Senior Vice President	R.O.C.	Kuo-Yu Hu	M	20140606	(Note)	—	—	—	—	—	Master of Information Management, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Wen-Hung Li	M	20141001	(Note)	—	—	—	—	—	MBA, University of Texas at Arlington		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Senior Vice President	R.O.C.	Min-Hsiu Yen	F	20150320	(Note)	—	—	—	—	—	Bachelor of Finance, National Kaohsiung University of Applied Sciences		—	—	—
Senior Vice President	R.O.C.	Yu-Jung Huang	F	20150330	(Note)	—	—	—	—	—	MBA, New York University		—	—	—
Senior Vice President	R.O.C.	Hsin-Pei Lin	F	20150501	(Note)	—	—	—	—	—	National Chung Cheng University Bachelor of Business Administration		—	—	—
Senior Vice President	R.O.C.	Chun-Liang Lin	M	20150501	(Note)	—	—	—	—	—	MBA, Soochow University		—	—	—
Senior Vice President	USA	Billy Betts	M	20151101	(Note)	—	—	—	—	—	Master of Environmental Law, George Washington University		—	—	—
Senior Vice President	R.O.C.	Ping-Tsang Lin	M	20160128	(Note)	—	—	—	—	—	Bachelor of Economics, Feng Chia University		—	—	—
Senior Vice President	R.O.C.	Mao-Yuan Huang	M	20160413	(Note)	—	—	—	—	—	Master of Labor Relations, National Chung Cheng University		—	—	—
Senior Vice President	R.O.C.	Chien-Ju Sung	F	20160429	(Note)	—	—	—	—	—	Bachelor of Statistics, Feng Chia University		—	—	—
Senior Vice President	R.O.C.	Ming-Chang Wu	M	20160503	(Note)	—	—	—	—	—	University of Wisconsin-Madison MBA		—	—	—
Senior Vice President	R.O.C.	Fei-Lung Li	M	20160530	(Note)	—	—	—	—	—	MBA, University of California, Berkeley		—	—	—
Senior Vice President	R.O.C.	Wen-Chi Chen	F	20160601	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—
Senior Vice President	R.O.C.	Ming-Chiao Liang	M	20160609	(Note)	—	—	—	—	—	Master of Information Management, Ming Chuan University		—	—	—
Senior Vice President	R.O.C.	Ching-Wei Chi	M	20160722	(Note)	—	—	—	—	—	Bachelor, National Chung Hsing University College of Law and Commerce/Social Studies		—	—	—
Senior Vice President	R.O.C.	Wan-Ching Li	F	20160726	(Note)	—	—	—	—	—	Master of Industrial Economics, National Central University		—	—	—
Senior Vice President	R.O.C.	Yu-Peng Wu	M	20160819	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Yi-Sheng Hsieh	M	20160901	(Note)	—	—	—	—	—	MBA, Duke University		—	—	—
Senior Vice President	R.O.C.	Chih-Pang Lin	M	20160927	(Note)	—	—	—	—	—	Master of Economics, Feng Chia University		—	—	—
Senior Vice President	R.O.C.	Tso-Jen Li	M	20161226	(Note)	—	—	—	—	—	Master of Finance, National Chung Hsing University		—	—	—
Senior Vice President	R.O.C.	Chun-Ming Chang	M	20170101	(Note)	—	—	—	—	—	MBA, University of New England (Australia)		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Senior Vice President	R.O.C.	Mei-E Kuo	F	20170101	(Note)	—	—	—	—	—	Bachelor of Commerce, Open University of Kaohsiung		—	—	—
Senior Vice President	R.O.C.	Cheng-Lu Chen	M	20170101	(Note)	—	—	—	—	—	Master of Finance, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Chan-Hao Yeh	M	20170101	(Note)	—	—	—	—	—	EMBA, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Chien-Kuo Huang	M	20170202	(Note)	—	—	—	—	—	Master of Information Management, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Yi-Hui Chien	F	20170220	(Note)	—	—	—	—	—	MBA, State University of New York		—	—	—
Senior Vice President	R.O.C.	Jung-Hsi Li	M	20171109	(Note)	—	—	—	—	—	Bachelor of Law, National Taiwan University		—	—	—
Senior Vice President	R.O.C.	Min-Hui Chen	F	20171109	(Note)	—	—	—	—	—	Master Science of Finance, University of Florida		—	—	—
Senior Vice President	R.O.C.	Chi-Liang Huang	M	20171109	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Wei-Jen Chang	M	20180103	(Note)	—	—	—	—	—	Bachelor of Business Administration, Baker College		—	—	—
Senior Vice President	R.O.C.	Kuan-Hsueh Chen	M	20180207	(Note)	—	—	—	—	—	MBA, University of California, LA		—	—	—
Senior Vice President	R.O.C.	Chun-Ping Chen	F	20180210	(Note)	—	—	—	—	—	Bachelor of Economics, Tamkang University		—	—	—
Senior Vice President	R.O.C.	Chi-Ya Hua	F	20180316	(Note)	—	—	—	—	—	M.B.A., Massachusetts Institute of Technology, USA		—	—	—
Senior Vice President	R.O.C.	Wen-Kai Chen	M	20040530	(Note)	—	—	—	—	—	EMBA (Finance), National Chung Hsing University		—	—	—
Senior Vice President	R.O.C.	Chun-Liang Ko	M	20110315	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—
Senior Vice President of Regional Center	R.O.C.	Wen-Chang Lin	M	20070101	(Note)	—	—	—	—	—	Master of Technology Management, Chung Hua University		—	—	—
Senior Vice President of Regional Center	R.O.C.	Wei-Chieh Lu	M	20071015	(Note)	—	—	—	—	—	Master of Finance, Chaoyang University of Technology		—	—	—
Senior Vice President of Regional Center	R.O.C.	Chiu-Ling Hung	F	20090122	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow University		—	—	—
Senior Vice President of Regional Center	R.O.C.	Ming-Hui Chang	M	20120319	(Note)	—	—	—	—	—	Master of Accounting, National Taipei University		—	—	—
Senior Vice President of Regional Center	R.O.C.	Tzu-Chen Tsao	F	20140827	(Note)	—	—	—	—	—	Bachelor of International Trade, Chung Yuan Christian University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Senior Vice President of Regional Center	R.O.C.	Yi-Man Liu	F	20141113	(Note)	—	—	—	—	—	Bachelor of Statistics, Tamkang University		—	—	—
Senior Vice President of Regional Center	R.O.C.	Hui-Chun Huang	F	20151101	(Note)	—	—	—	—	—	Master of Commerce, University of Wisconsin-Madison		—	—	—
Senior Vice President of Regional Center	R.O.C.	Kuang-Nan Fan Chiang	M	20160201	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University of Science and Technology		—	—	—
Senior Vice President of Regional Center	R.O.C.	Yu-Lan Lu	F	20170101	(Note)	—	—	—	—	—	Fudan University MBA		—	—	—
Senior Vice President of Regional Center	R.O.C.	Yu-Sen Shih	M	20171109	(Note)	—	—	—	—	—	Bachelor of Finance, National Kaohsiung First University of Science and Technology		—	—	—
Senior Vice President of Regional Center	R.O.C.	Ming-Hsuan Liu	M	20180316							MBA, University of Missouri-Columbia				
Senior Vice President of Regional Center	R.O.C.	Yu-Jen Chiu	M	20180316							MBA, Feng Chia University				
Overseas branch Senior Vice President	R.O.C.	Yi-Cheng Liu	M	20090122	(Note)	—	—	—	—	—	MBA, Tarleton State University		—	—	—
Overseas branch Senior Vice President	R.O.C.	Ming-Chao Chien	M	20090122	(Note)	—	—	—	—	—	Bachelor of Transportation and Administration, National Chiao Tung University		—	—	—
Overseas branch Senior Vice President	R.O.C.	Chih-Cheng Cheng	M	20090901	(Note)	—	—	—	—	—	MBA, The State University of New York at Binghamton		—	—	—
Overseas branch Senior Vice President	R.O.C.	Tzu-Ming Li	M	20120319	(Note)	—	—	—	—	—	Master of International Trade, National Chengchi University		—	—	—
Overseas branch Senior Vice President	R.O.C.	Chih-Ming Lin	M	20121101	(Note)	—	—	—	—	—	Bachelor of Economics, National Chengchi University		—	—	—
Overseas branch Senior Vice President	R.O.C.	Feng-Li Juan	M	20121126	(Note)	—	—	—	—	—	Bachelor of Business Administration, Soochow University		—	—	—
Overseas branch Senior Vice President	R.O.C.	Keng-Yang Lin	M	20130101	(Note)	—	—	—	—	—	Master of Finance, Clark University		—	—	—
Overseas branch Senior Vice President	R.O.C.	Chung-En Pan	M	20140919	(Note)	—	—	—	—	—	Bachelor of Statistics, National Chengchi University		—	—	—



Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Overseas branch Senior Vice President	R.O.C.	Yu-Wei Yeh	M	20141113	(Note)	—	—	—	—	—	MBA, University of Dubuque		—	—	—
Overseas branch Senior Vice President	R.O.C.	Hai-Ching Chen	M	20141216	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—
Overseas branch Senior Vice President	Indonesia	Setio Soejanto	M	20161014	(Note)	—	—	—	—	—	MBA, University of San Francisco		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Cheng Hsiao	M	911101	(Note)	—	—	—	—	—	M.B.A, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Hsiao-Kuang Li	F	20030919	(Note)	—	—	—	—	—	Master of Finance, National Taipei University		—	—	—
Branch Senior Vice President	R.O.C.	Wen-Pin Yang	M	20030919	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Fu Wang	M	20031027	(Note)	—	—	—	—	—	Bachelor of Law, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Hui-Ying Wu	F	20031027	(Note)	—	—	—	—	—	National Chung Hsing University Bachelor of Cooperative Economy		—	—	—
Branch Senior Vice President	R.O.C.	Kuei-Ching Juan	F	20031027	(Note)	—	—	—	—	—	MBA (Advanced Finance), National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Min Lin	M	20031027	(Note)	—	—	—	—	—	Bachelor of Urban Planning and Development, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Ling-Yu Lin	F	20031027	(Note)	—	—	—	—	—	Department of Accounting and Statistics, Shih Chien University		—	—	—
Branch Senior Vice President	R.O.C.	Chia-Tsung Lin	M	20031027	(Note)	—	—	—	—	—	EMBA, National Cheng Kung University College of Management		—	—	—
Branch Senior Vice President	R.O.C.	Ssu-Chuan Hung	M	20031027	(Note)	—	—	—	—	—	Bachelor of International Trade, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Yung-Ching Hung	M	20031027	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Hsueh-Hung Chang	F	20031027	(Note)	—	—	—	—	—	MBA, On-job Master Program, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Chun-Hsiang Hsu	F	20031027	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Wen-Chieh Chen	M	20031027	(Note)	—	—	—	—	—	Bachelor of Accounting, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Kuang-Chung Chen	M	20031027	(Note)	—	—	—	—	—	MBA, Yuan Ze University College of Management		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Chin-Tsai Chen	M	20031027	(Note)	-	-	-	-	-	Master of Financial Management, National Kaohsiung First University of Science and Technology		-	-	-
Branch Senior Vice President	R.O.C.	Huo-Lun Tang	M	20031027	(Note)	-	-	-	-	-	MBA, On-job Master Program, Asia University Taiwan		-	-	-
Branch Senior Vice President	R.O.C.	Wen-Neng Huang	M	20031027	(Note)	-	-	-	-	-	Bachelor of Finance, Takming University of Science and Technology		-	-	-
Branch Senior Vice President	R.O.C.	Li Huang	M	20031027	(Note)	-	-	-	-	-	Master of Finance, National Kaohsiung First University of Science and Technology		-	-	-
Branch Senior Vice President	R.O.C.	Man-Ying Liu	F	20031027	(Note)	-	-	-	-	-	MBA, Tamkang University		-	-	-
Branch Senior Vice President	R.O.C.	Yu-Hsing Fan	M	20031027	(Note)	-	-	-	-	-	Bachelor of Cooperative Economy, Tamkang University		-	-	-
Branch Senior Vice President	R.O.C.	Ming-Nan Tsai	M	20031027	(Note)	-	-	-	-	-	MBA, Sun Yat-Sen University		-	-	-
Branch Senior Vice President	R.O.C.	Ssu-Wei Chang	M	20031223	(Note)	-	-	-	-	-	Bachelor of Economics, Feng Chia University		-	-	-
Branch Senior Vice President	R.O.C.	Wen-Yuan Li	M	20040407	(Note)	-	-	-	-	-	Bachelor of Cooperative Economy, National Chung Hsing University		-	-	-
Branch Senior Vice President	R.O.C.	Tung-Fa Li	M	20040407	(Note)	-	-	-	-	-	Bachelor of Economics, Tunghai University		-	-	-
Branch Senior Vice President	R.O.C.	Hsin-Chun Li	M	20040407	(Note)	-	-	-	-	-	Bachelor of International Trade, Feng Chia University		-	-	-
Branch Senior Vice President	R.O.C.	Tao-Huang Lin	M	20040407	(Note)	-	-	-	-	-	EMBA (Finance), National Chung Hsing University		-	-	-
Branch Senior Vice President	R.O.C.	Tsung-Chih Chen	M	20040407	(Note)	-	-	-	-	-	Bachelor of Economics, National Chengchi University		-	-	-
Branch Senior Vice President	R.O.C.	Chun-Ni Tseng	F	20040407	(Note)	-	-	-	-	-	Bachelor of Accounting, Tamkang University		-	-	-
Branch Senior Vice President	R.O.C.	Chih-Hao Hsiung	M	20040407	(Note)	-	-	-	-	-	Bachelor of Economics, National Taiwan University		-	-	-
Branch Senior Vice President	R.O.C.	Chao-Sen Chen	M	20040701	(Note)	-	-	-	-	-	Bachelor of Architecture, Chung Yuan Christian University		-	-	-
Branch Senior Vice President	R.O.C.	Yu-Chu Hsiao	F	20040801	(Note)	-	-	-	-	-	MBA, University of Leicester		-	-	-
Branch Senior Vice President	R.O.C.	Mei-Ching Chan	F	20040825	(Note)	-	-	-	-	-	Bachelor of Business Administration, Tunghai University		-	-	-

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Fei-Hsiang Yeh	M	20050110	(Note)	—	—	—	—	—	MBA, Sun Yat-Sen University		—	—	—
Branch Senior Vice President	R.O.C.	Ping-Hui Lin	M	20050301	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Chi-Hao Cheng	M	20050301	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Chin-Lung Lai	M	20050301	(Note)	—	—	—	—	—	Master of Finance, Tunghai University		—	—	—
Branch Senior Vice President	R.O.C.	Chen-Hui Shih	M	20050314	(Note)	—	—	—	—	—	Bachelor of Statistics, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Kuan-Ling Kuo	F	20050315	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—
Branch Senior Vice President	R.O.C.	Yung-Chin Tsai	M	20050322	(Note)	—	—	—	—	—	Bachelor of Industrial Construction Management, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Yen-Chin Lin	M	20050418	(Note)	—	—	—	—	—	Bachelor of Industrial Construction Management, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Chin-Ting Huang	M	20050425	(Note)	—	—	—	—	—	Department of Real Estate Management, Kun Shan University		—	—	—
Branch Senior Vice President	R.O.C.	Tsung Chang	M	20050501	(Note)	—	—	—	—	—	Master of Electronic Engineering, Chung Yuan Christian University		—	—	—
Branch Senior Vice President	R.O.C.	Tsui-Chuan Yang	F	20050501	(Note)	—	—	—	—	—	Bachelor of Law, National Taiwan University		—	—	—
Branch Senior Vice President	R.O.C.	Pai-Shun Li	M	20050516	(Note)	—	—	—	—	—	Bachelor of Business Administration, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Ya-Ling Hsieh	F	20050520	(Note)	—	—	—	—	—	Yuan Ze University MBA		—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Chin Huang	F	20050523	(Note)	—	—	—	—	—	EMBA, National Pingtung University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Yi-Chung Hsiao	M	20050606	(Note)	—	—	—	—	—	Master of Finance, National Central University		—	—	—
Branch Senior Vice President	R.O.C.	Kuei-Chu Chen	F	20050607	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Su-Mei Chen	F	20050607	(Note)	—	—	—	—	—	MBA, Chiayi University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Hui-Ying Chiang	F	20050615	(Note)	-	-	-	-	-	MBA, Providence University		-	-	-
Branch Senior Vice President	R.O.C.	Shih-Cheng Chen	M	20050616	(Note)	-	-	-	-	-	Master of Finance, National Taiwan University		-	-	-
Branch Senior Vice President	R.O.C.	Ping-Hui Wu	M	20050617	(Note)	-	-	-	-	-	Department of Financial Taxation, National Tam Shui Vocational High School		-	-	-
Branch Senior Vice President	R.O.C.	Tsung-Han Lu	M	20050617	(Note)	-	-	-	-	-	Bachelor of Finance, Chinese Culture University		-	-	-
Branch Senior Vice President	R.O.C.	Yu Juan	F	20050617	(Note)	-	-	-	-	-	MBA, On-job Master Program, National Cheng Kung University		-	-	-
Branch Senior Vice President	R.O.C.	Jui-Pin Tseng	M	20050617	(Note)	-	-	-	-	-	Bachelor of Statistics, National Chung Hsing University		-	-	-
Branch Senior Vice President	R.O.C.	Yung-Sung Ku	M	20050701	(Note)	-	-	-	-	-	Bachelor of Accounting, National Chung Hsing University		-	-	-
Branch Senior Vice President	R.O.C.	Yu-Chi Yu	M	20050701	(Note)	-	-	-	-	-	Master of Public Affairs Management, Sun Yat-Sen University		-	-	-
Branch Senior Vice President	R.O.C.	Te-Ching Ou	M	20050701	(Note)	-	-	-	-	-	Department of Finance, National Taipei College of Business		-	-	-
Branch Senior Vice President	R.O.C.	Ling-Yi Chuang	F	20050901	(Note)	-	-	-	-	-	Master of Economics, Oklahoma State University		-	-	-
Branch Senior Vice President	R.O.C.	Pao-Chu Chen	F	20060417	(Note)	-	-	-	-	-	Department of Accounting, Hsingwu College		-	-	-
Branch Senior Vice President	R.O.C.	Ju-Hui Lu	F	20060720	(Note)	-	-	-	-	-	Bachelor of Finance, Chihlee Institute of Technology		-	-	-
Branch Senior Vice President	R.O.C.	Ming-Jen Yang	M	20060829	(Note)	-	-	-	-	-	Master of Industrial Engineering, National Tsing Hua University		-	-	-
Branch Senior Vice President	R.O.C.	Wen-Feng Chen	F	20061110	(Note)	-	-	-	-	-	MBA, Schiller International University		-	-	-
Branch Senior Vice President	R.O.C.	Hui-Fang Lo	F	20061207	(Note)	-	-	-	-	-	Bachelor of Law, Chinese Culture University		-	-	-
Branch Senior Vice President	R.O.C.	Cheng-Hsien Yu	M	20070101	(Note)	-	-	-	-	-	Department of Electrical Engineering, National Changhua University of Education - Optomechatronics (Master)		-	-	-

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Chih-Jui Shen	M	20070101	(Note)	—	—	—	—	—	EMBA, College of Social Science and Management, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Ching-Yu Lin	M	20070101	(Note)	—	—	—	—	—	Department of Drafting, Ming-Dao High School		—	—	—
Branch Senior Vice President	R.O.C.	Chen-Chen Kuo	F	20070101	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Shu-Ling Chen	F	20070101	(Note)	—	—	—	—	—	MBA, On-job Master Program, Asia University Taiwan		—	—	—
Branch Senior Vice President	R.O.C.	Sheng-Yu Huang	M	20070101	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Yi-Hsiung Liu	M	20070101	(Note)	—	—	—	—	—	Master of Electrical Engineering, National Changhua University of Education		—	—	—
Branch Senior Vice President	R.O.C.	Ming-Chih Tsai	M	20070101	(Note)	—	—	—	—	—	Bachelor of International Trade, Chung Yuan Christian University		—	—	—
Branch Senior Vice President	R.O.C.	Ting-Sheng Lu	M	20070101	(Note)	—	—	—	—	—	MBA, Shih Chien University		—	—	—
Branch Senior Vice President	R.O.C.	Sheng-Hsieh Ho	M	20070401	(Note)	—	—	—	—	—	MBA, Chaoyang University of Technology		—	—	—
Branch Senior Vice President	R.O.C.	Hsiang-Lan Chang Chien	F	20070401	(Note)	—	—	—	—	—	Bachelor of Economics, Tunghai University		—	—	—
Branch Senior Vice President	R.O.C.	Li-Ping Hsu	F	20070401	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Chao-Chun Tseng	M	20070401	(Note)	—	—	—	—	—	MBA, On-job Master Program, Asia University Taiwan		—	—	—
Branch Senior Vice President	R.O.C.	Chun-Ming Liu	M	20070401	(Note)	—	—	—	—	—	MBA, National Chiao Tung University		—	—	—
Branch Senior Vice President	R.O.C.	Yi-Hsuan Tai	M	20070401	(Note)	—	—	—	—	—	EMBA, National Chiao Tung University		—	—	—
Branch Senior Vice President	R.O.C.	Feng-Chu Lin	F	20070618	(Note)	—	—	—	—	—	MBA, On-job Master Program, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Jung-Sung Hsu	M	20070625	(Note)	—	—	—	—	—	MBA, University of Houston		—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Hao Wu	F	20070822	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Chun-Ting Lin	M	20071015	(Note)	—	—	—	—	—	MBA, Chaoyang University of Technology		—	—	—
Branch Senior Vice President	R.O.C.	Liang-Jung Fan	M	20071229	(Note)	—	—	—	—	—	Bachelor of International Trade, Chinese Culture University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Chih-Hung Chen	M	20080101	(Note)	—	—	—	—	—	MBA, City University of New York		—	—	—
Branch Senior Vice President	R.O.C.	Mei-Ling Chen	F	20080430	(Note)	—	—	—	—	—	Bachelor of Banking, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Ya-Hui Chi	F	20080601	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—
Branch Senior Vice President	R.O.C.	Li-Fen Huang	F	20080701	(Note)	—	—	—	—	—	Royal Roads University, Canada MBA		—	—	—
Branch Senior Vice President	R.O.C.	Wen-Kan Lin	M	20080707	(Note)	—	—	—	—	—	Master of Finance, National Taipei University		—	—	—
Branch Senior Vice President	R.O.C.	Ming-Chin Chuang	M	20080725	(Note)	—	—	—	—	—	Bachelor of Business Administration, Shih Chien University		—	—	—
Branch Senior Vice President	R.O.C.	Chung-Ping Jen	M	20080822	(Note)	—	—	—	—	—	Bachelor of Statistics, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Shih-Hui Lu	M	20080822	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—
Branch Senior Vice President	R.O.C.	Li-Meng Lin	F	20080822	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Chen Wu	F	20080908	(Note)	—	—	—	—	—	Bachelor of Accounting, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Chi-Chia Chang	M	20080913	(Note)	—	—	—	—	—	Master of Finance, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Yun-Chuan Yu	M	20081104	(Note)	—	—	—	—	—	Bachelor of Law, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Yu Chen	M	20081110	(Note)	—	—	—	—	—	Master of Law, National Taiwan University		—	—	—
Branch Senior Vice President	R.O.C.	Cheng-Chi Hsiao	M	20081111	(Note)	—	—	—	—	—	Bachelor of International Trade, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Hsing-Chu Chiu	F	20081215	(Note)	—	—	—	—	—	MBA, Yuan Ze University		—	—	—
Branch Senior Vice President	R.O.C.	Wei-Te Hsu	M	20081215	(Note)	—	—	—	—	—	Bachelor of Business Administration, Ming Chuan University		—	—	—
Branch Senior Vice President	R.O.C.	Hsiao-Hua Cho	F	20090122	(Note)	—	—	—	—	—	Department of Accounting and Statistics, National Taipei University of Business		—	—	—
Branch Senior Vice President	R.O.C.	Chen-Te Kuo	M	20090122	(Note)	—	—	—	—	—	Master of Finance, National Central University		—	—	—
Branch Senior Vice President	R.O.C.	Jen-Kai Tseng	M	20090122	(Note)	—	—	—	—	—	Bachelor of Law, Chinese Culture University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Sheng-Yi Lin	M	20090430	(Note)	-	-	-	-	-	Bachelor of Business Administration, Soochow University		-	-	-
Branch Senior Vice President	R.O.C.	Mei-Ling Ting	F	20090826	(Note)	-	-	-	-	-	Department of International Trade, National Taipei University of Business		-	-	-
Branch Senior Vice President	R.O.C.	Chun-Huan Chiang	F	20090826	(Note)	-	-	-	-	-	Department of International Trade, National Taipei University of Business		-	-	-
Branch Senior Vice President	R.O.C.	Cheng-Tien Wu	M	20090826	(Note)	-	-	-	-	-	Bachelor of Finance, Fortune University		-	-	-
Branch Senior Vice President	R.O.C.	Chien-Cheng Tsung	M	20090826	(Note)	-	-	-	-	-	Bachelor of Business Administration, National Chung Hsing University		-	-	-
Branch Senior Vice President	R.O.C.	Chun-An Chen	M	20090826	(Note)	-	-	-	-	-	MBA, National Taiwan University of Science and Technology		-	-	-
Branch Senior Vice President	R.O.C.	Ming-Chun Wang	M	20100429	(Note)	-	-	-	-	-	Master of Finance and Risk Management, Shu-Te University		-	-	-
Branch Senior Vice President	R.O.C.	Mao-Chang Ho	M	20100429	(Note)	-	-	-	-	-	Department of Business Administration, National Taichung Commercial School		-	-	-
Branch Senior Vice President	R.O.C.	Jung-Tsung Tsao	M	20100429	(Note)	-	-	-	-	-	Bachelor of Business Administration, Fu Jen Catholic University		-	-	-
Branch Senior Vice President	R.O.C.	Hsin-Chi Chen	M	20100429	(Note)	-	-	-	-	-	Department of Accounting and Statistics, Chungyu Institute of Technology		-	-	-
Branch Senior Vice President	R.O.C.	Jung-Chin Wu	M	20100524	(Note)	-	-	-	-	-	MBA (Digital Learning), Tamkang University		-	-	-
Branch Senior Vice President	R.O.C.	Chang-Jung Chen	M	20100802	(Note)	-	-	-	-	-	Bachelor of Commerce, National Taiwan University		-	-	-
Branch Senior Vice President	R.O.C.	Shih-Kuang Yueh	M	20100901	(Note)	-	-	-	-	-	Department of Electrical Engineering, National Kaohsiung Institute and Technology		-	-	-
Branch Senior Vice President	R.O.C.	Sung-Hsing Chen	M	20110101	(Note)	-	-	-	-	-	Department of Business Administration, Tamsui Institute of Business Administration		-	-	-
Branch Senior Vice President	R.O.C.	Feng-Hsu Ko	M	20110315	(Note)	-	-	-	-	-	MBA, University of Illinois		-	-	-
Branch Senior Vice President	R.O.C.	Min-Cheng Chiang	M	20110503	(Note)	-	-	-	-	-	International MBA, National Changhua University of Education		-	-	-

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Chun-Lin Li	M	20110503	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Chen-Chung Li	M	20110503	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Hui-Fang Chen	F	20110503	(Note)	—	—	—	—	—	Bachelor of Commerce, Open University of Kaohsiung		—	—	—
Branch Senior Vice President	R.O.C.	Hsueh-Fen Yeh	F	20110503	(Note)	—	—	—	—	—	Bachelor of Commerce, Open University of Kaohsiung		—	—	—
Branch Senior Vice President	R.O.C.	Hui-Ling Wu	F	20110901	(Note)	—	—	—	—	—	Department of Internal Trade, Chinese Junior College of Industrial and Commercial Management		—	—	—
Branch Senior Vice President	R.O.C.	Wen-Chiung Cheng	M	20110901	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Taiwan University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Wen Chang	M	20120628	(Note)	—	—	—	—	—	Master of Economics, National Taiwan University		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Liang Chen	M	20130617	(Note)	—	—	—	—	—	MBA, Royal Roads University		—	—	—
Branch Senior Vice President	R.O.C.	Su-Yen Chi	F	20130625	(Note)	—	—	—	—	—	Department of Business Administration (On-job Program), Open College Affiliated with National Taipei University of Business		—	—	—
Branch Senior Vice President	R.O.C.	Ming-Chi Li	M	20130715	(Note)	—	—	—	—	—	Department of Applied Commercial, National Taipei College of Business School of Open Education Bachelor Degree		—	—	—
Branch Senior Vice President	R.O.C.	Pi-Wei Hsu	M	20130715	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Lung-Hao Ko	M	20131223	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Lung-San Fu	M	20140315	(Note)	—	—	—	—	—	Bachelor of Applied Foreign Languages, National United University		—	—	—
Branch Senior Vice President	R.O.C.	Hui-Ti Yang	F	20140315	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—
Branch Senior Vice President	R.O.C.	Jen-Chieh Liao	M	20140315	(Note)	—	—	—	—	—	Ph.D. in Commerce, Chung Yuan Christian University		—	—	—



Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Shih-Lin Sung	M	20140827	(Note)	—	—	—	—	—	EMBA (Accounting), National Changhua University of Education		—	—	—
Branch Senior Vice President	R.O.C.	Chi-Wei Lu	M	20141113	(Note)	—	—	—	—	—	Bachelor of Economics, Tunghai University		—	—	—
Branch Senior Vice President	R.O.C.	Ming-Liang Chen	M	20150320	(Note)	—	—	—	—	—	Master of Finance, National Kaohsiung First University of Science and Technology		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Hui Yu	F	20150320	(Note)	—	—	—	—	—	Bachelor of Chinese Literature, Providence University		—	—	—
Branch Senior Vice President	R.O.C.	Chi-Chen E	F	20150320	(Note)	—	—	—	—	—	Department of Accounting and Statistics, Tainan Junior College of Home Economics		—	—	—
Branch Senior Vice President	R.O.C.	Li-Ling Yang	F	20150320	(Note)	—	—	—	—	—	Department of International Trade, National Taipei University of Business		—	—	—
Branch Senior Vice President	R.O.C.	Ching-Sung Liu	M	20150320	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Ya-Hui Lan	F	20150320	(Note)	—	—	—	—	—	Department of Banking and Insurance, Chihlee Institute of Technology		—	—	—
Branch Senior Vice President	R.O.C.	Hsi-Chiu Chen	M	20150821	(Note)	—	—	—	—	—	EMBA, National Chung Hsing University On-job Master Program		—	—	—
Branch Senior Vice President	R.O.C.	Yao-Yi Huang	M	20150821	(Note)	—	—	—	—	—	Bachelor of Law, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Kung-Pin Li	M	20160401	(Note)	—	—	—	—	—	Bachelor of Economics, Fu Jen Catholic University		—	—	—
Branch Senior Vice President	R.O.C.	Yi-Pou Chen	F	20160401	(Note)	—	—	—	—	—	Bachelor of Law, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Shu-Hui Tsai	F	20160401	(Note)	—	—	—	—	—	Bachelor of Land Administration, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Yu-Teng Hsueh	M	20160401	(Note)	—	—	—	—	—	Master of Social Science and Management, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Chia-Ching Shen	F	20161114	(Note)	—	—	—	—	—	Bachelor of International Trade, Fu Jen Catholic University		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Ta Chen	M	20161114	(Note)	—	—	—	—	—	Bachelor of Law, Tunghai University		—	—	—

Title	Nationality	Name	Gender	On-Board Date	Number of shares held		Shares held by spouses, minor children		Shares held in the name of others		Education and selected past positions	Concurrent positions at other companies	Managers who are spouses or relatives within the second degree of kinship		
					Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding			Title	Name	Relationship
Branch Senior Vice President	R.O.C.	Chun-Yi Chen	M	20170101	(Note)	—	—	—	—	—	Master of Technology Management, National Chiao Tung University		—	—	—
Branch Senior Vice President	R.O.C.	Hsi-Jen Liu	M	20170101	(Note)	—	—	—	—	—	Master of Finance, Chaoyang University of Technology		—	—	—
Branch Senior Vice President	R.O.C.	Huan-Rong Tsao	M	20170126	(Note)	—	—	—	—	—	Master of Advanced Public Policy, Sun Yat-Sen University		—	—	—
Branch Senior Vice President	R.O.C.	Chao-Chi Hsu	M	20170126	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Kuei-Ying Wu	F	20180210	(Note)	—	—	—	—	—	Bachelor of Statistics, Fu Jen Catholic University		—	—	—
Branch Senior Vice President	R.O.C.	Chia-Ching Lin	M	20180210	(Note)	—	—	—	—	—	Bachelor of International Trade, National Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Chih-Hsun Chang	M	20180210	(Note)	—	—	—	—	—	MBA, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Ming Chen	M	20180210	(Note)	—	—	—	—	—	Bachelor of International Trade, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Yu-Wei Chen	M	20180210	(Note)	—	—	—	—	—	Bachelor of Finance, Aletheia University		—	—	—
Branch Senior Vice President	R.O.C.	Chiu-Chin Chen	F	20180210	(Note)	—	—	—	—	—	Bachelor of Business Administration, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Chien-Chang Tseng	M	20180210	(Note)	—	—	—	—	—	MBA, St. John's University		—	—	—
Branch Senior Vice President	R.O.C.	Jen-Yi Huang	M	20180210	(Note)	—	—	—	—	—	Bachelor of Urban Planning and Development, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Jen-Ming Liu	M	20180210	(Note)	—	—	—	—	—	Master of Finance, National Chung Cheng University		—	—	—

Note: The Company became a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd. through an exchange of shares on December 18, 2002.

### III. Remuneration paid to Directors, Supervisors, President, Executive Vice Presidents and employees

(1-1) There was no occurrence that required individual disclosure of directors' names and remuneration.

(1-2) Remuneration Paid to Directors (including independent directors):

December 31, 2017

Title	Name	Remuneration Paid to Directors								Sum of A, B, C and D as percentage of Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Sum of A, B, C, D, E, F and G as percentage of Net Income (%)		All Invested enterprise		
		Compensation (A)		Pension upon retirement (B)		Remuneration (C)		Service Expenses (D)				Base Compensation, Bonuses, and Allowances (E)		Pension upon retirement (F)		Amount of Employee remuneration (G)								
		The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank		Consolidated subsidiaries			The Bank	Consolidated subsidiaries
																		Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman	Andrew Ming-Jian Kuo																							
Chairman	Tsu-Pei Chen																							
Vice Chairman	Tzung-Han Tsai																							
Managing Director (Independent Director)	Tsing-Yuan Hwang																							
Managing Director	Alan Lee																							
Managing Director	Chun-Wei Yang																							
Director	Chang-Ken Lee																							
Director	Chuan-Chuan Hsieh																							
Director (Independent Director)	Min-Houng Hong	NT\$50,394,000	NT\$50,394,000	NT\$1,458,000	NT\$1,458,000	-	-	NT\$5,886,000	NT\$5,886,000	0.299%	0.294%	NT\$64,642,000	NT\$64,642,000	-	-	NT\$8,000	-	NT\$8,000	-	0.634%	0.622%	NT\$682,000		
Director (Independent Director)	Edward Yung Do Way																							
Director (Independent Director)	Feng-Chiang Miao																							
Director	Chi-Wei Joong																							
Director	Chung-Yi Teng																							
Director	Po-Tsang Hsieh																							
Director	Tsung-Hsien Tsai																							
Director	Shang-Chi Liu																							
Director	Jian-Hsing Wu																							
Director	Wei-Hua Chou																							

\*Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None.

Note: Chairman Tsu-Pei Chen has resigned on June 29, 2017; Director (Independent Director) Min-Houng Hong has resigned on June 16, 2017; Director Shang-Chi Liu has resigned on June 29, 2017

Note: Salaries paid to drivers amounted to NT\$4,175,000.

Director remuneration range (including independent directors)

Range of compensation paid to directors	Directors Name			
	Total Remuneration from (A+B+C+D)		Total Remuneration from (A+B+C+D+E+F+G)	
	The Bank	Consolidated subsidiaries I	The Bank	Consolidated subsidiaries J
Under NT\$2,000,000	Tsing-Yuan Hwang, Alan Lee, Chun-Wei Yang, Chang-Ken Lee, Chuan-Chuan Hsieh, Min-Houng Hong, Edward Yung Do Way, Feng-Chiang Miao, Chi-Wei Joong, Chung-Yi Teng, Po-Tsang Hsieh, Tsung-Hsien Tsai, Shang-Chi Liu, Jian-Hsing Wu, Wei-Hua Chou	Tsing-Yuan Hwang, Alan Lee, Chun-Wei Yang, Chang-Ken Lee, Chuan-Chuan Hsieh, Min-Houng Hong, Edward Yung Do Way, Feng-Chiang Miao, Chi-Wei Joong, Chung-Yi Teng, Po-Tsang Hsieh, Tsung-Hsien Tsai, Shang-Chi Liu, Jian-Hsing Wu, Wei-Hua Chou	Tsing-Yuan Hwang, Chang-Ken Lee, Chuan-Chuan Hsieh, Min-Houng Hong, Edward Yung Do Way, Feng-Chiang Miao, Chi-Wei Joong, Tsung-Hsien Tsai, Shang-Chi Liu	Tsing-Yuan Hwang, Chang-Ken Lee, Chuan-Chuan Hsieh, Min-Houng Hong, Edward Yung Do Way, Feng-Chiang Miao, Chi-Wei Joong, Tsung-Hsien Tsai, Shang-Chi Liu
2,000,000 (inclusive) ~ 5,000,000 (exclusive)				
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Andrew Ming-Jian Kuo	Andrew Ming-Jian Kuo	Andrew Ming-Jian Kuo, Jian-Hsing Wu, Chung-Yi Teng, Po-Tsang Hsieh, Wei-Hua Chou	Andrew Ming-Jian Kuo, Jian-Hsing Wu, Chung-Yi Teng, Po-Tsang Hsieh, Wei-Hua Chou
10,000,000 (inclusive) ~ 15,000,000 (exclusive)			Chun-Wei Yang	Chun-Wei Yang
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	Tsu-Pei Chen, Tzung-Han Tsai	Tsu-Pei Chen, Tzung-Han Tsai	Tsu-Pei Chen, Tzung-Han Tsai, Alan Lee	Tsu-Pei Chen, Tzung-Han Tsai, Alan Lee
30,000,000 (inclusive) ~ 50,000,000 (exclusive)				
50,000,000 (inclusive) ~ 100,000,000 (exclusive)				
Over NT\$100,000,000				
Total	18	18	18	18

\* Remuneration shown under the chart is for disclosure purpose. It is not subject to “income” under the Income Tax Act, and thereby is not taxable.

(2-1) There was no occurrence that required individual disclosure of Supervisor' names and remuneration.

(2-2) Supervisors' remuneration:

December 31, 2017

Title	Name	Supervisor remuneration								Sum of A, B, C and D as percentage of Net Income		Compensation Received by Directors from Affiliates not under the Group
		Compensation (A)		Pension upon retirement (B)		Remuneration (C)		Service Expenses (D)		The Bank	Consolidated subsidiaries	
		The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries			
Resident Supervisor	Peggy Wang	-	-	NT\$1,332,000	NT\$1,332,000	-	-	NT\$324,000	NT\$324,000	0.009%	0.008%	None
Supervisor	Shu-Chen Lan	-	-	NT\$1,332,000	NT\$1,332,000	-	-	NT\$324,000	NT\$324,000	0.009%	0.008%	None

### Supervisor remuneration range

Range of compensation paid to supervisors	Name of supervisor	
	Total Remuneration from (A+B+C+D)	
	The Bank	Consolidated subsidiaries E
Under NT\$2,000,000	Peggy Wang, Shu-Chen Lan	Peggy Wang, Shu-Chen Lan
2,000,000 (inclusive) ~ 5,000,000 (exclusive)		
5,000,000 (inclusive) ~ 10,000,000 (exclusive)		
10,000,000 (inclusive) ~ 15,000,000 (exclusive)		
15,000,000 (inclusive) ~ 30,000,000 (exclusive)		
30,000,000 (inclusive) ~ 50,000,000 (exclusive)		
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
Over NT\$100,000,000		
Total	2	2

\* Remuneration shown under the chart is for disclosure purpose. It is not subject to "income" under the Income Tax Act, and thereby is not taxable.

(3-1) There was no occurrence that required individual disclosure of President's and Executive Vice Presidents' names and remuneration.

(3-2) Remuneration Paid to Presidents and Vice Presidents:

December 31, 2017

Title	Name	Salary (A)		Pension upon retirement (B)		Bonuses & Allowance Paid (C)		Amount of Employee remuneration (D)				Sum of A, B, C and D as percentage of Net Income (%)		All invested businesses
		The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank		Consolidated subsidiaries		The Bank	Consolidated subsidiaries	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Alan Lee	NT\$118,900,000	NT\$118,900,000	-	-	NT\$121,597,000	NT\$122,269,000	NT\$38,000	-	NT\$38,000	-	1.246%	1.227%	NT\$672,000
Chief Auditor	Hung-Chang Yang													
Senior Executive Vice President	Chun-Wei Yang													
Senior Executive Vice President	Po-Tsang Hsieh													
Senior Executive Vice President	Chung-Yi Teng													
Senior Executive Vice President	Jian-Hsing Wu													
Senior Executive Vice President	Wei-Hua Chou													
Executive Vice President	Yuan-Lan Hung													
Executive Vice President	Hsing-Ming Li													
Executive Vice President	Chang-Li Tsao													
Executive Vice President	Chao-Kuei Kuo													
Executive Vice President	Tsung-Meng Huang													
Executive Vice President	Feng-Chih Hsu													
Executive Vice President	Tung-Wen Li													
Executive Vice President	Cho-Min Chin													
Executive Vice President	Hsiu-Chu Chuang													
Executive Vice President	Yu-Mei Lee													
Executive Vice President	Su-Chu Li													

Title	Name	Salary (A)		Pension upon retirement (B)		Bonuses & Allowance Paid (C)		Amount of Employee remuneration (D)				Sum of A, B, C and D as percentage of Net Income (%)		All invested businesses
		The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank	Consolidated subsidiaries	The Bank		Consolidated subsidiaries		The Bank	Consolidated subsidiaries	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Executive Vice President	Chi-Chang Huang													
Executive Vice President	Francis Peng													
Executive Vice President	Ching-Yuan Kung													
Executive Vice President	Hsiang-Hsin Tsai													
Executive Vice President	Judie Hsu													
Executive Vice President	Patrick Daniel													
Executive Vice President	Shu-Hsien Tsai													
Executive Vice President	Yu-Chin Cheng													
Executive Vice President	Ching-Li Chang													
Executive Vice President	Shu-Ying Wu													
Executive Vice President	Chih-Feng Wang													
Executive Vice President	Yi-Fang Chan													
Executive Vice President	Yu-Yi Tseng													
Executive Vice President	Chen-Han Wen													
Executive Vice President	Yun-Wei Huang													
Executive Vice President	Shang-Min Lin													
Executive Vice President	Chi-Yuan Chien													
Executive Vice President	Winston Quek													

President and Executive Vice President remuneration range

Range of remuneration paid to President and Executivevice presidents	President & Executive Vice President Name	
	The Bank	All companies included in consolidated statements (E)
Under NT\$2,000,000	Yu-Yi Tseng, Shu-Ying Wu	Yu-Yi Tseng, Shu-Ying Wu
2,000,000 (inclusive) ~ 5,000,000 (exclusive)	Hung-Chang Yang, Yun-Wei Huang, Chih-Feng Wang, Cho-Min Chin, Judie Hsu Chang-Li Tsao, Feng-Chih Hsu, Yuan-Lan Hung, Shu-Hsien Tsai, Yu-Mei Lee	Hung-Chang Yang, Yun-Wei Huang, Chih-Feng Wang, Cho-Min Chin, Judie Hsu Chang-Li Tsao, Feng-Chih Hsu, Yuan-Lan Hung, Shu-Hsien Tsai, Yu-Mei Lee
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Po-Tsang Hsieh, Chung-Yi Teng, Jian-Hsing Wu, Wei-Hua Chou, Tung-Wen Li Ching-Li Chang, Hsiang-Hsin Tsai, Hsiu-Chu Chuang, Tsung-Meng Huang, Yi-Fang Chan Hsing-Ming Li, Chao-Kuei Kuo, Ching-Yuan Kung, Su-Chu Li, Yu-Chin Cheng Shang-Min Lin, Francis Peng, Chen-Han Wen, Patrick	Po-Tsang Hsieh, Chung-Yi Teng, Jian-Hsing Wu, Wei-Hua Chou, Tung-Wen Li Ching-Li Chang, Hsiang-Hsin Tsai, Hsiu-Chu Chuang, Tsung-Meng Huang, Yi-Fang Chan Hsing-Ming Li, Chao-Kuei Kuo, Ching-Yuan Kung, Su-Chu Li, Yu-Chin Cheng Shang-Min Lin, Francis Peng, Chen-Han Wen, Patrick
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	Chun-Wei Yang, Chi-Chang Huang, Chi-Yuan Chien, Winston Quek	Chun-Wei Yang, Chi-Chang Huang, Chi-Yuan Chien, Winston Quek
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	Alan Lee	Alan Lee
30,000,000 (inclusive) ~ 50,000,000 (exclusive)		
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
Over NT\$100,000,000		
Total	36	36

\* Remuneration shown under the chart is for disclosure purpose. It is not subject to “income” under the Income Tax Act, and thereby is not taxable.

(4) Employee Remuneration Distributed to Managers and Distribution Situation:

Title	Name	Stock Amount	Cash Amount	Total	Total as a Percentage of Net Income (%)
Please see P31-46		-	NT\$280,000	NT\$280,000	0.00145%



- (IV) Amount of remuneration paid in the last 2 years by the Bank and all companies included in the consolidated financial statements to the Bank's directors, supervisors, President, and Executive vice presidents, and their respective proportions to net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks:

The sum of remuneration paid to directors, supervisors, President and Executive vice presidents in 2017 amounted to NT\$290,892,000 (representing 1.51% of net income in 2017), up 10.54% from the NT\$263,149,000 reported in 2016. The basis of remuneration disclosed above is different from the basis of the Income Tax Act; for this reason, the amount has been prepared solely for information disclosure, and not for tax purposes.

1. Remuneration to directors, supervisors and managers are determined according to the Bank's "Director and Supervisor Compensation Guidelines" and "Manager Compensation Guidelines"; both policies have been resolved in board meetings. Amount of remuneration is decided based on responsibilities, capacity and annual performance of each individual, while taking into consideration the benchmark level. Both the remuneration policy and amount are adjusted according to current and future risks and overall business performance to ensure alignment with shareholders' long-term interest.
2. In the "Director and Supervisor Compensation Guidelines" (referred to as the "Guidelines" below), a director's compensation includes fees, remuneration, and traffic and other allowances.
  - (1) Compensation: The Bank may compensate directors (including Chairman/Vice Chairman) who personally participate in the execution of business activities. The amount of which is determined based on level of participation and contribution of individual directors and peer levels, and are paid with board of directors' approval. These directors may also receive bonus at managers' rate depending on annual performance.

Compensation for independent directors and external directors appointed by the parent company is evaluated according to rules of the parent company; directors who concurrently assume managerial position within the Bank are not entitled to receive director compensation.

- (2) Remuneration: In profit-making years, the Bank may pay out no more than 0.1% of earnings as remuneration to directors and supervisors (i.e. the parent company).
- (3) Transportation and other allowances are paid at the standards stated in the Guidelines.

- 3. The Bank has “Manager Compensation Guidelines” in place that outline managers’ monthly salary, allowance, bonus, and retirement benefits.

The board of directors of Indovina Bank convenes meetings twice a year, for which it is compensated with travel allowance of US\$6,000 per session. Given Indovina Bank’s stature as a Vietnam-registered subsidiary jointly controlled by Industrial and Commercial Bank of Vietnam (50%), the Bank respects the decisions of its Vietnamese partner on related issues, including director remuneration, provided that such decisions are fair and do not adversely impact the shareholders’ interest.

## IV. Implementation of Corporate Governance

### (I) Operation of the Board of Directors :

#### Functionality of the Board of Directors

A total of 7 meetings (A) were held in the last year (2017); below are directors' and supervisors' attendance records:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	(representative for Cathay Financial Holding Co., Ltd.) Andrew Ming-Jian Kuo	3	0	100%	Newly appointed on June 29, 2017; required attendance: 3 sessions.
Vice Chairman	(representative for Cathay Financial Holding Co., Ltd.) Tzung-Han Tsai	6	1	85.71%	
Managing Director (Independent Director)	(representative for Cathay Financial Holding Co., Ltd.) Tsing-Yuan Hwang	7	0	100%	
Managing Director	(representative for Cathay Financial Holding Co., Ltd.) Alan Lee	7	0	100%	
Managing Director	(representative for Cathay Financial Holding Co., Ltd.) Chun-Wei Yang	6	1	85.71%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Chang-Ken Lee	7	0	100%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Chuan-Chuan Hsieh	7	0	100%	
Independent Director	(representative for Cathay Financial Holding Co., Ltd.) Feng-Chiang Miao	6	1	85.71%	
Independent Director	(representative for Cathay Financial Holding Co., Ltd.) Edward Yung Do Way	3	0	100%	Newly appointed on June 16, 2017; required attendance: 3 sessions.
Director	(representative for Cathay Financial Holding Co., Ltd.) Chi-Wei Joong	7	0	100%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Chung-Yi Teng	5	2	74.43%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Po-Tsang Hsieh	6	1	85.71%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Tsung-Hsien Tsai	5	2	74.43%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Jian-Hsing Wu	6	1	85.71%	

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Director	(representative for Cathay Financial Holding Co., Ltd.) <b>Wei-Hua Chou</b>	3	0	100%	Newly appointed on June 29, 2017; required attendance: 3 sessions.
Resident Supervisor	(representative for Cathay Financial Holding Co., Ltd.) <b>Peggy Wang</b>	5	0	71.43%	Absence: 2 sessions
Supervisor	(representative for Cathay Financial Holding Co., Ltd.) <b>Shu-Chen Lan</b>	5	0	71.43%	Absence: 2 sessions
Chairman	(representative for Cathay Financial Holding Co., Ltd.) <b>Tsu-Pei Chen</b>	4	0	100%	Resigned on June 28, 2017; required attendance: 4 sessions.
Independent Director	(representative for Cathay Financial Holding Co., Ltd.) <b>Min-Houng Hong</b>	4	0	100%	Resigned February 23, 2017 with effect on June 16, 2017; required attendance: 4 sessions.
Director	(representative for Cathay Financial Holding Co., Ltd.) <b>Shang-Chi Liu</b>	4	0	100%	Resigned on June 29, 2017; required attendance: 4 sessions.

Note: The company is a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd.

Other items to be stated:

I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:

(I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act (Reason for not voting and actual voting counts):

Board meeting date/session	Motion	Company's response to all independent directors' opinions
5th interim meeting of the 15th board of directors on January 25, 2017	<ul style="list-style-type: none"> <li>⊙ Passed issuance of unsecured senior bank debenture and unsecured subordinated bank debenture.</li> <li>⊙ Passed "Sale of Non-performing Loan - Vinalines."</li> <li>⊙ Passed decision to bid for The Bank of Nova Scotia's sale of Malaysian subsidiary, either individually or in conjunction with Cathay Life Insurance.</li> </ul>	None.
3rd meeting of the 15th board of directors on March 8, 2017	<ul style="list-style-type: none"> <li>⊙ Passed the Bank's 2016 cash issue and capital-raising draft plans.</li> <li>⊙ Passed reappointment of 2017 financial statement auditors.</li> <li>⊙ Amended the Bank's "Internal Control System"</li> </ul>	None.
4th meeting of the 15th board of directors on April 27, 2017	<ul style="list-style-type: none"> <li>⊙ Passed the Bank's private cash issue.</li> <li>⊙ Amended the Bank "Asset Acquisition and Disposal Procedures."</li> <li>⊙ Passed removal of restrictions imposed against the Company's Independent Director Feng-Chiang Miao and Director Chang-Ken Lee for involving in competing businesses.</li> <li>⊙ Passed the decision to change a capital fund of "Cathay United Bank (China) Ltd.," one of the Bank's banking subsidiaries established in the Mainland.</li> </ul>	None.

Board meeting date/session	Motion	Company's response to all independent directors' opinions
7th interim meeting of the 15th board of directors on June 29, 2017	<ul style="list-style-type: none"> <li>⊙ Passed the decision to sell all equity holding of investment - Seaward Card Co., Ltd.</li> <li>⊙ Passed removal of restrictions imposed against the Company's Independent Director Edward Yung Do Way for involving in competing businesses.</li> <li>⊙ Passed the Bank's "Chairman and Managing Director" election.</li> </ul>	None.
5th meeting of the 15th board of directors on August 17, 2017	<ul style="list-style-type: none"> <li>⊙ Amendments to the Bank's "Asset Acquisition and Disposal Procedures," "Treasury Limit Authorization Guidelines," "Derivative Guidelines," "Offshore Banking Unit Derivative Guidelines" and "Cathay United Bank Co., Ltd. Internal Control System Management Manual."</li> <li>⊙ Passed the removal of convertible bonds of Procomp Informatics that the Bank had previously assumed from Lucky Bank.</li> <li>⊙ Passed increase of capital in Manila Branch.</li> <li>⊙ Removal of restrictions imposed against the Company's Chairman Andrew Ming-Jian Kuo, Independent Director Tsing-Yuan Hwang and Managing Director Alan Lee for involving in competing businesses.</li> <li>⊙ Removal of restrictions imposed against the Company's President Alan Lee for involving in competing businesses.</li> </ul>	None.
6th meeting of the 15th board of directors on November 8, 2017	<ul style="list-style-type: none"> <li>⊙ Passed appointment of the Bank's financial statement auditors and review of audit remuneration for 2018.</li> <li>⊙ Passed the decision to invest into Class B preferred shares of "Quantifeed Holdings Limited."</li> <li>⊙ Amendments to the Bank's "Market Risk Management Guidelines," "Liquidity Risk Management Guidelines," "Banking Book</li> </ul>	None.

Board meeting date/session	Motion	Company's response to all independent directors' opinions
	<p>Interest Rate Risk Management Guidelines,” “Working Capital Guidelines,” “Treasury Limit Authorization Guidelines” and “Derivative Guidelines.”</p> <ul style="list-style-type: none"> <li>⊙ Amendments to the Singapore Branch’s “Internal Control System Policy.”</li> <li>⊙ Removal of restrictions imposed against the Company’s Chairman Andrew Ming-Jian Kuo and Managing Director Alan Lee for involving in competing businesses.</li> <li>⊙ Removal of restrictions imposed against the Company’s President Alan Lee for involving in competing businesses.</li> </ul>	

(II) Any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing: None.

II. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process: (Reason for not voting and actual voting counts):

Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Tzung-Han Tsai (Vice Chairman)	Decision to bid for the sale of The Bank of Nova Scotia’s Malaysian subsidiary, either individually or in conjunction with Cathay Life Insurance	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chung-Yi Teng	Member of the Bank’s offshore structured product review team	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Chun-Wei Yang	Cooperation with EasyCard Corporation for cash collection service via automated top-up machines installed throughout Taipei Metro Stations	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting

Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Chun-Wei Yang	Establishment of “Co-brand EasyCard Issuance Contract” with EasyCard Corporation	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Issues concerning the situation where Cathay Securities Corporation is jointly appointed as underwriter for primary market offering or underwriting of international bonds (including Formosa bonds) by 109 companies including Goldman Sachs and branches, subsidiaries, and affiliated enterprises	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Issues concerning the situation where Cathay Securities Corporation is jointly appointed as underwriter for primary market offering or underwriting of corporate bonds issued by Taiwan Power Company	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	To appoint Cathay Securities Corporation as financial consultant for the issuance of senior (subordinated) bank debentures for the Bank in 2017	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Blanket authorization for the pricing of securities (fixed or via bids) lent to Cathay Securities Corporation	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting



Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Tzung-Han Tsai (Vice Chairman), Tsung-Hsien Tsai and Chang-Ken Lee	To share information resources with Cathay Financial Holding Co., Ltd. and Cathay Life Insurance Co., Ltd., and participate/sign the “Cathay Financial Holding Co., Ltd. and the Subsidiaries Information System Equipment and Personnel Sharing Agreement”	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman)	To restructure tender for The Bank of Nova Scotia’s sale of Malaysian subsidiary	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman), Chang-Ken Lee	To submit a joint tender with Cathay Securities Corporation for the role of underwriter in the corporate bonds issued by Cathay Life Insurance Co., Ltd.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Feng-Chiang Miao (Independent Director), Chang-Ken Lee	Removal of restrictions against competing business involvement for the mentioned directors	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Chang-Ken Lee	Extension of short-term secured lending and treasury limit for Cathay Securities Corporation	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chun-Wei Yang	Sale of all equity holding of Seaward Card Co., Ltd.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Establishment of labor service agreement with Cathay General Hospital	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Edward Yung Do Way (Independent Director)	Removal of restrictions against competing business involvement for the mentioned directors	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting

Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Chang-Ken Lee	Issues concerning the situation where Cathay Securities Corporation is jointly appointed as underwriter for primary market offering or underwriting of international bonds (including Formosa bonds) by 130 companies including Goldman Sachs and branches, subsidiaries and affiliated enterprises	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Issues concerning the situation where Cathay Securities Corporation is jointly appointed as underwriter for primary market offering or underwriting of corporate bonds issued by Taiwan Power Company	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee, Chang-Ken Lee	To provide for meal allowance and have Cathay United Bank Foundation donate breakfast allowance to children in remote areas	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Alan Lee	Removal of restrictions against competing business involvement for the mentioned directors	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting
Andrew Ming-Jian Kuo (Chairman), Tsing-Yuan Hwang (Independent Director), Alan Lee	Removal of restrictions against competing business involvement for the mentioned directors	The motion concerned the interest of directors listed on the left	Disassociated from discussion and voting

III. Enhancement to functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency, etc.), and the progress of such enhancements:

1. Cathay FHC has appointed 12 directors, 3 independent directors and 2 supervisors to assemble the 15th term of the Board of Directors for the Bank.

2. The Bank established “Rules of Procedures for Board Meetings” on February 6, 2004 and made amendments in 2005, 2006, 2008, 2009, 2011, 2012, and 2016.
3. The Bank outlined “Guidelines on the Scope of Responsibility of Independent Directors” on April 26, 2007, and made later amendments in 2007 and 2011.
4. The Bank has created a corporate governance section on its website to disclose information relating to directors and supervisors.
5. The Bank established a set of “Mergers and Acquisitions Special Committee Organizational Charter” on January 28, 2016, and the committee consists entirely of independent directors.
6. The Bank evaluates the performance of each active director on an annual basis based on board meeting attendance rate and how they have supervised business execution, financial operations, and risk management within the organization. The evaluation process has been designed to enforce corporate governance, increase directors’ participation and contribution and enhance overall functionality of the board, and the outcome of which is taken into consideration when determining remuneration. Performance of independent directors and external directors appointed by the parent company is evaluated according to the rules of the parent company.

**(II) 1. Functionality of the Audit Committee: No Audit Committee has been assembled.**

**2. Supervisors' involvement in board of directors meetings:**

Supervisors' involvement in board of directors meetings

A total of 7 meetings (A) were held in the last year (2017); below are the attendance records:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Remarks
Resident Supervisor	(representative for Cathay Financial Holding Co., Ltd.) <b>Peggy Wang</b>	5	71.43%	Absence: 2 sessions.
Supervisor	(representative for Cathay Financial Holding Co., Ltd.) <b>Shu-Chen Lan</b>	5	71.43%	Absence: 2 sessions.

Other items to be stated:

I. Constitution and responsibilities of supervisors:

■ Supervisors' communication with bank employees and shareholders (e.g. communication channels and methods).

1. The Bank has open channels to facilitate bilateral communication between supervisors and employees, and to ensure delivery of supervisors' correspondence and message. Supervisors are also able to contact the Bank's employees on various matters.
2. The Bank is a 100% owned subsidiary of Cathay Financial Holding Co., Ltd.

■ Communication between supervisors and internal/external auditors (e.g. the Bank's financial and business affairs, the methods and outcome of communication).

1. The Audit Department oversees audit affairs within the Bank, and reports internal audit progress to directors and supervisors during each board meeting.
2. The Bank's internal audit reports are presented to supervisors and independent directors for review as required by policy.
3. The Bank's Audit Department constantly keeps track of findings or weaknesses raised by the financial supervisory authority, the CPAs, the internal audit unit and internal departments (via self-audit), as well as improvements prompted in the declaration of internal control system. Any progress made on such findings are reported to the board of directors and supervisors in writing.
4. The Bank's internal audit unit follows the "Corporate Governance Best-Practice Principles for Banks" and engages supervisors in regular discussions about internal control system defects highlighted during the year. All discussions are recorded in minutes and reported at board meetings.
5. CPAs' independence is evaluated on a yearly basis; supervisors are able to communicate with CPAs on issues concerning the Company's financial and business performance.

II. Opinions expressed by supervisors in board meetings; state the date and session of the meeting held, the motion, the board's resolution, and how the company has responded to supervisors' opinions: None.

**(III) Items disclosed in accordance with the Corporate Governance Best-Practice Principles for Banking. However, if disclosure has already been posted via the website, the Bank may simply post a link to the relevant webpage.**

1. The Bank is owned by a single corporate shareholder and according to Paragraph 1, Article 128-1 of The Company Act, rules concerning shareholder meetings do not apply.
2. The Bank has disclosed on its website (<https://www.cathaybk.com.tw/cathaybk/about/about/announcement/announce-risk/>) details regarding financial position, business performance and insiders' shareholding according to Article 16 of Corporate Governance Best-Practice Principles for Banks (referred to as Best-Practice Principles below). Financial information and changes in insiders' shareholding position may also be found at <https://emops.twse.com.tw/server-java/t58query>.
3. Furthermore, donation details have been disclosed on the Bank's website according to Article 16-1 of the Best-Practice Principles. (<https://www.cathaybk.com.tw/cathaybk/about/about/announcement/donation-info/>)
4. Information about spokesperson has been disclosed according to Articles 67 and Paragraph 4, Articles 68 of the Best-Practice Principles and made available on the Market Observation Post System (MOPS)<http://mops.twse.com.tw/mops/web/t146sb05>.
5. The Bank has disclosed financial information and its annual report on its website according to Paragraph 1, Article 69 of the Best-Practice Principles (<https://www.cathaybk.com.tw/cathaybk/about/finance.asp>.)
6. Disclosures concerning Subparagraph 3 - Board Composition and Subparagraph 5 - Supervisors, Paragraph 1, Article 71 of Best-Practice Principles have been made on the Bank's website (<https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/>)  
Disclosures concerning Subparagraph 7 - Director and Supervisor Remuneration, Subparagraph 12 - Capital Adequacy and Subparagraph 16 - Risk Management have also been disclosed on the Bank's website as part of its financial statements, annual report, (<https://www.cathaybk.com.tw/cathaybk/about/about/announcement/announce/>) and risk disclosure section (<https://www.cathaybk.com.tw/cathaybk/about/about/announcement/announce-risk/>.)

**(IV) Status of corporate governance, departures from the Corporate Governance Best-Practice Principles for Banking and reasons for such departures**

Scope of assessment	Implementation Status			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
<p>I. Equity structure and shareholders' rights of the Bank</p> <p>(I) Whether the Bank has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?</p> <p>(II) Whether the Bank controls the Bank's major shareholders and who are their ultimate owners?</p> <p>(III) Whether the Bank establishes or implements some risk control and firewall mechanisms between the Company and its affiliates?</p>	V		<p>(I) The Bank is a 100%-owned subsidiary of Cathay FHC. Cathay FHC being the Bank' only shareholder, there are no shareholders' recommendations or disputes occurring to the Bank..</p> <p>(II) The Bank is a 100%-owned subsidiary of Cathay FHC.</p> <p>(III) With respect to firewalls: The Bank has implemented a set of firewall policies to regulate privacy and use of customers' information, lending to stakeholders/related parties and transaction behaviors between affiliated enterprises. The policy introduces rules and restrictions to address a number of aspects such as security of the information system, confidentiality</p>	Complied

Scope of assessment	Implementation Status			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
<p>II. Composition and responsibilities of board of directors</p> <p>(I) Is the Bank, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees?</p>	V		<p>of customers' information, use of information for joint marketing, lending and non-lending transactions with a single stakeholder/related individual/affiliated enterprise, and prohibition against acceptance of improper gains and cross shareholding. All employees are required to comply with the firewall policy when carrying out business activities.</p> <p>(I) 1.The Bank's 15th board of directors comprises 3 independent directors, 12 directors, and 2 supervisors. All independent directors of the Bank are equipped with the proper characters and professional knowledge needed to contribute to board functionality and corporate governance.</p> <p>2.The Bank established a set of M&amp;A Committee foundation principles on January 28, 2016, and the committee consists entirely of independent directors. Responsibilities of the committee are to assess the fairness and rationality of M&amp;A projects and deals, and to present review findings for discussion at board meetings and shareholder</p>	<p>Complied</p> <p>Being a 100%-owned subsidiary of Cathay FHC, the Bank's directors and supervisors are appointed by Cathay FHC. Cathay FHC may choose to assemble an Audit Committee or appoint supervisors.</p>

Scope of assessment	Implementation Status			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
(II) Does the Bank conduct regular assessments regarding the independence of its financial statement auditors?	V		<p>meetings. However, no report has to be made during shareholder meetings in situations permitted by the “Business Mergers And Acquisitions Act.”</p> <p>3.All of the Bank’s directors and supervisors are appointed by Cathay FHC, the only corporate shareholder. All compensation-related matters are handled according to Cathay FHC’s policies.</p> <p>(II) Financial statement auditors’ independence is evaluated on a yearly basis. Supervisors are able to communicate with CPAs on issues concerning the Company’s financial and business performance.</p>	Complied
III. Assuming the company is a TWSE/TPEX listed company, has the company designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention			The Bank is not listed on TWSE or TPEX	Not applicable



Scope of assessment	Implementation Status			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
of board meetings and shareholder meetings, company registration and changes, preparation of board meeting and shareholder meeting minutes etc.)?				
<p>IV. Does the Bank have any means to communicate with stakeholders (including but not limited to shareholders, employees, customers etc.)?</p> <p>V. Information Disclosure</p> <p>(I) Has the bank established a website to disclose financial, business, and corporate governance-related information?</p> <p>(II) Has the bank adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor</p>	V		<p>The Bank has diverse and open channels available for stakeholders to communicate with the Bank, including phone, e-mail, Internet, written correspondence, and meetings.</p> <p>(I) The Bank’s website (<a href="https://www.cathaybk.com.tw/cathaybk/">https://www.cathaybk.com.tw/cathaybk/</a>) has a “Corporate Governance” section available to disclose corporate governance-related information.</p> <p>(II) The Bank has set up an English website (<a href="https://www.cathaybk.com.tw/cathaybk/english/index.htm">https://www.cathaybk.com.tw/cathaybk/english/index.htm</a>) and created a “Corporate Governance” section to disclose the directors’ and supervisors’ background.</p>	Complied

Scope of assessment	Implementation Status			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
<p>conferences via the company website)?</p> <p>VI. Does the Bank have other information that enables a better understanding of its corporate governance practices (including but not limited to employee rights, employee care, investor relations, stakeholders' rights, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, insuring against liabilities of bank's directors and supervisors, and donation to political parties, stakeholders and charity organizations)?</p>	V		<p>(I) Directors' and supervisors' ongoing education: Progress of directors' and supervisors' education has been disclosed on MOPS. (<a href="http://mops.twse.com.tw/mops/web/t93sc03_1">http://mops.twse.com.tw/mops/web/t93sc03_1</a>)</p> <p>(II) Insurance against directors' and supervisors' liabilities: "Directors', Supervisors' and Managers' Liability Insurance" is collectively purchased by Cathay FHC. The insurance policy covers the Bank's directors and supervisors.</p> <p>(III) The Bank established its "Regulations Governing the Evaluation of the Board of Directors and Functional Committees Performance" on April 26, 2018 to involve the board of directors, functional committee members and meeting organizers in its annual performance review of directors/functional committees on five main aspects (including: participation in the Bank's operations, enhancement of decision quality, composition and structure, member selection and continuing</p>	Complied

Scope of assessment	Implementation Status			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
	V		<p>education, and internal control). Performance of the board and functional committees is assigned one of three ratings: Above Standard, Standard, and Substandard.</p> <p>(IV) The Bank has a section dedicated to disclosing risk information on its website. This section covers a broad variety of information from capital adequacy management, credit risk management, market risk management, operational risk management, banking book interest rate risk management to liquidity risk management.</p> <p>(V) Implementation of customer protection policy:</p> <p>1.The Bank has established consumer protection policies and systems in accordance with the Consumer Protection Act and Enforcement Rules thereof to improve service quality and protect consumers' interest. These policies and systems provide the basis of consumer protection for various products and service offered to consumers, and the execution of which is acknowledged by the board of directors on a</p>	Complied

Scope of assessment	Implementation Status			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
	V		<p>regular basis. The Bank has a dedicated unit available to handle customers' complaints. Customers are able to raise queries, dispute and express opinions to the Bank through a variety of channels including branch mailbox, the 24-hour service hotline and the consumer complaint hotline; all of which are responded within a short period of time. Causes of customer complaint are analyzed regularly, whereas issues concerning consumer protection are reviewed by the respective product/service departments.</p> <p>2.All existing contracts between the Bank and customers have been established in accordance with rules of the authority and Bankers Association. Not only has the Bank outlined clearly the terms that the two parties are bound to comply with, consumers are given a reasonable amount of time to review contract terms and may enforce their contractual rights if disputes arise. In addition, principles of "Notes on Consumer Banking Complaint Review" have been incorporated into the Bank's "Consumer Protection Policy" to ensure more efficient and</p>	Complied

Scope of assessment	Implementation Status			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
	V		more appropriate handling of customers' complaint regarding consumer banking service.	Complied
<p>VII. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. (Not required if the Company is not one of the evaluated subjects)</p> <p>The Bank is not part of the evaluation.</p>				

**(V) Describe the composition, duties and operations of the remuneration committee, if available:**

All of the Bank's directors and supervisors are appointed by Cathay FHC, the only corporate shareholder. All compensation-related matters are handled according to Cathay FHC's policies and therefore no Remuneration Committee was assembled. (Refer to section "II. Is the Bank, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other functional committees?" in the table titled "Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" presented in the preceding Paragraph)

**(VI) Fulfillment of corporate social responsibility**

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
<p>I. Sound corporate governance</p> <p>(I) Whether the Bank has defined corporate social responsibility policies; the progress and effectiveness of such policies?</p>	V		<p>(I) Cathay FHC, the Bank’s parent company, assembled a “Corporate Social Responsibility Committee” in November 2011 to oversee CSR affairs throughout the financial group. A set of “Cathay Financial Holding Co., Ltd. Corporate Social Responsibility Code of Conduct” has been established in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” to govern actual practices undertaken by Cathay FHC and subsidiaries in response to economic, environmental, and social issues. Five specialized panels have been created under the abovementioned committee to coordinate across subsidiaries on matters concerning corporate governance, customer care, employee care, environmental protection, and public welfare. Each panel is responsible for outlining short-term, medium-term, and long-term plans and hosting</p>	Complied

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
<p>(II) Whether the Bank holds corporate social responsibility (CSR) education training periodically?</p> <p>(III) Whether the Bank establishes a dedicated unit (concurrently engaged in) to promote corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?</p>	V		<p>discussions on their assigned topics, and are required to report progress regularly at Cathay Financial Holding CSR Committee meetings.</p> <p>(II) 1. Progress of the directors' and supervisors' education has been disclosed on the MOPS. (<a href="http://mops.twse.com.tw/mops/web/t93sc03_1">http://mops.twse.com.tw/mops/web/t93sc03_1</a>)</p> <p>2. The Public Relations Department of Cathay FHC, the Bank's parent company, arranges internal and external CSR training courses for CSR personnel of all subsidiaries on a yearly basis (e.g.: annual TCSA Voluntary Judge Training, quarterly Cathay FHC CS conference, and unscheduled ESG workshops).</p> <p>(III) The Board of directors of Cathay FHC, the Bank's parent company, have established a set of "Corporate Sustainability Committee Foundation Principles" to oversee and manage corporate social responsibility affairs throughout the group. According to the foundation principles: "The role of lead member shall be undertaken by the Company's President, whereas other committee member positions are to be undertaken by</p>	Complied

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
(IV) Whether the Bank sets reasonable	V		<p>presidents of key subsidiaries. The lead member and rest of the committee members shall supervise their respective companies in adopting the corporate sustainability strategy established by the board, and adjust and instruct at appropriate times...,” “...each committee member may appoint one department and one person to the roles of CS secretariat and CS officer, whose responsibilities are to coordinate communication and execution of CS tasks within each company under the instruction of each committee member.” Six specialized panels have been created under the abovementioned committee to coordinate across subsidiaries on matters concerning sustainability governance, responsible investment, responsible product, green operation, employee care, and social inclusion. Each panel is responsible for outlining short-term, medium-term, and long-term plans as well as hosting discussions on their assigned topics. They are required to report their progress regularly at Cathay Financial Holding Corporate Sustainability Committee meetings.</p>	Complied
			(IV) Compensation to directors, supervisors, managers	



Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
<p>salary remuneration policy, combines employee performance evaluation system with the corporate CSR policy, and establishes clear and effective reward and punishment system?</p> <p>II. Fostering a Sustainable Environment</p> <p>(I) Does the Bank endeavor to upgrade the efficient use of available resources, and the use of</p>	V		<p>and staff is determined or reviewed on a yearly basis according to prevailing operating strategies and talent deployment plans to ensure proper association with individual responsibilities, performance, capacity, and market level. The Bank is able to communicate with employees on career and skill development through its performance evaluation and management systems. Both systems have proven helpful to employees in terms of performance improvement, growth and job security. The Bank also has an “Employee Reward and Disciplinary Policy” that outlines a defined and effective reward/disciplinary policy for enhanced personnel management. The Personnel Evaluation Committee convenes regular meetings according to “Personnel Evaluation Committee Foundation Principles” to enforce fairness of the Bank’s reward/disciplinary system.</p> <p>(I) The Bank supports group policy and has been progressively increasing the percentage of environment-friendly and energy-saving</p>	Complied

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
<p>environmental-friendly materials?</p> <p>(II) Has the Bank established environmental policies suitable for its industrial characteristics?</p> <p>(III) Whether the Bank is aware of the impact of climate change to operation activities as well as to implement inspection of greenhouse gas and formulate strategies for energy saving and carbon reduction and greenhouse gas reduction of the Bank?</p>	V		<p>products/equipment purchased, as well as the overall amount of green procurement. Cathay FHC was awarded “2017 Excellent Private Enterprise and Organization in Green Procurement” by Taipei City Department of Environmental Protection.</p> <p>(II) The Bank has been simultaneously certified for ISO14001 - Environmental Management System and ISO50001 - Energy Management System; it adopts numerous environmental protection and energy/carbon reduction measures such as use of FSC-certified paper and hosting of energy conservation competition to promote employees’ awareness toward preserving Earth’s resources.</p> <p>(III) The Bank conducted an organization-wide greenhouse gas survey, obtained ISO14064-1 certification, and supported the group’s carbon reduction goal by reducing carbon emission by 5% over 5 years.</p>	Complied

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
<p>III. Preserving Public Welfare</p> <p>(I) Whether the Bank establishes the related management policies and procedures in accordance with the relevant laws and the International Bill of Human Right conventions?</p> <p>(II) Does the Bank established any employee complaint mechanism and channel, and handle such complaints adequately?</p>	V		<p>(I) The Bank complies with labor regulations and has management policies and transparent channels place to promote and protect employees' legal rights. The Bank adopts practices that conform with globally recognized basic human rights, including freedom of association, collective bargaining, care for the socially disadvantaged, prohibition of child labor, elimination of forced labor, and elimination of employment discrimination. There had been no violation of workers' basic rights.</p> <p>(II) The Bank has created an employee assistance hotline (extension 8885 on Head Office's main line) and mailbox (8885@cathaybk.com.tw) in accordance with Employee Assistance Hotline Establishment Guidelines. All matters raised through the above grievance channels are kept strictly confidential. The Bank has dedicated personnel available to assist employees on various issues from personnel policy, staff management, interpersonal relationship, career planning, overtime to leave of absence. In summary,</p>	Complied

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
(III) Whether the Bank gives employees a safe and healthy work environment and provides safety and health training regularly?	V		<p>they bridge communication between managers and employees within the organization.</p> <p>(III) 1. Workplace carbon dioxide levels and lighting are inspected once every six months, whereas drinking dispensers are subjected to water quality tests once every quarter. The Bank has a total of 22 nursery rooms at 9 office locations to provide employees with a safe and comfortable work environment.</p> <p>2.The Bank arranges regular employee health checkups and adopts a tier-based health management system. A physician and 6 professional full-time nurses are available to provide medical consultation on site. Other services such as ambulatory blood pressure measurement, EAP (employee assistance program) and health promotion activities have been arranged to address and promote employees' health.</p> <p>3.On-job training for occupational safety and health, traffic safety, and prevention of</p>	Complied

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
(IV) Has the Bank established a mechanism for periodic communication with employees, and notification to employees of the circumstances that might materially affect the operation in a reasonable manner?	V		<p>occupational hazard are organized on a regular basis for the protection of workers' safety and health.</p> <p>4.The Bank has a total of 208 AEDs deployed throughout its premises. All employees are given practical training on AED+CPR to protect their own and customers' safety and create a safe workplace.</p> <p>(IV) The Bank convenes regular labor-management meetings as required by Labor Standards Act. These meetings provide the opportunity to discuss material issues concerning employment and labor regulations, and are intended to promote interaction and communication between the employer and employees so that actions can be taken to maximize mutual interest between the staff and the Bank. In addition, the Bank uses communication channels such as new recruit seminars, regional meetings, and the feedback system to gather employees' suggestions, convey core value. These communication channels not only provide employees with broader means to express opinions,</p>	Complied

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
(V) Has the Bank established effective career development training plan for employees?	V		<p>but also enable the Bank to respond more promptly to the needs of each staff and help them adapt to changes within the organization.</p> <p>(V) In addition to providing convenient, safe, professional, and innovative financial services for better customer experience, the Bank also emphasizes diversity in employees' career development potential. They offer systematic training programs and use digital technology to elevate learning initiatives within the organization. Digital learning programs incorporating innovative technologies such as cloud computing, mobile computing, social networks, and big data have been created to encourage self-motivated learning by department heads and general staff for optimal results. Furthermore, skill and performance evaluation systems are constantly adjusted to ensure a high degree of association between employee growth and corporate targets</p>	Complied
(VI) Has the Bank implemented consumer protection and grievance policies with regards to its research			(VI) 1. The Bank has established consumer protection policies and systems in accordance with the Consumer Protection Act and Enforcement Rules	

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
and development, procurement, operation and process?	V		<p>to improve service quality and protect consumers' interest. These policies and systems provide the basis of consumer protection for various products and service offered to consumers, and the execution of which is acknowledged by the board of directors on a regular basis.</p> <p>2.The Bank has a dedicated unit available to handle customers' complaints. Customers are able to raise queries, dispute and express opinions to the Bank through a variety of channels including the branch mailbox, the 24-hour service hotline, and the consumer complaint hotline. In summary, they enable faster and more complete service to customers. Causes of customer complaint are analyzed regularly, whereas issues concerning customer protection are reviewed and enforced by the respective product/service departments to implement the operating policy of consumer protection.</p> <p>3.All existing contracts between the Bank and customers have been established in accordance</p>	Complied

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
	V		<p>with rules of the authority and Bankers Association. Not only has the Bank outlined clearly the terms that the two parties are bound to comply with, but also consumers are given a reasonable amount of time to review contract terms. If disputes arise, customers can enforce their rights base on the contract. In addition, principles of the “Notes on Consumer Review Committee” have been incorporated into the Bank’s “Consumer Protection Policy” to ensure more efficient and appropriate way to handle customers’ complaints in the consumer banking segment.</p> <p>4. Apart from recognizing the “Financial Consumer Protection Act” and related laws as the legal foundation for the Bank’s “Consumer Protection Policy,” the Bank also conducted a thorough examination of agreements and documents relating to products and services offered to consumers. The purpose of this exercise was to ensure that financial consumers are properly informed of major contract terms and risks associated with the products/services before</p>	Complied



Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
	V		<p>purchase.</p> <p>5.The Bank has a “Consumer Protection Policy” and “Notes on Consumer Review Committee” to protect consumers’ interest and prevent disputes. Dispute resolution guidelines (which contain details of acceptance method, handling procedures, progress inquiry, follow-up audit, regular review and training) have also been created for different service categories to ensure that consumers’ queries are addressed in a fast, thorough, and proper manner.</p> <p>6.The Bank’s “Wealth Management Service Policy” and “Precaution manual of Service Execution” have been established according to the “Regulations Governing Assurance of Product or Service Suitability for Financial Consumers by Financial Service Providers” and the “Personal Information Protection Act.” The Bank also has internal policies and notes to financial advisors to keep employees informed of prevailing rules so that they may exercise prudence and duty of care when selling wealth</p>	Complied

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
	V		<p>management products. Customers who have any query or suggestion regarding products or services offered by the Bank may approach any of the Bank's branches during business hours or raise them via the Bank's website or customer service center.</p> <p>7.The Bank's "Consumer Protection Policy" was passed by the 12th board of directors during its 10th meeting held on October 29, 2009. The policy outlines a set of rules that employees are bound to comply regarding business premise, equipment, electronic banking and consumer protection on products and services offered, as well as principles on customer risk assessment, product suitability and review, full disclosure in product contracts, advertisements contracts and standard form contracts, reasonable duration for reviewing contracts and handling of consumers' complaints, and use of customers' information. The policy also sets professional certification requirements for salesperson and principles of rational compensation to build complete mechanism and policy and proactively protect</p>	Complied

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
	V		<p>customer's interest.</p> <p>8.The Bank sells its products entirely in compliance with the authority's rules. Consumers who are interested in the products may either visit one of the branches for a face-to-face consultation or obtain relevant information using the Bank's 24-hour customer service hotline and online AI service. These customer service measures have been implemented to gather valuable opinions, facilitate timely response and to meet customers' potential needs. As for consumers' complaint within the Bank, the Bank has established standard procedures for the different grievance channels available for the best protection of consumers' interest.</p> <p>9.The Bank's service terms and conditions provide customers with a comprehensive understanding of wealth management service and remind them to comprehend details and terms of each instrument (including product description, fees and associated risks) before placing trade instructions. Customers who have any query or suggestion regarding products or services offered</p>	Complied

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
(VII) Does the Bank market and label products and services in accordance with the related laws and international standards?	V		<p>by the Bank may approach any of the Bank's branches during business hours or raise them via the Bank's website or customer service center.</p> <p>10. "Notes on Consumer Banking Complaint Review" was passed by the 13th board of directors during its 1st meeting held on August 20, 2010 and added to the Bank's "Consumer Protection Policy" as a means to facilitate more effective handling of complaints relating to consumer banking service. Standard procedures have been established for the different grievance channels available to enable more efficient acceptance of consumers' complaints as well as better protection of consumers' interest.</p>	Complied
			(VII) All investment products and services offered by the Bank are fully compliant with laws and rules of the authority. Rigorous risk controls and thorough risk disclosures are being made to protect customers' interest. Product/service marketing and labeling are entirely compliant with laws, instructions of the Financial Supervisory Commission, terms of the	

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
(VIII) Does the Bank assess the supplier's record in environmental and social conduct before trading with the supplier?	V		<p>Financial Consumer Protection Act and related rules of various industries. All information has been disclosed to consumers in the utmost integrity, credibility, and protection for financial consumers' rights. By ensuring the completeness and authenticity of financial information delivered, the Bank aims to help customers make the correct decisions.</p> <p>(VIII) Prior to engaging in business transactions, the Bank evaluates its counterparties' records of adverse environmental or social conduct and avoids dealing with counterparties that exhibit unsatisfactory track record. Furthermore, suppliers are constantly monitored for how their production activities affect the environment and the society. Cathay FHC, the parent company, issued a sustainability statement in 2017 describing how it has adhered to workplace ethics, performed service activities in a legal and logical manner, and contributed to the reduction of environmental, social and corporate governance risks for the mutual benefit of the economy, the society and the environment. More than 700 suppliers have agreed to comply and support the</p>	Complied

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	Yes	No	Summary	
<p>(IX) Does the contract between the Bank and its main supplier include the provision stating that when the supplier is suspected of violating its corporate social responsibility policies or renders remarkable effect to the environment and society adversely, the Bank may terminate or rescind the contract?</p>	V		<p>group's movement toward corporate sustainability.</p> <p>(IX) In an attempt to bring further attention to corporate social responsibilities, the Bank has been negotiating with suppliers since September 2012 to add CSR clauses into supplier agreements to help promote goals such as "improved work environment, reasonable labor terms and protection of workers' basic human rights" mentioned in BSCI's CSR standards. Furthermore, the Bank has amended Article 32 of "Procurement Management Principals" to specify that: "The Bank may blacklist or suspend dealing with suppliers that are in violation of corporate social responsibilities depending on the severity of violation."</p>	Complied
<p>IV. Enhancing Information Disclosure Whether the Bank discloses relevant and reliable corporate social responsibility information on its website or Market Observation Post System?</p>			<p>(I) Cathay FHC, the Bank's parent company, has been publishing "Corporate Social Responsibility Reports" once a year since 2012. The report mainly covers CSR progress and outlook of 6 of Cathay FHC's main subsidiaries (including Cathay Life Insurance, Cathay United Bank, Cathay Century Insurance, Cathay Securities, Cathay Securities Investment Consulting, and Cathay Futures).</p>	

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	Yes	No	Summary	
	V		(II) Cathay FHC's "Corporate Social Responsibility Report" generally covers the CSR system, issues of main stakeholders' concern, corporate governance, environmental sustainability, contribution to public welfare, as well as performance review, future improvements and goals. The report has been published on the website of Cathay FHC ( <a href="https://www.cathayholdings.com/holdings/web/csr/TE_1-2-3.aspx">https://www.cathayholdings.com/holdings/web/csr/TE_1-2-3.aspx</a> ) and made available to the public.	Complied
<p>V. If the Bank has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the principles and their implementation:  In light of rising CSR awareness throughout the world, Cathay FHC not only assembled a "Corporate Sustainability (CS) Committee" directly under its board of directors but also assigned independent directors to supervise corporate sustainability-related affairs.</p>				
<p>VI. Other information material to the understanding of the implementation of corporate social responsibility:</p> <p>(I) The Bank was the pioneer in the financial industry, starting with the establishment of Cathay United Bank Foundation in 1980 followed by the founding of Cathay United Art Center in 2000. Driven by its mission to "give back to society," the Bank has since been active in public welfare activities including offering study aid, supporting charity sponsorship, holding cultural/arts/charity events, and consignment charity. The Bank is highly committed in fulfilling corporate social responsibilities and organizes charity events through Cathay United Bank Foundation. A list of major events organized by the Foundation in 2017 are presented as follows:</p> <p>1. "Elevated Tree Program – Grow A Big Tree From A Shoot" series:</p> <p>① Elevated Tree Program Scholarship:  In April and October, the Foundation made 2 donations under the Elevated Tree Program for a total of NT\$10 million. These</p>				

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	Yes	No	Summary	
			<p>donations were intended to cover tuition fees for students from financially disadvantaged families and those who fell victim to tragic events. Donations were made to 713 elementary and junior high schools in Miaoli County, Changhua County, Yunlin County, Chiayi County, Taitung County and Yilan County to a total of 6,937 beneficiaries. Since the program started in 2004, more than NT\$145 million in donations have been made to the benefit of nearly 93,000 children. Cathay United Bank Chu Lai Branch also responded to the Program and introduced its own “Elevated Tree Program - Vietnam” since 2008. In 2017, the Chu Lai Branch and the foundation jointly donated VND 590 million in scholarship that benefited 980 people.</p> <p>② Donating coats in collaboration with Ever Shine Y&amp;F Co., Ltd. and Ever Shine I&amp;F Co., Ltd.:</p> <p>Ever Shine Y&amp;F and Ever Shine I&amp;F are two of the world’s top-20 suppliers of fabric materials, and are two very important customers to Cathay United Bank. Ever Shine Y&amp;F Chairman Johnny Shen and Ever Shine I&amp;F Chairman Sally Yeh had sponsored the “Elevated Tree Program” through action, donating nearly 3,600 winter coats to students in remote locations in 2017.</p> <p>③ Elevated Tree Program Public Welfare Lectures:</p> <p>15 lectures were held in Taipei City, Taichung City and Taitung County to an audience size of nearly 2,900 people. Since the Program first began in 2008, more than 140 lecture sessions have been held to an audience size of more than 20,000 people.</p> <p>④ Love Without Barriers:</p> <p>In order to fully preserve the contents of “Elevated Tree Program Public Welfare,” the Bank published the 5th volume of “Love Without Barriers,” which features a collection of knowledge verbally communicated by experts and scholars of parental education. 15,000 copies of the publication were printed and placed at the Bank’s branches where customers and the general public may access free of charge. A total of 75,000 copies have been printed to date since the first publication was made in 2013.</p> <p>2. Art and cultural events:</p> <p>① Art exhibitions at Cathay United Art Center:</p> <p>In 2017, Cathay United Art Center continued inviting renowned Taiwanese artists to host a variety of exhibitions, and organized exhibitions for winning young talents at Cathay Arts Festival as well as charity exhibitions for persons with disabilities. The art</p>	



Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
			<p>center provides the public with a diversified and comfortable exhibition space for arts and charity purposes. The Art Center has hosted 130 exhibitions since it was founded in 2000.</p> <p>②“Art Talk Lectures” held at Cathay United Art Center: The 2017 Art Talk Lectures focused on two main themes: “abstract art” and “human culture and scenery.” They provided the audience with opportunities to explore the “inner beauty” expressed through abstract art, and learn how to appreciate the “human culture and scenery” in realistic artworks and see the symbolism in paintings. Meanwhile, several artists are invited to support the themes of the exhibitions.</p> <p>③Charity auction of specially designed calendar: In 2017, the Bank designed a 2018 calendar with the theme “Happiness through Arts,” which featured the paintings of 12 renowned Taiwanese artists including Shou-Ying Wang, Fu-Rong Hsiao, Hsien-Fa Su, Yung-Fu Yang, Lung-Chi Lee, Mai-Hua Chi, Fan-Rong Yeh, Chang-Ta Chien, Chin-Lung Huang, Cheng-Lang Li, Rong Lin and Ruei-Ming Su. By presenting life, nature and beauty through the eyes of these artists, the art center hopes to bring colors into people’s lives throughout the year and help them rediscover happiness. Proceeds from the auction of albums, calendars and artworks were entirely donated to support the studies of disadvantage children.</p> <p>3. Sponsored events: ①Dining and Sharing Campaign: Cathay United Bank makes regular donations through the Foundation to purchase breakfast meals for students in remote locations. A total of NT\$3,340,900 were donated to 7 schools (Hansi Elementary School, Datong Elementary School, Skikun Elementary School, and Nanshan Elementary School in Yilan County, and Xinyi Junior High School, Luona Elementary School and Tumpu Elementary School in Nantou County) for the benefit of 1,058 children. Since the campaign started in 2013, it has donated more than NT\$13 million in 210,000 breakfast meals for the benefit of 4,400 people.</p> <p>②Other sponsored events included: “The 80th Tai-Yang Art Exhibition” by Tai-Yang Art Association, “Eastern Taiwan Nurse Education Program” by Mennonite</p>	

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	Yes	No	Summary	
<p>Christian Hospital, participation in “2017 Musica Eterna Roma International Choir Festival &amp; Competition” by PUZANGALAN Children’s Choir, “Seeds of Hope” scholarship for National Taiwan College of Performing Arts, special screening of “Turn Around,” “New Year Concert” by Taipei Philharmonic Civic Chorale, “Art Contest Charity Exhibition for Persons with Mental Disability” by Yu-Cheng Social Welfare Foundation (in which Cathay United Art Center had sponsored venue for the event), Mid-autumn “Love and Gathering” event by Taipei Happy Mount and Down Syndrome Foundation R.O.C., and the “2017 Neighborhood Sports Program.”</p> <p>4. Charity events co-sponsored with group affiliates:  Cathay Charity Group continued its “Cathay Children’s Camp” and focused on the theme of “multidimensional learning and looking into the future” that incorporated a number of topics from human, arts, culture to investment, and offered young students a multitude of courses to learn useful knowledge. “Giving Winter Warmth” - an event that enabled children in remote areas to receive care from the society. “Cathay Scholarship” - a program that sponsors top-performing high school students from financially disadvantaged families, and rewards young talents for their special contribution, international honor, or devotion to culture, education, community management, environment, or financial technology development. “New Immigrant and Offspring Education” - a series of activities including: “Multi-cultural Learning,” “Tutor’s Workshop,” “International Conference for Experienced-based Cultural Education,” and “Eden Charity Auction” were organized under this program to raise public awareness and direct the public’s attention to the socially disadvantaged. The charity auction was held at Sun Yat-Sen Memorial Hall, and proceeds from the auction were entirely donated to Eden Social Welfare Foundation, where they were used to care for new immigrants and their offspring. The diverse activities and services mentioned above are a good indication of the Bank’s commitment in charity and social responsibilities. In the future, the Foundation will continue to support charity events of all kinds so that love and warmth can be spread to all corners of the society.</p> <p>(II) To support the government’s policies of helping social enterprises grow and obtain the required funding, the Bank collaborated with the Taipei City Government on the launch of “Social Enterprise Financing Program” and worked with the Small and Medium Enterprise Credit Guarantee Fund to provide guarantee on low-interest loans for borrowers that met the required eligibility criteria.</p>				

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
<p>By leveraging the strength of the government, organizations and enterprises, the Bank hoped to introduce a financing platform in favor of social enterprises. Since the program started in April 2017, the Bank has lent 3 social enterprises for a sum of NT\$14 million, and supported their efforts toward caring for the socially disadvantaged and fostering a sustainable environment. The Bank pays constant attention to society's needs and movements, and was the first in the industry to apply its expertise into introducing "Social Enterprise Financing Program". This initiative was intended to provide liquidity for social enterprises in Taiwan and create a better commercial and social environment where they may thrive and realize their visions of an inclusive society.</p> <p>(III) The Bank's credit cards have been designed with the function to store electronic invoices, and cardholders are constantly being encouraged to receive statements and terms and conditions in electronic form as part of the Bank's goal towards paperless process for the eco-friendly life. The Bank also organizes donation campaigns as a way to fulfill its social responsibilities. The following is a summary of main credit card campaigns organized in 2017:</p> <ol style="list-style-type: none"> <li>1. High Speed Rail (HSR) bonus redemption: When purchasing HSR tickets in the "Credit Card Promotions" section of the HSR official website or over counter, cardholders may choose to spend 5,600 reward points for an upgrade to Business Car, available in limited quantities. This privilege has been offered as an incentive for using public transport, and therefore reduce air pollution from motorcycles and cars. From 2014 until December 2017, cardholders spent a total of 5.92 million reward points on Taiwan High Speed Rail business car upgrades (equivalent to NT\$2.56 million), representing approximately a 10% annual growth.</li> <li>2. Credit card online donation: Cardholders can make donations to 44 partnered charity organizations using credit card. The ability to make credit card donations online without leaving home serves as a great incentive for cardholders. In 2017, Cathay cardholders donated a total of NT\$360 million to partnered charity organizations by credit cards.</li> <li>3. Reward point online donation: The Bank currently works with 6 charity organizations to accept online donations in the form of credit card reward points. From the website of each charity organization, cardholders may specify to donate NT\$60 for every 1,000 reward points held. Up to 100% of the current reward point balance can be redeemed to offset the amount of donation specified (donation amount over redemption of reward point can be paid by Cathay United Bank credit card). In 2017, cardholders made a</li> </ol>				

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
<p>total of 388 donations with reward points; these transactions involved 3.82 million reward point conversions (equivalent to NT\$229,000) and NT\$304,000 of donations being paid by credit cards for a sum of NT\$535,000.</p> <p>4. Reward point fax donation: The Bank currently works with 11 charity organizations to enable reward point donation by fax. In 2017, a total of 681 reward point donations were made over fax for a sum of 6 million points (equivalent to NT\$360,000).</p> <p>(IV) The Bank initiated a computer recycling program in 2017, in which every department were instructed to take count of impaired computer cases, monitors and laptops and donated them to the ASUS Foundation for refurbishment. The Cathay United Bank Foundation then submitted requests for refurbished computers from ASUS Foundation and donated them to remotely located schools or disadvantaged groups long-sponsored by Cathay United Bank Foundation. This process not only recycles and avoids wastage, but also helps reduce the digital divide of remotely located schools and the socially disadvantaged.</p> <p>(V) Below is a summary of main health promotion events the Bank had organized in 2017:</p> <ol style="list-style-type: none"> <li>1. Cathay Financial Group organized a “Weight Loss Program” to promote healthy weight loss, proper exercise habits, and healthy diet, and thereby improve health and energy of its employees. The Bank’s employees achieved a total weight loss of 3.1 tons, for which Cathay FHC made a donation of NT\$1.7 million to charity causes.</li> <li>2. The Bank organized the “2017 Cathay United Parental Engagement” event along with a series of interactive courses, parenting lectures and baby crawling contest to help employees better understand the growth of their children. The Bank also hosted its 1st baby crawling contest to help babies develop hand-eye coordination, balance and brain function, while at the same time promoting parental interaction and making the workplace friendly to employees with child. The event received a total of 834 participants.</li> <li>3. “Songren No. 7 - Family Charity Carnival,” an event aimed toward promoting family health and exercise, was jointly organized by the Bank and the Cartoon Network (CN). The event not only invited employees and family members of major corporations situated at No. 7 Songren Road to exercise and explore work-life balance, but also engaged non-profit organizations to help raise donations for those in need.</li> </ol>				

Scope of assessment	Implementation Status			Deviation(s) from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and Reason(s)
	Yes	No	Summary	
4. The Bank organized “2017 Blood Donation” event and invited participation from employees, customers and the general public. In addition to the health benefits (such as increasing metabolism), participants also received exquisite freebies prepared by the Bank. A total of 9 sessions were held in northern, central and southern Taiwan, all of which received overwhelming responses from the public, and resulted in 1263 bags of donated blood. This event not only inspired compassion among the community and businesses, but also raised the public’s awareness towards health, charity and social engagement.				
5. The Bank organized 3 “HSR Tours” during the year and invited employees to take their families on a light trip so that they may increase work efficiency after take a rest. A total of 4264 enrollments were received, and 587 people won the HSR tickets prepared by the Bank. Through these activities, the Bank hopes to promote work-life balance of its employees.				
6. The Bank supported influenza vaccination and worked with public health service centers in organizing 9 mobile healthcare events. A total of 1268 employees had taken the influenza vaccine to increase health protection.				
7. A Singles Trip was organized in 2017 to help employees expand their social circle and interact with people of the opposite sex, and thereby fulfill the Bank’s social responsibilities of increasing marriage and fertility rates.				
8. The Bank organized a “Pampered Mommy” event, in which childbirth gifts were offered to employees and nurses were invited to evaluate health and conduct seminars for pregnant employees, thereby promoting a healthy workplace.				
9. An EAP (employee assistance program) offering career development, mental, legal, financial and health consultation services has been arranged to help employees deal with stress and improve work performance and efficiency.				
VII. If the Bank’s corporate social responsibility reports have met the assurance standards of relevant certification institutions, they should be stated below: None.				

**(VII) Business integrity management**

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
<p>I. Enactment of integrity management policy and scheme.</p> <p>(I) Has the Bank stated in its Memorandum or external correspondence about the polices and practices it implements to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?</p>	V		<p>(I) According to Article 12 of the United Nations Convention against Corruption, all member countries shall, in accordance with the fundamental principles of its legal system, undertake measures to prevent corruption, and ensure that effective internal control systems are adopted by businesses to prevent and discover corruption. Cathay FHC holds “integrity” as its core value, and has developed a set of “Business Integrity Code of Conduct” based on the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies” that applies to the Company and all subsidiaries of Cathay FHC. A set of “Cathay United Bank Corporate Governance Guidelines” was established in accordance with “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and “Corporate Governance Best-Practice Principles for Banks” to</p>	Complied

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
<p>(II) Does the Bank have any measures in place against dishonest conducts? Are these measures supported by proper procedures, guidelines, disciplinary actions and complaint systems?</p> <p>(III) Has the Bank taken any preventative measures against occurrences listed in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” or other operating</p>	V		<p>support a sound corporate governance system.</p> <p>(II) “Cathay FHC Policy and Code of Operation Integrity” clearly outlines operating procedures, behavioral guidelines, disciplinary actions and a grievance system, all of which have been implemented and executed by the Company. Furthermore, according to the “Cathay United Bank Corporate Governance Guidelines,” all employees, business administration units and authority units within the Bank are bound to comply with policies and strategies from internal control, internal audit, compliance, risk management, finance, business, accounting, information management, to human resource management.</p> <p>(III) Prior to engaging in commercial transactions, the Bank first considers the legitimacy and reputation of its counterparties and avoids dealing with those has dishonest records. All contracts signed with counterparties include terms that outline obligations to be fulfilled by contract principals.</p>	Complied

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
<p>activities involving highly unethical conduct?</p> <p>II. Implementation of ethical management</p> <p>(I) Has the Bank assess a trading counterpart’s integrity management record, and states the integrity management clause in the contract to be signed with the trading counterpart?</p> <p>(II) Does the Bank have a unit that specializes (or is involved) in</p>	V		<p>(I) The Bank has established its “Wealth Management Service Policy” and “Wealth Management Service Operating Policy” according to the “Financial Consumer Protection Act,” “Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises,” “Compliance Matters on Non-professional Investor Product Suitability Review for Trust Enterprises” and “Personal Data Protection Act.” These two policies clearly outline the related rules of providing wealth management products and services, and are updated, examined and adjusted regularly according to laws and actual practice.</p> <p>(II) Compliance with the Business Integrity Code of Conduct is being audited by the Bank’s internal audit</p>	Complied



Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
<p>business integrity? Does this unit report its progress to the board of directors on a regular basis?</p> <p>(III) Has the Bank defined any policy against conflict of interest, provides adequate channel that facilitate the report of conflicting interests?</p> <p>(IV) Has the Bank fulfilled the integrity management by establishing an effective accounting system and internal control system, and had an internal audit unit conduct periodic audits, or appointed an external auditor to conduct audits?</p>	V		<p>unit to ensure proper implementation. Any defects and improvements discovered during audit are reported to the board of directors on a regular basis.</p> <p>(III) The Bank has a 24-hour customer service hotline available to deliver timely customer service, and a contact mailbox has been created on website to gather opinions from consumers. As for consumers’ complaints within the Bank, the Bank has established standard procedures for the different grievance channels available for the best protection of consumers’ interest.</p> <p>(IV) The board of directors exercises their duty of care as prudent managers to supervise and prevent dishonest conduct, and to ensure that the integrity policy is duly enforced within the Bank. Compliance with Business Integrity Code of Conduct is being audited by the Bank’s internal audit unit to ensure proper implementation. Any defects and improvements discovered during audits are reported to the board of directors on a regular basis. The internal audit scope</p>	Complied

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
<p>(V) Has the Bank organized internal/external education training program for integrity management periodically?</p> <p>III. Status of the Bank’s complaint system</p> <p>(I) Has the Bank defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?</p>	V		<p>covers all key office locations in Taiwan.</p> <p>(V) The Bank is bound to comply with The Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and any laws that pertain to business conduct of TWSE/TPEX listed companies. These regulations provide the foundation for the Bank’s integrity management, and are emphasized as part of the compliance officer’s monthly and annual training.</p> <p>(I) 1. According to the “Cathay FHC Policy and Code of Operation Integrity,” directors, managers, employees and substantial controllers are prohibited from offering, committing, requesting or accepting any illegitimate benefits, or involving in any conducts that would be construed as dishonest, illegal or in breach of trust while carrying out their duties, whether directly or indirectly or for the</p>	Complied

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
	V		<p>purpose of gaining or maintaining advantage. The internal audit unit will escalate all substantiated offenses to the Human Resource Department for disciplinary action, and details including offender’s title, name, date of violation, the violating conduct and resolution will be posted onto the Intranet with immediate effect.</p> <p>2.Misconduct can be reported through the following channels:</p> <p>(1) Independent directors’ mailbox  <a href="https://www.cathayholdings.com/holdings/corp/intro/committee/boardofdirectors/corp">https://www.cathayholdings.com/holdings/corp/intro/committee/boardofdirectors/corp</a></p> <p>(2) Internal auditors’ mailbox  <a href="mailto:00001@cathaybk.com.tw">00001@cathaybk.com.tw</a></p> <p>(3) Compliance Department’s mailbox  <a href="mailto:00007@cathaybk.com.tw">00007@cathaybk.com.tw</a></p> <p>3.Informants are required to report misconducts on a non-anonymous basis using the above channels and furnish sufficient proof (including name, department and title of the concerned individual, the date and description of incident).</p>	Complied

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
<p>(II) Has the Bank defined the standard operating procedure and confidentiality mechanism toward the investigation of complaints as accepted?</p> <p>(III) Has the Bank adopted any measures to prevent the complainants from being abused after filing complaints?</p> <p>IV. Enhancing Information Disclosure Has the Bank disclosed the Integrity Management Policy and effect of implementation on its website and MOPS?</p>	V		<p>(II) Any violation of business integrity involving the Bank’s directors, managers or employees must be reported immediately to the board of directors, the Audit Committee or the internal audit unit. All reported cases are thoroughly investigated by the audit unit.</p> <p>(III) The Bank ensures the confidentiality of the informant’s identity as well as the details reported.</p> <p>The Bank has disclosed implementation of business integrity in its annual report according to Regulations Governing Information to Be Published in Annual Reports of Financial Holding Companies. The annual report is published on the website of Cathay FHC. (<a href="https://www.cathayholdings.com/holdings/web/csr/SG_4-1-3.aspx">https://www.cathayholdings.com/holdings/web/csr/SG_4-1-3.aspx</a>)</p>	Complied

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
V. If the Bank has established business integrity policies in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies,” please describe its current practices and any deviations from the Best Practice Principles: Cathay FHC, the Bank’s parent company, established a set of “Policy and Code of Operation Integrity” in March 2012 based on “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies” to provide the foundation needed to support business integrity, corporate culture, corporate governance, risk management and a sustainable business environment. The Policy not only governs practices of the Cathay FHC and subsidiaries (including the Bank) on economic, environmental and social aspects, but also signifies the organization’s respect for “integrity” as part of its core value and goal.				
VI. Other information material to the understanding of integrity management operation (e.g. discussion of amendments to the Bank’s business integrity code of conduct):				
1. Prevention against embezzlement				
All financial advisors of the Bank have acknowledged their advisory notice prior to commencing duty. The notice covers important details from protection of customers’ personal information, fair marketing to transaction procedures.				
2. Active prevention of financial crime				
All subsidiaries of Cathay FHC have duly completed the Know Your Customer (KYC) process and conducted product suitability reviews based on customers’ investment profile and product risk rating. Furthermore, customers aged 70 or above and high-risk customers/transactions are subjected to enhanced control. The Bank monitors extraordinary and unusual transactions through its internal audit system, and has outlined the behaviors that employees are bound to obey in its work rules and policies as well as disciplinary systems. Training is organized on a yearly basis to promote employees’ awareness toward laws such as Money Laundering Control Act, Sexual Harassment Prevention Act, and Personal Information Protection Act.				

Note 1: Regardless “Yes” or “No”, the status shall be stated in the Remarks section.

Note 2: Non-TWSE and non-TPEX listed banks don’t need to explain “Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies.”

**(VIII) If the Bank has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed.**

Cathay FHC has created a corporate governance section on its website (<https://www.cathayholdings.com/holdings/corp>), but the Bank has not disclosed its corporate governance gui and policies externally.

**(IX) Other information material to the understanding of corporate governance within the Bank.**

1. Prevention against embezzlement

All of the Bank's financial advisors have acknowledged their advisory notice prior to commencing duty. The notice covers important details from protection of customers' personal information, fair marketing, to transaction procedures.

2. Active prevention of financial crime

All subsidiaries of Cathay FHC have duly completed the Know Your Customer (KYC) process and conducted product suitability reviews based on customers' investment profile and product risk rating. Furthermore, customers aged 70 or above and high-risk customers/transactions are subjected to enhanced control. The Bank monitors extraordinary and unusual transactions through its internal audit system, and has outlined the behaviors that employees are bound to obey in its work rules and policies as well as disciplinary systems. Training is organized on a yearly basis to promote employees' awareness toward laws such as Money Laundering Control Act, Sexual Harassment Prevention Act and Personal Information Protection Act.

**(X) Implementation of the internal control system**

**Declaration of Internal Control System of Cathay United Bank**

On behalf of Cathay United Bank, we hereby declare that, between the period January 1 and December 31, 2017, the Bank had duly implemented an internal control system and exercised risk management in accordance with the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.” These policies and practices were also inspected by an independent audit department that reported regularly to the board of directors and supervisors. With regards to the Bank’s concurrent involvement in securities business, we also evaluated the design and execution of internal control system using the effectiveness criteria specified in “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets.” After a careful assessment, it was found that except for the matters identified in the attached schedule, all units were able to effectively implement internal control and legal compliance tasks during the year. This Statement shall be included among the chief contents of the Bank’s annual report and prospectus, and shall be made public. Any illegalities such as misrepresentations or concealments in the published contents mentioned above will be considered a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal liabilities.

To:  
Financial Supervisory Commission

Stated by:  
Chairman: Andrew Ming-Jian Kuo  
President: Alan Lee  
Chief Auditor: Hung-Chang Yang  
Chief Compliance Officer: Yun-Wei Huang

Dated: March 15, 2018

**Areas of Improvement and Improvement Plan for the Internal Control  
System of Cathay United Bank  
(Basis date: December 31, 2017)**

<b>Issues-to-be-improved</b>	<b>Improvement</b>	<b>Scheduled to Complete</b>
The Bank did not properly review customers' board of directors meeting minutes when carrying out derivative service.	The Bank has reviewed board meeting minutes of all customers requesting derivative service, and has since implemented enhanced controls and prohibitions, including requirements to furnish complete and accurate documents examine completeness and accuracy of documents.	Rectified



## **Declaration of Internal Control System of Cathay United Bank**

Date: March 15, 2018

The following declaration has been made based on self-assessment of the Bank's internal control system conducted between January 1 and December 31, 2017:

1. The Bank acknowledges and understands that the establishment, implementation, and maintenance of the internal control system are the responsibility of the board of directors and managers, and that such a system has been implemented within the Bank. Purposes of this system are to provide reasonable assurance on the robustness of business operations, reliable financial reporting, and regulatory compliance.
2. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system adopted by the Bank features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
3. The Bank has evaluated the effectiveness of its internal control system design and execution according to "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" (referred to as "the Regulations" below) implemented by the Financial Supervisory Commission. According to "the Regulations," internal control system shall be evaluated on at least the following aspects: 1. Control environment; 2. Risk assessment; 3. Control activities; 4. Information and communication; and 5. Supervision activities.
4. The Bank has adopted the abovementioned criteria to examine its internal control system effectiveness of design and execution.
5. Based on the assessments described above, the Bank considers the design and execution of its internal control system to be effective (at keeping the management informed of operations, producing reliable reports, and complying with related laws) within the abovementioned period and are able to provide reasonable assurance with regards to the above goals.
6. This declaration constitutes main part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Act and relevant laws.

7. This declaration was passed unanimously without objection by all 15 of the Bank's directors during the meeting dated March 15, 2018.

To:

Financial Supervisory Commission

Stated by:

Chairman: Andrew Ming-Jian Kuo

President: Alan Lee

Auditing (Chief Auditor): Hung-Chang Yang

Chief Compliance Officer: Yun-Wei Huang

## **CPA Due Diligence Report on Cathay United Bank Co., Ltd.**

To Cathay United Bank Co., Ltd.:

We have completed due diligence on: the accuracy of regulatory reports, execution of internal control system (for banking and insurance activities) and compliance system, and appropriateness of loan loss provisioning policy of Cathay United Bank Co., Ltd. in 2017. Given that the due diligence process was determined by the Bank, we, the auditors, do not express opinion on the adequacy of such a process. This task was performed in accordance with Statement of Auditing Standards No. 34 - "Execution of Due Diligence on Financial Information," and the purpose of which is to assist the Bank in assessing compliance with "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" and Article 24 of "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" stipulated by the Financial Supervisory Commission. Compliance with the above rules is the responsibility of the Bank's management. The procedures performed, sampling period and sample size chosen by us, along with our findings, have been disclosed in the attachment.

Since we did not perform the audit according to generally accepted auditing principles, we do not provide any assurance with regards to the accuracy of regulatory reports, execution of internal control system (for banking and insurance activities) and compliance system, and appropriateness of Bad debt expenses provisioning policy for the Bank. If the CPA were to undertake additional procedures or follow the generally accepted audit principles, other findings or relevant issues may have been discovered.

This report is intended solely for the Bank for the purpose described in first Paragraph, and should not be used for other purposes or distributed to other parties.

Ernst & Young

Certified Public Accountant: Bob Chang

Dated: March 15, 2018

**(XI) Penalties imposed against the Bank in the last 2 years up till the publication date of this annual report, the weaknesses found, and the improvements made, are disclosed as follows:**

Disclosure	Cases	Improvement
I. Indictment of executives or employees by prosecutors for job-related crimes.	None	
II. Fines imposed by the Financial Supervisory Commission (FSC) for violations of laws and regulations.	<p>(I) A branch employee was found to have leaked a customers' data, which constituted violation against Paragraph 1, Article 20 of the Personal Information Protection Act and a fine of NT\$50,000 was imposed under Article 47 of the Act.  (Letter Jin-Guan-Yin-Kong-Zi No. 10560001000 of April 11, 2016)</p> <p>(II) The offshore banking unit was found to have exhibited lack of or improper execution of internal control system when opening account or reviewing customers' financial background, which constituted violation against Paragraph 1, Article 45-1 of the Banking Act and a fine of NT\$6 million was imposed under Paragraph 7, Article 129 of the Act.  (Letter Jin-Guan-Yin-</p>	<p>Internal reminders, enhanced training and new operating policies have been implemented to enforce employees' duty toward confidentiality and ensure compliance with personal information protection laws.</p> <p>1. "Notes on Treasury Limit Application and Assessment" was amended on July 12, 2016 and later implemented on August 1, 2016 to specify details on how employees should handle qualified opinions, adverse opinions and disclaimer opinions raised by CPAs in audited or auditor-reviewed financial statements for DBU as well as OBU offshore corporate customers.  All applications submitted</p>

Disclosure	Cases	Improvement
	<p data-bbox="639 253 1023 331">Kong-Zi No. 10560003704 of September 12, 2016)</p> <p data-bbox="544 1373 1023 2007">(III) The Bank failed to conduct diligent review on customers' board meeting minutes when carrying out derivative service. This practice did not conform with Paragraph 1, Article 45-1 of the Banking Act and indicated a lack or improper execution of internal control system that may compromise operational health. A fine of NT\$2 million was imposed according to</p>	<p data-bbox="1094 253 1481 797">by DBU and OBU offshore corporate customers are subject to credit assessment by credit personnel. Customers who are only able to provide unaudited accounts in the last 2 years will be required to present supporting proof for the reported data, otherwise the Bank may limit the scope of products offered.</p> <p data-bbox="1054 819 1481 1279">2. The Bank has amended its practices according to "Self-discipline Rules on Financial Derivative Services," particularly the sections on net worth and revenues, to enable rational assessment of customers' loss tolerance and ensure that limits are approved reasonably.</p> <p data-bbox="1054 1361 1481 2031">1. With regards to "absence in reviewing counterparty's board meeting minutes": The Bank has amended its "Treasury Transaction Control Guidelines" to introduce additional board meeting examination requirements, such as: mandatory details in board meeting minutes, the number of attending supporting directors needed for the counterparty to pass a resolution (subject to compliance</p>

Disclosure	Cases	Improvement
	<p>Subparagraph 7, Article 129 of the Act as a result. (Letter Jin-Guan-Yin-Kong-Zi No. 10660002226 of June 1, 2017)</p>	<p>with counterparty’s Articles of Incorporation), submission of board meeting attendance log, and use of counterparty’s common/authorized seal on board resolutions and meeting attendance logs.</p> <p>2. With regards to “inadequate review of customers’ financial information”:</p> <p>The Bank has amended its “Notes on Application and Assessment of Treasury Transactions” to facilitate authenticity checks on customers’ financial information when applying for treasury limits; the enhancements made included:</p> <p>(1) Improved KYC process for assessing customers’ risk tolerance.</p> <p>(2) Ensure the accuracy and rationality of statement figures, when obtaining financial statements from customers.</p> <p>(3) Consolidated financial statements and standalone financial statements should be obtained from customers to support its credit assessment process. Rationality between consolidated and standalone financial statements should also be</p>

Disclosure	Cases	Improvement
		<p>reviewed.</p> <p>(4) Customers that apply for treasury limit for investment or hedging on the group level should be instructed to provide group financial information and business performance analyzation at the group level. Proof of treasury limits granted to group members should also be obtained to support limit approval.</p>
<p>III. Penalties imposed by the FSC for violations under Article 61-1 of the Banking Act.</p>	<p>(I) Defects concerning derivative service may compromise the Bank’s overall operations, for which a rectification order has been issued in accordance with Paragraph 1, Article 61-1 of the Banking Act. (Letter Jin-Guan-Yin-Kong-Zi No. 10560000251 of January 29, 2016)</p> <p>(II) As mentioned in Paragraph II (I) above, a rectification</p>	<p>1. Policies on customer grading and product classification have been amended.</p> <p>2. Approval authorities have been reviewed and granted anew following a total review of employees’ education background and experience.</p> <p>3. “Notes on Treasury Limit Application and Assessment” has been amended to take into account customers’ banking relationship with other institutions when approving limits. The amendment also introduced well-defined standards on the approval of hedging and non-hedging limits.</p> <p>Improvements have been made as described in</p>

Disclosure	Cases	Improvement
	<p>order has been issued in accordance with Paragraph 1, Article 61-1 of the Banking Act.</p> <p>(Letter Jin-Guan-Yin-Kong-Zi No. 10560001000 of April 11, 2016)</p> <p>(III) Non-compliance with Subparagraph 5, Paragraph 1, Article 39 of “Regulations Governing Institutions Engaging In Credit Card Business” was found in credit card replacements, for which a rectification order has been issued in accordance with Paragraph 1, Article 61-1 of the Banking Act.</p> <p>(Letter Jin-Guan-Yin-Kong-Zi No. 10500136260 of July 1, 2016)</p> <p>(IV) Non-compliance was found with respect to the marketing of credit card cash advance features, for which a rectification order has been issued in accordance with Paragraph 1, Article 61-1 of the Banking Act.</p> <p>(Letter Jin-Guan-Yin-Kong-Zi No. 10500125000 of August 29, 2016)</p>	<p>Paragraph II(I)</p> <p>To prevent occurrence of similar dispute and legal confusion, the Bank had notified all existing magnetic stripe World Card holders that “All magnetic stripe World Cards will be replaced with contactless, IC-based cards upon expiry for improved security and convenience” through statements dated May ~ June 2016.</p> <p>1. Defects regarding reminders issued to customers to clarify “no application agent involved” and attachment of “Free Cash (Cash Advance) Application Form”:</p> <p>Although the Bank has issued reminders and template out of good intention to protect consumers from fraud by persons claiming to complete applications on their behalf, this practice does raise concern and</p>



Disclosure	Cases	Improvement
	<p>(V) As described in II (II) of the previous Paragraph, the defect posed concern about the Bank’s ability to operate properly, for which a rectification order was</p>	<p>dispute regarding legitimacy, and should be revised to better conform with the spirit of the law.</p> <p>Following the audit, the Bank had stopped sending reminders with immediate effect as mentioned in the audit opinion.</p> <p>2. Regarding “active promotion of cash advance service by telemarketer”:</p> <p>Although the telemarketer had mentioned the service out of good intention to help reduce interest burden for the customer and explained that the customer was familiar with the product offered, the telemarketer was somewhat unclear about the details and hence gave rise to complaints. Following this particular incident, the Bank has enhanced and adjusted training for telemarketers to avoid causing confusion and dispute from customers and to enforce consumer protection to a higher degree.</p> <p>Improvements have been made as described in Paragraph II(II).</p>

Disclosure	Cases	Improvement
	<p>issued in accordance with Paragraph 1, Article 61-1 of the Banking Act. Furthermore, starting from the date of decision, the Bank was no longer able to undertake new positions of foreign currency derivative with embedded short options (including structured instruments) under Subparagraph 2 of the same Paragraph, however, this does not include transactions with institutional investors and high net worth corporate entities, and stop-loss orders of existing customers. The Bank may resume transactions only when the Financial Supervisory Commission has approved of the improvements made.</p> <p>(Letter Jin-Guan-Yin-Kong-Zi No. 10560003704 of September 12, 2016)</p> <p>(VI) Branch financial advisors were found to have inappropriate conduct, indicating a lack of proper internal management that may compromise the Bank's operations. As a result, a rectification order and an instruction to dismiss employee Lu were issued in accordance with Paragraph 1, Article 61-1</p>	<p>The Bank has enhanced propagation and training to its employees, and improved trade confirmation and internal control for its wealth management service.</p>

Disclosure	Cases	Improvement
	<p>of the Banking Act. (Letter Jin-Guan-Yin-Kong-Zi No. 10500238370 of December 9, 2016)</p> <p>(VII) As mentioned in Paragraph II (III), a rectification order has been issued in accordance with Paragraph 1, Article 61-1 of the Banking Act.  (Letter Jin-Guan-Yin-Kong-Zi No. 10660002226 of June 1, 2017)</p> <p>(VIII) Branch financial advisors were found to have inappropriately recommended customers to invest into financial products not offered by the Bank, which may compromise the Bank’s overall operations. As a result, a rectification order has been issued in accordance with Paragraph 1, Article 61-1 of the Banking Act.  (Letter Jin-Guan-Yin-Kong-Zi No. 10600115180 of October 6, 2017)</p>	<p>Improvements have been made as described in Paragraph II(III)</p> <ol style="list-style-type: none"> <li>1. A list of “Employees’ Prohibited Conducts” has been published and delivered to customers in separate mails. Statements have also been revised to show warnings.</li> <li>2. The Head Office now performs regular inspections to check whether financial advisors have complied with requirements with respect to their customer visits and due diligence efforts. Enhanced controls have been applied to govern financial advisors’ field conducts. In addition, the head of the financial advisory unit is now being required to accompany in visits to high net worth customers.</li> <li>3. The subsidiary has listed</li> </ol>

Disclosure	Cases	Improvement
		<p>out improper behaviors for each category of financial product and the corresponding disciplinary actions. Announcements and enhanced training are being taken to promote employees' awareness toward this issue.</p>
<p>IV. Disclosure of losses exceeding NT\$50 million incurred during the year, whether in one event or aggregately over several events, as a result of extraordinary non-recurring incidents (such as fraud, theft, embezzlement, fictitious transaction, forgery of documents and securities, kickbacks, natural disasters, external forces, hacker attack, theft and leakage of confidential information, disclosure of customers' details or other material occurrences), or accidents arising from failure to comply with safety rules.</p>	<p>None</p>	
<p>V. Other disclosures required by the Financial Supervisory Commission.</p>	<p>None</p>	

**(XII) Shareholder meeting(s) and significant board resolutions during the most recent year and up to the date of publication of this annual report.**

See Attachment 2.

**(XIII) Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year, up till the publication date of this annual report.**

None.

**(XIV) Resignation or dismissal of personnel related to financial statement preparations (including the chairman, president, head of accounting, and chief internal auditor) in the most recent year up till the publication date of this annual report:**

**Resignation of relevant personnel within Bank**

March 31, 2018

Title	Name	Date onboard	Date departed	Reasons for resignation or discharge
Chairman	Tsu-Pei Chen	July 12, 2013	June 29, 2017	Re-appointed to vice chairman position at Cathay FHC

**V. Professional Fees to the Independent Auditor**

Range of Professional Fees to the Independent Auditor

Accounting firm name	Names of Auditors		Audit period	Remarks
Ernst & Young	Bob Chang	James Huang	2017.01.01~2017.12.31	—

Note: If there is any change of auditor or accounting firm during the year, please specify the duration of their services separately and state the reason for making the change in the remarks field.

Amount Unit: NT\$ thousands

Amount range		Fee items	Audit Fee	Non-audit Fee	Total
1	Under NT\$2,000,000				
2	NT\$2,000,000 ~ NT\$4,000,000				
3	NT\$4,000,000 ~ NT\$6,000,000				
4	NT\$6,000,000 ~ NT\$8,000,000				
5	NT\$8,000,000 ~ NT\$10,000,000		V		
6	Over NT\$10,000,000			V	

Amount Unit: NT\$ thousands

Accounting firm name	Names of Auditors	Audit Fee	Non-audit Fee					Audit period (Note 1)	Remarks
			Designing regulations	Business registration	Human resources	Others (Note 2)	Subtotal		
Ernst & Young	Bob Chang, James Huang	9,780	13,137	-	-	3,011	16,148	2017.01.01 ~ 2017.12.31	-

Note 1: If the CPAs or public accounting firms for the Bank were replaced during the year, the duration of their audit engagement should be separately disclosed, and the reason for replacement should be explained in the remark section, and information such as audit and non-audit fees paid should be disclosed in said sequence.

Note 2: Please list non-audit fees according to service categories. If "other fees" of non-audit fees are more than 25% of non-audit fees, the service details should be disclosed in the remarks section.

## VI. Information about replacement of CPAs

The Company's financial statements have been audited by CPA Bob Chang and CPA James Huang instead of CPA Bob Chang and CPA James Wang since the first quarter of 2017 following an organizational adjustment within the accounting firm.

I. Information relating to the former CPA

Date of reappointment	Passed during the board meeting held on March 8, 2017		
Reason for reappointment	Following an internal adjustment within Ernst & Young, the Company's financial statements are now being audited by CPA Bob Chang and CPA James Huang instead of CPA Bob Chang and CPA James Wang.		
Was the termination of audit services initiated by the principal or by the CPA	Contracting Party	Certified Public Accountant	Principal
	Status		
	Service terminated by	Not applicable	Not applicable
	Service no longer accepted (continued) by	Not applicable	Not applicable
Issuance of the audit report other than the audit report containing	None		
Disagreements with the bank	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or steps of audit
			Others
	None	V	
		Notes	
Other disclosures (as deemed necessary under Point 4, Item 1, Subparagraph 5, Article 10 of the Guidelines)	None		

II. Information relating to the succeeding CPA

CPA Office	Ernst & Young
Names of Auditors	Bob Chang, James Huang
Date of reappointment	Passed during the board meeting held on March 8, 2017
Inquiries and replies relating to the accounting practices or accounting principles of certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment	None
Written disagreements from the succeeding auditor against the opinions made by the former CPA	None

III. The former CPA’s response to the items referred to in the Item 1 & Item 2-3, Subparagraph 6, Article 10 of the Guidelines: N/A.

**VII. The Bank’s Chairman, President, or any managers involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated enterprises in the last year:**

None.

**VIII. Transfer or pledge of shares owned by directors, supervisors, managers, and all parties subject to reporting under Article 11 of Regulations Governing the Ownership of Bank By Single Individuals or Stakeholders.**

1. Transfer of shares owned by directors, supervisors, managers, and all parties subject to reporting under Article 11 of Regulations Governing the Ownership of Bank By Single Individuals or Stakeholders: See Attachment 3.
2. Information of change in equity: None.
3. Information of equity pledge: None.



**IX. Relationships characterized as spouse or second-degree relative or closer among top-ten shareholders.**

Information of Related Parties of the top ten shareholders

Baseline date: March 31, 2018

Name	Shares held by themselves		Shares held by spouses, minor children		Shareholding using other's name		Names and relationships of top-10 shareholders characterized as spouse or second-degree relative or closer, as defined in Statements of Financial Accounting Standards No. 6		Remarks
	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Name	Relationship	
Cathay Financial Holding Co., Ltd.	7,860,405,965	100%	-	-	-	-	-	-	-

**X. Investments jointly held by the Bank, the Bank’s Directors, Supervisors, President, Executive Vice Presidents, Senior Vice Presidents, heads of various departments and branches, and enterprises directly or indirectly controlled by the Bank, and disclosure of aggregate shareholding.**

Aggregate shareholding percentage

**Baseline date:** March 31, 2018      Unit: shares; %

Invested enterprise	Owned by the Bank		Owned by directors, supervisors, President, vice presidents, Senior Vice Presidents, heads of various departments and branches, and enterprises directly or indirectly controlled by the Bank		Total Investment	
	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding
<b>Financial institutions</b>						
Taiwan Depository and Clearing Corporation	612,830	0.17%	-	-	612,830	0.17%
Taipei Forex Inc.	800,000	4.04%	-	-	800,000	4.04%
Global Securities Finance Corporation	9,811,730	2.45%	3,124	0.00%	9,814,854	2.45%
Taiwan Futures Exchange	1,968,298	0.62%	-	-	1,968,298	0.62%
Financial Information Service Co., Ltd.	11,875,500	2.28%	-	-	11,875,500	2.28%
Taiwan Finance Corporation	126,813,700	24.57%	-	-	126,813,700	24.57%
IBF Securities Co., Ltd.	77,385,300	10.32%	-	-	77,385,300	10.32%
Taiwan Asset Management Corporation	76,500,000	5.79%	-	-	76,500,000	5.79%
Taiwan Financial Asset Service Corporation	10,000,000	5.88%	-	-	10,000,000	5.88%
Sunlight Asset Management Co., Ltd.	562,299	9.37%	-	-	562,299	9.37%
Visa	116,426	0.02%	-	-	116,426	0.02%

Invested enterprise	Owned by the Bank		Owned by directors, supervisors, President, vice presidents, Senior Vice Presidents, heads of various departments and branches, and enterprises directly or indirectly controlled by the Bank		Total Investment	
	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding	Number of shares	Ratio of shareholding
Indovina Bank (Note)	-	50.00%	-	-	-	50.00%
Cathay United Bank (Cambodia) Corporation Limited	100,000,000	100.00%	-	-	100,000,000	100.00%
Taiwan Mobile Payment Company	2,400,000	4.00%	-	-	2,400,000	4.00%
Philippine Clearing House Corporation	21,000	1.69%	-	-	21,000	1.69%
<b>Non-financial institutions</b>						
An Feng Enterprise Co., Ltd.	450,000	15.00%	-	-	450,000	15.00%
Taiwan Real Estate Management Co., Ltd.	9,043,999	30.15%	-	-	9,043,999	30.15%
Chinese Products Promotion Center	18,500	4.87%	-	-	18,500	4.87%
CDIB Partners Investment Holding Corp	54,000,000	4.95%	-	-	54,000,000	4.95%
EasyCard Investment Holdings Co., Ltd.	5,107,918	4.91%	-	-	5,107,918	4.91%
Kaohsiung Rapid Transit Corporation	3,845,330	1.38%	-	-	3,845,330	1.38%
HanTech Venture Capital Corporation	7,091,512	12.98%	-	-	7,091,512	12.98%
Yu Hua Venture Capital Investment Co., Ltd.	1,496,000	5.00%	-	-	1,496,000	5.00%
Harbinger Venture Capital Corporation	1,139,000	3.35%	170	0.00%	1,139,170	3.35%
Victor Taichung Machinery Works Co., Ltd.	65,597	0.04%	349	0.00%	65,946	0.04%
Taichung City Central District Cooperative Association	50	0.26%	100	0.51%	150	0.77%
Alliance Digital Technology Co.	900,000	2.16%	-	-	900,000	2.16%

Note: Indovina Bank is a joint venture and no shares are issued.

## Four. Capital Overview

### I. Capital and Shares:

The Bank has a total share capital of NT\$78,604,059,650, issued in 7,860,405,965 shares of NT\$10 each. The share capital is entirely issued in common shares. The Bank has been a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd. since December 18, 2002, making Cathay Financial Holding Co., Ltd. the sole shareholder of the Bank from that day onwards. A breakdown of issued capital is presented below:

#### (I) 1. Capital Source:

Baseline date: March 31, 2018  
Unit: shares/NT\$

Date	Issue price	Registered Capital		Total Paid-in Capital		Remarks	
		Number of shares	Amount	Number of shares	Amount	Capital Source	Others
2003.10	10	4,318,240,663	\$43,182,406,630	4,318,240,663	\$43,182,406,630	-	-
2005.06	10	4,642,051,816	\$46,420,518,160	4,642,051,816	\$46,420,518,160	Capitalization of earnings NT\$ 3,238,111,530	Note 1
2006.11	10	4,868,941,336	\$48,689,413,360	4,868,941,336	\$48,689,413,360	Cash issue totaling \$ 2,268,895,200 for the merger of Lucky Bank	Note 2
2007.09	10	5,227,702,586	\$52,277,025,860	5,227,702,586	\$52,277,025,860	Capitalization of earnings NT\$ 3,587,612,500	Note 3
2013.08	10	6,142,471,362	\$61,424,713,620	6,142,471,362	\$61,424,713,620	Capitalization of earnings NT\$ 9,147,687,760	Note 4
2013.09	37	6,466,849,362	\$64,668,493,620	6,466,849,362	\$64,668,493,620	Private cash issue of NT\$ 12,001,986,000, which increased paid-up capital by NT\$ 3,243,780,000	Note 5
2014.06	10	6,711,276,198	\$67,112,761,980	6,711,276,198	\$67,112,761,980	Capitalization of earnings NT\$ 2,444,268,360	Note 6
2015.06	10	6,947,960,503	\$69,479,605,030	6,947,960,503	\$69,479,605,030	Capitalization of earnings NT\$ 2,366,843,050	Note 7
2016.06	10	7,209,981,464	\$72,099,814,640	7,209,981,464	\$72,099,814,640	Capitalization of earnings NT\$ 2,620,209,610	Note 8
2017.06	28	7,745,624,324	\$77,456,243,240	7,745,624,324	\$77,456,243,240	Private cash issue of NT\$ 14,998,000,080, which increased paid-up capital by NT\$ 5,356,428,600	Note 9
2017.06	10	7,860,405,965	\$78,604,059,650	7,860,405,965	\$78,604,059,650	Capitalization of earnings NT\$ 1,147,816,410	Note 10

Note 1: Approved by FSC under Letter No. Jin-Guan-Zheng-I-0940124410 dated June 24, 2005.

Note 2: Approved by FSC under Letter No. Jin-Guan-Zheng-I-0950150920 dated November 15, 2006.

Note 3: Approved by FSC under Letter No. Jin-Guan-Zheng-I-0980048422 dated September 22, 2009.

Note 4: Approved by FSC under Letter No. Jin-Guan-Zheng-Fa-1020027960 dated July 24, 2013.

Note 5: Approved by FSC under Letter No. Jin-Guan-Yin-Kong-10200250381 dated September 18, 2013.

Note 6: Approved by FSC under Letter No. Jin-Guan-Zheng-Fa-1030021170 dated June 10, 2014.

Note 7: Approved by FSC under Letter No. Jin-Guan-Zheng-Fa-1040022239 dated June 18, 2015.

Note 8: Effected by FSC on June 22, 2016.

Note 9: Approved by FSC under Letter No. Jin-Guan-Yin-Kong-10600114621 dated May 31, 2017.

Note 10: Effected by FSC on June 13, 2017.

Unit: shares/NT\$

Share Type	Registered Capital			Remarks
	Outstanding shares	Un-issued shares	Total	
Common shares	7,860,405,965	0	7,860,405,965	-

2. Information relevant to the aggregate reporting policy: None.

## (II) Shareholder structure

Baseline date: March 31, 2018

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	—	1	—	—	—	1
Number of shares held	—	7,860,405,965	—	—	—	7,860,405,965
Ratio of shareholding	—	100%	—	—	—	100%

## (III) Distribution of equity

### 1. Common shares (At NT\$10 par value)

Baseline date: March 31, 2018

Shareholding levels	Number of shareholders	Number of shares held	Ratio of shareholding
1 to 999	—	—	—
1,000 to 5,000	—	—	—
5,001 to 10,000	—	—	—
10,001 to 15,000	—	—	—
15,001 to 20,000	—	—	—
20,001 to 30,000	—	—	—
30,001 to 50,000	—	—	—
50,001 to 100,000	—	—	—
100,001 to 200,000	—	—	—
200,001 to 400,000	—	—	—
400,001 to 600,000	—	—	—
600,001 to 800,000	—	—	—
800,001 to 1,000,000	—	—	—
Over 1,000,001	1	7,860,405,965	100%
Total	1	7,860,405,965	100%

Note: The Bank is a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd.

2. Preferred shares: None.

(IV) List of major shareholders

Major Shareholders	Shares	Number of shares held	Ratio of shareholding
Cathay Financial Holding Co., Ltd.		7,860,405,965	100%

Note: The Bank is a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd.

(V) Market price, net worth, earnings, and dividends per share

Item		Year (Note 8)	2016	2017	As of March 31, 2018
Market Share Price (Note 1)	Highest		-	-	-
	Lowest		-	-	-
	Average		-	-	-
Share Book Value (Note 2)	Before payout		21.65	21.03	23.69
	After payout		20.15	Not yet resolved in a shareholder meeting	-
Earnings Per Share (Note 3)	Weighted Average No of Shares		7,209,982 thousand shares	7,621,201 thousand shares	7,860,406 thousand shares
	Earnings Per Share		Before Adjustment: 2.39	2.53	0.72
			After Adjustment: 2.35		
Per Share Dividend	Cash Dividend		1.50	Not yet resolved in a shareholder meeting	-
	Stock Dividend	From Retained Earnings	0.16	Not yet resolved in a shareholder meeting	-
		From Special Reserve	-	-	-
	Accumulated Unpaid Dividend (Note 4)		-	-	-
ROI Analysis (Note 1)	Price/Earnings Ratio (Note 5)		-	-	-
	Price/Dividend Ratio (Note 6)		-	-	-
	Cash Dividend Yield (Note 7)		-	-	-

- Note 1: The Bank became a subsidiary of Cathay Financial Holding Co., Ltd. on December 18, 2002 through a share exchange, and was no longer listed on the Taiwan Stock Exchange Corporation (TWSE) after the share exchange.
- Note 2: Please use the number of the issuing shares in the year end as the base with the distribution decision resolved at the shareholders' meeting held in the following year.
- Note 3: For retroactive adjustment made for stock dividends, both before and adjustments earnings per share should be disclosed.
- Note 4: For securities issued with terms that entitle the holder to accumulate the unpaid dividend during the current year, for receiving in an earning-generating fiscal year, the accumulated unpaid amount shall also be disclosed.
- Note 5: Price/Earnings Ratio = average share market price / earnings per share.
- Note 6: Price/Dividend Ratio = average market price / cash dividends per share.
- Note 7: Cash Dividend Yield = cash dividends per share / average share market price.
- Note 8: 2016 - 2017 figures were prepared according to International Accounting Standards (IAS), whereas financial information up till March 31, 2018 was internally prepared and not reviewed by CPAs.

## (VI) Dividend Policy and Implementation

### 1. Dividend Policy and Implementation:

Given the prevailing competitive environment, the Bank has adopted a residual dividend policy to accommodate business growth and capital adequacy requirements at the same time. The Bank will retain the amount of cash capital needed for operations by paying out stock dividends, and pay the remaining amount of proposed dividends in cash, subject to the maximum limit stipulated by law.

### 2. Details of 2017 dividends proposed for discussion in the upcoming shareholder meeting are as follows:

- (1) Net fair value impact from disposal of investment property:  
NT\$50,142,188
- (2) Provision for legal reserve: NT\$5,807,539,196
- (3) Provision for special reserve (Fintech): NT\$96,512,016
- (4) Provision for special reserve (other equity): NT\$854,931,498
- (5) Distribution of stock dividends: NT\$12,593,562,710

## (VII) Impacts of proposed stock dividends on the Company's business performance and earnings per share:

The Bank does not make public financial forecasts and is unable to disclose predictive information such as net income and earnings per share, hence not applicable.

(VIII) Remuneration of Employees, Directors and Supervisors:

1. Percentage or range of employee/director/supervisor remuneration stated in the Articles of Incorporation:

According to the Bank's Articles of Incorporation, earnings concluded from a financial year are subject to employee remuneration of 0.05% and director/supervisor remuneration of no more than 0.1%. However, profits must first be taken to offset against cumulative losses if any.

2. Basis of calculation for employee/director/supervisor remuneration and share-based compensation for employees; and accounting treatments for any discrepancies from the amounts paid:

None.

3. Remuneration resolved by the board of directors for 2017:

- (1) Proposal was made to pay out employee remuneration of NT\$10,922,163 in cash, and NT\$7,000,000 for director and supervisor remuneration.

- (2) Percentage of employee remuneration paid in shares, relative to net income and total employee remuneration shown in standalone financial statements:

None.

4. The actual distribution of employee and director/supervisor remuneration for the previous fiscal year (with an indication of the number, value and stock price of the shares distributed) shall be declared. If there is any discrepancy between the actual distribution and the recognized employee bonuses and director/supervisor compensation, the discrepancy, its cause, and its status must also be listed:

There was no difference between the amount of employee remuneration recognized on financial statements and the amount actually paid for 2017. The Bank's Articles of Incorporation does not specify any percentage or range for director/supervisor remuneration.

(IX) Buyback of own shares:

None.



## II. Issuance of bank debentures:

Type of bank debenture	2009 2nd financial debenture issue	2011 1st financial debenture issue	2011 2nd financial debenture issue
Date of authority's approval and reference number	Letter No. Jin-Guan-Yin-(VI)-09700444760 dated November 28, 2008 and Jin-Guan-Yin-(VI)-09800135230 dated May 12, 2009 by FSC	Letter No. Jin-Guan-Yin-Kong-10000048760 dated March 2, 2011 by FSC	Letter No. Jin-Guan-Yin-Kong-10000048760 dated March 2, 2011 by FSC
Date of issue	2009.7.20	2010.3.30	2010.6.22
Face value	\$10 million	\$10 million	\$10 million
Issuance & Listing	R.O.C.	R.O.C.	R.O.C.
Currency	NT\$	NT\$	NT\$
Issue price	Issued at full face value	Issued at full face value	Issued at full face value
Total	NT\$1.5 billion	NT\$5.35 billion (7-year/10-year; NT\$3.85 billion/NT\$1.5 billion)	NT\$6.4 billion (7-year/10-year; NT\$3.9 billion/NT\$2.5 billion)
Interest rate	2.60%	1.65%/1.72%	1.65%/1.72%
Duration	10 years Expiration date: 2019.7.20	7-year/10-year Expiration date: 2018.3.30/2021.3.30	7-year/10-year Expiration date: 2018.6.22/2021.6.22
Priority of repayment	Subordinated	Subordinated	Subordinated
Guaranteeing institution	None	None	None
Trustee	None	None	None
Underwriting institution	Cathay Securities (primary)	Cathay Securities (primary)	Cathay Securities (primary)
Certifying attorney	None	None	None
Certifying CPA	None	None	None
Certifying financial institutions	None	None	None
Repayment method	Repayment of principal on due date	Repayment of principal on due date	Repayment of principal on due date
Outstanding balance	NT\$1.5 billion	NT\$5.35 billion	NT\$6.4 billion
Paid-up capital in the previous year	NT\$52.277 billion	NT\$52.277 billion	NT\$52.277 billion
Audited net worth in the previous year	NT\$93.146 billion	NT\$95.198 billion	NT\$95.198 billion
Fulfillment conduct	Normal	Normal	Normal
Terms for redemption or early repayment	None	None	None

Terms and conditions for conversion	None	None	None
Restriction Clause	Subordinated	Subordinated	Subordinated
Planned use of fund	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing
Proposed amount of issuance plus outstanding balance as a % of audited net worth in the previous year	35.59	33.21	33.21
Whether regarded as eligible capital	Yes/Tier 2	Yes/Tier 2	Yes/Tier 2
Name of credit rating agency, date of rating, and ratings awarded	Taiwan Ratings: July 16, 2009, twAA	Taiwan Ratings: February 9, 2010, twAA	Taiwan Ratings: February 9, 2010, twAA

Type of bank debenture	2012 1st financial debenture issue	2012 2nd financial debenture issue	2013 1st financial debenture issue
Date of authority's approval and reference number	Letter No. Jin-Guan-Yin-Kong-10100108800 dated April 18, 2012 by FSC	Letter No. Jin-Guan-Yin-Kong-10100108800 dated April 18, 2012 by FSC	Letter No. Jin-Guan-Yin-Kong-10200029320 dated February 19, 2013 by FSC
Date of issue	2012.6.6	2012.8.7	2013.4.24
Face value	\$10 million	\$10 million	\$10 million
Issuance & Listing	R.O.C.	R.O.C.	R.O.C.
Currency	NT\$	NT\$	NT\$
Issue price	Issued at full face value	Issued at full face value	Issued at full face value
Total	NT\$4.4 billion (7-year/10-year, NT\$0.2 billion/NT\$4.2 billion)	NT\$5.6 billion	NT\$10 billion (7-year/10-year, NT\$0.1 billion/NT\$9.9 billion)
Interest rate	1.48%/1.65%	1.65%	1.55%/1.70%
Duration	7-year/10-year Expiration date: 2019.6.6/111.6.6	10 years Expiration date: 2022.8.7	7-year/10-year Expiration date: 2020.4.24/2023.4.24
Priority of repayment	Subordinated	Subordinated	Subordinated
Guaranteeing institution	None	None	None
Trustee	None	None	None
Underwriting institution	Cathay Securities (primary)	Cathay Securities (primary)	Cathay Securities (primary)
Certifying attorney	None	None	None
Certifying CPA	None	None	None
Certifying financial institutions	None	None	None
Repayment method	Repayment of principal on due date	Repayment of principal on due date	Repayment of principal on due date
Outstanding balance	NT\$4.4 billion	NT\$5.6 billion	NT\$10 billion
Paid-up capital in the previous year	NT\$52.277 billion	NT\$52.277 billion	NT\$52.277 billion
Audited net worth in the previous year	NT\$98.178 billion	NT\$98.178 billion	NT\$103.045 billion
Fulfillment conduct	Normal	Normal	Normal
Terms for redemption or early repayment	None	None	None
Terms and conditions for conversion	None	None	None
Restriction Clause	Subordinated	Subordinated	Subordinated
Planned use of fund	To finance medium-/long-term lending, support investments, and repay medium-/long-term	To finance medium-/long-term lending, support investments, and repay medium-/long-term	To finance medium-/long-term lending, support investments, and repay medium-/long-term

	borrowing	borrowing	borrowing
Proposed amount of issuance plus outstanding balance as a % of audited net worth in the previous year	37.83	43.53	51.08
Whether regarded as eligible capital	Yes/Tier 2	Yes/Tier 2	Yes/Tier 2
Name of credit rating agency, date of rating, and ratings awarded	Taiwan Ratings: May 30, 2012, twAA	Taiwan Ratings: August 1, 2012, twAA	Taiwan Ratings: July 24, 2013, twAA-

Type of bank debenture	2014 1st financial debenture issue	2014 2nd financial debenture issue	2014 3rd financial debenture issue
Date of authority's approval and reference number	Letter No. Jin-Guan-Yin-Kong-10300093700 dated April 8, 2014 by FSC	Letter No. Jin-Guan-Yin-Kong-10300254740 dated September 11, 2014 by FSC	Letter No. Jin-Guan-Yin-Kong-10300254740 dated September 11, 2014 by FSC
Date of issue	May 19, 2014	October 8, 2014	October 8, 2014
Face value	\$10 million	\$1 million	\$1 million
Issuance & Listing	R.O.C.	R.O.C.	R.O.C.
Currency	NT\$	US\$	US\$
Issue price	Issued at full face value	Issued at full face value	Issued at full face value
Total	NT\$15 billion (7-year/10-year, NT\$3 billion/NT\$12 billion)	US\$660 million	US\$330 million
Interest rate	1.70%/1.85%	5.10%	4.00%
Duration	7-year/10-year Expiration date: 2021.5.19/2024.5.29	No maturity date	15 years Expiration date: 2029.10.08
Priority of repayment	Subordinated	Subordinated	Subordinated
Guaranteeing institution	None	None	None
Trustee	None	None	None
Underwriting institution	Cathay Securities (primary)	Cathay Securities, E.Sun Bank (primary)	Cathay Securities, E.Sun Bank (primary)
Certifying attorney	None	None	None
Certifying CPA	None	None	None
Certifying financial institutions	None	None	None
Repayment method	Repayment of principal on due date	Redeemable at face value at the end of the 12th anniversary, subject to the authority's approval	Repayment of principal on due date
Outstanding balance	NT\$15 billion	US\$660 million	US\$330 million
Paid-up capital in the previous year	\$64.668 billion	\$64.668 billion	\$64.668 billion
Audited net worth in the previous year	\$122.11 billion	\$122.11 billion	\$122.11 billion
Fulfillment conduct	Normal	Normal	Normal
Terms for redemption or early repayment	None	Redeemable at face value at the end of the 12th anniversary, subject to the authority's approval	None
Terms and conditions for conversion	None	None	None

Restriction Clause	Subordinated	Subordinated	Subordinated
Planned use of fund	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing
Proposed amount of issuance plus outstanding balance as a % of audited net worth in the previous year	55.39	72.24	80.82
Whether regarded as eligible capital	Yes/Tier 2	Yes/Tier 1 non-common share equity	Yes/Tier 2
Name of credit rating agency, date of rating, and ratings awarded	Taiwan Ratings: May 8, 2014, twAA-	Taiwan Ratings: September 30, 2014, twA-	Taiwan Ratings: September 18, 2014, twAA-

Type of bank debenture	2015 1st financial debenture issue	2017 1st financial debenture issue	2017 2nd financial debenture issue
Date of authority's approval and reference number	Letter No. Jin-Guan-Yin-Kong-10300338550 dated December 3, 2014 by FSC	Letter No. Jin-Guan-Yin-Kong-10600042300 dated March 7, 2017 by FSC	Letter No. Jin-Guan-Yin-Kong-10600042300 dated March 7, 2017 by FSC
Date of issue	2015.3.30	2017.4.11	2017.4.18
Face value	\$1 million	\$1 million	\$10 million
Issuance & Listing	R.O.C.	R.O.C.	R.O.C.
Currency	US\$	US\$	NT\$
Issue price	Issued at full face value	Issued at full face value	Issued at full face value
Total	US\$180 million	US\$195 million	NT\$15.1 billion (7-year/10-year, NT\$2.4 billion/NT\$12.7 billion)
Interest rate	0.00% (internal rate of return: 4.20%)	0.00% (internal rate of return: 4.30%)	1.50% / 1.85%
Duration	Matures on March 30 ,2045, unless the Bank exercises "issuer's right of recall"	Matures on April 11, 2047, unless the Bank exercises "issuer's right of recall"	7-year/10-year Expiration date: 2024.4.18/2027.4.18
Priority of repayment	Ordinary	Ordinary	Subordinated
Guaranteeing institution	None	None	None
Trustee	None	None	None
Underwriting institution	Cathay Securities, Yuanta Securities (primary)	Self-underwritten	Yuanta Securities, MasterLink Securities, Taiwan Cooperative Securities, Cathay Securities
Certifying attorney	None	None	None
Certifying CPA	None	None	None
Certifying financial institutions	None	None	None
Repayment method	Bullet repayment at maturity, unless recalled by exercising "issuer's right of recall"	Bullet repayment at maturity, unless recalled by exercising "issuer's right of recall"	Repayment of principal on due date
Outstanding balance	US\$180 million	US\$195 million	NT\$15.1 billion
Paid-up capital in the previous year	\$67.113 billion	\$72.1 billion	\$72.1 billion
Audited net worth in the previous year	\$122.11 billion	\$142.586 billion	\$142.586 billion
Fulfillment conduct	Normal	Normal	Normal
Terms for redemption or early repayment	Two years after the bond is issued, the Bank is entitled to recall on various dates specified in the Bond Recall/Repayment Chart	One year after the bond is issued, the Bank is entitled to recall on various dates specified in the Bond Recall/Repayment Chart	None

Terms and conditions for conversion	None	None	None
Restriction Clause	None	None	Subordinated
Planned use of fund	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing
Proposed amount of issuance plus outstanding balance as a % of audited net worth in the previous year	80.85	62.41	73.00
Whether regarded as eligible capital	No	No	Yes/Tier 2
Name of credit rating agency, date of rating, and ratings awarded	Taiwan Ratings: March 9, 2015, twAA+	Taiwan Ratings: September 29, 2016, twAA+	Taiwan Ratings: September 29, 2016, twAA+



Type of bank debenture	2017 3rd financial debenture issue
Date of authority's approval and reference number	Letter No. Jin-Guan-Yin-Kong-10600042300 dated March 7, 2017 by FSC
Date of issue	2017.11.24
Face value	\$1 million
Issuance & Listing	R.O.C.
Currency	US\$
Issue price	Issued at full face value
Total	US\$300 million
Interest rate	0.00% (internal rate of return: 4.10%)
Duration	Matures on November 24, 2047, unless the Bank exercises "issuer's right of recall"
Priority of repayment	Ordinary
Guaranteeing institution	None
Trustee	None
Underwriting institution	Self-underwritten
Certifying attorney	None
Certifying CPA	None
Certifying financial institutions	None
Repayment method	Bullet repayment at maturity, unless recalled by exercising "issuer's right of recall"
Outstanding balance	US\$300 million
Paid-up capital in the previous year	\$72.1 billion
Audited net worth in the previous year	\$160.274 billion
Fulfillment conduct	Normal
Terms for redemption or early repayment	Five years after the bond is issued, the Bank is entitled to recall on various dates specified in the Bond Recall/Repayment Chart
Terms and conditions for conversion	None
Restriction Clause	None
Planned use of fund	To finance medium-/long-term lending, support investments, and repay medium-/long-term borrowing
Proposed amount of issuance plus outstanding balance as a % of audited net worth in the previous year	70.53
Whether regarded as eligible capital	No
Name of credit rating agency, date of rating, and ratings awarded	Taiwan Ratings: October 23, 2017, twAA+

### **III. Issuance of preferred shares:**

The Bank issues shares entirely in the form of common share and no preferred share is issued.

### **IV. Global Depository receipts:**

None.

### **V. Disclosure relating to employee warrants and restricted employee shares:**

None.

### **VI. Merger and acquisition (including divestment):**

None.

### **VII. Implementation of the Capital Utilization Plans:**

#### **(I) Bank debenture**

##### **1. Debt issuance plans:**

In an attempt to increase capital adequacy ratio, finance medium- and long-term lending and support business development of overseas branches, the Bank submitted a debt issuance plan to the authority in 2017 and received approval under Letter No. Jin-Guan-Yin-Kong-10600042300 from FSC on March 7 the same year for the issuance of ordinary and subordinated bank debentures at NT\$30 billion (or equivalent foreign currency) each. Ordinary bank debentures may be issued on a revolving basis for 10 years from the date of approval and are voided afterwards; subordinated bank debentures must be issued within one year after approval, and any unused limit afterwards is voided.

##### **2. Current progress:**

The Bank only issued NT\$14.9 billion of its NT\$30-billion (or equivalent) ordinary bank debenture limit approved by the authority in 2017 due to abundant liquidity, and the remaining limit may be issued at appropriate times

throughout the approved duration. As for the NT\$30-billion (or equivalent) subordinated bank debenture limit, the Bank issued only NT\$15.1 billion in 2017 as it was sufficient to bring capital adequacy ratio to an appropriate level; the remaining limit unused past the expiry date was voided. Issuance of the abovementioned debts is explained in details below:

- (1) On April 11, 2017, the Bank made its 2017 1st unsecured ordinary bank debenture issue totaling US\$195 million at fixed coupon rate of 0.00% (IRR: 4.30%), repayable in one lump sum upon maturity unless the Bank exercises “issuer’s right of recall.”
- (2) On April 18, 2017, the Bank made its 2017 2nd unsecured subordinated bank debenture issue totaling NT\$15.1 billion, including a 7-year tranche of NT\$2.4 billion at fixed coupon rate of 1.50%, repayable in one lump sum upon maturity, and a 10-year tranche of NT\$12.7 billion at fixed coupon rate of 1.85%, repayable in one lump sum upon maturity.
- (3) On November 24, 2017, the Bank made its 2017 3rd unsecured ordinary bank debenture issue totaling US\$300 million at fixed coupon rate of 0.00% (IRR: 4.10%), repayable in one lump sum upon maturity unless the Bank exercises “issuer’s right of recall.”

### 3. Execution benefits

Issuance of the above debts increased the Bank’s capital adequacy (BIS) ratio from 14.19% at the end of December 2016 to 15.89% at the end of 4th quarter 2017, and raised tier-1 (T1) capital ratio from 10.70% at the end of December 2016 to 11.74% at the end of 4th quarter 2017. Long-term capital raised through the above means will be used to finance the Bank’s medium-/long-term lending and investment activities, and to support expansion of the Bank’s overseas branches.

## (II) Private placement of securities

### 1. Plan details:

A resolution was passed (by board of directors on behalf of shareholders) during the shareholder meeting held on April 27, 2017 to raise capital through private cash issue of common shares. This capital is intended to support status upgrade of Mainland operations from branch to subsidiary, and to finance acquisition of Indovina Bank as well as the Bank’s business growth. The proposal was approved by FSC under Letter No. Jin-Guan-Yin-Kong-10600114621 dated May 31, 2017.

## 2. Current progress:

Proceeds from share issuance were collected in full as of June 13, 2017. A sum of \$13.198 billion is available at disposal, which the Bank will allocate to support expansion of domestic as well as overseas businesses in various parts of the organization throughout 2018. The Risk Management Committee has already adjusted RWA appetite for various business segments, and the increased capacity should help grow business volume in the future.

## **Five. Overview of Operations**

### **I. The content of business:**

(I) Summary of main business activities by service category:

#### **■ Consumer banking service**

##### **1. Deposit and remittance services**

The Bank offers a variety of deposit solutions including: check deposit, demand deposit, time deposit, omnibus deposit, negotiable certificate of deposit, self-service deposit and digital deposit to satisfy the saving and cash flow needs of both individual and corporate customers. Furthermore, the Bank operates a comprehensive distribution network comprising physical, digital and automated service equipment that, with the support of a user-friendly cash flow system, satisfies customers' needs for payment and fund transfer.

##### **2. Credit**

In addition to offering consumer loans targeting individual customers, such as: adjustable-rate mortgage, revolving mortgage, government-subsidized mortgage etc., the Bank also integrates resources and leverages marketing channels throughout the financial group to bring customers exclusive products, services and solutions for enhanced satisfaction and experience.

##### **3. SME credit**

The Bank supports small and medium enterprises with a broad variety of financing and cash flow solutions. Through database analysis, the Bank is able to integrate resources throughout the financial group and package customer-exclusive solutions for a more productive relationship management.

#### **■ Financial Payment Service**

##### **1. Transaction acquisition service**

The Bank offers online and offline credit card payment service to merchants.

##### **2. New payment service**

Through introduction of an innovative payment platform, the Bank is able to link a broad variety of payment tools with merchants' proprietary APPs, membership

accounts or e-wallets securely and have them ready for use upon request. The platform not only supports online-to-offline (O2O) payment scenarios, but is also capable of delivering customer-centric and differentiated services for strengthened customer attachment.

### 3. Automated channels

The Bank delivers a multitude of financial services (including but not limited to deposit, withdrawal, fund transfer, bill/tax payment and balance inquiry) over automated channels to satisfy customers' needs.

#### ■ Credit card service

The Bank offers revolving credit, installment purchases and cash advance services over the credit cards it issues, and constantly explores diverse, innovative and convenient payment applications as well as cardholder-exclusive privileges, campaigns and rewards to accommodate customers' spending habits.

#### ■ Wealth management service

The Bank monitors market changes and adopts an end-to-end business model that offers appropriate products and services by taking into account customers' asset allocation, investment requirements, and financial goals. There is a versatile investment consultancy team available to provide professional service and help customers allocate assets and manage risks. The Bank also has a fully featured digital investment platform in place to cater for self-directed traders; this platform combines the use of both virtual and physical channels to improve customer experience.

#### ■ Trust service

##### 1. Mutual fund and foreign securities service

The Bank continues to introduce domestic/offshore funds, corporate bonds, fixed income bonds and ETFs from around the world to address customers' investment needs. Customers may subscribe to these products at counter, the Internet or mobile devices in one-time or regular (unscheduled) installments.

##### 2. Real estate trust

The Bank offers a variety of real estate-related trust solutions, such as real estate escrow trust, joint construction trust, urban renewal trust and real estate inheritance trust, to satisfy customers' needs for transaction security, property

management, and tax saving/planning.

### 3. Personal trust

The Bank offers a multitude of personal trust services including children's trust, retirement trust, insurance trust, share ownership trust, dividend transfer trust, inheritance trust and charity trust for a number of purposes from wealth protection, retirement, child support, support for persons with disability, equity concentration, tax-saving, property distribution, and donation to inheritance.

### 4. Corporate trust

For corporate customers, the Bank offers solutions such as employee welfare trust, escrow trust, electronic payment service trust and equity trading trust that help enforce employees' benefits, consumer protection, and security of equity transaction.

### 5. Custodian service

The Bank offers custodian service for investment trust funds, discretionary investment accounts, foreigners' investments, private equity funds, performance bonds, investment-linked insurance policies, and securities.

## ■ Corporate banking service

### 1. Commercial lending

The Bank has a broad range of financing solutions to satisfy the needs of industrial and commercial customers, including: working capital loan, advance on domestic negotiable instruments, overdraft, export loan, construction loan, land financing, equipment financing, and plant (office) development, or acquisition loan.

### 2. Syndicated loan

The Bank possesses the professional capacity to coordinate syndicated loans as a lead arranger, and structure fixed asset financing or project financing solutions of high magnitude for any corporate customer.

### 3. Factoring

Through debt transfer, the Bank accepts from corporate customers a set of accounts receivable for goods sold or services rendered, and provides banking services such as cash advance, receivables management and collection while

assuming buyers' credit risk.

#### 4. Small and Medium Enterprise Credit Guarantee Fund (SMEG) lending

The Bank provides general loan, promissory note guarantee and SMEG-backed lending services to small and medium-size enterprises that meet SMEG's definition.

#### 5. Guarantee and acceptance service

The Bank offers short-, medium- and long-term guarantee services such as promissory note guarantee, construction guarantee, tender bond, performance bond, advance payment guarantee, corporate bond guarantee, post-dated check guarantee, and bill acceptance.

#### 6. Foreign currency service

The Bank also offers banking services in foreign currencies, including: foreign currency loans and guarantees for credit customers, inward/outward remittance and remittance to China for remittance customers, and import/export collection, export negotiation, and L/C for import/export traders.

### ■ International banking services

1. The Bank provides a broad range of services for offshore individuals and businesses, including deposit, remittance, import/export trade, credit, cross-border syndicated loan, international factoring, and special purpose money trust for investment in foreign currency securities, structured instruments, derivatives etc. Not only is the Bank able to explore overseas customers and structure cross-border solutions through offshore branches, it also has the advantage to utilize platforms and services of other subsidiaries within the financial group to deliver more competitive service and enhance customers' attachment.
2. For peer banks: The Bank places great emphasis on maintaining relationships with government agencies and financial peers, studying laws and trends of major markets and regions, and engaging in interbank cooperation to introduce new services and products. Interbank credit limits are constantly monitored to ensure optimal risk-return trade-off.

### ■ Digital banking services

#### 1. B2B digital banking service

Existing customers are being encouraged to upgrade toward Global MyB2B, an online corporate banking network. The Bank also introduced Global MyB2B in



Singapore to accommodate the Bank's vision as a regional banker and to establish banking relationship with medium and large multinational companies.

## 2. B2C digital banking service

The Bank has adopted a mobility-oriented design focus and developed a versatile mobile platform to accommodate a broad variety of mobile networking scenarios given the ongoing mobility trend. This platform allows customers to make inquiries, transact and apply for financial products entirely using mobile devices.

## 3. New digital banking service

KOKO is a new digital banking brand introduced specifically to bring innovative services and products to the young generation. In addition to offering account features based on customers' preference, the Bank also introduced "KOKO Combo icash card," a payment tool combining ATM card, credit card and e-ticket all-in-one that customers may apply online entirely over mobile phone. Logging in to the "KOKO APP" opens up access to functions such as express fund transfer and transaction tracking that bring fun into account management and banking. Through KOKO, the Bank will continue creating a new banking experience for young customers of the digital era.

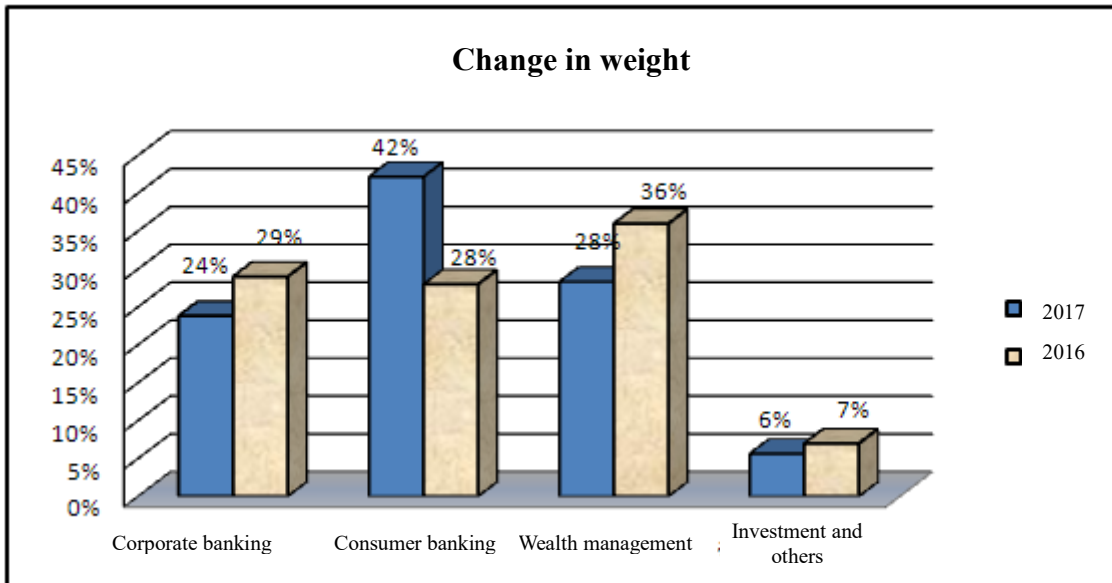
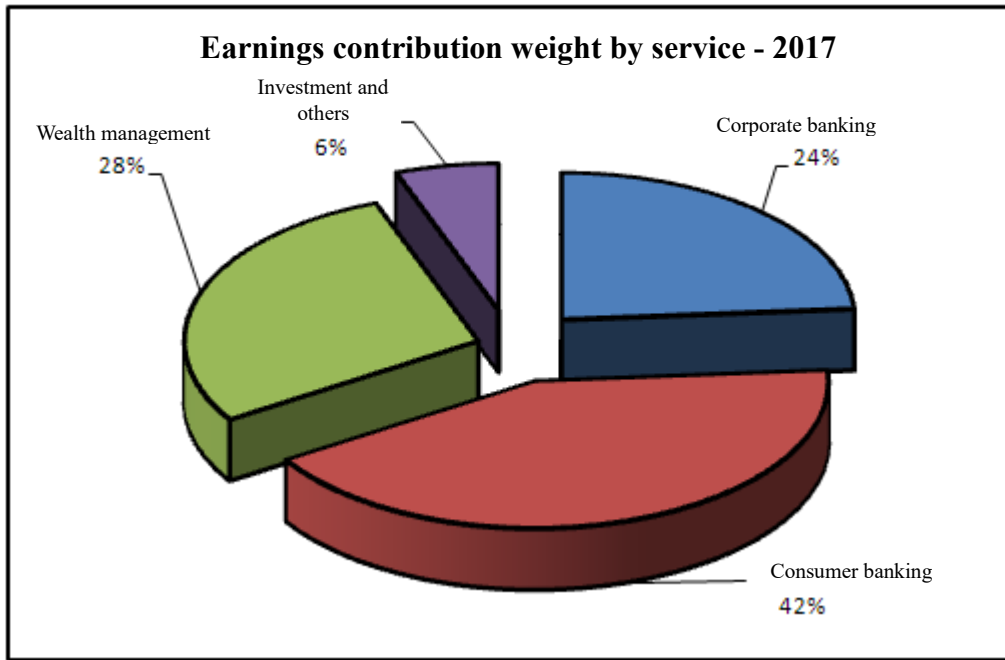
### ■ Investment and treasury marketing

In terms of treasury marketing, the Bank offers new derivatives, develops financial products and supports customers with quotation and consultation services. Training and promotional programs are organized as needed by business departments.

### ■ Overseas operations

The Bank actively expands overseas and has branches established in fast-growing regions throughout Asia. The Bank currently operates a total of 67 overseas offices, and has presence in 9 of 10 ASEAN countries. These overseas offices facilitate a localized business strategy that focuses on delivering timely service to local customers; meanwhile, using a cross-border financial service platform, the Bank is able to connect domestic and foreign branches into a tight banking network that provides customers with the most professional and convenient services.

(II) Revenue weight by business category:



### (III) 2018 business plans

#### ■ Consumer banking service

1. Capitalize on the extensive distribution channels of Cathay subsidiaries and coordinate group resources into providing all-round financial service for customers, and in doing so improve the customers' attachment, contribution, and product penetration.
2. Optimize customer structure for profitability; increase product penetration rate among target/main customers and create value from the banking relationship.
3. Maintain a differentiated interest pricing strategy and increase offering of high-margin products for improved spread, profitability, and customer structure.
4. Improve digital and mobile functions of existing product lines and provide customers with more convenient mobile payment tools and services in response to changes in the digital banking environment and customers' habits.
5. Attract new customers through the use of digital marketing tools. Raise competitiveness and customer satisfaction by introducing new products/campaigns, useful features, and optimized procedures.
6. Optimize cash flow/payment tools and platforms; strengthen customer relationships with diverse and convenient cash flow services; increase fee income and expand the resources for demand deposit; and offer mutually beneficial banking solutions.
7. Refine customer segmentation and relationship management. Offer differentiated financial services for target customers, and aim to strengthen customer relationship for overall performance improvement and increased product penetration.
8. Assemble an SME specialist team to work with branches on service differentiation and satisfying customers' needs. Adopt a "professional, focused and localized" service model that supports customer structure and profit optimization, and increase product penetration rate among target/main customers to create value from the banking relationship.

#### ■ Financial Payment Service

1. Transaction acquisition service: Integrate group resources and expand channels in ways that increase market share in transaction acquisition service.

2. New payment service: Cooperate with prominent channels and merchants to develop payment solutions for different business models, and thereby open up new financial service opportunities and support merchants with total solutions.
3. Automated channels: Optimize the efficiency and user interface of automated equipment with customers' experience in mind; cooperate with distribution partners on service differentiation

#### ■ Credit card service

1. Enhance credit card service with digital features, and introduce timely, diverse, and customized services to daily scenarios for customer acquisition and attachment.
2. Develop innovative cash flow services and payment models through strategic alliance, and link merchants and consumers through smart, mobile service platforms.
3. Target development of young and high net worth customers; optimize product and customer structure with a customer-centric focus, and gather transaction data for enhance cardholder relationship management and overall performance improvement.
4. Develop mobile payment solutions on wearable devices. Extend product value with value-adding services and tighten the association between payment and customers' lifestyle.
5. Optimize application experience for interest-accruing products and increase product yield by satisfying customers' capital requirements.

#### ■ Wealth management service

1. Differentiated customer management
  - (1) Develop an in-depth understanding of customer attributes and requirements, offer differentiated privileges and professional services for VIPs, and seek ongoing improvements to customer experience in the wealth management sector.
  - (2) Offer differentiated portfolio recommendations for customers of different "risk profiles" and "investment range" due to market, industry, exchange rate, and interest rate change.
  - (3) Develop and introduce differentiated products that enrich the current

product line and satisfy customers' needs for income-paying, low-volatility, and diversified asset allocation.

## 2. Enhanced professional consultancy service

- (1) Accommodate high net worth customers' needs for differentiated investments by assembling a professional advisory team and developing an integrated platform offering a full product range from investment, insurance, trust to customized bonds to support household asset planning and financial consultation.
- (2) Enhance banking relationship and create wealth management opportunities with high net worth customers and family members through introduction of investment/trust consultation services that address household asset planning and wealth transfer needs.

## 3. Promote and increase coverage of digital investment services

- (1) Given the global movement toward inclusive finance, the Bank will actively adopt FinTech and combine professional resources and smart algorithms throughout the group for the creation of a smart investment platform that helps customers develop their optimal portfolios and help accomplish financial goals at different stages in life.
- (2) Enrich the investment tutorial content on the Bank's website that helps develop the public's awareness toward self-directed, regular and long-term investment.
- (3) Expand digital marketing, strengthen relationships, and penetrate potential wealth management customers through big data and precise CRM information.

## ■ Trust service

1. The Bank will continue to promote "Nursing Trust," a trust product combining trust, insurance and other financial instruments, as an "All in One" wealth management and protection solution in response to the aging society.
2. Transfer of wealth has emerged as the prominent issue among entrepreneurs, which is why the Bank will be focusing on the introduction of children's trust, insurance trust, inheritance trust, share ownership trust and real estate trust to help customers transfer wealth within family. Furthermore, in light of rising consumer awareness, prepayment trust solutions with simplified procedures are being introduced to shape the Bank's professional image and increase fee income.

3. New trust services such as “third-party payment service trust” and “e-voucher escrow trust” will be introduced by combining credit card transaction acquisition and other cash flow services as mobile payment becomes popular. These new trust solutions will help branches attract low-interest demand deposit and grow business opportunities in terms of credit card transaction acquisition and mobile payment.
4. Promote knowledge towards the use and structuring of trust solutions among channels through local and foreign case studies, and develop trusts that are customized specifically to customers’ requirements.
5. Optimize operating procedures and system functions in line with business growth for improved efficiency and satisfaction across internal channels and external customers. Promote real estate escrow trust through branches as a protection for real estate transactions. In light of customers’ new construction practices and the government’s property-financing policies, the Bank will be introducing new real estate trust and urban renewal trust solutions that strike the appropriate balance between risk and returns.
6. Introduce financial innovations in line with market trends and actively engage in internal business collaborations, while at the same time expand the trading platform and functionality to address customers’ investment needs to a higher degree.
7. Continue securities custodian service to local and foreign institutional investors, and complement with bank debenture and credit offerings in line with market trends and customers’ needs for more complete solution.

#### ■ Corporate banking service

1. In light of consistent growth in domestic businesses, the Bank will continue exploring and strengthening business relationship with customers who are in need of trade financing, foreign currency deposit and foreign currency hedging solutions. Meanwhile, project financing and capital market financing solutions will also be introduced to satisfy customers’ needs and build the Bank’s reputation as the best corporate banking partner, and thereby improve overall profitability.
2. Improve asset quality by enhancing corporate credit assessment, increasing disclosure of credit risk; enforcing post-lending management, and enhancing customer risk management.
3. Train and ensure adequate supply of competent corporate banking personnel in line with business growth; improve training/job rotation/promotion systems for

more effective selection, retention and development of corporate banking talents.

4. Introduce innovative offerings of NTD and foreign currency structured deposits; raise competitiveness and market share by enriching the digital deposit platform with better quality and more convenient products and services.
5. Promote cash management platform that spans across the Greater China Region to capitalize on the close trade relations and future deregulations on cross-border RMB service. Aim to become customers' main funding platform by providing more convenient services to corporate customers.
6. Develop complete range of trade financing and cash management products from customers' perspective. Promote transaction-based banking services, particularly import/export trade financing and cash management within the Greater China Region and Southeast Asia, and provide cross-border cash flow services to the needs of customers local and abroad.
7. Utilize media, advertising and marketing channels to promote deposit products and shape the Bank's visibility and reputation as a professional foreign currency service provider.
8. Promote GTS as a corporate banking solution, and thereby entice customers into using Cathay accounts for daily operations. This control over customers' cash flow enables stronger loyalty and brings consistent income to the Bank.
9. Design solutions based on the scale and needs of corporate customers, and provide customers with a more efficient and suitable service.
10. Expand fundamental services such as deposit, loan, trade financing and internet banking, and explore overseas trade financing and cross-border cash management in line with future financial deregulations. Integrate overseas branches into a cross-border service network that offers innovative, robust, complete, and diverse solutions to overseas customers.

#### ■ International banking services

Actively explore and maintain relationship with local financial peers to capitalize on the growth potentials of Asian markets. Coordinate branches toward promoting financial service, creating new commercial model, and enhancing the Bank's influence in Asia, and take steps to become a regional bank.

## ■ Digital banking services

1. Becoming customers' most dependent channel: The Bank will take initiative in customer acquisition and transaction services, and emphasize on building an extensive digital network that delivers complete digital banking solutions.
2. Be the pioneer of innovation and best customer experience: The Bank will aim to deliver seamless, excellent and distinctive customer experience over the digital platform. Observe the customers' needs from a user-centric perspective, and integrate financial innovations to introduce new services that deliver optimal user experience.
3. Creation of cohesive digital ecosystem: Integrate resources within and outside the financial group and coordinate with strategic partners and Fintech providers to develop new financial services/opportunities for the mutual benefit of all parties involved.
4. Customer-specific relationship management (younger generation): Design products and services targeted at customers in the 20-35 age group, and create refreshing, satisfying experiences for the younger generation.
5. Maintenance of digital platform: User workflow, interface and presentation will be optimized depending on the nature of each digital platform to improvement user experience; meanwhile, appropriate product referrals will be made based on customers' browsing history to increase the likelihood of purchase.
6. Optimized digital service experience for corporate customers: Develop mobile banking APP targeted at corporate customers, and introduce mobile capital management service to SMEs for timely fund transfer and account management on the go.

## ■ Investment and treasury marketing

1. Create an end-to-end sales coordination system between channels.
2. Offer viable products based on the needs of different customer segments for strengthened relationships.

## ■ Overseas operations

Grow overseas markets; enhance communication between domestic and overseas channels and create synergies from invested banks. Connect major markets in the



Greater China Region and Southeast Asia; maximize cross-border advantage through product diversity and localization. Provide customers with a convenient and complete cross-border banking platform that supports the Bank's goal of becoming the best financial institution in Asia.

#### (IV) Market analysis

### **1. Analysis of location of business, future market supply, demand and growth, and competition**

#### (1) Supply

① Recent changes in the financial environment coupled with the support of the competent authority have provided banks with the motivation to build a digital banking environment. In addition to making financial services available in digital form, banks are also expanding applications such as mobile payment and big data analysis to provide customers with the ultimate one-stop service experience.

② Due to saturation of the domestic financial market, banks can only rely on product innovation and service differentiation as means to develop a competitive advantage. For this reason, it is within expectation for financial institutions to collaborate and integrate with business partners from different industries and develop new forms of financial service that are different from conventional banking but conform with the current trend.

#### (2) Demand and growth

Steady recovery of the global economy has driven exports and overall economic performance in Taiwan, but due to the heightened basis of comparison, Taiwan is expected to deliver lower economic growth in 2018 than it did in 2017. Meanwhile, salary increment across military and civil servants combined with rising oil prices all point toward rising inflation and neutral economic growth in 2018.

#### (3) Competitive advantage

The Bank possesses many advantages including a reputable track

record, trusted corporate image, broad customer base and diverse products and services. The ability to engage group affiliates in integrated marketing and distribute products through a combination of physical and virtual channels not only creates synergies, but also enables streamlined, convenient and professional one-stop shopping experience that helps strengthen relationships and raise satisfaction for wholesale and consumer banking customers alike.

## **2. Future opportunities, threats, and response strategies**

### **(1) Opportunities, threats, and response strategies in Taiwan**

#### **■ Opportunities**

- ① The Bank possesses several advantages including a large customer base, an expansive branch network, and the support of diverse products from group affiliates. These advantages combined with the availability of both physical and virtual channels has enabled the Bank to support customers with timely, suitable, and local services.
- ② The government continues to relax its restrictions on the credit activities of local banks, and has kept an open mind towards Bank 3.0 integration and new financial services that emerge from it. This level of active support helps local banks develop innovative capacity toward financial technologies, which opens up new business opportunities and new customer prospects for the banking industry.
- ③ The Bank operates a network of 164 branches. This extensive branch coverage brings the Bank close to local customers and allows it to engage SME customers and related parties in total and timely financial interactions that not only enhance the depth and breadth of banking relationships, but increases revenues for the Bank as well.
- ④ Spending from a growing base of credit card customers continues to contribute to big data, which helps the Bank identify customers' needs.
- ⑤ The Bank is the largest credit card issuer in Taiwan, and has the advantage to support merchants with full range of cash flow, products and services with the support of group resources.
- ⑥ Owing to the government's ongoing support for the "Electronic

Payment Popularity Enhancement Program,” which aims to raise popularity of electronic payment to 52% by 2020 and popularity of mobile payment to 90% by 2025, convenience stores and many other merchants characterized by small, high-frequency purchases have begun accepting credit card as a payment tool. Over time, the program should develop consumers’ credit card payment habit and strengthen their attachment towards credit cards. In the future, we expect large merchants to be the more capable ones supporting government policy, while small and medium merchants may also become more receptive to the new payment option, and contribute their efforts to attract general consumers into using new payment tools.

- ⑦ With respect to automated channels, regulations are being amended to provide greater flexibility. Furthermore, the domestic economy appears to be recovering steadily.
- ⑧ Expansion of the global economy continues. The world’s major research institutions are generally optimistic about the future economic outlook; with leading indicators pointing upwards, economic recovery should continue into 2018 with the manufacturing sector taking charge. Demand for capital and investor confidence should rise among the corporate world, which favors banks particularly with regards to their lending service. The Bank will capitalize on this trend by providing corporate customers with more professional and diverse services, and ultimately improve operating performance.

#### ■ Threats

- ① It is difficult for banks to enjoy excess profit margins due to saturation of the domestic financial market and the prevailing low-interest environment. Furthermore, given the rapid changes in financial products and the banking environment, banks have to constantly adjust and adapt, which presents major challenges to future operations.
- ② Banks are facing challenges from new financial service providers as recent deregulations no longer make banking an exclusively chartered

business.

- ③ The financial industry as a whole is struggling to improve competitiveness due to slow regulatory adjustments, a saturated financial market, and the low-interest environment they operate in. Furthermore, the types of service activities offered among peers are so highly homogeneous that there is little margin to be generated from conventional banking products. As a result, the local financial industry has been unable to achieve any significant improvement in business performance, and has fallen substantially behind other banks in Asia Pacific in terms of growth and profitability.
- ④ Credit cards are now being used solely as a payment tool, which makes commissions and fees the primary form of income. In an attempt to acquire new customers, banks are promising higher levels of product privilege and incurring high marketing costs that undermine the industry's profit potentials.
- ⑤ The Bank made a late entry into the transaction acquisition service, and due to intensive competition among peers, this service segment has proven difficult to profit from.
- ⑥ Competition of new payment tools should remain intense throughout 2018. The most difficult challenge now is to stand out amidst the many banking and non-banking payment tools and win the acceptance of consumers and merchants.
- ⑦ With regards to automated channels, enhanced information security measures have the potential to undermine system performance, and it may be difficult to find the right balance between convenience and money laundering prevention.

■ Response measures

- ① Integrating across devices, platforms and physical/virtual channels, provide digital cash flow service and enhance account collection/payment functions to become the customers' primary banker.
- ② Leverage existing customers for service referral, incorporate government resources for debt assurance, and grow relationship with high-potential customers through local, professional and efficient services.
- ③ Adopt a customer-centric business model that integrates services, products and distribution to satisfy customers' banking requirements and deliver uniform service experience across channels.
- ④ Enhance information-gathering capacity and analyze relevant data for identification of potential customers. Combine digital banking with branch services to deliver sound customer experience and raise customers' satisfaction.
- ⑤ Form strategic alliance with business partners and explore new payment applications in line with mobile payment trends; optimize customer experience and develop lifestyle-associated banking services for brand differentiation.
- ⑥ Enhance the banking relationships with high net worth customers and attract young customers. Explore customers' potential needs and satisfy them with suitable products and services. Create group synergy from cross-selling.
- ⑦ In terms of transaction acquisition, the Bank will aim to make more effective use of group resources and expand distribution through branches and Cathay Life Insurance's sales representatives. The Bank will also explore hardware integration with business partners such as FamilyMart for cost reduction benefits.
- ⑧ As for new payment services, the Bank will continue searching for suitable applications, aim to cooperate with merchants on multiple levels through group affiliates, and create a complete service ecosystem by developing user habits among target customers.

⑨ With regards to automated channels, the Bank will actively anticipate future deregulations and make preparations and procedure optimizations accordingly for improved customer experience.

⑩ Given the rapid evolution of financial products, the financial industry remains desperately in need of competent talents, which is why the Bank will continue implementing systematic training for talents local and abroad, and aim to build a workforce of adequate quality, quantity and professional characters to support corporate banking growth.

(2) Opportunities, threats, and response strategies in overseas markets

■ Opportunities

The Bank's target markets still presents significant business opportunities given their strong growth potentials and favorable conditions.

■ Threats

Supervisory standards have tightened around the world, increasing overall compliance cost.

■ Response measures

① Enhance the robustness of compliance and risk management systems and enforce accordingly.

② Enhance risk management and customer analysis for more effective management of risk; grow overseas markets with an innovative yet consistent strategy.

(V) Research and development of new financial instruments

1. New financial instruments and business departments introduced in the last 2 years, and their current size and profitability up till the publication date of annual report:

(1) Consumer banking

Item	End of 2017	End of 2016
Deposit balance	\$2,080.8 billion	\$2,014.6 billion
Mortgage (including: home equity loan) balance	\$672.5 billion	\$600.5 billion
Unsecured credit balance	\$59.7 billion	\$46.7 billion

- ① Deposit balance amounted to NT\$2,080.8 billion at the end of 2017, up NT\$66.2 billion and 3.3% from the end of 2016, and NT\$1,291.1 billion of which were demand deposit while NT\$789.7 billion of which were time deposit.
- ② At the end of 2017, outstanding balance across mortgage products (including: home equity loan) totaled NT\$672.5 billion, up NT\$72.1 billion or 12.0% from the end of 2016.
- ③ At the end of 2017, outstanding balance across unsecured products totaled NT\$59.7 billion, up NT\$13 billion or 27.71% from the end of 2016.

(2) Treasury

- ① Introduced new services: “foreign currency principal-linked interest rate swap,” “foreign currency interest rate option” and “structured multi-currency exchange rate options” (approved by Department of Foreign Exchange, Central Bank of R.O.C., under Letter No. Tai-Yang-Wai-VII-1040004931 dated February 6, 2015).
- ② Introduced new service: “foreign currency swap” (approved by Department of Foreign Exchange, Central Bank of R.O.C., under Letter No. Tai-Yang-Wai-VII-1040012268 dated March 27, 2015).
- ③ Introduced new services: “foreign currency principal-linked interest rate swap,” “foreign currency interest rate option,” “foreign currency interest rate swap option” and “structured redeemable foreign equity options (principal protected)” (approved by Department of Foreign Exchange, Central Bank of R.O.C., under Letter No. Tai-Yang-Wai-VII-1040039850 dated October 8, 2015).
- ④ Introduced new service: physical delivery for structured equity

instruments (June 24, 2015).

- ⑤ Introduced new service: NTD non-delivery forwards at overseas branches (February 20, 2017).

2. R&D expenses and outcomes in the last two years, and future R&D plans:

(1) Research and development expenses in the last 2 years:

Unit: NT\$ thousands

Year	2016	2017	2018 estimate
Amount	284,548	297,277	410,404
Growth rate (%)	-27.11%	4.47%	38.05%

(2) Research and development outcomes completed in 2017

Name of major project	Costs invested (NT\$ thousands)
Direct connection with credit card organization and establishment of Tokenization for digital payment	20,790
MMB new mobile banking APP development	15,750
ERM digital correspondence system development	8,453
Payment Hub	29,862
Enterprise architecture management system (EAMS)	8,200
Enterprise Metadata Manager (EMM)	8,622
Private cloud platform development	53,000



### (3) Future R&D plans and progress

March 31, 2018

Plan/project in the recent years	Progress	Expected R&D expenses to completion (NT\$ thousands)	Estimated time of completion	Factors critical to the success of research and development
Performance management system enhancement (PA/FTP/ALM)	Planning	23,612	2018/12/31	Conformity with user requirements
Payment Hub	In progress (50% incomplete)	2,207	2018/12/31	Conformity with user requirements
Intelligent customer service	In progress (60% incomplete)	32,681	2018/12/31	Conformity with user requirements
Corporate banking CRM+eLoan system development	Planning	150,000	2019/8/31	Conformity with user requirements
Development of globalized service monitoring center	Planning	20,000	2018/Q4	Conformity with user requirements

### (VI) Long and short-term business plans

#### 1. Short-term plan:

##### (1) Consumer banking

- ① Continue coordinating joint marketing efforts between group subsidiaries and expand customer base. Utilize the cash flow network to provide integrated financial products and services and create synergy.
- ② Apply data mining technology to refine prediction models and identify target customers that the Bank may satisfy with exclusive products and services for increased profit contribution.
- ③ Develop standardized credit products and automated application procedures for more efficient and streamlined financial service.
- ④ Enhance basic account functions, integrate physical and virtual channels, and introduce digital applications to provide deposit holders with better and more complete multi-channel experience.

- ⑤ Actively develop digital cash flow service for increased account utilization; aim to become customers' main banker and increase demand deposit balance.
- ⑥ Introduce products/projects of high versatility and improve flexibility and convenience of operating procedures to support sales promotion efforts.
- ⑦ Aim to expand customer base and revenue contribution particularly from high net worth individuals; introduce integrated solutions aimed at enhancing product attachment.
- ⑧ Organize systematic training that enhances professional capacity of SME AOs.

(2) Trust service

- ① Offer total asset allocation and trust planning service to customers. Engage customers in in-depth discussions through a professional team to establish customers' needs, and use trusts as complete solutions to customers' wealth transfer needs.
- ② Continue promoting "Nursing Trust" as a wealth protection solution for customers aged 55 or above and persons with disability. Advertise trust as a professional way to manage and protect money, shares and real estate property, as well as a customizable solution that enables service differentiation, relationship management and increase of fee income.
- ③ Expand the scope of "Prepayment Trust" service to cover digital reward points, vouchers and prepaid gym membership fees, thereby helping businesses comply with legal requirements while at the same time protect consumers' interests. Combined with cash flow services such as credit card transaction acquisition and WebATM, the Bank will ensure that proceeds are credited into trust as soon as they are paid, and in doing so alleviate customers' trouble and create opportunities for service revenues.

(3) Credit card service

- ① Target young and high net worth customers; optimize products and strengthen cardholder relationship with a customer-centric focus; analyze transaction data for greater insight into customers' needs, and cross-sell to improve overall performance.

- ② Continue collaborating with strategic partners to develop innovative cash flow services and diverse payment options over mobile service platform.
- ③ Attract new customers by enhancing digital functions and applications to credit cards and introducing services that are relevant to different lifestyle scenarios.
- ④ Optimize application experience for high-margin products and increase credit card revenues by satisfying customers' capital requirements.
- ⑤ Establish strategic alliance to further expand payment scenarios. Improve user experience and hence raise customers' loyalty.

(4) Corporate banking

- ① Expand, train and deploy workforce in line with corporate strategies with a sustainable focus, and build the foundation needed to support organizational growth and business targets.
- ② The Bank will continue to expand its primary customers and offer trade financing, foreign currency hedging and cash flow as the primary forms of service. By increasing the size of quality customers and strengthening credit and banking relationship, the Bank aims to maintain consistent growth of its profitability.

(5) Offshore Banking

- ① Explore RMB services and China's inland markets for foreign currency opportunities.
- ② Continue developing a product performance system that keeps track of product profitability.
- ③ Establish networks throughout Southeast Asia to capitalize on the growth trend.
- ④ Expand product line for supply chain partners.
- ⑤ Establish a corporate customer service center that provides one-stop services for the optimal experience.

(6) Digital banking

Adopt a user-centric approach and develop innovative financial services from the needs of young customers, and aim to deliver the best service

experience.

(7) Payment service

- ① Transaction acquisition service: Expand merchant size and strive to collaborate with industry leaders.
- ② New payment service: Design new payment solutions to support the business models of different merchants.
- ③ Automated channels: Deliver customer-centric experience, reduce cost and optimize service process.

(8) Investments and financial products

- ① Introduce new bonds while strengthen flows and derivative products to increase non-currency derivative transactions with corporate customers.
- ② Create end-to-end sales coordination system between channels and explore active traders.
- ③ Amend internal policies for improvements to product launch and suitability review process. Ensure proper allocation of risk management duties between front, middle and back offices.
- ④ Enhance KYC and KYP practices; evaluate customers' risk tolerance at greater precision and minimize risk of complaint.

2. Long-term plan:

(1) Consumer banking

- ① Adhere to a customer-centric business approach and offer diverse financial services to accommodate customers' distinctive characteristics. Optimize service interface and deliver good customer experience for enhanced relationship and performance.
- ② Apply big data analysis on customers' data; develop competitive advantage by identifying and anticipating target customers' needs and preferences and market accordingly.
- ③ Utilize group resources and integrate manpower, sales channels and product lines into coordinated marketing efforts and create synergy in

business development.

- ④ Adopt the optimal asset/liability structure for improved capital efficiency and profitability, and increase fee-based income for more effective capital utilization.
- ⑤ By integrating virtual and physical channels and consolidating customers' digital trail, we aim to deliver the right products and services at the right timing, and utilize new technologies to develop more variety and more convenient trading methods.
- ⑥ Leverage brand advantage and channel dominance; integrate group resources toward structuring mutually beneficial product offerings and delivering the ultimate one-stop shopping experience.
- ⑦ The Bank plans to enhance the functionality of its digital platforms by introducing more variety of payment tools and establishing service connections for greater customer experience. In response to the digital banking trend and changes in customers' banking habits, physical branches will be gradually transformed into consultative service outlets for more in-depth and more valuable banking relationship management.

(2) Trust service

- ① Promote trust as a tool for property protection, inheritance transfer, family care, wealth accumulation and consumer protection, and build the Bank's professional image as a trust service provider.
- ② Promote "Charity Trust" as a way for businesses or individuals to donate to the socially disadvantaged and sponsor charity events and its potentials to protect wealth while contributing a positive influence to the society.
- ③ Introduce innovative, digital products in line with changes in trust laws, new technologies, new service models and new market trends, and optimize existing trust systems and procedures to deliver the best service to investment, trust and custodianship customers.

(3) Credit card service

- ① Continue building new brand image through innovation and digital transformation.
- ② Integrate group resources and market products to the group's broad

customer base for maximum synergy.

- ③ Monitor market trends and changes in consumers' behavior, explore consumers' demands, optimize product portfolio, and introduce cardholder privileges and campaigns for differentiation and improved brand competitiveness.
- ④ Explore consumers' needs by analyzing big data and mobility trends; collaborate with merchants to offer discounts and promotions, which in turn raises brand significance and value in customers' minds.

#### (4) Corporate banking

The Bank will adhere to its sustainable strategies and make ongoing upgrades to organization, personnel development, training and system hardware/software in order to accomplish the organization's medium-term and long-term growth targets.

#### (5) Offshore Banking

- ① Connect branches and partner platforms local and abroad to grow trade financing and cash management services within the boundaries permitted by law. Offer convenient financial services to customers' needs while at the same time improve accessibility of capital in ways that make Cathay United Bank the preferred bank to maintain a cross-border operations account.
- ② Develop a fully featured digital channel for deposit services and optimize customers' experience in virtual and physical channels; strengthen banking relationship with customers for increased volume of foreign currency deposits and currency exchange.
- ③ Create a global supply chain financing platform.
- ④ Leverage Cathay Group's local and overseas offices and business partners into creating an integrated worldwide service platform; grow cross-border banking services in the Greater China Region and Southeast Asia through financial hubs such as Hong Kong and Singapore.
- ⑤ Monitor digital banking trends, encourage innovative product design and business model, and utilize data analysis to help predict customers' behaviors and capital requirement for improved marketing precision.

(6) Digital banking

Replicate successful experience of digital channels and improve competitive advantage as an Asian regional bank.

(7) Payment service

- ① Transaction acquisition: Secure market share and support merchants with total cash flow services for consistent profits.
- ② New payment service: Explore new payment solutions in line with market trends and channels.
- ③ Automated channels: Expand cooperation with channel partners to develop innovative business models

(8) Investments and financial products

- ① Make ongoing improvements to product quotation system for enhanced service quality and efficiency.
- ② Introduce broader variety of products and services and assist channels with their sales efforts to expand customer reach.
- ③ Enhancements will be made to the risk management platform to improve overall control of sales risk.

(9) Overseas operations

Introduce an upgraded global Internet banking system that connects all overseas branches/subsidiaries for more effective offering of corporate banking products/services across borders. Make ongoing optimization to the user interface for increased customer satisfaction and attract new customers into the Bank's service network. Meanwhile, the Bank will be applying its extensive experience in structured corporate financing on syndicated loans. Combined with the offering of capital market products and services, the Bank will be making the best use of its advantages for the exploration of valuable corporate banking customers overseas, and implementing localized business management for greater revenue prospects.

**II. Employee background, professional certification and education in the last two years:**

March 31, 2018

Year		2016	2017	As of March 31, 2018
Number of employees	Managers	745	776	777
	General employees	9,306	9,693	9,744
	Total	10,051	10,469	10,521
Avg. Age		36.19	36.39	37.05
Average years of services		8.15 years	8.33 years	8.42 years
Highest educational attainment	Doctorate	0.08%	0.09%	0.10%
	Master	17.70%	17.94%	18.02%
	University/college	77.35%	76.87%	76.98%
	High School	4.84%	5.07%	4.88%
	Below High School	0.03%	0.04%	0.02%
Professional certificates held by employees	Basic Proficiency Test for Bank Internal Controls	6,351	6,758	7,157
	Qualification Exam for Personal Insurance Representative	6,290	6,649	6,639
	Qualification Exam for Investment-orientated Insurance Product Representative	2,766	3,033	3,055
	Qualification Exam for Non-Life Insurance Representative	6,303	6,545	6,575
	Proficiency Test for Trust Operations Personnel	5,894	6,157	6,262
	Proficiency Test for Financial Planning Personnel	1,687	1,704	1,691



### III. Corporate responsibility and moral conduct

The Bank was the pioneer in the financial industry, starting with the establishment of Cathay United Bank Foundation in 1980 followed by the founding of Cathay United Art Center in 2000. Driven by its mission to “give back to society,” the Bank has since been active in public welfare activities including offering of study aid, supporting charity sponsorship, holding cultural/arts events, and consignment charity. The Bank is highly committed in fulfilling corporate social responsibilities and organizes charity events through Cathay United Bank Foundation. A list of major events organized by the Foundation in 2017 are presented as follows:

1. “Elevated Tree Program— Grow A Big Tree From A Shoot” series:

① Elevated Tree Program Scholarship:

In April and October, the Foundation made 2 donations under the Elevated Tree Program for a total of NT\$10 million. These donations were intended to cover tuition fees for students from financially disadvantaged families and those who fell victim to tragic events. Donations were made to 713 elementary and junior high schools in Miaoli County, Changhua County, Yunlin County, Chiayi County, Taitung County and Yilan County to a total of 6,937 beneficiaries. Since the program first started in 2004, more than NT\$145 million in donations have been made to the benefit of nearly 93,000 children. Cathay United Bank Chu Lai Branch, too, responded to the Program and introduced its own “Elevated Tree Program - Vietnam” since 2008. In 2017, the Chu Lai Branch and the foundation jointly donated VND 590 million in scholarship that benefited 980 people.

② Donating coats in collaboration with Ever Shine Y&F Co., Ltd. and Ever Shine I&F Co., Ltd.:

Ever Shine Y&F Co., Ltd. and Ever Shine I&F Co., Ltd. are two of the world’s top-20 suppliers of fabric materials, and are two very important customers to the Bank. Ever Shine Y&F Co., Ltd. Chairman Johnny Shen and Ever Shine I&F Co., Ltd. Chairman Sally Yeh had sponsored the “Elevated Tree Program” through action, donating nearly 3,600 winter coats to students in remote locations in 2017.

③ Elevated Tree Program Lectures:

15 lectures were held in Taipei City, Taichung City and Taitung County to an audience size of nearly 2,900. Since the Program first began in 2008, more than 140 lecture sessions have been held to an audience size of more than 20,000.

④ Love Without Barriers:

In order to fully preserve the contents of “Elevated Tree Seminars,” the Bank published the 5th volume of “Love Without Barriers,” which features a collection of knowledge verbally communicated by experts and scholars of parental education. 15,000 copies of the publication were printed and placed at the Bank’s branches where customers and the general public may access free of charge. A total of 75,000 copies have been printed to date since the first publication was made in 2013.

2. Art and cultural events:

① Art exhibitions at Cathay United Art Center:

In 2017, Cathay United Art Center continued inviting renowned Taiwanese artists to host a variety of exhibitions, and organized exhibitions for winning young talents at Cathay Arts Festival as well as charity exhibitions for persons with disabilities. The art center provides the public with a modern, comfortable exhibition space for arts and charity purposes. The Art Center has hosted 130 exhibitions since it was first founded in 2000.

② “Art Talk Lectures” held at Cathay United Art Center:

The 2017 Art Talk Lectures focused on two main themes: “abstract art” and “human culture.” They provided the audience with opportunities to explore the “inner beauty” expressed through abstract art, and learn how to appreciate the “human culture” in realistic artworks. Meanwhile, several artistic events involving real artists were held to support the themes of the exhibitions.

③ Charity auction of specially designed calendar:

In 2017, the Bank designed a 2018 calendar with the theme “Happiness through Arts,” which featured the works of 12 renowned Taiwanese artists including Shou-Ying Wang, Fu-Rong Hsiao, Hsien-Fa Su, Yung-Fu Yang, Lung-Chi Le, Mai-Hua Chi, Fan-Rong Yeh, Chang-Ta Chien, Chin-Lung Huang, Cheng-Lang Li, Rong Lin and Ruei-Ming Su. By presenting life, nature and beauty through the eyes of these artists, the art center hopes to bring colors into people’s lives throughout the year and help them rediscover happiness. Proceeds from the auction of albums, calendars and artworks were entirely donated to support the studies of disadvantage children.

3. Sponsored events:

① Dining and Sharing Campaign:

The Bank makes regular donations through the Foundation to purchase breakfast meals for students in remote locations. A total of NT\$3,340,900 were donated to 7 schools (Hansi Elementary School, Datong Elementary School, Skikun Elementary School, and Nanshan Elementary School in Yilan County,

and Xinyi Junior High School, Luona Elementary School and Tumpu Elementary School in Nantou County) for the benefit of 1,058 children. Since the campaign started in 2013, it has donated more than NT\$13 million in 210,000 breakfast meals for the benefit of 4,400 people.

② Other sponsored events included:

“The 80th Tai-Yang Art Exhibition” by Tai-Yang Art Association, “Eastern Taiwan Nurse Education Program” by Mennonite Christian Hospital, participation in “2017 Musica Eterna Roma International Choir Festival & Competition” by PUZANGALAN Children’s Choir, “Seeds of Hope” scholarship for National Taiwan College of Performing Arts, special screening of “Turn Around,” “New Year Concert” by Taipei Philharmonic Civic Chorale, “Art Contest Charity Exhibition for Persons with Mental Disability” by Yu-Cheng Social Welfare Foundation (in which Cathay United Art Center had sponsored venue for the event), Mid-autumn “Love and Gathering” event by Taipei Happy Mount and Down Syndrome Foundation R.O.C., and the “2017 Neighborhood Sports Program.”

4. Charity events co-sponsored with group affiliates:

Cathay Charity Group continued its “Cathay Children’s Camp” and focused on the theme of “multidimensional learning, future prospects” that incorporated a number of topics from human, arts, culture to investment, and offered young students a multitude of courses to learn useful knowledge. “Giving Winter Warmth” - an event that enabled children in remote areas to receive care from the society. “Cathay Scholarship” - a program that sponsors top-performing high school students from financially disadvantaged families, and rewards young talents for their special contribution, international honor, or devotion to culture, education, community, environment, or financial technology development. “New Immigrant and Offspring Education” - a series of activities including: “Multi-cultural Learning,” “Tutor’s Workshop,” “International Conference for Experienced-based Cultural Education,” and “Eden Charity Auction” were organized under this program to raise public awareness and direct the public’s attention to the socially disadvantaged. The charity auction was held at Sun Yat-Sen Memorial Hall, and proceeds from the auction were entirely donated to Eden Social Welfare Foundation, where they were used to care for new immigrants and their offspring. The diverse activities and services mentioned above are a good indication of the Bank’s commitment in charity and social responsibilities. In the future, the Foundation will continue to support charity events of all kinds so that love and warmth can be spread to all corners of the society.

**IV. Number of employees who are not in supervisor positions, the annual average employee benefit expenses, and the differences comparing to the previous year**

Unit: persons/ NT\$ thousands

Year	2017	2016	Difference
Number of non-managerial staff	9,693	9,400	293
Average employee benefit expenses	1,234	1,221	13

**V. Information System**

Overview of main IT equipment used by the Bank:

(I) Key information system setup and maintenance:

1. Host:

- (1) Core system hardware: IBM RS/6000 P795 and P770.
- (2) Core system software: OS - IBM AIX; DB – Oracle and IBM DB2
- (3) Credit card hardware: IBM 2818-S01.
- (4) Credit card software: IBM Z/OS, CICS TS, VTAM.
- (5) FX hardware: IBM P770.
- (6) FX software: IBM OS/400 and DB2/400.

2. Open system Windows and Linux platform :

(1) Hardware:

①The open system Windows and Linux platform host runs on multi-core servers manufactured by IBM, HP, LENOVO and DELL.

②Disk drive: HDS (Hitachi Data Systems) and EMC.

(2) Software:

- ①Windows Server
- ②SQL
- ③WWW
- ④e-mail
- ⑤VMware
- ⑥Oracle DB
- ⑦Hadoop

(II) Future development or procurement plans:

1. Host:

- (1) Upgrade of mainframe and disk drive
- (2) Establishment of next-generation web application firewall (WAF)
- (3) Upgrade to Windows 2016 operating system
- (4) Consolidation and upgrade of MS SQL database

2. Network

- (1) Network/security equipment replacement and performance upgrade at data center - Upgrade of firewall and load-balancing equipment.
- (2) Replacement of branch IP management system
- (3) Establishment of network performance management measures

3. Terminals

- (1) Enhance support for mobile devices
- (2) Enhance security on notebook PC
- (3) Enhance security on Apple devices

4. Information security

- (1) Implement defense against DDOS
- (2) Expand the intrusion detection and prevention system
- (3) Implement network access control (NAC) system.

5. IT service and test planning management

- (1) An information service platform will first be implemented at overseas branches during the initial stage. This platform will allow overseas branches to report information incidents and communicate more effectively with Head Office's IT Division on matters concerning information service.
- (2) A test environment will be created for the test center with ALM standard controls and tools implemented for better version control and deployment efficiency.
- (3) The overall test procedure and stage-by-stage test activities, roles, methods and standards will be re-designed to ensure quality at various stages of development.

(III) Emergency backup and security:

1. Emergency disaster recovery Measures:

(1) Host

Use EMC SRDF and IBM PPRC remote DR solution; through the high-speed optical fiber de-multiplexer and DWDM, disk drive synchronizes local transaction data to remote DR center to ensure there is no data inconsistency.

(2) Open system Windows and Linux platform host

Important servers use storage area network (SAN) technology to engage in real-time data remote DR so that CUB's major operation won't be interrupted accordingly.

(3) Network

For Internet system's DR, important routers and exchangers adopt center LoadBalance approach for implementation and are connected to remote DR center via DWDM to ensure client's connection quality.

2. Safety protection measures:

In terms of security protection, all external systems, application mainframes, terminal and network equipment are being guarded by a tiered information security protection system that incorporates measures such as: advanced network firewall, network system firewall, intrusion detection, APT protection etc. Cope with the intelligent and automatic information security monitor system to effectively defend and monitor and security of internet and systems. In addition, the Bank also inspect and evaluate the computer security structure at all times, which comprehensively inspect information security, internet control system, anti-virus and anti-hacking, and recovery plan. We continue to conduct the corresponding information security defense strengthening mechanism under the principle of concurrently attending security and convenience in order to reduce the risks of data leaking and external malicious intrusion threats. We comprehensively and efficiently improve the computer and internet security to protect customer's transaction service quality.

## **VI. Labor Relations**

(I) Employee welfare, retirement system and implementation, employment

negotiation and protection of employees' interest:

1. Employee benefit measures:

Apart from mandatory coverage such as Labor Insurance and National Health Insurance, the Bank also arranges term life insurance, accident insurance, cancer insurance and travel insurance and offers dependent medical insurance and wedding/funeral/childbirth subsidies to give employees the ultimate peace of mind throughout their employment. In terms of skill improvement, the Bank subsidizes employees in various activities from professional certification, computer learning to language courses. For the creation of a friendly and healthy workplace, the Bank has arranged a series of programs including maternity protection, healthcare, mental counseling, massage service, club activities, travel subsidy, jogging and weight loss to achieve its goal.

2. Pension system:

The Bank has implemented its retirement system in accordance with the Labor Standards Act and Labor Pension Act. The Bank engages an actuary to make relevant calculations for its pension fund, and makes monthly contributions to the labor pension fund account. The pension fund is reported on a regular basis. Following the implementation of Labor Pension Act (i.e. New Pension Scheme) on July 1, 2005, the Bank has been making monthly contributions equal to 6% of monthly salary for employees whom the New Pension Scheme is applicable. These contributions are credited into the employees' personal accounts held with the Bureau of Labor Insurance.

3. Employment negotiation and protection of employees' interests:

The Bank convenes regular labor-management meetings as required by the Labor Standards Act. These meetings provide the opportunity to discuss material issues concerning employment and labor regulations, and are intended to promote interaction and communication between the employer and employees so that actions can be taken to maximize mutual interest between staff and the Bank. In addition, the Bank uses communication channels such as new recruit seminars, regional meetings, and the feedback system to gather employees' suggestions, convey core value, and thereby achieve the above. These communication channels not only provide employees with broader means to express opinions, but also enable the Bank to respond more promptly to the needs of individual staff

and help them adapt to changes within the organization.

In terms of employee protection measures, the Bank has developed work rules in accordance with Labor Standards Act and implemented with the authority's approval. The work rules not only protect employees' basic work rights, but also emphasize on the protection of female employees, employees of indigenous origin, and employees with disabilities. The Bank has created an employee assistance hotline (extension 8885 for the Head Office's main line) and mailbox (8885@cathaybk.com.tw) in accordance with the Employee Assistance Hotline Establishment Guidelines. All matters raised through the above grievance channels are kept strictly confidential with informants' identities protected. The Bank has dedicated personnel available to assist employees on various issues from personnel policy, staff management, interpersonal relationship, career planning, overtime, to leave of absence. Together, they bridge communication between managers and employees within the organization.

Overall, the Bank complies with labor regulations of the home country, respects employees' right to express opinions and develops management policies based on the above principles. There are also transparent channels in place to promote employees' awareness and protect their rightful interest.

(II) Losses as a result of labor inspection and employment dispute in the last year up till the publication date of annual report:

1. According to the decision letter issued by Taipei City Department of Labor on February 7, 2017, the Bank exhibited a violation against Article 35 of Labor Standards Act during the previous labor inspection and for which it was fined NT\$20,000. Remedial measures and rectifications were taken shortly after the violation.
2. According to the decision letter issued by Kaohsiung City Department of Labor on September 15, 2017, the Bank exhibited a violation against Article 24 of the Labor Standards Act during the previous labor inspection and for which it was fined NT\$20,000. Remedial measures and rectifications were taken shortly after the violation.
3. The Bank has made changes, including improvements to work rules and



attendance policies, in line with rising labor awareness and Labor Standards Act amendments. As a result, no losses have occurred in recent years in relation to employment disputes. In addition to complying with laws, the Bank will continue to protect employees' rights through means such as meetings and system reminders. Issues concerning workers' rights will also be monitored closely to avoid losses in relation to employment disputes.

## VII. Important contracts and commitments

Contract Type	Contracting Party	Contract start/end Date	Major Content of the Contract	Restriction Clause
The assignment of performing loan assets	BANK OF EAST ASIA	March 10, 2017	To assign performing loan assets in the amount of US\$20,000,000.	None
The assignment of performing loan assets	Mega International Commercial Bank Co., Ltd.	April 14, 2017	To assign performing loan assets in the amount of US\$15,000,000.	None
The assignment of performing loan assets	Shin Kong Commercial Bank Co., Ltd.	April 14, 2017	To assign performing loan assets in the amount of US\$10,000,000.	None
The assignment of performing loan assets	Southern Debt Trading Joint Stock Company(SDTC)	April 14, 2017	To assign non-performing loan assets in the amount of US\$13,776,913.83.	None
The assignment of performing loan assets	Bank of China Limited, Singapore Branch	June 12, 2017	To assign performing loan assets in the amount of US\$15,000,000.	None
The assignment of performing loan assets	Hua Nan Commercial Bank	July 17, 2017	To assign performing loan assets in the amount of US\$22,000,000.	None
The assignment of performing loan assets	KGI Bank, Taishin International Bank, Taiwan Cooperative Bank, Mega International Commercial Bank	November 3, 2017	To assign performing loan assets in the amount of US\$34,515,000.	None

**VIII. Securitized commodities approved under Financial Asset Securitization Act or Clauses of the Real Estate Securitization Act in the last year.**

None in 2017.

## Six. Financial Status

### I. Summary balance sheet and statement of comprehensive income for the last 5 years

#### (I) Summary consolidated balance sheet - IAS-compliant

Unit: NT\$ thousands

Item	Financial information for recent years (Note 1)				
	2017	2016	2015	2014	2013
Cash and cash equivalents, due from the Central Bank and call loans to banks	191,122,312	135,225,335	163,643,976	293,771,857	220,184,807
Financial assets at fair value through profit or loss	311,985,059	199,317,591	254,927,251	151,777,614	163,059,557
Financial assets available for sale	148,480,669	156,153,959	134,023,021	86,472,645	67,908,890
Derivative financial assets for hedging	-	-	-	448,745	837,179
Securities purchased under agreements to resell	87,483,656	38,139,919	44,508,936	33,059,521	7,645,763
Receivables - net	76,980,817	80,268,406	82,020,776	78,822,672	120,778,165
Income tax assets - current period	-	-	-	-	-
Available-for-sale assets - net	-	-	-	-	81,950
Discounts and Loans - net	1,434,558,167	1,437,530,908	1,127,807,127	1,119,281,103	1,031,105,321
Held to maturity financial assets	34,345,085	47,938,864	52,518,777	53,070,618	51,395,078
Investments accounted for using the equity method - net	1,744,047	1,708,349	1,723,177	1,647,167	1,626,674
Assets subject to restriction	-	-	-	-	-
Other financial assets - net	388,288,869	397,478,381	442,765,488	369,337,391	280,294,167
Property and equipment - net	24,873,298	24,898,412	25,221,503	22,868,752	22,864,329

Item	Year	Financial information for recent years (Note 1)				
		2017	2016	2015	2014	2013
Investment properties - net		1,547,372	1,554,600	1,635,249	4,308,182	4,479,508
Intangible assets - net		7,785,984	7,821,006	7,579,638	7,404,527	7,374,860
Deferred tax assets - net		2,223,266	1,410,010	1,864,066	1,689,912	1,566,757
Other assets		24,285,305	37,222,811	43,137,917	19,997,064	7,681,266
Total assets		2,735,703,906	2,566,668,551	2,383,376,902	2,243,957,770	1,988,884,271
Due to the Central Bank and call loans from banks		90,417,859	77,493,795	41,226,909	58,816,432	56,985,225
Bankers acceptances and funds borrowed		-	-	-	1,585,900	1,497,500
Financial liabilities at fair value through profit or loss		87,407,651	88,136,984	100,397,997	57,714,826	11,271,187
Derivative financial liabilities for hedging		-	-	-	-	-
RP bill and bond liabilities		109,941,425	56,752,751	54,037,877	59,689,306	58,681,600
Payables		23,457,177	24,001,845	18,313,238	22,148,652	15,156,034
Income tax liabilities-current period		439,896	294,602	416,788	668,367	425,533
Liabilities directly related to assets pending for sale		-	-	-	-	-
Deposits and remittances		2,098,367,963	2,032,599,788	1,881,657,210	1,739,023,267	1,615,860,463
Bonds payable		63,350,000	51,900,000	51,900,000	67,613,949	52,417,213
Preferred share liabilities		-	-	-	-	-
Other financial liabilities		66,057,646	61,566,809	67,227,106	79,842,351	36,145,158
Provisions		3,187,664	3,053,964	3,199,030	2,779,298	2,682,960
Deferred tax liabilities		1,712,831	1,611,210	1,936,821	1,501,860	677,593
Other liabilities		9,056,227	9,288,867	6,295,131	4,956,119	4,457,271

Item	Year	Financial information for recent years (Note 1)				
		2017	2016	2015	2014	2013
Total liabilities	Before distribution	2,553,396,339	2,406,700,615	2,226,608,107	2,096,340,327	1,856,257,737
	After distribution	(Note 3)	2,417,515,587	2,237,030,047	2,106,407,241	1,861,961,030
Total equity attributable to the owner of parent company		178,463,478	156,090,779	153,007,894	143,944,230	129,724,883
Capital stock	Before distribution	78,604,060(Note 4)	72,099,815	69,479,605	67,112,762	64,668,494
	After distribution	(Note 3)	73,247,631	72,099,815	69,479,605	67,112,762
Capital surplus		33,610,983	23,969,412	23,969,412	23,969,412	23,971,498
Retained earnings	Before distribution	67,103,367	59,763,752	55,594,202	49,415,492	39,956,742
	After distribution	(Note 3)	47,800,964	42,552,052	36,981,734	31,809,181
Other equity		(854,932)	257,800	3,964,675	3,446,564	596,948
Treasury stock		-	-	-	-	-
Non-controlled interests		3,844,089	3,877,157	3,760,901	3,673,213	3,438,990
Total equity	Before distribution	182,307,567	159,967,936	156,768,795	147,617,443	132,626,534
	After distribution	(Note 3)	149,152,964	146,346,855	137,550,529	126,923,241

Note 1: Data from 2013 to 2017 have been audited and certified by the independent auditors.

Note 2: 2017 financial statements were audited by CPA Bob Chang and CPA James Huang; 2016 and 2015 financial statements were audited by CPA Bob Chang and CPA James Wang; 2014 financial statements were audited by CPA James Huang and CPA James Wang; 2013 financial statements were audited by CPA Andrew Fu and CPA James Huang.

Audit opinions: 2017 and 2016 - unqualified; 2015 and 2014 - modified unqualified; 2013 - unqualified.

Note 3: Post-dividend figures were not specified as the Bank had yet to convene its shareholder meeting.

Note 4: A private cash issue totaling NT\$14,998,000,000 in 535,642,860 common shares was completed in 2017.

## (II) Summary consolidated statement of comprehensive income - IAS-compliant

Unit: NT\$ thousand

Item	Year	Financial information for recent years (Note 1)				
		2017	2016	2015	2014	2013
Interest income		46,240,981	40,722,609	42,472,485	40,752,408	35,136,614
Less: Interest expenses		(16,540,184)	(14,812,568)	(15,743,917)	(14,973,288)	(13,221,163)
Net interest income		29,700,797	25,910,041	26,728,568	25,779,120	21,915,451
Net income other than interest		25,520,973	25,244,080	21,323,232	20,195,606	15,809,325
Net income		55,221,770	51,154,121	48,051,800	45,974,726	37,724,776
Bad debt expenses and provisions for commitment and guarantee liability		(3,494,144)	(4,455,361)	(1,921,512)	(2,470,709)	(541,510)
Operating expenses		(29,301,447)	(26,958,742)	(24,850,807)	(22,804,421)	(20,215,786)
Profit before income tax from continuing operations		22,426,179	19,740,018	21,279,481	20,699,596	16,967,480
Income tax (expense) benefit		(2,762,573)	(2,228,758)	(2,512,583)	(2,885,102)	(2,187,722)
Net profit this term of the units in continued business operations		19,663,606	17,511,260	18,766,898	17,814,494	14,779,758
Profit (loss) of the unit discontinued from business operations		-	-	-	-	-
Net profit (net loss) this term		19,663,606	17,511,260	18,766,898	17,814,494	14,779,758
Other comprehensive income(loss) this term (net amount after tax)		(1,283,203)	(3,793,150)	664,574	3,047,009	(170,938)
Total consolidated income current period		18,380,403	13,718,110	19,431,472	20,861,503	14,608,820
Net profit attributable to the owner of parent company		19,302,403	17,211,700	18,598,294	17,627,841	14,534,069
Net profit attributable to non-controlled equity		361,203	299,560	168,604	186,653	245,689
Total comprehensive income attributable to the owner of the parent company		18,189,671	13,504,825	19,130,578	20,462,065	14,258,844
Total amount of comprehensive profit(loss) belonging to non-controlled equity		190,732	213,285	300,894	399,438	349,975
Earnings Per Share		2.53	2.35	2.58	2.54	2.25

Note 1: Data from 2013 to 2017 have been audited and certified by the independent auditors.

Note 2: 2017 financial statements were audited by CPA Bob Chang and CPA James Huang; 2016 and 2015 financial statements were audited by CPA Bob Chang and CPA James Wang; 2014 financial statements were audited by CPA James Huang and CPA James Wang; 2013 financial statements were audited by CPA Andrew Fu and CPA James Huang.

Audit opinions: 2017 and 2016 - unqualified; 2015 and 2014 - modified unqualified; 2013 - unqualified.

## (III) Summary standalone balance sheet - IAS-compliant

Unit: NT\$ thousand

Item	Financial information for recent years (Note 1)				
	2017	2016	2015	2014	2013
Cash and cash equivalents, due from the Central Bank and call loans to banks	180,202,438	124,793,752	152,914,704	284,105,189	207,255,387
Financial assets at fair value through profit or loss	309,972,777	196,166,871	254,226,830	151,712,443	162,997,211
Financial assets available for sale	142,212,975	151,932,723	130,557,629	84,008,468	67,046,565
Derivative financial assets for hedging	-	-	-	448,745	837,179
Securities purchased under agreements to resell	85,388,175	36,466,540	44,508,936	33,059,521	7,645,763
Receivables - net	76,953,234	79,273,844	81,027,553	78,809,457	120,044,971
Income tax assets - current period	-	-	-	-	-
Available-for-sale assets - net	-	-	-	-	81,950
Discounts and Loans - net	1,399,567,004	1,403,835,506	1,101,512,688	1,096,487,685	1,013,723,116
Held to maturity financial assets	31,853,543	42,894,957	49,612,107	51,147,071	50,711,678
Investments accounted for using the equity method - net	9,017,435	7,877,956	7,783,391	7,427,895	5,836,126
Assets subject to restriction	-	-	-	-	-
Other financial assets - net	388,288,869	397,478,381	442,765,488	369,337,391	280,294,167
Property and equipment - net	24,262,267	24,208,305	24,485,549	22,190,496	22,240,641
Investment properties - net	1,547,372	1,554,600	1,635,249	4,308,182	4,479,508
Intangible assets - net	7,398,865	7,413,407	7,161,759	7,050,372	7,045,413
Deferred tax assets - net	2,223,266	1,410,010	1,864,066	1,689,912	1,566,586
Other assets	23,704,316	36,538,491	42,545,783	19,393,789	7,143,445
Total assets	2,682,592,536	2,511,845,343	2,342,601,732	2,211,176,616	1,958,949,706
Due to the Central Bank and call loans from banks	84,375,047	67,298,569	38,639,771	57,797,121	50,630,112
Bankers acceptances and funds borrowed	-	-	-	1,585,900	1,497,500
Financial liabilities at fair value through profit or loss	87,305,126	88,060,416	100,397,997	57,705,513	11,271,187
Derivative financial liabilities for hedging	-	-	-	-	-
RP bill and bond liabilities	109,941,425	56,752,751	54,037,877	59,689,306	58,681,600

Item	Year	Financial information for recent years (Note 1)				
		2017	2016	2015	2014	2013
Payables		22,794,360	22,183,733	17,848,009	21,438,383	14,795,810
Income tax liabilities-current period		408,947	269,766	415,211	473,221	381,296
Liabilities directly related to assets pending for sale		-	-	-	-	-
Deposits and remittances		2,056,168,811	1,993,999,765	1,847,919,684	1,711,904,075	1,596,302,557
Bonds payable		63,350,000	51,900,000	51,900,000	67,613,949	52,417,213
Preferred share liabilities		-	-	-	-	-
Other financial liabilities		66,057,646	61,566,809	67,227,106	79,842,351	36,145,158
Provisions		3,187,664	3,053,964	3,199,030	2,769,349	2,682,960
Deferred tax liabilities		1,580,152	1,552,030	1,919,645	1,457,439	618,632
Other liabilities		8,959,880	9,116,761	6,089,508	4,955,779	4,338,137
Total liabilities	Before distribution	2,504,129,058	2,355,754,564	2,189,593,838	2,067,232,386	1,829,762,162
	After distribution	(Note 3)	2,366,569,536	2,200,015,778	2,077,299,300	1,835,465,455
Capital stock	Before distribution	78,604,060(Note 4)	72,099,815	69,479,605	67,112,762	64,668,494
	After distribution	(Note 3)	73,247,631	72,099,815	69,479,605	67,112,762
Capital surplus		33,610,983	23,969,412	23,969,412	23,969,412	23,971,498
Retained earnings	Before distribution	67,103,367	59,763,752	55,594,202	49,415,492	39,950,604
	After distribution	(Note 3)	47,800,964	42,552,052	36,981,735	31,803,043
Other equities		(854,932)	257,800	3,964,675	3,446,564	596,948
Treasury stock		-	-	-	-	-
Total equity	Before distribution	178,463,478	156,090,779	153,007,894	143,944,230	129,187,544
	After distribution	(Note 3)	145,275,807	142,585,954	133,877,316	123,484,251

Note 1: Data from 2013 to 2017 have been audited and certified by the independent auditors.

Note 2: 2017 financial statements were audited by CPA Bob Chang and CPA James Huang; 2016 and 2015 financial statements were audited by CPA Bob Chang and CPA James Wang; 2014 financial statements were audited by CPA James Huang and CPA James Wang; 2013 financial statements were audited by CPA Andrew Fu and CPA James Huang.

Audit opinions: 2017 and 2016 - unqualified; 2015 and 2014 - modified unqualified; 2013 - unqualified.

Note 3: Post-dividend figures were not specified as the Bank had yet to convene its shareholder meeting.

Note 4: A private cash issue totaling NT\$14,998,000,000 in 535,642,860 common shares was completed in 2017.



## (IV) Summary standalone statement of comprehensive income - IAS-compliant

Unit: NT\$ thousand

Item	Year	Financial information for recent years (Note 1)				
		2017	2016	2015	2014	2013
Interest income		42,724,485	37,666,600	40,186,848	38,679,541	32,973,623
Less: Interest expenses		(15,037,732)	(13,558,911)	(14,743,422)	(13,944,268)	(12,051,044)
Net interest income		27,686,753	24,107,689	25,443,426	24,735,273	20,922,579
Net income other than interest		25,268,099	25,395,260	21,306,628	20,141,418	15,795,786
Net income		52,954,852	49,502,949	46,750,054	44,876,691	36,718,365
Bad debt expenses and provisions for commitment and guarantee liability		(2,729,328)	(4,069,204)	(1,656,210)	(2,324,557)	(577,765)
Operating expenses		(28,399,121)	(26,166,045)	(24,079,250)	(22,147,951)	(19,616,450)
Profit before income tax from continuing operations		21,826,403	19,267,700	21,014,594	20,404,183	16,524,150
Income tax (expense) benefit		(2,524,000)	(2,056,000)	(2,416,300)	(2,776,342)	(1,990,081)
Net profit this term of the units in continued business operations		19,302,403	17,211,700	18,598,294	17,627,841	14,534,069
Profit (loss) of the unit discontinued from business operations		-	-	-	-	-
Net profit (net loss) this term		19,302,403	17,211,700	18,598,294	17,627,841	14,534,069
Other comprehensive income(loss) this term (net amount after tax)		(1,112,732)	(3,706,875)	532,284	2,834,224	(275,224)
Total comprehensive income(loss) this term		18,189,671	13,504,825	196,130,578	20,462,065	14,258,845
Earnings Per Share		2.53	2.35	2.58	2.54	2.25

Note 1: Data from 2013 to 2017 have been audited and certified by the independent auditors.

Note 2: 2017 financial statements were audited by CPA Bob Chang and CPA James Huang; 2016 and 2015 financial statements were audited by CPA Bob Chang and CPA James Wang; 2014 financial statements were audited by CPA James Huang and CPA James Wang; 2013 financial statements were audited by CPA Andrew Fu and CPA James Huang.

Audit opinions: 2017 and 2016 - unqualified; 2015 and 2014 - modified unqualified; 2013 - unqualified.

## II. Financial analysis for the most recent five years

### (I) IFRSs

Unit: %, NT\$ thousand

Analysis Item (Note 3)		Year (Note 1)		Financial analysis for the most recent years									
				2017		2016		2015		2014		2013	
		Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Operational ability	Deposit to loan ratio (%)	68.42	68.33	70.62	70.63	60.05	54.93	64.34	64.05	63.72	63.43		
	NPL ratio (%)	0.21	0.21	0.15	0.15	0.14	0.14	0.29	0.29	0.29	0.29		
	Interest Expense to Average Total Deposits	0.79	0.73	0.74	0.70	0.85	0.81	0.88	0.83	0.83	0.76		
	Interest Revenue to Average Total Loans	3.12	2.95	3.16	2.99	3.58	3.45	3.51	3.39	3.33	3.10		
	Total assets turnover (times)	2.08	2.04	2.07	2.04	2.02	2.00	2.05	2.03	1.90	1.87		
	Average revenues per employee	4,738	5,058	4,572	4,925	5,378	5,232	4,885	5,345	4,729	4,602		
	Average earnings per employee	1,687	1,844	1,565	1,712	2,100	2,082	1,893	2,100	1,853	1,822		
Profitability	Return on tier 1 capital (%)	12.78	12.73	12.10	12.08	13.62	13.76	15.48	15.60	16.04	16.14		
	ROA (%)	0.74	0.74	0.71	0.71	0.81	0.82	0.84	0.85	0.78	0.78		
	ROE (%)	11.49	11.54	11.06	11.14	12.33	12.53	12.71	12.91	12.44	12.57		
	Net profit margin (%)	35.61	36.45	34.23	34.77	39.06	39.78	38.75	39.28	39.18	39.58		
	Earnings Per Share (NT\$)	2.53	2.53	2.35	2.35	2.58	2.58	2.54	2.54	2.25	2.25		
Financial structure	Liabilities to assets ratio (%)	93.34	93.35	93.77	93.79	93.42	93.47	93.42	93.49	93.33	93.41		
	Ratio of property & equipment to shareholders' equity	13.64	13.60	15.56	15.51	16.09	16.00	15.49	15.42	17.24	17.22		
Growth rate (%)	Asset growth rate (%)	6.59	6.80	7.69	7.22	6.21	5.94	12.82	12.88	9.44	9.48		
	Profitability growth rate (%)	13.61	13.28	-7.23	-8.31	2.80	2.99	22.00	23.48	13.26	12.81		

Year (Note 1) Analysis Item (Note 3)		Financial analysis for the most recent years									
		2017		2016		2015		2014		2013	
		Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Cash flows	Cash flow ratio (%)	25.81	26.01	-13.19	-14.62	-35.5	-36.63	47.37	50.65	44.63	46.38
	Cash flow adequacy (%)	298.83	312.92	31.51	160.61	222.60	397.41	597.29	619.07	387.31	368.75
	Cash flow coverage ratio (%)	926.46	1,054.54	-544.13	-547.34	(Note)	(Note)	(Note)	(Note)	(Note)	(Note)
Liquid Reserves Ratio		31.88	31.88	38.39	38.39	39.54	39.54	34.36	34.36	37.36	37.36
Loans to Related Parties		6,975,529	6,975,529	6,604,829	6,604,829	5,216,607	5,216,607	4,933,226	4,933,226	3,692,236	3,692,236
Loans to Related Parties Ratio		0.49	0.49	0.46	0.46	0.45	0.45	0.43	0.43	0.33	0.33
Scale of operation	Market share of asset (%)	4.43	4.34	4.32	4.22	4.12	4.05	4.03	3.97	3.87	3.81
	Market share of net worth (%)	4.54	4.45	4.16	4.06	4.30	4.20	4.39	4.28	4.36	4.25
	Market share of deposits	5.02	5.04	5.14	5.06	4.92	4.83	4.83	4.76	4.75	4.70
	Market share of loans	5.41	5.57	5.80	5.77	4.71	4.23	4.84	4.74	4.67	4.59

Specify the reasons that caused the changes in the financial ratios in the last 2 years. (Analysis is not required for changes of less than 20%)

Standalone:

- [NPL ratio] increased: Loans to government agencies reduced significantly by NT\$15.2 billion at the end of 2017 compared to 2016, which resulted in a NT\$1.2-billion decrease in total loan balance. Furthermore, hardship endured by certain industries resulted in deterioration of solvency, and affected asset quality to a certain degree.
- [Profitability growth rate] increased: Due to higher interest revenues in 2017 compared to 2016.
- [Cash flow ratio], [cash flow adequacy ratio] and [cash flow coverage ratio] increased: Due to increased net cash flow from operating activities in 2017.

Consolidated:

- [NPL ratio] increased: Loans to government agencies reduced significantly by NT\$15.2 billion at the end of 2017 compared to 2016, which resulted in a NT\$1.2-billion decrease in total loan balance. Furthermore, hardship endured by certain industries resulted in deterioration of solvency, and affected asset quality to a certain degree.
- [Profitability growth rate] increased: Due to higher interest revenues in 2017 compared to 2016.
- [Cash flow ratio], [cash flow adequacy ratio] and [cash flow coverage ratio] increased: Due to increased net cash flow from operating activities in 2017.

(Note): Net cash flow from investing activities was negative, hence not calculated.

\* Companies that prepare standalone financial statements are also required to provide financial analysis on a standalone basis.

\* Companies that prepare IFRS-compliant financial information for less than 5 years are also required to complete Table (2) below and report financial information using financial accounting standards of the R.O.C.

Note 1: Data from 2013 to 2016 have been audited and certified by the independent auditors.

Note 2: Figures are unaudited, and were neither audited nor reviewed by CPAs.

Note 3: Formulas of various analyses are defined below:

1. Operating ability
  - (1) Deposit to loan ratio = total loan/ total deposit
  - (2) NPL ratio = total non-performing loan / total loan
  - (3) Interest Expense to Average Total Deposits = total interest expense on deposits / yearly average deposit balance
  - (4) Interest Revenue to Average Total Loans = total interest revenue from credit / yearly average creditbalance
  - (5) Total asset turnover = net income / average total assets
  - (6) Average revenues per employee (Note 7) = net income / total employees
  - (7) Average earnings per employee = net profit after tax/ total employees
2. Profitability
  - (1) Return on tier 1 capital =net profit before tax / average tier 1 capital.
  - (2) ROA = net profit after tax / average total assets.
  - (3) ROE = net profit after tax/ average shareholders' equity.
  - (4) Net profit margin =net profit after tax/net income
  - (5) Earnings per share (EPS) = (attributable to shareholders' equity of the parent – preferred stock dividends)/weighed average quantity of outstanding shares. (Note 5)
3. Financial structure
  - (1) Liabilities to assets ratio = total liabilities / total assets.
  - (2) Ratio of property & equipment to shareholders' equity = net property & equipment / shareholders' equity.
4. Growth rate
  - (1) Asset growth rate = (total assets in current period – total assets in previous period)/total assets in previous period
  - (2) Profitability growth rate = (net profit before tax in current period – net profit before tax in previous period)/ net profit before tax in previous period
5. Cash flows (Note 8)
  - (1) Cash flow ratio = net cash flow from operating activities / (interbank borrowing and overdraft + commercial papers payable + financial liability at fair value through profit or loss + Notes and bonds issued under repurchase agreements + account payable within one year).
  - (2) Cash flow adequacy = net cash flows from operating activities in the last 5 years/(capital expenditure + cash dividend) in the last 5 years
  - (3) Cash flow coverage ratio = net cash flow from operating activities /net cash flow from investing activities
6. Liquidity reserve ratio = liquid assets mandated by The Central Bank/ mandatory liquidity reserves.
7. Scale of operation
  - (1) Market share of assets = total assets/ total assets of all financial institutions eligible to perform deposit and loan related activities (Note 6)
  - (2) Market share of net worth = net worth/ total net worth of all financial institutions eligible to perform deposit and loan related activities
  - (3) Market share of deposits = total deposit/ total deposit of all financial institutions eligible to perform deposit and loan related activities
  - (4) Market share of loans = total loan/ total loan of all financial institutions eligible to perform deposit and loan related activities

Note 4: Total liabilities are net of provisions for guarantees and accidental losses.

Note 5: Attention to the following is required when the aforementioned equations for the calculation of EPS are applied to assessment:

1. The weighted average quantity of outstanding common shares shall be used as the standard, not the quantity of outstanding shares at the end of the year.
2. In case of raising capital through issuing new shares or transactions of treasury stocks, calculate also the weighted average quantity of outstanding shares in the period of circulation.
3. In case of capitalization of retained earnings or capitalization of capital surplus into new shares, adjustment shall be made in retrospect to the size of capitalization for each instance when calculating the earnings per shares annually or semi-annually. The time of issuance can be neglected.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividend declared in current period (whether paid or unpaid) shall be deducted from corporate earnings or as addition to earnings after taxation.
5. If the preferred shares are not accumulative in nature, dividend for preferred shares shall be deducted from net profit after tax, if any. In case of loss, no adjustment shall be made.

Note 6: Financial institutions eligible to perform deposit and loan-related activities include local banks, Taiwanese branches of Mainland banks, Taiwanese branches of foreign banks, credit cooperative associations, and credit departments of farmers/fishermen associations.

Note 7: Revenue refers to the sum of interest and non-interest revenues.

Note 8: The cash flow analysis takes into account the following:

1. Net cash flow from operating activities is taken from the amount of net cash flow from operating activities presented in the cash flow statement.
2. Capital expenditure refers to the amount of annual cash outflow for capital investments.
3. Cash dividends include cash dividends to both common shares and preferred shares.
4. Gross property, plant, and equipment refers to the amount before deducting accumulated depreciation

## Capital adequacy ratio

Unit: NT\$ thousand

Analysis Item		Year		Capital adequacy ratio for the most recent year									
				2017		2016		2015		2014		2013	
				Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Capital	Common share equity		151,860,690	149,392,107	145,012,403	142,855,418	139,878,041	137,882,930	131,625,085	129,668,042	116,260,999	113,800,384	
	Tier 1 non-common share equity		33,690,073	31,871,917	20,424,620	18,882,425	20,879,203	19,364,361	20,005,435	18,565,629	-	-	
	Tier 2 capital		68,268,776	64,210,868	55,891,566	52,872,412	60,968,543	57,726,827	63,187,802	60,342,558	39,714,954	37,582,117	
	Capital		253,819,539	245,474,892	221,328,589	214,610,255	221,725,787	214,974,118	214,818,322	208,576,229	155,975,953	151,382,501	
Risk weighted assets	Credit Risk	Standardized approach	1,373,772,064	1,315,254,831	1,390,674,252	1,333,208,675	1,182,259,577	1,135,664,668	1,173,616,232	1,136,962,763	1,033,430,898	1,001,777,910	
		Internal ratings based approach	0	0	0	0	-	-	-	-	-	-	
		Asset securitization	10,723,549	10,723,549	14,450,816	14,450,816	9,457,049	9,457,049	8,411,866	8,411,866	12,007,901	12,007,901	
	Operation Risk	Basic indicator approach	0	0	0	0	-	-	-	-	-	-	
		Standardized approach/ alternative standardized approach	83,373,850	80,117,028	80,755,109	78,301,308	75,650,146	73,462,830	68,447,299	66,358,360	59,202,834	56,877,127	
		Advanced measurement approach	0	0	0	0	-	-	-	-	-	-	
	Market Risk	Standardized approach	140,437,191	138,476,930	89,365,378	86,019,841	94,072,547	92,982,057	76,842,920	76,228,396	54,412,580	54,044,621	
		Internal model approach	0	0	0	0	-	-	-	-	-	-	
	Total risk weighted assets		1,608,306,654	1,544,572,338	1,575,245,555	1,511,980,640	1,361,439,319	1,311,566,604	1,327,318,317	1,287,961,385	1,159,054,213	1,124,707,559	
	Capital adequacy ratio		15.78%	15.89%	14.05%	14.19%	16.29%	16.39%	16.18%	16.19%	13.46%	13.46%	
Tier 1 capital as a % of risky assets		11.54%	11.74%	10.50%	10.70%	11.81%	11.99%	11.42%	11.51%	10.03%	10.12%		
Common share equity as a % of risky assets		9.44%	9.67%	9.21%	9.45%	10.27%	10.51%	9.92%	10.07%	10.03%	10.12%		
Leverage ratio (Note 5)		6.27%	6.25%	5.99%	5.99%	6.19%	6.17%	5.17%	5.13%	4.36%	4.32%		

Reasons for changes in capital adequacy in the last 2 years. (Analysis is not required for changes of less than 20%)

Standalone

1. [Tier 1 non-common share equity] increased: The financial holding company issued preferred shares for cash in June, which increased the Bank's capital by NT\$15 billion.
2. [Tier 2 capital] increased: The Bank issued subordinated debentures totaling NT\$15.1 billion in April.
3. [Asset securitization] decreased: Positions in 2017 were NT\$3.67 billion lower than 2016.
4. [Standardized approach] increased: Interest rate, exchange rate and equity risk exposures increased compared to the previous year; interest rate risk exposure represented the highest increase.

Consolidated

1. [Tier 1 non-common share equity] increased: The financial holding company issued preferred shares for cash in June, which increased the Bank's capital by NT\$15 billion.
2. [Tier 2 capital] increased: The Bank issued subordinated debentures totaling NT\$15.1 billion in April.
3. [Asset securitization] decreased: Positions in 2017 were NT\$3.67 billion lower than 2016.
4. [Standardized approach] increased: Interest rate, exchange rate and equity risk exposures increased compared to the previous year; interest rate risk exposure represented the highest increase.

1. All financial information from 2013 to 2017 has been verified by CPA.
2. Capital, risk-weighted assets and total risk exposure shown in this table have been calculated according to "Regulations Governing the Capital Adequacy and Capital Category of Banks" and "Calculation Explanation and Form for Bank Regulatory Capital and Risk-Weighted Assets."
3. Below are the formulas used for the calculations in this table:
  - (1) Capital = common share equity + Tier 1 non-common share equity + Tier 2 capital.
  - (2) Total risk weighted assets = credit risk weighted assets + required capital for (operational risk + market risk) × 12.5.
  - (3) Capital adequacy ratio = capital/ total risk weighted assets.
  - (4) Tier 1 capital as a % of risk-weighted assets = (common share equity + other tier 1 capital that is not common share equity) / total risk-weighted assets.
  - (5) Common share equity as a % of risk-weighted assets = common share equity / total risk-weighted assets.
  - (6) Leverage ratio = net tier 1 capital / total risk exposure.
4. TWSE and TPEX-listed companies are also required to disclose financial information up to the quarter immediately preceding the publication date of annual report, and specify whether the financial information has been audited, auditor-reviewed, or neither.
5. Disclosure of leverage ratio began since 2015.

### **III. Supervisors' Review Report**

#### **Supervisors' Review Report**

We have reviewed the Bank's 2017 business report, consolidated financial statements (including standalone financial statements), and earnings appropriation proposal (for the period January 1 to December 31, 2017) compiled by the board of directors, and found no misstatements. We hereby issue this report in accordance with Article 219 of The Company Act for the readers' reference.

For

Cathay United Bank Co., Ltd.

Resident Supervisor: Peggy Wang

Dated: March 15, 2018

**IV. Latest financial statements**

See Attachment 4.

**V. Latest audited standalone financial statements of the Bank**

See Attachment 5.

**VI. Financial distress encountered by the Bank and affiliated enterprises in the last year up till the publication of the annual report, and impact on financial position if any:**

None.



## Seven. Review of financial position, business performance and risk issues

### I. Analysis of Financial Status

Comparative analysis of financial position

Unit: NT\$ thousand

Item \ Year	2017	2016	Difference	
			Amount	Percentage (%)
Total assets	2,735,703,906	2,566,668,551	169,035,355	6.59%
Total liabilities	2,553,396,339	2,406,700,615	146,695,724	6.10%
Total shareholders' equity	182,307,567	159,967,936	22,339,631	13.97%

### II. Analysis of Financial Performance

Unit: NT\$ thousand

Item \ Year	2017	2016	Change in amount	Variation (%)
Interest income	\$ 46,240,981	\$ 40,722,609	5,518,372	13.55%
Interest expenses	(16,540,184)	(14,812,568)	(1,727,616)	11.66%
Net interest income	29,700,797	25,910,041	3,790,756	14.63%
Net income other than interest	25,520,973	25,244,080	276,893	1.10%
Net income	55,221,770	51,154,121	4,067,649	7.95%
Bad debt expenses	(3,494,144)	(4,455,361)	961,217	-21.57%
Operating expenses	(29,301,447)	(26,958,742)	(2,342,705)	8.69%
Profit before income tax from continuing operations	22,426,179	19,740,018	2,686,161	13.61%
Income tax expense	(2,762,573)	(2,228,758)	(533,815)	23.95%
Net profit after tax from continuing operations	19,663,606	17,511,260	2,152,346	12.29%
Net profit	\$ 19,663,606	\$ 17,511,260	\$ 2,152,346	12.29%

### III. Cash flows

1. Cash flow liquidity analysis for the last 2 years:

Item	Year		
	2017	2016	Increase/decrease
Cash flow ratio (%)	26.01%	-14.62%	-277.91%
Net cash flow adequacy rate (%)	312.92%	160.61%	94.83%
Cash flow coverage ratio (%)	1,054.54	-547.34	-292.67%

2. Cash liquidity analysis of the year ahead:

Unit: NT\$ thousand

Cash balance at beginning ①	Projected net cash flow from operating activities in current period ②	Projected cash outflow in current period ③	Projected amount of cash surplus (deficit) ① + ② - ③	Remedy for cash deficit	
				Investment plan	Financing plan
212,879,030	21,612,861	6,758,629	227,733,262	-	-

### IV. Major capital expenditures in the most recent year

None.

### V. The investment Strategy in the most recent year

The Bank has long been investing into financial and non-financial businesses with the authority's approval, both out of business requirement and in support of the government's economic development plans. Compliance, policy, and planning of projects are carried out in accordance with the Bank's business strategies and guidelines of the financial group. Since all investments are held long-term for dividend and fixed income, the Bank will continue monitoring performance and financial position of invested businesses, and exercise proper supervision and management.

## VI. Risk management

(II) Qualitative and quantitative risk information by categories:

### 1. Credit risk management system and capital requirements.

Credit risk refers to the risk of counterparties (including businesses, individuals and financial institutions) becoming unable to fulfill contractual obligations, which includes credit risks arising from credit service, investment activities, financial products, and contracts.

#### **Credit risk management system**

2017

Item	Details
1. Credit risk strategies, goals, policies and procedures	<ul style="list-style-type: none"> <li data-bbox="518 790 1441 1032">◎ Strategies: Develop and maintain effective credit risk identification, measurement, assessment and monitoring systems in compliance with internal and external regulations, and execute in a manner that complements the Bank's business strategies.</li> <li data-bbox="518 1043 1441 1182">◎ Goals: Measure and control credit risks associated with business activities, and aim to maximize risk-adjusted profit and shareholders' value under tolerable risks.</li> <li data-bbox="518 1193 1441 1541">◎ Policy: The Bank adopts a credit risk management system that divides responsibilities among departments. The Bank develops organization-wide risk management culture and incorporates it into daily operations. Through dynamic analysis, the Bank constantly assesses risks and undertakes response measures to optimize asset quality while ensuring the integrity of its capital structure.</li> <li data-bbox="518 1552 1441 2047">◎ Procedures: The Bank complies with business-related regulations and implementation rules, and implements levels of approval authority to assess and review incoming cases for rigorous control of asset quality prior to lending. Through credit review and credit reporting, the Bank monitors credit conduct of its borrowers or counterparties over the period of loan or investment, and undertakes response measures at times deemed appropriate. Debt security measures are undertaken as soon as possible in the event of the borrower's or counterparty's default/overdue.</li> </ul>

Item	Details
2. Credit risk management framework and organization	The board of directors is the ultimate decision maker for the Bank's credit risk strategies and major risk policies. The Bank has a Risk Management Division that is supported by independent and specialized departments and functional teams to oversee management, planning, execution and control of credit management associated with credit, investment, and financial products.
3. Scope and features of credit risk reports and assessment systems	The credit risk reporting and assessment system covers credit approval procedures, limit management, credit rating, collateral information, regular credit review, and NPL management. In addition to making ongoing improvements to risk quantification technologies and risk assessment models, the Bank also refines its stress testing methodology for better control of asset quality, and takes precautionary measures as deemed necessary.
4. Credit risk avoidance or mitigation policies, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	Borrowers and counterparties are regularly analyzed for credit risk exposure and severity of losses in order to determine appropriate measures for risk avoidance or mitigation, including: rejection of service, conditional service, collateral or credit guarantee. With the help of systems such as interim credit review and collateral management, the Bank is able to monitor all types of mitigation tools used in business.
5. Methods for calculating capital requirements	Standardized approach

**Exposure and accrued capital charge upon risk reduction under credit risk standardized approach**

December 31, 2017

Unit: NT\$ thousands

Type of Risk Exposure	Risk Exposure after Risk Mitigation	Accrued capital charge (Note)
Sovereigns	596,424,897	111,233
Non Central -Government Public Sector Entities	62,832,937	2,145,567
Banks (Multilateral Development Banks included)	261,413,093	10,615,381
Corporates(Securities firms and insurance companies included)	473,847,247	36,857,991
Retailed credit	270,501,412	17,448,561
Residential Property	650,126,777	33,097,541
Equity-securities investment	163,455	13,076
Other assets	73,627,122	4,243,236
<b>Total</b>	<b>2,388,936,940</b>	<b>104,532,586</b>

Note: The required capital refers to the exposure upon mitigation of risk multiplied by the statutory minimum capital adequacy ratio.

2. Risk management Policies, exposures, and capital requirements relating to securitized assets

Asset securitization risk management system

2017

Item	Details
<p>1. Management strategies and procedures relating to asset securitization</p>	<p>◎ Strategy Enforce asset and liability management, increase return on assets, strengthen capital adequacy ratio, reduce credit concentration, and diversify funding channels.</p> <p>◎ Procedures A specialized department is available to analyze asset allocation and market condition, devise execution plans and perform inter-department assessments. The department chooses suitable partners and seeks approval according to rules before carrying out its decision. The Bank undertakes necessary management measures for the entirety of the duration in which securities are issued, in order to ensure the robustness of its asset securitization procedures.</p>
<p>2. Management framework and organization for securitized instruments</p>	<p>An asset securitization team has been assembled to oversee management of securitized instruments. The team also coordinates with internal departments to develop a management framework and organization that is suitable for the Bank. The asset securitization team and related departments are required to perform monitoring and management in accordance with authorization rules and department duties before and after issuance of securitized instrument.</p>
<p>3. Scope and features of asset securitization risk reports and assessment system</p>	<p>Information relating to securitized instruments is forwarded to trustees and the asset securitization team to facilitate monitoring of risks over the asset pool. Monitoring practices such as credit review are adopted as part of the risk reporting and assessment system. The monitoring practices cover interest servicing, principal repayment and credit history of the asset pool, and is capable of assessing and managing risks in a timely manner.</p>

Item	Details
4. Risk avoidance or mitigation policies relating to asset securitization, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	<p>⊙ Policy The Bank shall assess each asset securitization arrangement to ensure the integrity of their structures, and adopt response measures based on assessment outcomes to keep risks within control.</p> <p>⊙ Strategies and procedures The Bank assesses and monitors securitized instruments at appropriate times depending on the nature of hedging or risk mitigation tools used. These monitoring practices ensure that hedging and risk mitigation tools continue to be effective.</p>
5. Methods for calculating capital requirements	Standardized approach

**Updates on asset securitization:**

December 31, 2017

Tranche	Total sum issued	Outstanding balance	Balance bought back
—	—	—	—

Risk exposure and capital requirements relating to asset securitization - by transaction type

December 31, 2017

Unit: NT\$ thousands

Bank's role	Exposure category Book category	Asset category	Traditional				Umbrella		Total			
			Amount of exposure				Accrued capital charge (2)	Amount of exposure	Accrued capital charge (4)	Amount of exposure (5)=(1)+(3)	Accrued capital charge (6)=(2)+(4)	Required capital before securitization
			Retained or acquired	Liquidity facility	Credit enhancement	Subtotal (1)		Retained or acquired (3)				
Non-originating bank	Banking book	Mortgage-backed security	25,020,858			25,020,858	6,340,245	-	-	25,020,858	6,340,245	
		Commercial mortgage-backed securities (CMBS)	11,566,001			11,566,001	1,850,560	-	-	11,566,001	1,850,560	
		Leases and accounts receivable	970,086			970,086	388,034			970,086	388,034	
	Trading book	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	
Subtotal	-	37,556,946			37,556,946	8,578,839			37,556,946	8,578,839		
Originating bank	Banking book	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
	Trading book	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	
Total		-	37,556,946			37,556,946	8,578,839			37,556,946	8,578,839	-

Guidelines:

1. For the "Asset category" field, classify securitized instruments by the underlying asset (e.g. credit card, home equity loan, auto loan) or the type of security invested (e.g. mortgage-backed security, CMBS asset-backed security and collateralized debt obligation).
2. For banking book exposure, specify the amount of exposure after risk mitigation.
3. The "Liquidity facility" field should include exposure of both drawn and undrawn facilities.



## Information on securitized instruments

### I. List of securitized instruments held

December 31, 2017

Unit: NT\$ thousands

Item (Note 1)	Account	Original cost	Cumulative gain/loss on valuation	Cumulative impairments	Book value
(1)MBS	Held-to-maturity	9,344,923	499,058	0	9,843,981
(1)MBS	Without active market	28,203,033	-1,061,275	0	27,141,758
(5)REITS	Available-for-sale	543,490	38,043	0	581,533

Note 1: This table contains domestic and foreign securitized instruments; they are presented according to the following classifications and accounts:

- (1) Mortgage-backed securities (MBS): includes beneficiary securities of securitized residential mortgages, residential mortgage-backed securities (RMBS), securitized commercial mortgages, commercial mortgage-backed securities (CMBS), collateralized mortgage obligations (CMO), and other real estate-backed securities.
- (2) Beneficiary securities or asset backed securities (ABS): includes beneficiary securities of corporate debt entitlements, collateralized loan obligation (CLO), securitized bonds, collateralized bond obligations (CBO), securitized credit card receivables or asset-backed securities thereof, securitized auto loan debt or asset-backed securities thereof, securitized consumer loans / cash card debt or asset backed securities thereof, securitized lease receivables or asset backed securities thereof, and other forms of securitized instrument or asset-backed securities.
- (3) Short-term beneficiary securities or short-term asset backed commercial paper (ABCP).
- (4) Collateralized debt obligation (CDO).
- (5) Securitized real estate properties: refers to beneficiary securities of real estate asset trust (REAT).
- (6) Notes and bonds issued by structured investment vehicles (SIV).
- (7) Other securitized instruments.

Note 2: This table contains beneficiary securities or asset backed securities held by the Bank as an originator.

II. (I) Disclosure on single securitized investment totaling more than \$300 million in cost (excluding situations where the Bank is the originating bank, and holds securitized assets solely for credit enhancement):

Unit: NT\$ thousands

Name of security (Note 2)	Account	Currency	Issuer and location	Date of purchase	Expiration date	Coupon Interest rate	Credit rating Rating (Note 3)	Interest and principal payment	Original cost	Cumulative gain/loss on valuation	Cumulative impairments	Book value	Attachment point (Note 4)	Content of the asset pool (Note 5)
FG_C09007	Held-to-maturity	USD	SPV(USA)	2013/1/16	2042/8/1	3.50%	AAA	Monthly interest payment and monthly	1,944,117	n.a.	-	1,944,117	n.a.	Prime Mortgage
GNR_2016_151_IO	Without active market	USD	SPV(USA)	2016/10/31	2058/6/16	1.07%	AAA	Same as above	1,517,009	n.a.	-	1,517,009	n.a.	Prime Mortgage
FG_G07304	Held-to-maturity	USD	SPV(USA)	2013/1/15	2042/12/1	3.50%	AAA	Same as above	1,480,370	n.a.	-	1,480,370	n.a.	Prime Mortgage
FG_Q09342	Held-to-maturity	USD	SPV(USA)	2013/2/4	2042/6/1	3.50%	AAA	Same as above	1,266,365	n.a.	-	1,266,365	n.a.	Prime Mortgage
FG_C04180	Held-to-maturity	USD	SPV(USA)	2013/1/2	2042/8/1	3.50%	AAA	Same as above	1,158,282	n.a.	-	1,158,282	n.a.	Prime Mortgage
GNR_2016_133_IO	Without active market	USD	SPV(USA)	2016/10/3	2057/12/16	1.07%	AAA	Same as above	1,155,988	n.a.	-	1,155,988	n.a.	Prime Mortgage
GNR_2016_166_IO	Without active market	USD	SPV(USA)	2016/12/1	2058/4/16	1.08%	AAA	Same as above	829,030	n.a.	-	829,030	n.a.	Prime Mortgage
FNR_2017_101_Z	Without active market	USD	SPV(USA)	2017/12/7	2047/12/25	3.50%	AAA	Same as above	773,876	n.a.	-	773,876	n.a.	Prime Mortgage
FNR_2016_55_Z	Without active market	USD	SPV(USA)	2016/7/7	2046/8/25	3.00%	AAA	Same as above	761,820	n.a.	-	761,820	n.a.	Prime Mortgage
FNR_2016_50_ZB	Without active market	USD	SPV(USA)	2016/6/21	2046/8/25	3.00%	AAA	Same as above	748,794	n.a.	-	748,794	n.a.	Prime Mortgage
GNR_2017_3_IO	Without active market	USD	SPV(USA)	2017/1/17	2058/9/16	0.91%	AAA	Same as above	636,849	n.a.	-	636,849	n.a.	Prime Mortgage
GNR_2017_41_IO	Without active market	USD	SPV(USA)	2017/3/16	2058/7/16	0.79%	AAA	Same as above	634,381	n.a.	-	634,381	n.a.	Prime Mortgage
FNR_2016_74_Z	Without active market	USD	SPV(USA)	2016/9/13	2046/10/25	3.00%	AAA	Same as above	623,984	n.a.	-	623,984	n.a.	Prime Mortgage
GNR_2016_131_IO	Without active market	USD	SPV(USA)	2016/9/20	2058/8/16	1.00%	AAA	Same as above	604,831	n.a.	-	604,831	n.a.	Prime Mortgage
FNR_2016_66_PZ	Without active market	USD	SPV(USA)	2016/8/8	2046/9/25	3.00%	AAA	Same as above	558,368	n.a.	-	558,368	n.a.	Prime Mortgage
GNR_2017_152_IO	Without active market	USD	SPV(USA)	2017/10/24	2059/11/16	0.85%	AAA	Same as above	533,151	n.a.	-	533,151	n.a.	Prime Mortgage
FNR_2016_52_ZM	Without active market	USD	SPV(USA)	2016/6/30	2046/8/25	3.00%	AAA	Same as above	532,441	n.a.	-	532,441	n.a.	Prime Mortgage
GNR_2013_72_IO	Without active market	USD	SPV(USA)	2016/10/21	2047/11/16	0.51%	AAA	Same as above	527,702	n.a.	-	527,702	n.a.	Prime Mortgage

Name of security (Note 2)	Account	Currency	Issuer and location	Date of purchase	Expiration date	Coupon Interest rate	Credit rating Rating (Note 3)	Interest and principal payment	Original cost	Cumulative gain/loss on valuation	Cumulative impairments	Book value	Attachment point (Note 4)	Content of the asset pool (Note 5)
FNR_2016_53_ZA	Without active market	USD	SPV(USA)	2016/6/21	2046/8/25	3.00%	AAA	Same as above	504,156	n.a.	-	504,156	n.a.	Prime Mortgage
FG_Q09307	Held-to-maturity	USD	SPV(USA)	2013/1/16	2042/7/1	3.50%	AAA	Same as above	483,196	n.a.	-	483,196	n.a.	Prime Mortgage
FNR_2016_54_Z	Without active market	USD	SPV(USA)	2016/7/13	2046/8/25	3.00%	AAA	Same as above	475,807	n.a.	-	475,807	n.a.	Prime Mortgage
FNR_2016_53_KZ	Without active market	USD	SPV(USA)	2016/7/7	2046/8/25	3.00%	AAA	Same as above	469,030	n.a.	-	469,030	n.a.	Prime Mortgage
FHR_4747_ZP	Without active market	USD	SPV(USA)	2017/12/4	2048/1/15	4.50%	AAA	Same as above	449,064	n.a.	-	300,297	n.a.	Prime Mortgage
FNR_2017_105_KZ	Without active market	USD	SPV(USA)	2017/11/27	2048/1/25	3.50%	AAA	Same as above	444,046	n.a.	-	444,046	n.a.	Prime Mortgage
FNR_2017_112_ZA	Without active market	USD	SPV(USA)	2017/12/28	2048/1/25	3.50%	AAA	Same as above	439,093	n.a.	-	439,093	n.a.	Prime Mortgage
GNR_2016_157_IO	Without active market	USD	SPV(USA)	2016/11/14	2057/11/16	0.96%	AAA	Same as above	438,119	n.a.	-	438,119	n.a.	Prime Mortgage
GNR_2016_177_IO	Without active market	USD	SPV(USA)	2016/12/16	2057/1/16	0.78%	AAA	Same as above	427,171	n.a.	-	427,171	n.a.	Prime Mortgage
GNR_2017_8_IO	Without active market	USD	SPV(USA)	2017/1/13	2058/8/16	0.78%	AAA	Same as above	410,210	n.a.	-	410,210	n.a.	Prime Mortgage
FNR_2016_71_ZN	Without active market	USD	SPV(USA)	2016/8/19	2046/10/25	3.00%	AAA	Same as above	394,786	n.a.	-	394,786	n.a.	Prime Mortgage
FNR_2016_69_ZA	Without active market	USD	SPV(USA)	2016/9/14	2046/10/25	3.00%	AAA	Same as above	394,646	n.a.	-	394,646	n.a.	Prime Mortgage
GNR_2016_142_IO	Without active market	USD	SPV(USA)	2016/10/18	2058/9/16	1.00%	AAA	Same as above	390,141	n.a.	-	390,141	n.a.	Prime Mortgage
GNR_2013_7_IO	Without active market	USD	SPV(USA)	2016/10/27	2053/5/16	0.45%	AAA	Same as above	375,348	n.a.	-	375,348	n.a.	Prime Mortgage
FHR_4748_ZB	Without active market	USD	SPV(USA)	2017/12/1	2047/11/15	3.50%	AAA	Same as above	374,140	n.a.	-	363,628	n.a.	Prime Mortgage
GNR_2017_126_IO	Without active market	USD	SPV(USA)	2017/10/26	2059/8/16	0.79%	AAA	Same as above	372,083	n.a.	-	372,083	n.a.	Prime Mortgage
GNR_2017_7_IO	Without active market	USD	SPV(USA)	2017/1/12	2058/12/16	0.97%	AAA	Same as above	359,925	n.a.	-	359,925	n.a.	Prime Mortgage
FNR_2016_48_YZ	Without active market	USD	SPV(USA)	2016/6/30	2046/8/25	3.00%	AAA	Same as above	355,299	n.a.	-	355,299	n.a.	Prime Mortgage
FG_C04276	Held-to-maturity	USD	SPV(USA)	2013/1/3	2042/10/1	3.50%	AAA	Same as above	352,474	n.a.	-	352,474	n.a.	Prime Mortgage
FNR_2016_48_ZA	Without active market	USD	SPV(USA)	2016/6/28	2046/8/25	3.00%	AAA	Same as above	344,709	n.a.	-	344,709	n.a.	Prime Mortgage
FG_G08522	Held-to-maturity	USD	SPV(USA)	2013/1/2	2043/1/1	3.50%	AAA	Same as above	336,229	n.a.	-	336,229	n.a.	Prime Mortgage

Name of security (Note 2)	Account	Currency	Issuer and location	Date of purchase	Expiration date	Coupon Interest rate	Credit rating Rating (Note 3)	Interest and principal payment	Original cost	Cumulative gain/loss on valuation	Cumulative impairments	Book value	Attachment point (Note 4)	Content of the asset pool (Note 5)
GNR_2013_35_IO	Without active market	USD	SPV(USA)	2016/9/26	2053/1/16	0.48%	AAA	Same as above	334,894	n.a.	-	334,894	n.a.	Prime Mortgage
FNR_2017_99_ZQ	Without active market	USD	SPV(USA)	2017/11/15	2047/12/25	3.50%	AAA	Same as above	333,287	n.a.	-	333,287	n.a.	Prime Mortgage
FNR_2017_107_ZJ	Without active market	USD	SPV(USA)	2017/12/13	2048/1/25	3.50%	AAA	Same as above	331,566	n.a.	-	331,566	n.a.	Prime Mortgage
FG_Q08999	Held-to-maturity	USD	SPV(USA)	2013/1/3	2042/6/1	3.50%	AAA	Same as above	316,494	n.a.	-	316,494	n.a.	Prime Mortgage
FNR_2016_80_ZD	Without active market	USD	SPV(USA)	2016/10/6	2046/11/25	3.00%	AAA	Same as above	315,322	n.a.	-	315,322	n.a.	Prime Mortgage
FG_C09004	Held-to-maturity	USD	SPV(USA)	2013/1/15	2042/7/1	3.50%	AAA	Same as above	315,024	n.a.		315,024	n.a.	Prime Mortgage
FG_Q09005	Held-to-maturity	USD	SPV(USA)	2013/1/2	2042/6/1	3.50%	AAA	Same as above	314,783	n.a.	-	314,783	n.a.	Prime Mortgage
GNR_2016_132_IO	Without active market	USD	SPV(USA)	2016/9/23	2056/7/16	1.01%	AAA	Same as above	304,562	n.a.	-	304,562	n.a.	Prime Mortgage
FG_G06922	Held-to-maturity	USD	SPV(USA)	2013/1/28	2042/2/1	3.50%	AAA	Same as above	303,413	n.a.		303,413	n.a.	Prime Mortgage
FG_Q08514	Held-to-maturity	USD	SPV(USA)	2013/1/24	2042/5/1	3.50%	AAA	Same as above	303,180	n.a.	-	303,180	n.a.	Prime Mortgage
FG_Q08343	Held-to-maturity	USD	SPV(USA)	2013/1/2	2042/5/1	3.50%	AAA	Same as above	287,334	n.a.	-	287,334	n.a.	Prime Mortgage
EIRLES_0_081546_CBA	Without active market	USD	SPV(Ireland)	2016/8/5	2046/8/15	0%	A+	Zero Callable Bullet Bond	1,486,650	n.a.		1,486,650	n.a.	US Treasuries
EIRLES_0_081546_NAB	Without active market	USD	SPV(Ireland)	2016/8/5	2046/8/15	0%	A+	Zero Callable Bullet Bond	1,486,650	n.a.		1,486,650	n.a.	US Treasuries

Note 1: This table covers both domestic and foreign securitized instruments.

Note 2: Provide full names for different tranches of the same securitized instrument.

Note 3: Please provide the latest credit rating.

Note 4: The attachment point refers to the amount of tranches ranking inferior to the tranche held by the Bank, as a percentage of total securitized instruments. For example, the Bank purchases Tranche A of a certain collateralized debt obligation (CDO). The tranches ranking behind Tranche A in terms of the repayment hierarchy are BBB and equity tranches. Tranches BBB and equity account for 12% of the CDO's issued value; thus the attachment point of Tranche A is 12%.

Note 5: The asset pool refers to the asset portfolio entrusted by the originating bank to its trustee, or transferred by the originating bank to a special purpose vehicle. Please specify asset types (indicating senior or subordinated repayment), details, face values denominated in original currencies, and transaction count in relation to the asset portfolio.

(II) Disclosure applicable to the Bank as an originating bank of any securitized instrument holding assets solely for credit enhancement: None.

(III) Disclosure applicable to the Bank for acting as the receiver of credit-impaired assets on securitized instruments: None.

III. Disclosure applicable to the Bank for acting as a provider of guarantee or liquidity financing to securitized instruments: None.

3. Operational risk management and the required capital.

Operational risk refers to the risk of loss attributed to inappropriate or failed internal process, personnel error, system malfunction, or external event. It includes legal risks but excludes strategy risks and reputation risks.

**Operational risk management system**

2017

Item	Details
1. Operational risk management strategy and procedures	<p>The Bank has effective operational risk management framework and systems in place to manage banking operations, improve efficiency, reduce risk exposure, and secure assets.</p> <p>Apart from converting operational risk strategies into feasible policies and procedures, the Bank also conducts operational risk self-assessment, gathers operational risk incidents, and uses key risk indicators to help identify, assess, and monitor risks:</p> <p>(1) “Operational risk self-assessment”: Identify risks associated with operational activities as well as the underlying cause and control methods; devise response plans based on risk exposure.</p> <p>(2) “Operational risk incident gathering”: Initiate reporting process when operational risk incident occurs; identify and assess the underlying cause and discuss for improvement.</p> <p>(3) “Key risk indicators”: Develop indicators for the potential risks identified to facilitate evaluation of changes in exposure.</p>
2. Operational risk management framework and organization	<p>The board of directors is the Bank’s ultimate decision-making authority in regards to operational risk management. The Risk Management Division has specialized units established to help plan and implement operational risk management system, assist departments in the establishment of standard operating procedures, and consolidate/analyze/monitor operational risks for the entire bank. The Risk Management Division reports to the board of directors and senior officers, whereas the Internal Audit Department is responsible for auditing the appropriateness and implementation of operational risk management systems by all departments within the Bank.</p>

Item	Details
3. Scope and features of operational risk reports and assessment systems	The Bank has implemented an operational risk incident database, and regularly enforces its operational risk self-assessment and key risk indicators. Operational risk self-assessments and key risk indicators are used to classify risk exposures into high, medium and low level. Response measures have been devised for the different levels of risk identified to enable effective monitoring and improve operational risk exposure. The operational risk event database is tracked, analyzed and reported regularly; procedure and system optimizations are proposed based on the analysis report.
4. Operational risk avoidance or mitigation policies, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	The Bank conducts risk self-assessment prior to launching new financial products (including services and instruments). Depending on the extent and frequency of risk impact, the Bank uses insurance and engages external parties to mitigate or transfer potential exposures. The Bank has business continuity policies and rules in place to address risk events that are likely to cause disruption to business operations. Drills are conducted from time to time to minimize possible losses and improve employees' response. Through regular monitoring, management reports and the use of tools, the Bank is able to ensure the effectiveness of its risk avoidance and mitigation tools.
5. Methods for calculating capital requirements	Standardized approach

### **Operational risk capital requirement**

December 31, 2017

Unit: NT\$ thousands

Year	Gross Profit	Accrued capital charge
2015	44,310,164	
2016	45,386,079	
2017	48,963,302	
Total	138,659,545	6,409,362

4. Market risk management system and the required capital.

Market risk is defined as possibility of changes in the price or volatility of financial instruments that causes loss of value to the Bank's financial assets.

**Market risk management system**

2017

Item	Details
1. Market risk management strategies and procedures	The Bank adopts a number of risk management measures including: limit control, regular reporting, internal audit system, independent monitoring department and executive committees to effectively measure and control market risks associated with business activities, and to maximize risk-adjusted profit and shareholders' value under tolerable risks. The Bank has an internal market risk management unit that develops relevant guidelines and standards, executes market risk management, and prepares management information and reports regularly to accountable managers for effective management of market risk.
2. Market risk management framework and organization	The board of directors is the Bank's ultimate decision-making authority in regards to risk strategy and major risk policies. The Bank has a specialized market risk management unit that operates independently from the trading department, as well as an Asset and Liability Management Committee and a Risk Management Committee that are responsible for supervising market risks. The above units are engaged in regular discussions about the Bank's asset and liability structure, deposit/loan pricing principles, medium/long-term funding solutions, and liquidity/interest rate sensitivity management strategies.
3. Coverage and features of the market risk reporting and assessment system	The market risk reporting and assessment system performs a number of functions including position valuation, limit control, gain/loss monitoring, position management and calculation, stress testing and scenario analysis, pricing model, qualitative/quantitative risk reporting and VaR analysis. Furthermore, the Bank continually develops a Basel-compliant quantitative market risk management model to ensure compliance with New Basel Capital Accords, and thereby connect financial supervisory practices with the rest of the world.



Item	Details
4. Market risk avoidance or mitigation policies, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	Proprietary trading positions undertaken by the Trading Department are monitored with net positions and exposures calculated on a daily basis. For derivative trading positions, risk exposure is calculated using product sensitivity indicators after taking into consideration the effectiveness of hedging positions. Credit derivatives are traded primarily on a matching basis to transfer and reduce risks.
5. Methods for calculating capital requirements	(1) Foreign currency options: Delta-Plus approach (2) Others: Standardized approach

### Market risk capital requirement

December 31, 2017

Unit: NT\$ thousands

Type of Risk	Accrued capital charge
Interest rate risk	7,030,482
Equity risk	2,866,050
Foreign exchange risk	1,181,622
Commodity risk	0
Total	11,078,154

5. (1) Maturity analysis of NTD capital:

Maturity analysis of NTD capital for the Bank  
December 31, 2017

Unit: NT\$ thousands

	Total	Balance until maturity					
		0 days – 10 days	11 days – 30 days	31 days – 90 days	91 days – 180 days	181 days to 1 year	Over 1 years
Primary funds inflow upon maturity	\$2,589,231,757	\$571,345,781	\$342,462,709	\$244,197,744	\$194,500,034	\$308,077,739	\$928,647,750
Primary funds outflow upon maturity	3,074,600,518	158,003,446	239,980,667	565,373,056	502,884,364	534,136,417	1,074,222,568
Gap	(485,368,761)	413,342,335	102,482,042	(321,175,312)	(308,384,330)	(226,058,678)	(145,574,818)

Note: Only NTD capital (excluding foreign currency) of the Head Office, local and offshore branches are included.

(2) Maturity analysis of USD capital:

Maturity analysis of USD capital for the Bank  
December 31, 2017

Units: US\$ thousands

	Total	Balance until maturity				
		0 days – 30 days	31 days – 90 days	91 days – 180 days	181 days to 1 year	Over 1 years
Primary funds inflow upon maturity	\$59,388,634	\$19,073,242	\$14,258,839	\$7,370,772	\$5,721,818	\$12,963,963
Primary funds outflow upon maturity	62,557,833	23,545,604	14,926,875	7,646,530	8,449,489	7,989,335
Gap	(3,169,199)	(4,472,362)	(668,036)	(275,758)	(2,727,671)	4,974,628

Note: The Form contains the total amount of the Head Office, domestic branches and OBU in the U.S. US\$.

(3) Asset liquidity and financing gap liquidity management methods:

A. Liquidity risk management factors include:

(a) Deposit to loan ratio (%):

1. The Bank strictly controls the relative weight of its deposits and loans out of liquidity concerns. A high loan-to-deposit ratio presents high liquidity risk to the Bank.
2. The Bank aims to maintain its loan-to-deposit ratio below 90%.

(b) Deposit diversity measures:

The Bank constantly assesses the percentage of deposits held by large customers to avoid concentration. By diversifying the source of deposit, the Bank is able to prevent major liquidity gaps due to withdrawal by large-sum deposit holders.

1. 
$$\frac{\text{Balance of top 10 NTD deposit holders}}{\text{Total NTD deposit balance}} > 20\%$$
2. 
$$\frac{\text{Balance of top-10 foreign currency deposit holders}}{\text{Total foreign currency deposit balance}} > 40\%$$
3. 
$$\frac{\text{Balance of top-10 deposit holders}}{\text{Total deposit balance}} > 20\%$$

4. The above calculations are made based on customer ID; however, the Asset and Liability Management Committee may perform calculations using group or other methods if necessary.

(c) Investment diversity measures:

The Bank implements limits on various types of securities it invests in to avoid excessive risk. The Bank also has rules in place to regulate security investments in a way that achieves diversification and avoids concentration.

(d) Diversification of capital source:

The Bank's funding channels include (but are not limited to) the following:

1. Loans from peer banks:

The Bank borrows from peers in the money market to meet its cash outlays. Total interbank borrowing is capped at 200% of the Bank's net worth. If the following conditions are met simultaneously, the Treasury Department will escalate to Asset and Liability Management Committee for proper management of the situation.

$$\frac{\text{Balance of NTD interbank borrowing from top 10 peers}}{\text{Sum of NTD loans + NTD security investments}} > 10\%$$

2. Issuance of negotiable certificates of deposit (NCD):

The sum of NCDs issued to financial industry is capped at 20% of the Bank's total NTD deposit balance.

B. The following reports are prepared as means to monitor and manage liquidity risk:

- (a) The Treasury Operations Department prepares a Liquidity Reserve Adjustment Report and submits it to the authority on a daily basis. Liquidity reserve ratio is calculated by dividing actual liquidity reserve with required liquidity reserve. The ratio is controlled using the following standards:

Risk grade	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
Risk level	Low risk	Medium-low risk	Medium risk	Medium-high risk	High risk
Liquidity reserve ratio	$\geq 27\%$	$\geq 22\%$	$\geq 17\%$	$\geq 12\%$	$< 12\%$

- (b) The Finance and Accounting Department is required to prepare “NTD Maturity Analysis Report” on a monthly basis to calculate the percentage of negative gaps (excluding committed credit lines) accumulated in each maturity interval relative to the Bank’s current net worth, then determine the grade and level of risk of the current situation. The department aims to avoid situations where: negative liquidity gap within the 0-90 days interval accumulates to 20% of total current liabilities, or negative liquidity gap within the 0-30 days interval falls below -3% of total NTD assets. The ratio is controlled using the following standards:

Risk grade	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5
Risk level	Low risk	Medium-low risk	Medium risk	Medium-high risk	High risk
Cumulative negative gaps (excluding committed credit lines) as a percentage of current net worth	$\leq 225\%$	$\leq 275\%$	$\leq 325\%$	$\leq 375\%$	$> 375\%$

- (c) The Bank performs stress tests on liquidity risk at least on a quarterly basis to assess the Bank’s debt-serving capacity should a liquidity crisis occur. Results of the stress test are reported to the board of directors every six months. Any irregularities noticed on the reports are escalated to the Treasury Department, and escalated by the Finance and Accounting Department during Asset and Liability Management Committee meetings to adjust the Bank’s asset and liability structure.
- (d) A “Foreign Currency Liquidity Gap Analysis” is prepared if any foreign currency accounts for more than 5% of total liability. If mismatch of foreign currency asset and liability amounts to a negative gap higher than 40% of total foreign currency assets in any maturity interval, the Finance and Accounting Department will have to notify the Market Risk Management

Department call an extraordinary Asset and Liability Management Committee meeting to discuss the Bank's foreign currency asset and liability structure and pricing principles.

- (e) The Bank calculates liquidity coverage ratios on a monthly basis. If liquidity coverage ratio falls below 150% of the level stipulated by the authority, a briefing is made during Asset and Liability Risk Management Committee meeting and a notice will be issued to the Treasury Department to adjust the Bank's asset and liability structure.
  - (f) The Bank is required to comply with deposit reserve and minimum liquidity requirements stipulated by the authority in "The Requirement for Minimum Ratio of Current Assets to Liabilities Ratio of Financial Institutions" and "Directions for Auditing Liquidity of Financial Institutions."
- (II) Impact on the Bank's financial standing and business operations due to changes in domestic or foreign policies and laws, and corresponding countermeasures to such changes:

In light of tightening compliance and AML/CTF requirements around the world, the Bank has not only implemented controls in the form of system, software and hardware, but also completed training for compliance officers, AML officers and CTF officers of various departments, and thereby complied with the latest regulatory amendments (2017). Employees are also trained on relevant topics so that they offer the Bank's financial services with consumer protection and risk control in mind. The Bank anticipates amendment and implementation of the Labor Standards Act and makes adequate preparations to ensure effective allocation of manpower. The work hour management system is constantly reviewed for conformity with operational requirements.

- (III) Impact on the Bank's financial standing due to technological or industrial changes, and corresponding countermeasures:

1. Digital banking opens up innovations while payment service reduces people's dependency on cash. Together, they create a cashless environment and give rise to new payment channels that not only change customers' shopping needs and behaviors, but also enable gathering of transaction information for the creation of a banking environment that conforms with people's needs. This integration between payment service and mobile device allows merchants to develop new ways to interact with customers and presents banks with new profit models.
2. Innovation of financial service models will only accelerate as technologies

progress, which is why the Bank has been focusing on the development of customer-oriented, “full-channel” digital banking services in recent years. Apart from making improvements to the existing digital platform, several application services have also been introduced online to promote digital interaction, create value and satisfy customers’ needs. The success of which has presented the Bank with a new profit model. Technological advancement, Fintech and innovation not only bring more diverse range of financial service to customers, but also help young people manage finance with ease.

3. Technology-inspired mobile solutions have become an integral part of consumers’ lifestyle. The Bank continues to collaborate with international as well as local partners on the creation of convenient and lifestyle-driven digital banking experience from payment to account management by incorporating mobile services. The use of digital solutions also enables gathering of useful information that further improves management performance.
4. In response to ongoing development of financial innovation policies and Fintech, the Bank has taken the initiative to deliver unique experience through creation of an innovative digital platform, and use it as a main channel for serving customers of the digital age.
5. Through integration of internal and external resources and cooperation with strategic partners and Fintech companies, the Bank is able to create a digital ecosystem that further enhances its competitive position within the industry.

(IV) Impact from a change of image and response measures:

1. Change of social responsibilities, image and other major events:
  - (1) Won 2017 Best Cancer Prevention Workplace Award from Taipei City Government Department of Health
    - ① Promotion and creation of healthy workplace.
    - ② Improved corporate image.
  - (2) Received extension for 2017 Taiwan iSport certification from Sports Administration, Ministry of Education
    - ① Creation of a healthy and sport-friendly environment.
    - ② Improved corporate image.
  - (3) Received commendation of gratitude for Care for Elderly Health 2017

from Occupational Safety and Health Administration, Ministry of Labor

- ① Leading banks and insurance companies toward creating healthy workplace.
  - ② Assistance in the promotion of healthy workplace in various industries.
  - ③ Improved corporate image.
- (4) Received 2017 Health Promotion Label from Taipei City Government Department of Health
- ① Enforcement and promotion of healthy workplace.
  - ② Improved corporate image.
- (5) Received 2017 Certificate for Top Nursery Facility from Taipei City Government Department of Health
- ① Tending to nursery needs of female employees.
  - ② Creation of friendly workplace.
- (6) Obtained certification for ISO14001 - Environmental Management System and ISO50001 - Energy Management System
- ① Environmental protection through reuse of resources.
  - ② Lowering energy usage in response to energy and carbon reduction initiatives.
- (7) Obtained certification for 14064-1 - Greenhouse Gas Inventory Set carbon reduction goals in response to climate change.

## 2. Awards:

- Named Best Bank in Taiwan 2017 by Euromoney
- Named Best Domestic Trade Finance Provider by Euromoney
- Won Finance Digest - Brand Excellence in Commercial Banking Taiwan 2017
- Won DX Awards from IDC Financial Insight
- Named Taiwan Domestic Cash Management Bank of the Year by Asian Banking & Finance
- Named Taiwan Domestic Trade Finance Bank of the Year by Asian Banking & Finance
- Won Best Structured Products House, Taiwan from The Asset
- Won Best Private Bank, Taiwan from The Asset
- Won Best syndicated loan, Vietnam from The Asset

- Won 2017 Best Share Financing in Vietnam from The Asset
- Won The Asian Banker Best Credit Card Product from The Asian Banker
- Won Best Retail Risk Management Initiative from The Asian Banker
- Won Gold Award in Commercial Times' "The Best Service in Taiwan"
- Won Gold Award in "The Reader's Digest Trusted Brand Survey (Credit Card Issuer)"
- Won Gold Award in "The Reader's Digest Trusted Brand Survey (Online Banking Service Provider)"
- Won Gold Award in "The Reader's Digest Trusted Brand Survey (Wealth Management Bank)"
- Won Gold Award in "The Reader's Digest Trusted Brand Survey (Bank)"
- Won Best Wealth Management Bank - Award of Excellence in Business Today's Wealth Management Bank and Securities Evaluation
- Won "Most Versatile Financial Advisor Award" in Business Today's Wealth Management Bank and Securities Evaluation
- Won Best Wealth Management - 1st Place in Wealth Magazine's 2017 Wealth Management Award
- Won Best Service - 1st Place in Wealth Magazine's 2017 Wealth Management Award
- Won Best Customer Recommendation - 1st Place in Wealth Magazine's 2017 Wealth Management Award
- Won Best Digital Service - 1st Place in Wealth Magazine's 2017 Wealth Management Award
- Won Best Digital Bank - Award of Excellence in Wealth Magazine's Taiwan Financial Award
- Won Best Banking Service - Award of Excellence in Wealth Magazine's Taiwan Financial Award
- Won Best Banking Product - Award of Excellence in Wealth Magazine's Taiwan Financial Award
- Won Best Banking Image - Award of Excellence in Wealth Magazine's Taiwan Financial Award
- Won "2017 BEST Awards" from Association for Talent Development
- Won "Best Product Marketing of the Year 2017" from Mastercard
- Won "Greatest Contribution of the Year 2017" from Mastercard
- Won the 3rd "Action! - Micro Film Competition - Microinsurance Category" organized by Insurance Development Foundation Committee of Financial Supervisory Commission



- Named Top-performing Bank in FSC’s 2016 “Performance Evaluation and Incentive for Trust of Senior Citizens and Persons with Disabilities”
- Received “Guaranteed Credit Growth Award” during the Excellent Credit Guarantee Partner Awards organized by Small and Medium Enterprise Credit Guarantee Fund of the Ministry of Economic Affairs
- Won Gold Award in Commonwealth Magazine’s “Golden Service Award”
- Won “TCSA Innovative Growth Award” during the 2017 Taiwan Corporate Sustainability Awards organized by Taiwan Institute for Sustainable Energy

(V) Potential effects and risks associated with mergers and acquisitions and remedial action:

1. Bank merger: None.
2. Expected benefits of merger and acquisition:
  - (1) Creates synergy, increases market share and expands business presence and size.
  - (2) Enables centralized capital/resource allocation, back-end integration, shared use of premise and equipment, and employee productivity improvement that ultimately reduces operating cost and increases return on shareholders’ equity.
  - (3) Enables replication of exceptional management practices through a time-tested platform that improves overall performance.
  - (4) Increases asset size and shareholders’ equity; enables cross-industry integration and joint marketing that provides customers with one-stop access to diverse financial services.
3. Possible risks of merger and acquisition, and response measures:
  - (1) Merger and acquisition may fail due to poor strategy, weak target, dishonest conduct, change of circumstances, or overprice.
  - (2) Lack of proper integration in terms of organization, information system, corporate culture and human resource management will affect the result of merger and acquisition.
  - (3) The Bank will undertake rigorous reviews and carefully select its targets to avoid possible risks associated with mergers and acquisitions. Detailed assessments such as environmental change, capacity limit, competitiveness, competitors, industry, domestic/foreign economy, sensitivity analysis and M&A regulations will be performed during the planning stage. For any merger

completed, the Bank will commit efforts into enforcing its consolidation plan to maximize synergy.

(VI) Expected benefits of business office expansion, the potential risks involved, and response measures:

1. Expected benefits and potential risks associated with business office expansion

Office expansion increases channel coverage and enables delivery of comprehensive financial service to customers. However, internet and mobile technologies have changed customers' habits significantly, shifting counter transactions over to the mobile banking platform. As a result, branches may begin to encounter reduced customer flow.

2. Centralized operations, simplified procedures and automated transactions will all help improve customers' service experience on physical channels. Through professional training and transformation programs, the Bank may turn physical channels into consultation hubs that complement the rest of the distribution network by focusing on building relationships with customers.

(VII) Risk and response action from concentrated operations:

Form of risk incident	Nature	Controls
Internal fraud	Losses incurred due to the attempt of at least one employee to commit fraud, embezzle corporate property, or avoid regulatory or internal requirements (excluding diversity/discrimination-related incidents).	Accountability system, increased employee benefits, lifestyle evaluation, and enhanced internal control system
Employment customs and workplace safety	Losses incurred due to violation of employment, health or safety regulations or agreements, or payment of compensation for personal injury, damage or discrimination.	Employee health checkup system, employee performance management system, employee care hotline, life insurance, and assembly of a Sexual Harassment Prevention and Complaints Review Committee
Personnel injury or property loss	Actual loss of asset caused by natural disaster or other incidents.	Enforcement of premise security, safety and drills, and property insurance

Form of risk incident	Nature	Controls
Service disruption and system malfunction	Losses caused by service disruption and system malfunction.	Off-site system backup plans and drills, business continuity plans, and drills
Execution, delivery, and procedure management	Losses incurred due to mishandling of transaction with a counterparty or seller, or due to negligence in procedural management.	Enforcement of professional training and job specialization

The Bank imposes concentration limits by country, industry, borrower group etc. and evaluates them on a regular basis to avoid excessive concentration when carrying out banking services. For every application submitted, both the business unit and the approver are required to examine utilization of the concentration limit and exercise concentration management of different aspects if appropriate. Limit utilization is monitored and reported regularly over the course of business relationship to ensure control of concentration risk. For overly concentrated assets, the Bank may choose to suspend certain business activities or reduce concentration through sale or securitization of excess assets.

- (VIII) Effect and risk caused by the changes of the right to manage to the Bank, and the countermeasures thereof:

There had been no change of management in 2017.

- (IX) Impacts, risks and response measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 1% ownership interest:

There had been no major transfer of ownership between shareholders in 2017.

- (X) Litigation and non-contentious cases:

As of December 31, 2017, the Bank had the following unresolved major litigation that arose in relation to normal business activities: The case of “Embezzlement Involving Lee and Li Employee Wei-Chieh Liu” occurred in October 2003, which “Lee and Li, Attorneys-at-Law” and “SanDisk Corp.” argued to have been attributed to the Bank’s negligence; the two claimants above have made claims of NT\$991,002,000 and NT\$3,090,000,000, respectively, against the Bank. The claim by Lee and Li has progressed into legal proceedings since July 2007; judgments were made in the Bank’s favor

during the first and second instances, and the case is currently being reviewed by the Supreme Court. The claim by SanDisk Corp. is in midst of settlement and has yet to progress into legal proceedings.

(XI) Other material risks and corresponding measures:

None.

## **VII. Special Event Management**

(I) Emergency response to disasters:

The Bank has implemented a disaster recovery and rescue system and adopted measures and facilities to protect itself against major disasters. These systems and practices provide the Bank with the versatility to respond to major disasters in a manner that minimizes losses while maintaining capital flow, so that victims may receive relief and the society may quickly restore order and economic activities.

The term “disaster” may refer to natural disaster (natural occurrences such as Typhoon, earthquake, flood, fire, landslide, tidal wave, blizzard and volcano eruption), manmade disaster (manmade occurrences such as protest, strike, riot, war and act of terrorism), and other forms of major disaster (spread of disease, nuclear incident, explosion, communication/information system malfunction, damage of operating equipment and incidents caused by other factors).

■ The following actions are taken in response to disasters:

1. Disasters such as Typhoon, earthquake, flood and fire are to be reported according to “Cathay United Bank Natural Disaster Reporting Guidelines”; all other disasters are to be announced and reported by the General Affairs Department on a case-by-case basis.
2. Business hours during and after disaster are subject to the latest announcements of the authority, which the Human Resource Department will update onto the Bank’s portal. Employees are required to report to duty 10 minutes before the scheduled business hour.
3. External support will be sought if the above mentioned disaster causes damage or loss to Bank premise, operating equipment or key files (data), renders employees unable to perform duty, or renders business activities unsustainable in any way.

■ Below is a description of the Bank’s emergency response plan:

1. Before incident:

- (1) Assemble an Emergency Response Team
- (2) Designate disaster contacts
- (3) Organize disaster prevention training and drill
- (5) Enhance facility safety maintenance and inspection
- (6) Identify source and extent of impact

2. During/after incident (once the situation has stabilized):

- (1) Initiate emergency contact
- (2) Convene Emergency Response Team meeting
- (3) Confirm safety of employees and customers
- (4) Draft an announcement to customers
- (5) Assess damage and evaluate capital/resource requirements

3. Business recovery measures:

“Cathay United Bank Notes on Business Continuity Plan for NTD Deposit and Consumer Credit” have been implemented to serve as guideline for business recovery, and therefore ensure that branches are able to maintain normal operating activities and continue to serve customers in the event of natural disaster, disease or other unexpected major occurrence.

4. Provisional customer service measures:

(1) Deposit service

Depending on the source of risk, the branch that encounters an occurrence shall assign at least one clerk and one manager, or allocate one set of computer equipment to each clerk and manager, to create files, process transactions, and perform the necessary approvals as requested by customers.

(2) Credit service

- ① Check credit cases for any loss of debt certificate and undertake remedial measures as deemed appropriate.
- ② Extend care to victims and offer the needed assistance.
- ③ Coordinate with government authorities or departments in the offering of discount loans for victims, and assist with disaster recovery while introducing simplified loan

application workflow for timely processing.

- ④ Reduce interest rate or extend grace period for victimized borrowers where appropriate and help lessen interest burden or amount of instalment. Allow payment deferral or extension for victimized borrowers who are unable to repay loans upon maturity, and help them recover from disaster.
- ⑤ Offer emergency financing at low interest rate when appropriate, and simplify/shorten operating procedures, review process and disbursement workflow for more rapid response.
- ⑥ Offer toll-free hotline (0800-818-001) for consultation.

### (3) Foreign exchange services

- ① Foreign currency deposit/lending service shall proceed in the same manner as described for general deposit/lending services.
- ② Customers' important documents are backed up in electronic form (using scanner) where possible and kept at a safe area. Any loss or damage of customers' documents held in the Bank's custody due to "disaster" will be negotiated and resolved with the customer.
- ③ Complimentary consultation services will be offered to address issues concerning import/export remittance that are caused by "disaster."

### (4) Trusts services

- ① Backup systems will be activated as soon as disaster occurs, so that holders of domestic/offshore funds or securities may continue to trade. For services such as fund custodianship and real estate/securities/personal/legal person trust the Bank will maintain basic functionality as needed or agreed with customers for the protection of their interests.
- ② If trust service seals are destroyed in a disaster, the Bank may adopt provisional measures to accept trust and custody instructions from customers.
- ③ Existing business relationships will be checked for any loss of security or debt certificate; meanwhile, security procedures will be undertaken where necessary to

protect customers' interest.

- ④ Any loss or damage of contractual document will be negotiated and resolved with the customer to ensure rapid recovery of business operations.
- ⑤ Trust and custodian service inquiry numbers and contacts will be announced to employees and customers, so that business departments and customers may have a better understanding of the Bank's responses in relation to trust and custodian service.

(II) Emergency response in the event of a strike:

The Bank has a strike response team in place to ensure effective handling of strike. The team is responsible for making decision and conducting analysis on any sudden occurrence that may affect the company, and undertaking effective measures. Any occurrence of emergency event has to be notified immediately to the team secretary, who then informs the convener and, depending on the current situation, escalates to the Chairman. The convener is required to host a team meeting as soon as possible after being notified, or instruct departments to undertake appropriate responses to prevent service disruption while protecting customers' interest and the Bank's reputation.

(III) Emergency response for liquidity risk:

The Bank may undertake the following methods to adjust assets and liabilities if its liquidity is compromised by an emergency event:

1. Sourcing of large-sum deposits: the Bank will focus on attracting deposits from corporate or major customers, or issue NCDs to peer financial institutions as a means of increasing capital inflow.
2. Terminate or borrow against deposits: the Bank may terminate or borrow against time deposits it has placed with other banks (net of amounts pledged to third parties) and use it as a means to meet cash outflows.
3. Borrow from peer banks.
4. Recover interbank loans: Interbank loans maturing on that day will be recovered to cover liquidity gap.
5. Recover capital from resale agreements: Capital will be recovered from resale bonds/notes undertaken in the money market, whether matured or not yet matured.

6. Repurchase agreements: The Bank will source capital by undertaking bond/note repurchase in the money market with financial peers or customers that the Bank has maintained sound business relationship with.
7. Sale of assets: The Bank currently hold securities including government bonds, corporate bonds, bank debentures, shares, commercial papers and treasury bills that can be sold at any time to cover liquidity gap (net of amounts charged by third parties).
8. Draw from central bank's discount window: The Bank may place securities held in possession, including government bonds, treasury bills, central bank time deposit or NCD, as collateral to borrow from the central bank, or apply for secured short-term loan from central bank to cover liquidity shortage.
9. The Bank may coordinate with government authorities such as FSC, central bank and Central Deposit Insurance Corporation to obtain financing in various forms such as interbank borrowing and sale of time deposit, NCD, debenture and note issued by the Bank.
10. Other funding methods that comply with laws or are consistent with market customs.

(IV) Disease prevention:

The Bank has a "Emergency Disease Prevention Policy" in place to contain diseases of high mortality rate.

1. The Bank is constantly in preparation of possible diseases. In terms of infrastructure, disease prevention is coordinated at the Head Office and supported by business departments; as for the information system, off-site backup and recovery plans have been implemented for contingency.
2. The Bank has a "Notes on Prevention of Communicable Disease" in place to serve as guidance for disease prevention measures at business departments. These measures are being enforced as part of routine operations. If epidemic risk indicator turns red (local presence of new virus capable of human-to-human transmission and causing ongoing contagion), the Bank is able to activate emergency response immediately to maintain business operations and continue serving customers.



(V) Major incidents:

1. Occurrence of robbery, grand larceny, vandalism of office premise or equipment, threat or natural disaster are handled as follows:
  - (1) If the incident occurs during business hours, the manager or staff on-site (including non-bank collectors and cash transporters) shall quickly activate the security alarm and notify the police by dialing “110” or “119.” The incident must also be reported to the unit head immediately for escalation to senior officers and managers within the Head Office.
  - (2) If the incident occurs outside business hours, the staff on shift shall first contact the police by dialing “110” or “119” and then report to the unit head and senior officers at Head Office. For branches that adopt security system in place of shift arrangement, emergency incidents shall be reported according to the terms of the “Security Service Agreement” that the Bank has signed with the security service provider.
  - (3) Proper responses of personnel on site:
    - ① When under threat of armed robbers, employees must refrain from any attempt of resistance and should remain calm and take note of suspects’ appearance, accent, age, hair, clothing, height, personal traits, tools and vehicles including color and license registration. Activate alarm where possible.
    - ② Evacuate personnel on site through emergency broadcast in the event of fire alarm or upon discovery of explosive, and assign employees to prevent entry by unrelated personnel. Do not attempt to remove or disarm explosive, and instead notify departments of relevant expertise.
    - ③ Injured personnel must be referred to the hospital for medical assistance.
    - ④ The scene should be properly maintained for police investigation.
    - ⑤ The unit head and Human Resource Department manager should accompany Bank staff in police questionings where possible.
    - ⑥ Natural disasters are to be reported according to the Bank’s “Notes on Natural Disaster Report.”

- (4) Business units that have weaknesses exposed through events such as robbery are required to conduct self-audit immediately according to “Financial Institution Crime Prevention Assessment.” Assessment outcomes must be reported onto the “Audit Application System” within two days after self-audit.
2. In the event of fraud or major operational defect caused by lack of internal control:

The employee suspected of fraud must be removed from current duties immediately; access to sensitive information and computer terminal must also be restricted/terminated.
3. Any inspection by the local authority that closed with adverse conclusions such as downgrade, “possibility of further action,” “possibility of administrative penalty” or “significant financial inspection finding” must be reported according to “Cathay United Bank Notes on Handling of Major Incidents.” The Internal Audit Department then has to notify directors, supervisors or the authority, and raise the issue for discussion during the upcoming board of directors meeting based on the materiality principles outlined in the Notes.
4. Each unit is required to develop an emergency contact system to ensure timely reporting across employees of different grades. A list of at least 3 always-available contact persons including the unit head and self-audit officer shall also be maintained on the “Audit Application System.” Any changes to the list of contact persons must be updated within 3 days from the effective date of change.

## **VIII. Other Major Events**

None.

## Eight. Special Items

### I. Information on Affiliates.

See Attachments 6 and 7.

### II. Private placement of securities and bank debentures during the last year up till the publication date of annual report.

Item	2017 first private placement (Note 1) Issuing date: June 13, 2017
Type of privately placed securities (Note 2)	Common shares
Date of shareholder meeting and amount approved (Note 3)	The decision was approved during the Bank's shareholder meeting (exercised by board of directors on shareholders' behalf) held on April 27, 2017. Sum of private placement is approved at NT\$14,998,000,080.
Pricing basis and rationality	This private placement of common shares was priced in reference to the price-to-book ratio of Cathay FHC (the parent company) after taking into consideration the potential benefits and profitability of the Bank, at no lower than the Bank's net worth per share and no lower than 80% of the reference price. Pricing method for the private common share placement, as described above, has been reviewed by CPAs, for which they have issued a letter of opinion to support the underlying rationality.
Selection of specific subscribers (Note 4)	Given the Bank's status as a 100%-owned subsidiary of Cathay FHC, this private placement was entirely subscribed by a single corporate shareholder.
Reasons for private placement	The Bank is a public company organized by a single corporate shareholder. The cash issue did not proceed in the form of public offering due to the Bank's intention to maintain the simplicity of its shareholder structure. Sum of this private cash issue was capped below the sum of new capital that Cathay FHC (the parent company) had received from its recent cash issue, and is expected to provide the Bank with the additional working capital needed to increase capital adequacy ratio, enhance risk tolerance and support future business growth local and abroad.

Item	2017 first private placement (Note 1) Issuing date: June 13, 2017	
Payment completion date	June 13, 2017	
Subscriber's background	Subscriber of private placement (Note 5)	Cathay Financial Holding Co., Ltd.
	Eligibility (Note 6)	Subparagraph 1, Paragraph 1, Article 43-6 of the Securities and Exchange Act. [Note]: The Bank's private cash issue was approved by FSC under Letter No. Jin-Guan-Yin-Kong-Zi No. 10600114621 dated May 31, 2017; Cathay FHC's subscription to the Bank's cash issue was approved by FSC under Letter No. Jin-Guan-Yin-Kong-Zi No. 10600114620 dated May 30, 2017.
	Volume subscribed	Common shares 535,642,860.
	Relationship to the Bank	Cathay FHC is the Bank's only corporate shareholder.
	Involvement in the Bank's management	The Bank's directors and supervisors are entirely appointed by the parent company.
Actual subscription (or conversion) price (Note 7)	NT\$ 28 per share.	
Difference between the actual subscription (or conversion) price and the reference price (Note 7)	There was no difference between the actual subscription price and the reference price.	
Impact of private placement on shareholders' equity	<ol style="list-style-type: none"> <li>1. Cathay FHC is the sole shareholder of the Bank and the only subscriber to this private placement, hence there should be no impact on shareholders' equity.</li> <li>2. This private cash issue has the effect of strengthening the Bank's capital and increasing its capital adequacy ratio.</li> </ol>	

Item	2017 first private placement (Note 1) Issuing date: June 13, 2017
Planned and actual usage of privately raised capital	Proceeds from share issuance were collected in full as of June 13, 2017. A sum of \$13.198 billion is available at disposal, which the Bank will allocate to support expansion of domestic as well as overseas businesses in various parts of the organization throughout 2018.
Benefits of the private equity placement	This new capital is being used at the Bank's disposal. The Risk Management Committee has already adjusted RWA appetite for various business segments, and the increased capacity should help grow business volume in the future.

Note 1: Adjust the number of columns as needed. List separately if the private security placement is completed over multiple issues.

Note 2: Specify the type of securities issued through common placement, such as common shares, preferred shares, convertible preferred shares, preferred shares with embedded warrants, common bank debentures, subordinated bank debentures, convertible bank debentures, bank debentures with embedded warrant, overseas convertible bank debentures, global depository receipts, and employee warrants.

Note 3: For private placement of bank debenture that does not require approval in a shareholder meeting, specify the board of directors approval date, and the amount approved.

Note 4: If subscribers have already been designated for an ongoing private placement, specify subscribers' names, and their relationships with the Bank.

Note 5: Adjust the number of columns as needed.

Note 6: Specify the legal basis for the approved placement of securities.

Note 7: Actual subscription (or conversion) price refers to the final subscription (or conversion) price at which the private placement was issued.

### **III. Holding or disposal of the Bank's shares by subsidiaries in the last year, up till the publication date of this annual report**

None.

### **IV. Other important supplementary information.**

None.

**V. Occurrences of events defined under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the last year up till the publication date of annual report that had significant impact on shareholders' equity or security price.**

The Bank's former Chairman Tsu-Pei Chen was re-assigned Vice Chairman of Cathay FHC, and the resignation was effected on June 29, 2017.

# **Appendix I**

## **Cathay United Bank**

### **Address and contact number of Head Office and global branches**

## Address and contact number of Head Office and global branches

Unit name	Address	Telephone
Head Office	No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Business Department	No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6677
International Banking Department	3, 4, 6F., No. 65, Guanqian Rd., Zhongzheng Dist., Taipei City 10047, Taiwan (R.O.C.)	(02)2191-0086
Syndicated Loan Department	9F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Treasury Department Treasury Marketing Department	2F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Deposit Operations Department	6F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Credit Operations Department	6F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Direct Marketing Department	2F., No. 136, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 10488, Taiwan (R.O.C.)	(02)2173-2899
Trust Department	B1F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Financial Service Department	8F., No. 88, Sec. 1, Zhonghua Rd., Wanhua Dist., Taipei City 10843, Taiwan (R.O.C.)	(02)2383-1000
Credit Card Operations Department	9F., No. 88, Sec. 1, Zhonghua Rd., Wanhua Dist., Taipei City 10843, Taiwan (R.O.C.)	(02)2383-0111
Private Banking Department	24F., No. 458, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City 11052, Taiwan (R.O.C.)	(02)2176-5068
Wealth Management Department	31F., No. 68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 11072, Taiwan (R.O.C.)	(02)2176-5888
Taipei Branch	3F., No. 77, Bo'ai Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02)2331-9595
Guanqian Branch	No. 65, Guanqian Rd., Zhongzheng Dist., Taipei City 10047, Taiwan (R.O.C.)	(02)2312-5555
Huashan Branch	No. 128, Sec. 2, Zhongxiao E. Rd., Zhongzheng Dist., Taipei City 10053, Taiwan (R.O.C.)	(02)2395-2121



Unit name	Address	Telephone
Linyi Branch	No. 71, Sec. 2, Ren'ai Rd., Zhongzheng Dist., Taipei City 10062, Taiwan (R.O.C.)	(02)2397-0686
Nanmen Branch	No. 5, Sec. 2, Roosevelt Rd., Zhongzheng Dist., Taipei City 10093, Taiwan (R.O.C.)	(02)2322-2777
Datong Branch	No. 50, Sec. 2, Chongqing N. Rd., Datong Dist., Taipei City 10345, Taiwan (R.O.C.)	(02)2555-2468
Jiancheng Branch	No. 36, Nanjing W. Rd., Datong Dist., Taipei City 10352, Taiwan (R.O.C.)	(02)2555-1688
Guanghua Branch	No. 136, Songjiang Rd., Zhongshan Dist., Taipei City 10417, Taiwan (R.O.C.)	(02)2551-0168
Xinsheng Branch	No. 55, Sec. 1, Minsheng E. Rd., Zhongshan Dist., Taipei City 10451, Taiwan (R.O.C.)	(02)2562-1666
Zhongshan Branch	No. 47, Sec. 3, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10461, Taiwan (R.O.C.)	(02)2591-7585
Dazhi Branch	No. 589, Mingshui Rd., Zhongshan Dist., Taipei City 10466, Taiwan (R.O.C.)	(02)8509-7878
Songjian Branch	No. 328, Songjiang Rd., Zhongshan Dist., Taipei City 10468, Taiwan (R.O.C.)	(02)2563-9241
Minsheng Branch	No. 141, Sec. 2, Minsheng E. Rd., Zhongshan Dist., Taipei City 10483, Taiwan (R.O.C.)	(02)2506-5166
Jianguo Branch	No. 132, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 10488, Taiwan (R.O.C.)	(02)2773-2200
Nanjing E. Rd. Branch	No. 132, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 10489, Taiwan (R.O.C.)	(02)2506-1333
Minquan Branch	No. 144, Sec. 3, Minquan E. Rd., Songshan Dist., Taipei City 10542, Taiwan (R.O.C.)	(02)2545-2155
Dunbei Branch	No. 236, Dunhua N. Rd., Songshan Dist., Taipei City 10548, Taiwan (R.O.C.)	(02)2713-9911
Zhonglun Branch	No. 182, Sec. 3, Bade Rd., Songshan Dist., Taipei City 10555, Taiwan (R.O.C.)	(02)2570-5080
Bade Branch	No. 656-1, Sec. 4, Bade Rd., Songshan Dist., Taipei City 10566, Taiwan (R.O.C.)	(02)3765-1188
Xisong Branch	No. 230, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City 10570, Taiwan (R.O.C.)	(02)2745-6199
Guangfu Branch	No. 99, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City 10571, Taiwan (R.O.C.)	(02)2765-4222

Unit name	Address	Telephone
Sanmin Branch	No. 165-7, Sec. 5, Minsheng E. Rd., Songshan Dist., Taipei City 10589, Taiwan (R.O.C.)	(02)2747-5688
Fuxing Branch	No. 248, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City 10595, Taiwan (R.O.C.)	(02)2721-0306
Chengdong Branch	No. 126, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 10595, Taiwan (R.O.C.)	(02)2577-7300
Qingcheng Branch	No. 158, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 10596, Taiwan (R.O.C.)	(02)2545-5559
Yongping Branch	No. 199, Fuxing N. Rd., Songshan Dist., Taipei City 10596, Taiwan (R.O.C.)	(02)8712-5510
Heping Branch	No. 109, Sec. 2, Roosevelt Rd., Da'an Dist., Taipei City 10646, Taiwan (R.O.C.)	(02)2365-5627
Guting Branch	No. 149, Sec. 3, Roosevelt Rd., Da'an Dist., Taipei City 10647, Taiwan (R.O.C.)	(02)2363-2931
Dongmen Branch	No. 9, Sec. 3, Xinyi Rd., Da'an Dist., Taipei City 10657, Taiwan (R.O.C.)	(02)2703-8879
Xin'an Branch	No. 149, Sec. 3, Xinyi Rd., Da'an Dist., Taipei City 10658, Taiwan (R.O.C.)	(02)2325-5989
Dunhua Branch	No. 218, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10669, Taiwan (R.O.C.)	(02)2377-6999
Anhe Branch	No. 92, Sec. 2, Anhe Rd., Da'an Dist., Taipei City 10680, Taiwan (R.O.C.)	(02)2325-5007
Xinyi Branch	No. 32, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10683, Taiwan (R.O.C.)	(02)2705-2316
Da'an Branch	No. 33, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 10685, Taiwan (R.O.C.)	(02)2777-1795
Ren'ai Branch	No. 85, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 10688, Taiwan (R.O.C.)	(02)2752-5353
Dunnan Branch	No. 185, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City 10690, Taiwan (R.O.C.)	(02)2740-8811
Zhongxiao Branch	No. 293, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 10696, Taiwan (R.O.C.)	(02)2772-1252
Zhongzheng Branch	No. 99, Sec. 1, Fuxing S. Rd., Da'an Dist., Taipei City 10697, Taiwan (R.O.C.)	(02)2711-8168
Ximen Branch	No. 93, Sec. 2, Changsha St., Wanhua Dist., Taipei City 10846, Taiwan (R.O.C.)	(02)2381-3188

Unit name	Address	Telephone
Wanhua Branch	No. 450, Wanda Rd., Wanhua Dist., Taipei City 10872, Taiwan (R.O.C.)	(02)2337-7101
Shihmao Branch	No. 456, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City 11052, Taiwan (R.O.C.)	(02)2720-9191
Yongchun Branch	No. 687, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 11061, Taiwan (R.O.C.)	(02)8785-6868
Songshan Branch	No. 151, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 11070, Taiwan (R.O.C.)	(02)2763-3310
Wenchang Branch	No. 557, Guangfu S. Rd., Xinyi Dist., Taipei City 11074, Taiwan (R.O.C.)	(02)8789-7171
Zhongcheng Branch	No. 247, Sec. 2, Zhongcheng Rd., Shilin Dist., Taipei City 11153, Taiwan (R.O.C.)	(02)2873-6556
Tianmu Branch	No. 24, Tianmu W. Rd., Shilin Dist., Taipei City 11157, Taiwan (R.O.C.)	(02)2871-7040
Lanya Branch	No. 45, Dexing W. Rd., Shilin Dist., Taipei City 11158, Taiwan (R.O.C.)	(02)2835-5658
Shilin Branch	No. 197, Zhongzheng Rd., Shilin Dist., Taipei City 11163, Taiwan (R.O.C.)	(02)8861-4040
Beitou Branch	No. 150, Sec. 1, Zhongyang S. Rd., Beitou Dist., Taipei City 11263, Taiwan (R.O.C.)	(02)2896-0399
Shipai Branch	No. 188, Sec. 1, Shipai Rd., Beitou Dist., Taipei City 11271, Taiwan (R.O.C.)	(02)2828-6779
Wende Branch	No. 12, Ln. 174, Sec. 3, Chenggong Rd., Neihu Dist., Taipei City 11460, Taiwan (R.O.C.)	(02)8792-6189
Xinhu Branch	No. 111, Sec. 6, Minquan E. Rd., Neihu Dist., Taipei City 11490, Taiwan (R.O.C.)	(02)8791-7088
Donghu Branch	No. 452, Sec. 5, Chenggong Rd., Neihu Dist., Taipei City 11490, Taiwan (R.O.C.)	(02)2631-9986
Ruihu Branch	No. 292, Yangguang St., Neihu Dist., Taipei City 11491, Taiwan (R.O.C.)	(02)2658-0608
Neihu Branch	No. 310, Sec. 1, Neihu Rd., Neihu Dist., Taipei City 11493, Taiwan (R.O.C.)	(02)2659-6899
South Neihu Branch	No. 169, Xing'ai Rd., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02)8792-8068
Nangang Branch:	No. 220, Sec. 1, Nangang Rd., Nangang Dist., Taipei City 11568, Taiwan (R.O.C.)	(02)2789-2345

Unit name	Address	Telephone
Wenshan Branch	No. 94, Sec. 2, Muzha Rd., Wenshan Dist., Taipei City 11648, Taiwan (R.O.C.)	(02)8661-6262
Jingmei Branch	No. 285, Sec. 6, Roosevelt Rd., Wenshan Dist., Taipei City 11674, Taiwan (R.O.C.)	(02)2930-3088
Keelung Branch	No. 5, Zhong 1st Rd., Ren'ai Dist., Keelung City 20041, Taiwan (R.O.C.)	(02)2421-3898
Huaijiang Branch	No. 43, Zhuangjing Rd., Banqiao Dist., New Taipei City 22042, Taiwan (R.O.C.)	(02)2254-3939
Banqiao Branch	No. 102, Zhongzheng Rd., Banqiao Dist., New Taipei City 22054, Taiwan (R.O.C.)	(02)2965-1811
Houpu Branch	No. 260, Chongqing Rd., Banqiao Dist., New Taipei City 22063, Taiwan (R.O.C.)	(02)2954-6688
Xinban Branch	No. 156, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City 22065, Taiwan (R.O.C.)	(02)2951-8533
Bandong Branch	No. 216, Sec. 1, Sanmin Rd., Banqiao Dist., New Taipei City 22067, Taiwan (R.O.C.)	(02)8951-9355
Puqi Branch	No. 196, Sec. 2, Sanmin Rd., Banqiao Dist., New Taipei City 22069, Taiwan (R.O.C.)	(02)2961-8700
Xizhi Branch	No. 196, Sec. 2, Datong Rd., Xizhi Dist., New Taipei City 22184, Taiwan (R.O.C.)	(02)2641-0666
Da-ping-lin Branch	No. 115, Minquan Rd., Xindian Dist., New Taipei City 23141, Taiwan (R.O.C.)	(02)2218-9339
Beixin Branch	No. 190, Zhongzheng Rd., Xindian Dist., New Taipei City 23146, Taiwan (R.O.C.)	(02)2917-3999
Xindian Branch	No. 542-4, Zhongzheng Rd., Xindian Dist., New Taipei City 23148, Taiwan (R.O.C.)	(02)2218-4881
Yonghe Branch	No. 15, Sec. 1, Yonghe Rd., Yonghe Dist., New Taipei City 23445, Taiwan (R.O.C.)	(02)2925-8861
Yongzhen Branch	No. 225, Sec. 1, Zhongshan Rd., Yonghe Dist., New Taipei City 23446, Taiwan (R.O.C.)	(02)2927-3300
Fuhe Branch	No. 353-1, Fuhe Rd., Yonghe Dist., New Taipei City 23450, Taiwan (R.O.C.)	(02)2924-1010
Liancheng Branch	No. 236, Liancheng Rd., Zhonghe Dist., New Taipei City 23553, Taiwan (R.O.C.)	(02)8228-6976
Zhonghe Branch	No. 296, Sec. 2, Zhongshan Rd., Zhonghe Dist., New Taipei City 23557, Taiwan (R.O.C.)	(02)2242-2178

Unit name	Address	Telephone
Shuanghe Branch	No. 102, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02)2244-7890
Xuefu Branch	No. 122, Sec. 1, Xuefu Rd., Tucheng Dist., New Taipei City 23657, Taiwan (R.O.C.)	(02)2266-8669
Tucheng Branch	No. 209, Sec. 2, Zhongyang Rd., Tucheng Dist., New Taipei City 23669, Taiwan (R.O.C.)	(02)2273-9911
Shulin Branch	No. 166, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City 23844, Taiwan (R.O.C.)	(02)2682-2988
Sanchong Branch	No. 29, Sec. 2, Chongyang Rd., Sanchong Dist., New Taipei City 24141, Taiwan (R.O.C.)	(02)2982-2101
Zhengyi Branch	No. 9, Sec. 2, Chongxin Rd., Sanchong Dist., New Taipei City 24147, Taiwan (R.O.C.)	(02)2982-3131
North Sanchong Branch	No. 111, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City 24152, Taiwan (R.O.C.)	(02)2286-1133
Erchong Branch	No. 4, Ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist., New Taipei City 24159, Taiwan (R.O.C.)	(02)2278-9999
Chongxin Branch	No. 87, Sec. 4, Chongxin Rd., Sanchong Dist., New Taipei City 24161, Taiwan (R.O.C.)	(02)2972-3329
Xinzhuang Branch	No. 245, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 24243, Taiwan (R.O.C.)	(02)2996-8491
Xintai Branch	No. 387, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 24243, Taiwan (R.O.C.)	(02)8201-0788
Xingfu Branch	No. 692, Xingfu Rd., Xinzhuang Dist., New Taipei City 24248, Taiwan (R.O.C.)	(02)8992-9911
Xinshu Branch	No. 499, Xinshu Rd., Xinzhuang Dist., New Taipei City 24262, Taiwan (R.O.C.)	(02)2208-0077
Danfeng Branch	No. 238, Min'an W. Rd., Xinzhuang Dist., New Taipei City 24264, Taiwan (R.O.C.)	(02)2203-2568
Luzhou Branch	No. 79, Zhongzheng Rd., Luzhou Dist., New Taipei City 24757, Taiwan (R.O.C.)	(02)8282-5588
Tamsui Branch	No. 106, Zhongshan Rd., Tamsui Dist., New Taipei City 25151, Taiwan (R.O.C.)	(02)2620-5601
Yilan Branch	No. 105, Sec. 1, Shennong Rd., Yilan City, Yilan County 26047, Taiwan (R.O.C.)	(03)935-8797
Zhucheng Branch	No. 150, Minzu Rd., East Dist., Hsinchu City 30043, Taiwan (R.O.C.)	(03)531-1122

Unit name	Address	Telephone
Hsinchu Branch	No. 307, Beida Rd., North Dist., Hsinchu City 30044, Taiwan (R.O.C.)	(03)524-1111
Zhuke Branch	No. 369, Sec. 1, Guangfu Rd., East Dist., Hsinchu City 30074, Taiwan (R.O.C.)	(03)666-1666
Xiangshan Branch:	No. 582, Sec. 4, Zhonghua Rd., Xiangshan Dist., Hsinchu City 30094, Taiwan (R.O.C.)	(03)538-0388
Zhubei Branch	No. 87-1, Guangming 6th Rd., Zhubei City, Hsinchu County 30268, Taiwan (R.O.C.)	(03)657-0336
Zhongli Branch	No. 11, Sec. 1, Zhongyang W. Rd., Zhongli Dist., Taoyuan City 32042, Taiwan (R.O.C.)	(03)422-4066
North Zhongli Branch	No. 129, Cihui 3rd St., Zhongli Dist., Taoyuan City 32085, Taiwan (R.O.C.)	(03)427-0355
Tongde Branch	No. 1125, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 33045, Taiwan (R.O.C.)	(03)325-0567
North Taoyuan Branch	No. 448, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 33047, Taiwan (R.O.C.)	(03)339-8855
Taoxing Branch	No. 469, Zhongshan Rd., Taoyuan Dist., Taoyuan City 33066, Taiwan (R.O.C.)	(03)335-6255
Taoyuan Branch	No. 170, Fuxing Rd., Taoyuan Dist., Taoyuan City 33066, Taiwan (R.O.C.)	(03)335-9955
Linkou Branch	No. 319, Wenhua 3rd Rd., Guishan Dist., Taoyuan City 33377, Taiwan (R.O.C.)	(03)327-1689
Nankan Branch	No. 70, Zhongzheng Rd., Luzhu Dist., Taoyuan City 33858, Taiwan (R.O.C.)	(03)311-0355
Miaoli Branch	No. 408, Zhongzheng Rd., Miaoli City, Miaoli County 36043, Taiwan (R.O.C.)	(037)377-855
East Taichung Branch	No. 735, Jiancheng Rd., East Dist., Taichung City 40150, Taiwan (R.O.C.)	(04)2283-1666
Guoguang Branch	No. 76, Guoguang Rd., South Dist., Taichung City 40254, Taiwan (R.O.C.)	(04)2221-3801
West Taichung Branch	No. 185, Minguang Rd., West Dist., Taichung City 40341, Taiwan (R.O.C.)	(04)2220-8937
Taichung Branch	No. 148, Sec. 1, Ziyou Rd., West Dist., Taichung City 40342, Taiwan (R.O.C.)	(04)2223-1031
Central Taichung Branch	No. 35, Sec. 1, Zhonghua Rd., West Dist., Taichung City 40345, Taiwan (R.O.C.)	(04)2225-9111

Unit name	Address	Telephone
Nantun Branch	No. 1-128, Wuquan Rd., West Dist., Taichung City 40346, Taiwan (R.O.C.)	(04)2371-6663
Wuquan Branch	No. 530, Yingcai Rd., West Dist., Taichung City 40360, Taiwan (R.O.C.)	(04)2301-4000
Duxing Branch	No. 190, Wuquan Rd., North Dist., Taichung City 40446, Taiwan (R.O.C.)	(04)2205-5858
Jianxing Branch	No. 590, Jianxing Rd., North Dist., Taichung City 40459, Taiwan (R.O.C.)	(04)2205-0867
Chongde Branch	No. 128, Sec. 2, Chongde Rd., Beitun Dist., Taichung City 40653, Taiwan (R.O.C.)	(04)2238-9278
Wenhua Mini-Branch	No. 100, Wenhua Rd., Xitun Dist., Taichung City 40724, Taiwan (R.O.C.)	(04)2451-7074
Xitun Branch	No. 126, Sec. 3, Wenxin Rd., Xitun Dist., Taichung City 40748, Taiwan (R.O.C.)	(04)2314-9307
Shuinan Branch	No. 215, Sec. 2, Zhongqing Rd., Xitun Dist., Taichung City 40754, Taiwan (R.O.C.)	(04)2297-1718
Shizheng Branch	No. 31, Shizheng N. 3rd Rd., Xitun Dist., Taichung City 40756, Taiwan (R.O.C.)	(04)2251-9389
Zhonggang Branch	No. 600, Sec. 2, Taiwan Blvd., Xitun Dist., Taichung City 40759, Taiwan (R.O.C.)	(04)2313-5678
Wenxin Branch	No. 666, Sec. 2, Wuquan W. Rd., Nantun Dist., Taichung City 40869, Taiwan (R.O.C.)	(04)2381-3168
Taiping Branch	No. 142, Zhongxing E. Rd., Taiping Dist., Taichung City 41167, Taiwan (R.O.C.)	(04)2275-2979
Dali Branch	No. 259, Sec. 2, Guoguang Rd., Dali Dist., Taichung City 41266, Taiwan (R.O.C.)	(04)2406-5678
Fengbei Branch	No. 60, Sec. 1, Yuanhuan N. Rd., Fengyuan Dist., Taichung City 42054, Taiwan (R.O.C.)	(04)2520-8488
Fengyuan Branch	No. 199, Sanmin Rd., Fengyuan Dist., Taichung City 42061, Taiwan (R.O.C.)	(04)2528-8700
Tanzi Branch	No. 82, Sec. 3, Tanxing Rd., Tanzi Dist., Taichung City 42751, Taiwan (R.O.C.)	(04)2531-6666
Daya Branch	No. 125, Sec. 1, Minsheng Rd., Daya Dist., Taichung City 42866, Taiwan (R.O.C.)	(04)2569-1155
Shalu Branch	No. 86, Chenggong E. St., Shalu Dist., Taichung City 43352, Taiwan (R.O.C.)	(04)2665-5959

Unit name	Address	Telephone
Qingshui Branch	No. 170, Zhongshan Rd., Qingshui Dist., Taichung City 43654, Taiwan (R.O.C.)	(04)2623-5798
Dajia Branch	No. 222-1, Shuntian Rd., Dajia Dist., Taichung City 43741, Taiwan (R.O.C.)	(04)2686-0779
Zhangmei Branch	No. 136, Cixiu Rd., Changhua City, Changhua County 50059, Taiwan (R.O.C.)	(04)725-3424
Zhangtai Branch	No. 521, Sec. 2, Zhongshan Rd., Changhua City, Changhua County 50062, Taiwan (R.O.C.)	(04)722-2558
Changhua Branch	No. 35, Huashan Rd., Changhua City, Changhua County 50063, Taiwan (R.O.C.)	(04)728-9288
Xiushui Branch	No. 629, Sec. 2, Zhangshui Rd., Xiushui Township, Changhua County 50448, Taiwan (R.O.C.)	(04)769-6795
Yuanlin Branch	No. 320, Sec. 2, Zhongshan Rd., Yuanlin City, Changhua County 51049, Taiwan (R.O.C.)	(04)832-4122
Nantou Branch	No. 13, Sanhe 3rd Rd., Nantou City, Nantou County 54057, Taiwan (R.O.C.)	(049)220-6686
Jiatai Branch	No. 242-1, Zhongshan Rd., East Dist., Chiayi City 60044, Taiwan (R.O.C.)	(05)223-2466
Chiayi Branch	No. 26, Minsheng N. Rd., West Dist., Chiayi City 60048, Taiwan (R.O.C.)	(05)227-5552
Douliu Branch	No. 89, Zhongshan Rd., Douliu City, Yunlin County 64051, Taiwan (R.O.C.)	(05)537-1321
Tainan Branch	No. 62, Sec. 1, Minsheng Rd., West Central Dist., Tainan City 70048, Taiwan (R.O.C.)	(06)228-0171
East Tainan Branch	No. 395, Sec. 1, Linsen Rd., East Dist., Tainan City 70151, Taiwan (R.O.C.)	(06)276-1166
Lin'an Branch	No. 17, Sec. 2, Lin'an Rd., North Dist., Tainan City 70458, Taiwan (R.O.C.)	(06)258-1736
Yongkang Branch	No. 423, Zhonghua Rd., Yongkang Dist., Tainan City 71079, Taiwan (R.O.C.)	(06)233-8077
Chenggong Branch	No. 1, Zhonghua Rd., Yongkang Dist., Tainan City 71084, Taiwan (R.O.C.)	(06)312-0266
Xinying Branch	No. 134, Zhongshan Rd., Xinying Dist., Tainan City 73065, Taiwan (R.O.C.)	(06)632-5556
Shanhua Branch	No. 349, Zhongshan Rd., Shanhua Dist., Tainan City 74157, Taiwan (R.O.C.)	(06)581-0607



Unit name	Address	Telephone
Xinxing Branch	No. 55, Zhongzheng 3rd Rd., Xinxing Dist., Kaohsiung City 80054, Taiwan (R.O.C.)	(07)227-4171
Qianjin Branch	No. 148, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City 80147, Taiwan (R.O.C.)	(07)286-1720
Lingya Branch	No. 89, Linsen 2nd Rd., Lingya Dist., Kaohsiung City 80242, Taiwan (R.O.C.)	(07)333-8911
Siwei Branch	No. 7, Siwei 4th Rd., Lingya Dist., Kaohsiung City 80247, Taiwan (R.O.C.)	(07)331-9918
East Kaohsiung Branch	No. 72, Zhongzheng 2nd Rd., Lingya Dist., Kaohsiung City 80271, Taiwan (R.O.C.)	(07)224-1531
Mingcheng Branch	No. 637, Mingcheng 3rd Rd., Gushan Dist., Kaohsiung City 80453, Taiwan (R.O.C.)	(07)586-7888
Qianzhen Branch	No. 355, Baotai Rd., Qianzhen Dist., Kaohsiung City 80643, Taiwan (R.O.C.)	(07)726-0676
South Kaohsiung Branch	No. 385, Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City 80658, Taiwan (R.O.C.)	(07)338-6656
Kaohsiung Branch	No. 366, Bo'ai 1st Rd., Sanmin Dist., Kaohsiung City 80757, Taiwan (R.O.C.)	(07)323-7711
Dachang Branch	No. 76, Dachang 2nd Rd., Sanmin Dist., Kaohsiung City 80780, Taiwan (R.O.C.)	(07)380-9339
Zuoying Branch	No. 366, Bo'ai 2nd Rd., Zuoying Dist., Kaohsiung City 81358, Taiwan (R.O.C.)	(07)550-7366
Gangshan Branch	No. 28, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City 82065, Taiwan (R.O.C.)	(07)622-6678
Fengshan Branch	No. 203, Zhongshan W. Rd., Fengshan Dist., Kaohsiung City 83068, Taiwan (R.O.C.)	(07)742-6325
Pingtung Branch	No. 125, Zhongzheng Rd., Pingtung City, Pingtung County 90074, Taiwan (R.O.C.)	(08)733-0456
Taitung Branch	No. 258, Zhongshan Rd., Taitung City, Taitung County 95043, Taiwan (R.O.C.)	(089)352-211
Hualien Branch	No. 163, Minguo Rd., Hualien City, Hualien County 97049, Taiwan (R.O.C.)	(03)833-7168
Labuan Branch	Level 3(C), Main Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000, Labuan F. T., Malaysia	60-87-452168
Hong Kong Branch	20F, LHT Tower, No.31 Queen's Road Central, Central, Hong Kong	852-2877-5488

Unit name	Address	Telephone
Chu Lai Branch, Vietnam	4F, NO.121 Hung Vuong street., Tam Ky City, Quang Nam Province , Vietnam	84-235-3813035~42
Singapore Branch	8 Marina Boulevard #13-03 Marina Bay Financial Centre Tower 1 Singapore 018981	65-6593-9280
Shanghai Branch	Unit M02-A & 25F, AZIA, No. 1233 Lujiazui ring road , Pudong New District, Shanghai 200120 China	86-21-6886-3785
Shanghai Minhang Sub-Branch	Room 101, 1F, Nikos Building, NO.528 Hongxu Road, Minhang District, Shanghai 201103 China	86-21-6491-9929
Shanghai Pilot Free Trade Zone Sub-Branch	Unit M02-B, AZIA, No. 1233 Lujiazui ring road , Pudong New District, Shanghai 200120 China	86-21-5036-2929
Shanghai Jiading Sub-Branch	No.36-38, Hexuan Road, Wanda Plaza Jiangqiao Town, Jiading District, Shanghai 201803 China	86-21-6040-6939
Qingdao Branch	Room 2305-2307, 23F, No.26, Hong Kong Middle Road, Shinan District, Qingdao, Shandong 266071, China	86-532-5576-9888
Shenzhen Branch	2501, Tower A, East Pacific International Center, 7888, Shennan Road, Futian District, Shenzhen, China	86-755-88663939
Vientiane Capital Branch	No.40, Tut Mai Rd., Hatsady Village, Chanthabouly District, Vientiane Capital, Lao PDR	856-21-255688
Kuala Lumpur Marketing Office	Lot 13A, 13F, UBN Tower, 10, Jalan P. Ramlee, 50250, Kuala Lumpur, Malaysia	60-3-2070-6729
Manila Branch	Unit 1, 15/F Tower 6789, No.6789 Ayala Avenue, Makati City, Metro Manila, Philippines, 1226.	63-2751-1161
Bangkok Office, Thailand	13F, Sathorn City Tower 175, South Sathorn Rd. Tungmahamek, Sathorn Bangkok 10120, Thailand	66-2-679-5316~7
Hanoi Office	7F, 88 Hai Ba Trung Street, Hoan Kiem District, Hanoi, Vietnam	84-24-3936-6566
HCMC Office	5F, 46-48 Pham Hong Thai Street, District 1, HCMC, Vietnam	84-28-3825-8761~63
Myanmar Office	#503, Strand Square, Level 5, No. 53, Strand Road, Pabedan Township, Yangon, Republic of the Union of Myanmar	95-1-230-7397
Jakarta Office	Mayapada Tower 08-03 Jl. Jend. Sudirman Kav.28 Jakarta 12920	62-21-2951-8572

## **Appendix II**

### **Significant resolutions made in shareholder meetings and board of directors meetings**

**1. Significant resolutions made in 2017 shareholder meeting (executed on behalf by the board of directors):**

**(1) 3rd meeting of the 15th board of directors on March 8, 2017**

- ⊙ Amendments to the Bank's "Articles of Incorporation."

**(2) 4th meeting of the 15th board of directors on April 27, 2017**

- ⊙ Report on the Bank's "2016 Business Report," "2016 Employee Remuneration," and "2016 Supervisor Review Report."
- ⊙ Acknowledged the Bank's "2016 Business Report," "2016 Consolidated and Standalone Financial Statements," and "2016 Earnings Appropriation."
- ⊙ Passed the Bank's "2016 New Capital Proposal and New Capital Draft Plan" and "2017 Private Cash Issue."
- ⊙ Amended the Bank's "Articles of Incorporation" and "Asset Acquisition and Disposal Procedures"
- ⊙ Passed removal of restrictions imposed against the Company's Independent Director Feng-Chiang Miao and Director Chang-Ken Lee for involving in competing businesses.

**(3) 7th interim meeting of the 15th board of directors on June 29, 2017**

- ⊙ Passed removal of restrictions imposed against the Company's Independent Director Edward Yung Do Way for involving in competing businesses.

**(4) 5th meeting of the 15th board of directors on August 17, 2017**

- ⊙ Amended the Bank's "Asset Acquisition and Disposal Procedures," "Articles of Incorporation," "Director/Supervisor Compensation Principles," and compensation for Chairman.
- ⊙ Passed removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo, Independent Director Tsing-Yuan Hwang and Managing Director Alan Lee for being involved in competing businesses.

**(5) 6th meeting of the 15th board of directors on November 8, 2017**

- ⊙ Amendments to the Bank’s “Articles of Incorporation.”
- ⊙ Passed removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo and Managing Director Alan Lee for being involved in competing businesses.

**2. Major board of directors resolutions in 2017:**

**(1) 5th interim meeting of the 15th board of directors on January 25, 2017**

- ⊙ Passed details of urban renewal project for the Bank’s Guanqian Tower, including capital contributors, executors, and potential tenants.
- ⊙ Passed issuance of new unsecured senior bank debenture and unsecured subordinated bank debenture.
- ⊙ Amendments to the Bank’s “Business Investment Principles.”
- ⊙ Passed “Sale of Non-performing Loan - Vinalines.”
- ⊙ Passed “Proposal to bid for The Bank of Nova Scotia’s sale of Malaysian subsidiary, either individually or in conjunction with Cathay Life Insurance.”
- ⊙ Passed the Bank’s “re-organization” and “personnel changes”.

**(2) 3rd meeting of the 15th board of directors on March 8, 2017**

- ⊙ Passed the Bank’s “2016 Business Report,” “2016 Employee Remuneration,” “2016 Year-end Accounts,” “2016 Earnings Appropriation,” “2016 New Capital Proposal and New Capital Draft Plan,” “2016 Declaration of Internal Control System,” “2017 Operating Strategies,” “2017 Key Business and Financial Goals,” “2017 Q1 Financial Statement Audit by New Auditors,” “2017 Market Risk Limit Applications,” “Payment Security Protection Service,” “Sale of Debt Entitlement in Overdue Borrower - PT VISI MEDIA ASIA TBK,” “2017 Industry Credit Limit,” and “Restructuring of tender for The Bank of Nova Scotia’s sale of Malaysian subsidiary.”
- ⊙ Set the Bank’s “2017 Operational Risk Tolerance,” “2017 Key Operational Risk Indicators,” “Offshore Structured Product Review Panel Guidelines,” and “Minimum Capital Adequacy Ratio, Tier 1

Capital Ratio and Common Share Equity Ratio Given 2017 Target Risk Appetite.”

- ◎ Amended the Bank’s “Industry Credit Limit Management Guidelines,” “Risk Appetite Management Guidelines,” “Investment Product Review Principles,” “Articles of Incorporation,” “Internal Control System,” “Risk Disclosure Guidelines,” “Operational Risk Management Guidelines,” “Consumer Credit Approval Authority Guidelines,” “Equator Principles Enforcement Policy,” “Compliance System Enforcement Guidelines,” and “Association/Golf Membership and Voucher Possession Policy.”
- ◎ Passed the Bank’s “Offshore Banking Unit Office Relocation” and “Guanghua Branch Office Expansion.”
- ◎ Passed the Bank’s “re-organization” and “personnel changes.”

**(3) 4th meeting of the 15th board of directors on April 27, 2017**

- ◎ Passed the Bank’s “2017 Q1 Year-end Accounts,” “2016 New Capital Proposal and New Capital Draft Plan,” “2017 Private Cash Issue,” “2016 Management Guidelines,” “Overdue Loan, Hardcore Receivable and NPL Guidelines,” and “Asset Acquisition and Disposal Procedures.”
- ◎ Established “Cathay United Bank Misconduct Report and Complaint Policy.”
- ◎ Passed the decision to merge Luodong Mini-branch and Xiushui Mini-branch into Xiushui Branch, and continue operations at No. 629, Section 2, Zhangshui Road, Xiushui Township, Changhua County.
- ◎ Passed the Bank’s “personnel changes.”
- ◎ Passed the decision to change capital fund of “Cathay United Bank (China) Ltd.,” one of the Bank’s banking subsidiaries established in the Mainland.
- ◎ Passed removal of restrictions imposed against the Company’s Independent Director Feng-Chiang Miao and Director Chang-Ken Lee for involving in competing businesses.

**(4) 7th interim meeting of the 15th board of directors on June 29, 2017**

- ◎ Passed the decision to purchase additional ATMs as part of the business collaboration with PXMart.
- ◎ Amended the Bank's "Overdue Loan, Hardcore Receivable and NPL Guidelines."
- ◎ Passed expansion and reduction of business premise at Taichung, Datong, Tongde, and Yilan Branches.
- ◎ Passed the Bank's "personnel changes."
- ◎ Passed removal of restrictions imposed against the Company's Independent Director Edward Yung Do Way for involving in competing businesses.

**(5) 5th meeting of the 15th board of directors on August 17, 2017**

- ◎ Passed the Bank's 2017 first-half accounts.
- ◎ Passed the proposal to apply for adoption of risk-driven internal audit system and establish "Risk-driven Internal Audit Implementation Procedures."
- ◎ Amended the Bank's "Credit Policy," "Business Continuity Plan Policy," "Audit Guidelines," "Asset Acquisition and Disposal Procedures," "Treasury Limit Authorization Guidelines," "Derivative Service Guidelines," "Cathay United Bank Compliance System Enforcement Guidelines," "Offshore Banking Unit Derivative Service Guidelines," "Credit Card Approval Authority Guidelines," "Consumer Banking Credit Review Guidelines," "Board of Directors Meeting Conference Rules," "Board of Directors Major Decisions Principle," "Cathay United Bank Professional Investor Eligibility Principles," "Cathay United Bank Internal Control System Management Manual," "Articles of Incorporation," and "Director/Supervisor Compensation Principles."
- ◎ Passed "request of transferee - Shun Yuan Asset Management Co., Ltd. to postpone payment and acceptance for debt entitlements over Chang Yi Enterprise Co., Ltd."
- ◎ Passed the removal of convertible bonds of Procomp Informatics that the Bank had previously assumed from Lucky Bank.

- ◎ Passed increase of capital in Manila Branch.
- ◎ Passed removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo, Independent Director Tsing-Yuan Hwang and Managing Director Alan Lee for being involved in competing businesses.
- ◎ Passed the Bank's "re-organization" and "personnel changes."

**(6) 6th meeting of the 15th board of directors on November 8, 2017**

- ◎ Passed 2017 3-quarter financial statements, re-appointment of 2018 financial statement auditors, and audit remuneration.
- ◎ Passed the Bank's "2018 Audit Plan," "2018 Internal Audit Plan for Concurrent Involvement in Securities Brokerage, Securities Underwriting and Bond Proprietary Trading," "Cathay United Bank Declaration of Effective AML/CTF Internal Control System Design and Execution," and "2017 First-half AML/CTF System Special Audit Report issued by Ernst & Young."
- ◎ Passed the decision to invest into Class B preferred shares of "Quantifeed Holdings Limited."
- ◎ Established the Bank's "Offshore Banking Unit New Account Opening Guidelines" and "Cathay United Bank Professional Client Eligibility Principles."
- ◎ Amended the Bank's "Articles of Incorporation," "Financial Inspection Report Preparation Policy," "Director/Supervisor Compensation Principles," "Corporate Governance Guidelines," "Market Risk Management Guidelines," "Liquidity Risk Management Guidelines," "Banking Book Interest Rate Risk Management Guidelines," "Capital Usage Authorization Guidelines," "Treasury Limit Authorization Guidelines," "Derivative Service Guidelines," "Corporate Banking Credit Authorization Guidelines," "SME Credit Authorization Guidelines," "Private Banking Credit Authorization Guidelines," "Collateral Acceptance Guidelines," "Credit Risk Management Guidelines," "Loan Pricing Policy," "Risk Appetite Management Guidelines," "Capital Adequacy Management Guidelines," "Country Limit Management Guidelines," "Customer Group Limit Management Guidelines," "Cathay United Bank Policy Management Guidelines," "Anti-money Laundering and Counter



Terrorism Financing Policy,” “Notes on Anti-money Laundering and Counter Terrorism Financing,” “Singapore Branch Internal Control Policy,” “2017 Consumer Protection Progress and Consumer Protection Policy,” and “Wealth Management Service Policy.”

- ⊙ Passed the decision to purchase additional ATMs as part of the business collaboration with Hi-Life.
- ⊙ Passed removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo and Managing Director Alan Lee for being involved in competing businesses.
- ⊙ Passed the Bank’s “re-organization” and “personnel changes.”

**3. Significant shareholder meeting resolutions (executed on behalf by board of directors) in 2018 up till publication of annual report:**

**8th interim meeting of the 15th board of directors on February 9, 2018**

- ⊙ Removal of restrictions imposed against the Company’s Chairman Andrew Ming-Jian Kuo for being involved in competing businesses.

**4. Major board of directors resolutions made in 2018 up till the publication date of annual report:**

**(1) 8th interim meeting of the 15th board of directors on February 9, 2018**

- ⊙ Amendments to the Bank’s “Manager Performance Management and Development Guidelines.”
- ⊙ Allocation of 2017 year-end bonus, special incentive and long-term incentive for Chairman and Vice Chairman.
- ⊙ Removal of restrictions imposed against the Company’s Chairman Andrew Ming-Jian Kuo for being involved in competing businesses.
- ⊙ Passed the Bank’s “re-organization” and “personnel changes.”

**(2) 7th meeting of the 15th board of directors on March 15, 2018**

- ⊙ Passed the Bank’s “2017 Business Report,” “2017 Employee/Director/Supervisor Remuneration,” “2017 Year-end Accounts,” “2017 Earnings Appropriation,” “2017 New Capital Proposal and New Capital Draft Plan,” “2017 Declaration of Internal Control System,” “2017 Declaration of AML/CTF Internal Control

System,” “2017 Declaration of AML/CTF Special Audit,” “2018 Operating Strategies,” “2018 Key Business and Financial Goals,” “Market Risk Limit Applications,” and “2018 Minimum Capital Adequacy Ratio, Tier 1 Capital Ratio and Common Share Equity Ratio Given 2018 Target Risk Appetite.”

- ◎ Established the Bank’s “2018 Operational Risk Tolerance” and “2018 Key Operational Risk Indicators.”
- ◎ Amended the Bank’s “Anti-money Laundering and Counter Terrorism Financing Policy,” “Notes on Anti-money Laundering and Counter Terrorism Financing,” “Accounting Policy,” “IFRS Policy,” “Liquidity Risk Management Guidelines,” “Risk Management Policy,” “Compliance System Enforcement Guidelines,” “Financial Inspection Report Preparation Policy,” “Interbank Transaction Approval and Limit Authorization Guidelines,” “Futures Transaction Management Guidelines,” “Financial Asset Impairment Assessment Indicators and Control Procedures,” “Bank Debenture Issuance Guidelines,” “Operational Crisis Response Measures and Management Guidelines,” “Professional Investor Eligibility Principles,” “Wealth Management Service Policy,” “Offshore Banking Unit Wealth Management Service Policy,” “Asset Classification and Loss Provisioning Guidelines,” “Overdue Loan, Hardcore Receivable and NPL Guidelines,” and Attachment - “Stakeholder Profile Maintenance Responsibilities Chart” of “Stakeholder Credit and Transaction Management Guidelines.”
- ◎ Passed “relocation of Tanzi, Xitun, and Guoguang Branches.”
- ◎ Passed the Bank’s “re-organization” and “personnel changes.”

## **Appendix III**

**Transfer or pledge of shares owned by directors,  
supervisors, managers, and all parties subject to reporting  
under Article 11 of Regulations Governing the Ownership  
of Bank By Single Individuals or Stakeholders**

Change of common share equity in 2017 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Senior Vice President	Tzu-Jen Chao	1,000	—	Senior Vice President	Chan-Hao Yeh	(2,000)	—
Senior Vice President	Pi-Wei Hsu	323	—	Senior Vice President	Tao-Huang Lin	(6,000)	—
Senior Vice President	Chi-Wei Lu	(559)	—	Senior Vice President	Shu-Chun Chuang	(8,000)	—
Senior Vice President	Ju-Hui Lu	(1,000)	—	Senior Vice President	Wen-Pin Yang	(8,000)	—
Senior Vice President	Hsiu-Hao Wu	(1,000)	—	Senior Vice President	Chih-Cheng Hsiao	(9,395)	—
Senior Vice President	Chun-Ming Liu	(1,000)	—	Senior Vice President	Ching-Yu Lin	(10,000)	—
Senior Vice President	Po-Wen Hu	(1,926)	—	—			

Change of common share equity up till March 31, 2018 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Senior Vice President	Tzu-Jen Chao	1,000	—	Senior Vice President	Chan-Hao Yeh	(2,000)	—
Senior Vice President	Pi-Wei Hsu	323	—	Senior Vice President	Tao-Huang Lin	(6,000)	—
Senior Vice President	Chi-Wei Lu	(559)	—	Senior Vice President	Shu-Chun Chuang	(8,000)	—
Senior Vice President	Ju-Hui Lu	(1,000)	—	Senior Vice President	Wen-Pin Yang	(8,000)	—
Senior Vice President	Hsiu-Hao Wu	(1,000)	—	Senior Vice President	Chih-Cheng Hsiao	(9,395)	—
Senior Vice President	Chun-Ming Liu	(1,000)	—	Senior Vice President	Ching-Yu Lin	(10,000)	—
Senior Vice President	Po-Wen Hu	(1,926)	—	—			

Change of preferred share equity in 2017 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Director	Shang-Chi Liu	25,000	—	Senior Vice President	Yu-Peng Wu	(5,000)	—
Senior Vice President	Wen-Neng Huang	9,000	—	Senior Vice President	Chun-Nan Lin	(5,000)	—
Senior Vice President	Pao-Chu Chen	2,000	—	Senior Vice President	Hsi-Jen Liu	(5,000)	—
Senior Vice President	Liang-Jung Fan	(1,000)	—	Senior Vice President	Min-Hsiu Yen	(5,000)	—
Senior Vice President	Chun-Ming Liu	(1,000)	—	Senior Vice President	Hui-Fang Lo	(5,000)	—
Senior Vice President	Chih-Chung Chou	(2,000)	—	Senior Vice President	Wen-Chang Lin	(6,000)	—
Senior Vice President	Hsiu-Hao Wu	(3,000)	—	Senior Vice President	Lung-San Fu	(6,000)	—
Senior Vice President	Chin-Tsai Chen	(3,000)	—	Senior Vice President	Wen-Pin Yang	(8,000)	—
Senior Vice President	Ping-Hui Wu	(4,000)	—	Senior Vice President	Ming-Nan Tsai	(8,000)	—
Senior Vice President	Kuo-Yang Wu	(4,000)	—	Senior Vice President	Chin-Ting Huang	(9,000)	—
Senior Vice President	Hsiao-Kuang Li	(4,000)	—	Senior Vice President	Chun-Lin Li	(10,000)	—
Senior Vice President	Chien-Cheng Tsung	(4,000)	—	Senior Vice President	Chien-Hui Yu	(10,000)	—
Senior Vice President	Chun-Hsiang Hsu	(4,000)	—	Senior Vice President	Chi-Wei Lu	(10,000)	—
Senior Vice President	Wen-Kai Chen	(4,000)	—	Senior Vice President	Yen-Chin Lin	(14,000)	—
Senior Vice President	Huo-Lun Tang	(4,000)	—	Senior Vice President	Yi-Chung Hsiao	(15,000)	—
Senior Vice President	Fei-Hsiang Yeh	(4,000)	—	Senior Vice President	Chen-Tung Chang	(24,000)	—
Senior Vice President	Ya-Hui Lan	(4,000)	—	Senior Vice President	Pi-Wei Hsu	(24,000)	—
Senior Vice President	Cheng-Hsien Yu	(5,000)	—			—	

Change of preferred share equity up till March 31, 2018 (Note 1)

Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged	Title	Name	Increase (decrease) in shares held	Increase (decrease) in the number of shares pledged
Director	Shang-Chi Liu	25,000	—	Senior Vice President	Chun-Nan Lin	(5,000)	—
Senior Vice President	Wen-Neng Huang	9,000	—	Senior Vice President	Hsi-Jen Liu	(5,000)	—
Senior Vice President	Pao-Chu Chen	2,000	—	Senior Vice President	Min-Hsiu Yen	(5,000)	—
Senior Vice President	Liang-Jung Fan	(1,000)	—	Senior Vice President	Hui-Fang Lo	(5,000)	—
Senior Vice President	Chun-Ming Liu	(1,000)	—	Senior Vice President	Wen-Chang Lin	(6,000)	—
Senior Vice President	Chih-Chung Chou	(2,000)	—	Senior Vice President	Lung-San Fu	(6,000)	—
Senior Vice President	Chin-Tsai Chen	(3,000)	—	Senior Vice President	Wen-Pin Yang	(8,000)	—
Senior Vice President	Ping-Hui Wu	(4,000)	—	Senior Vice President	Ming-Nan Tsai	(8,000)	—
Senior Vice President	Kuo-Yang Wu	(4,000)	—	Senior Vice President	Chin-Ting Huang	(9,000)	—
Senior Vice President	Hsiao-Kuang Li	(4,000)	—	Senior Vice President	Chun-Lin Li	(10,000)	—
Senior Vice President	Chien-Cheng Tsung	(4,000)	—	Senior Vice President	Chih-Hung Chen	(10,000)	—
Senior Vice President	Hsiu-Hao Wu	(4,000)	—	Senior Vice President	Chien-Hui Yu	(10,000)	—
Senior Vice President	Chun-Hsiang Hsu	(4,000)	—	Senior Vice President	Chi-Wei Lu	(10,000)	—
Senior Vice President	Wen-Kai Chen	(4,000)	—	Senior Vice President	Wen-Kan Lin	(10,478)	—
Senior Vice President	Huo-Lun Tang	(4,000)	—	Senior Vice President	Yen-Chin Lin	(14,000)	—
Senior Vice President	Fei-Hsiang Yeh	(4,000)	—	Senior Vice President	Yi-Chung Hsiao	(15,000)	—
Senior Vice President	Ya-Hui Lan	(4,000)	—	Senior Vice President	Chen-Tung Chang	(24,000)	—
Senior Vice President	Cheng-Hsien Yu	(5,000)	—	Senior Vice President	Pi-Wei Hsu	(24,000)	—
Senior Vice President	Yu-Peng Wu	(5,000)	—	Senior Vice President	Ming-Chih Tsai	(24,000)	—

Note 1: Shareholding refers to shares of Cathay Financial Holding Co., Ltd.

# **Appendix IV**

**Cathay United Bank Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements**

**For The Years Ended**

**31 December 2017 and 2016**

**With Independent Auditors' Report**

## Independent Auditors' Report

### English Translation of a Report Originally Issued in Chinese

The Board of Directors and Shareholders  
Cathay United Bank

#### **Opinion**

We have audited the accompanying consolidated balance sheets of Cathay United Bank (“the Bank”) and its subsidiaries as of 31 December 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2017 and 2016, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as of 31 December 2017 and 2016, and their consolidated financial performance and cash flows for the years ended 31 December 2017 and 2016 in conformity with the requirements of the “Regulations Governing the Preparation of Financial Reports by Public Banks”, the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the “Regulations Governing the Preparation of Financial Reports by Securities Firms” and “International Financial Reporting Standards”, “International Accounting Standards”, “Interpretations developed by the International Financial Reporting Interpretations Committee” as endorsed by Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

We conducted our audits in accordance with the “Rules Governing Auditing and Certification 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 (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2017 consolidated financial statements. 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.



## Independent Auditors' Report (continued)

### English Translation of a Report Originally Issued in Chinese

#### **Key Audit Matters (continued)**

##### The Provision of Allowance for Loans

In accordance with IAS 39 “Financial Instruments: Recognition and Measurement” and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” of the ROC, the Bank and its subsidiaries developed their own systems to perform both individual and collective assessments of impairment loss on loans and receivables. The systems assess the amount of an impairment loss based on parameters from historical experience or future cash flows on a case-by-case basis. The estimates of discount factors, including effective interest rate, incidence of impairment and recoverable rate, and the classification to assess whether there is any objective evidence that loan is impaired, require professional judgment and uses of estimates and assumptions. Therefore, we determined the provision of allowance for loans as a key audit matter.

Our audit procedures include (but not limited to) assessing and testing the effectiveness of internal control relating to calculations of impairment, including the underlying data and systems with respect to impairment calculation. For loan loss provisions calculated on an individual basis, we tested the assumptions which were used to identify and quantify the impairments, including estimates of future cash flows, valuation of guarantee and estimates of recovery on default. For loan loss provisions calculated on a collective basis, we reviewed whether the models of impairment were approved by management and relied on our specialists to verify the effectiveness of those models. We also tested the appropriateness and accuracy of the inputs used in those models, such as recovery rates and historical loss rates. We reviewed whether management of the Bank and its subsidiaries complied with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” of the ROC, including assessing appropriateness of the classification of loans and testing accuracy of impairment calculations.

Please refer to Note 4, 5.(2) and 6.(5) for information about the Bank and its subsidiaries' the provision of allowance for loans.

## **Independent Auditors' Report (continued)**

### English Translation of a Report Originally Issued in Chinese

#### **Key Audit Matters (continued)**

##### Valuation of financial instruments

The Bank and its subsidiaries use internal model valuation for parts of financial instruments' fair value, and the assumptions used in the valuation will impact the fair value of the reported financial instruments. Therefore, we determined the valuation of financial instruments as a key audit matter.

Our audit procedures include (but not limited to) assessing and testing the effectiveness of internal controls related to financial instruments valuation, including how management decides and approves the valuation model and its assumptions, the controls related to the valuation model and change of assumptions, and how management reviews the valuation. We use internal valuation experts on a sampling basis to assist in reviewing the valuation techniques adopted by the Bank and its subsidiaries, understanding and assessing the rationality of key valuation assumptions, performing independent valuation calculation, and determining whether the valuation differences are acceptable.

Please refer to Notes 4, 5.(2) and 12 for information about the Bank and its subsidiaries' financial instruments valuation.

##### Assessment of goodwill impairment

IAS 36 requires entities to perform an impairment test annually. However the calculation made by management of the Bank and its subsidiaries is complex and involves major subjective judgments and assumptions. Therefore, we determined the assessment of goodwill impairment as a key audit matter.

## **Independent Auditors' Report (continued)**

### English Translation of a Report Originally Issued in Chinese

#### **Key Audit Matters (continued)**

##### Assessment of goodwill impairment (continued)

Our audit procedures included but not limited to assessing the rationality of the Bank and its subsidiaries' financial forecasts, and using internal experts to assist in assessing the rationality of the assumptions made by the Bank and its subsidiaries' management.

Please refer to Notes 4, 5.(2) and 6.(12) for information about the Bank and its subsidiaries' goodwill impairment assessment.

#### **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 requirements of the "Regulations Governing the Preparation of Financial Reports by Public Banks", the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and "International Financial Reporting Standards", "International Accounting Standards", "Interpretations developed by the International Financial Reporting Interpretations Committee" as endorsed by 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 ability to continue as a going concern of the Bank and its subsidiaries, 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 or supervisors, are responsible for overseeing the financial reporting process of the Bank and its subsidiaries.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.



## **Independent Auditors' Report (continued)**

### English Translation of a Report Originally Issued in Chinese

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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

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

## Independent Auditors' Report (continued)

### English Translation of a Report Originally Issued in Chinese

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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 2017 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Others**

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Bank as of and for the years ended 31 December 2017 and 2016.



Ernst & Young  
Taipei, Taiwan  
The Republic of China  
15 March 2018

#### Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position and results of operations 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 accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese  
Cathay United Bank and Subsidiaries  
Consolidated balance sheets  
31 December 2017 and 31 December 2016  
(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	2017.12.31	2016.12.31
Cash and cash equivalents	4, 6, 7	\$65,958,532	\$63,284,400
Due from the Central Bank and call loans to banks	6, 7	125,163,780	71,940,935
Financial assets at fair value through profit or loss	4, 5, 6	311,985,059	199,317,591
Securities purchased under agreements to resell	4, 6	87,483,656	38,139,919
Receivables - net	4, 5, 6, 7	76,980,817	80,268,406
Discounts and loans - net	4, 5, 6, 7	1,434,558,167	1,437,530,908
Available-for-sale financial assets - net	4, 5, 6	148,480,669	156,153,959
Held-to-maturity financial assets - net	4, 5, 6	34,345,085	47,938,864
Investments accounted for using the equity method - net	4, 6	1,744,047	1,708,349
Other financial assets - net	4, 5	1,276	3,373
Investments in debt securities with no active market - net	4, 5, 6	388,287,593	397,475,008
Property and equipment - net	4, 6, 7	24,873,298	24,898,412
Investment properties - net	4, 5, 6	1,547,372	1,554,600
Intangible assets - net	4, 5, 6	7,785,984	7,821,006
Deferred tax assets	4, 5, 6	2,223,266	1,410,010
Other assets - net	4, 6, 7	24,285,305	37,222,811
Total assets		<u>\$2,735,703,906</u>	<u>\$2,566,668,551</u>

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Subsidiaries  
 Consolidated balance sheets (continued)  
 31 December 2017 and 31 December 2016  
 (Expressed in thousands of New Taiwan Dollars)

Liabilities and equity	Notes	2017.12.31	2016.12.31
<b>Liabilities</b>			
Due to the Central Bank and call loans from banks	6, 7	\$90,417,859	\$77,493,795
Financial liabilities at fair value through profit or loss	4, 5, 6	87,407,651	88,136,984
Securities sold under agreements to repurchase	4, 6	109,941,425	56,752,751
Payables	6, 7	23,457,177	24,001,845
Current tax liabilities	4, 5	439,896	294,602
Deposits and remittances	6, 7	2,098,367,963	2,032,599,788
Financial debentures payable	4, 6	63,350,000	51,900,000
Other financial liabilities	6	66,057,646	61,566,809
Provisions	4, 5, 6	3,187,664	3,053,964
Deferred tax liabilities	4, 5, 6	1,712,831	1,611,210
Other liabilities	6, 7	9,056,227	9,288,867
<b>Total liabilities</b>		<b>2,553,396,339</b>	<b>2,406,700,615</b>
<b>Equity</b>			
Equity attribute to equity holders of parent			
Capital stock	6		
Common stock		78,604,060	72,099,815
Capital surplus	6	33,610,983	23,969,412
Retained earnings	6		
Legal reserves		45,823,601	40,659,384
Special reserves		1,977,363	1,892,668
Undistributed earnings		19,302,403	17,211,700
Other equity	6	(854,932)	257,800
Subtotal		178,463,478	156,090,779
Non-controlling interests	6	3,844,089	3,877,157
<b>Total equity</b>		<b>182,307,567</b>	<b>159,967,936</b>
<b>Total liabilities and equity</b>		<b>\$2,735,703,906</b>	<b>\$2,566,668,551</b>

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



English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Subsidiaries

Consolidated statements of comprehensive income

For the years ended 31 December 2017 and 2016

(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	Notes	2017.01.01-	2016.01.01-
		2017.12.31	2016.12.31
Interest income	4, 6, 7	\$46,240,981	\$40,722,609
Interest expense	6, 7	(16,540,184)	(14,812,568)
Net interest income		29,700,797	25,910,041
Non-interest income			
Net fee income	4, 6, 7	14,862,355	15,744,826
Gains on financial assets and liabilities at fair value through profit or loss	6, 7	6,611,611	3,272,745
Realized gains on available-for-sale financial assets		2,098,316	3,799,624
Realized gains on held-to-maturity financial asset		189,886	54,319
Gains on foreign currency exchange	4	459,492	1,118,602
Losses on impairment of assets	6, 12	(31,318)	(58,161)
Share of profit of associates and joint ventures accounted for using the equity method		114,195	90,573
Net other non-interest income	4, 6	1,216,436	1,221,552
Total net non-interest income		25,520,973	25,244,080
Net operating income		55,221,770	51,154,121
Bad debt expense and losses on guarantees		(3,494,144)	(4,455,361)
Operating expenses			
Employee benefits expenses	4, 5, 6	(13,422,788)	(12,182,153)
Depreciation and amortization expenses	6	(1,256,631)	(1,201,040)
Other general and administrative expenses	4, 6, 7	(14,622,028)	(13,575,549)
Total operating expenses		(29,301,447)	(26,958,742)
Profit before income tax from continuing operations		22,426,179	19,740,018
Income tax expense	4, 6	(2,762,573)	(2,228,758)
Net income		19,663,606	17,511,260
Other comprehensive income			
Not to be reclassified to profit or loss in subsequent periods			
Remeasurements of defined benefit plans	6	(314,377)	(91,626)
Revaluation surplus	6	73,162	-
Changes of designated financial liabilities at fair value through profit or loss resulting from credit risk	6	(1,579,937)	44,408
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		(739)	61
Income tax relating to the components not to be reclassified to profit or loss in subsequent periods	6	328,080	8,027
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of a foreign operation	6	(1,571,498)	(1,394,461)
Unrealized gains(losses) on available-for-sale financial assets	6	1,473,577	(2,803,195)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	6	29,377	(28,266)
Income tax relating to the components to be reclassified to profit or loss in subsequent periods	6	279,152	471,902
Other comprehensive income, net of tax		(1,283,203)	(3,793,150)
Total comprehensive income		\$18,380,403	\$13,718,110
Net income attributable to:			
Owners of the parent		\$19,302,403	\$17,211,700
Non-controlling interests		361,203	299,560
		\$19,663,606	\$17,511,260
Total comprehensive income attributable to:			
Owners of the parent		\$18,189,671	\$13,504,825
Non-controlling interests		190,732	213,285
		\$18,380,403	\$13,718,110
Earnings per share (In dollars)			
Net income from continuing operations	6	\$2.53	\$2.35

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



English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank and Subsidiaries

Consolidated statements of changes in equity

For the years ended 31 December 2017 and 2016

(Expressed in thousands of New Taiwan Dollars)

Items	Equity attributable to owners of the parent													Non-controlling interests	Total Equity
	Retained earnings					Equity adjustment							Total		
	Capital stock	Capital surplus	Legal reserves	Special reserves	Undistributed earnings	Exchange differences resulting from translating the financial statements of a foreign operation	Unrealized gains on available-for-sale financial assets	Changes of designated financial liabilities at fair value through profit or loss resulting from credit risk	Remeasurements of defined benefit plans	Revaluation surplus	Others				
Balance, 1 January 2016	\$69,479,605	\$23,969,412	\$35,073,510	\$1,914,537	\$18,606,155	\$1,608,041	\$3,052,854	\$83,463	\$(1,002,133)	\$223,467	\$(1,017)	\$153,007,894	\$3,760,901	\$156,768,795	
Appropriation and distribution for 2015															
Legal reserves	-	-	5,585,874	-	(5,585,874)	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(10,421,940)	-	-	-	-	-	-	(10,421,940)	-	(10,421,940)	
Stock dividends	2,620,210	-	-	-	(2,620,210)	-	-	-	-	-	-	-	-	-	
Reversal of special reserves	-	-	-	(21,869)	21,869	-	-	-	-	-	-	-	-	-	
Net income for the year ended 31 December 2016(Note 1)	-	-	-	-	17,211,700	-	-	-	-	-	-	17,211,700	299,560	17,511,260	
Other comprehensive income for the year ended 31 December 2016	-	-	-	-	-	(1,083,843)	(2,583,902)	36,859	(77,006)	-	1,017	(3,706,875)	(86,275)	(3,793,150)	
Total comprehensive income for the year ended 31 December 2016	-	-	-	-	17,211,700	(1,083,843)	(2,583,902)	36,859	(77,006)	-	1,017	13,504,825	213,285	13,718,110	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(97,029)	(97,029)	
Balance, 31 December 2016	\$72,099,815	\$23,969,412	\$40,659,384	\$1,892,668	\$17,211,700	\$524,198	\$468,952	\$120,322	\$(1,079,139)	\$223,467	\$-	\$156,090,779	\$3,877,157	\$159,967,936	
Appropriation and distribution for 2016															
Legal reserves	-	-	5,164,217	-	(5,164,217)	-	-	-	-	-	-	-	-	-	
Special reserves	-	-	-	86,060	(86,060)	-	-	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(10,814,972)	-	-	-	-	-	-	(10,814,972)	-	(10,814,972)	
Stock dividends	1,147,816	-	-	-	(1,147,816)	-	-	-	-	-	-	-	-	-	
Reversal of special reserves	-	-	-	(1,365)	1,365	-	-	-	-	-	-	-	-	-	
Net income for the year ended 31 December 2017(Note 2)	-	-	-	-	19,302,403	-	-	-	-	-	-	19,302,403	361,203	19,663,606	
Other comprehensive income for the year ended 31 December 2017	-	-	-	-	-	(1,056,765)	1,437,844	(1,311,348)	(261,672)	79,209	-	(1,112,732)	(170,471)	(1,283,203)	
Total comprehensive income for the year ended 31 December 2017	-	-	-	-	19,302,403	(1,056,765)	1,437,844	(1,311,348)	(261,672)	79,209	-	18,189,671	190,732	18,380,403	
Issuance of common stock for cash	5,356,429	9,641,571	-	-	-	-	-	-	-	-	-	14,998,000	-	14,998,000	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(223,800)	(223,800)	
Balance, 31 December 2017	\$78,604,060	\$33,610,983	\$45,823,601	\$1,977,363	\$19,302,403	\$(532,567)	\$1,906,796	\$(1,191,026)	\$(1,340,811)	\$302,676	\$-	\$178,463,478	\$3,844,089	\$182,307,567	

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

Note 1: Compensation to employee \$9,639 thousand had deducted from comprehensive income in 2016.

Note 2: Compensation to directors and supervisors \$7,000 thousand and compensation to employee \$10,922 thousand had deducted from comprehensive income in 2017.

English Translation of Financial Statements Originally Issued in Chinese  
Cathay United Bank and Subsidiaries  
Consolidated statements of cash flows  
For the years ended 31 December 2017 and 2016  
(Expressed in thousands of New Taiwan Dollars)

Items	2017.01.01- 2017.12.31	2016.01.01- 2016.12.31
Cash flows from operating activities		
Profit before income tax from continuing operations	\$22,426,179	\$19,740,018
Adjustment items:		
Income and expense adjustments		
Depreciation expenses	989,617	984,970
Amortization expenses	267,014	216,070
Bad debt expenses	3,494,144	4,455,361
Interest expense	16,540,184	14,812,568
Interest income	(46,240,981)	(40,722,609)
Dividends income	(567,685)	(815,604)
Share of profit of associates and joint ventures accounted for using the equity method	(114,195)	(90,573)
Losses on disposal of property and equipment	28,046	14,123
Losses (Gains) on disposal of investment properties	6,095	(218)
Losses on impairment of financial assets	5,393	-
Losses on impairment of non-financial assets	25,925	58,161
Losses on valuation of investment properties	156,008	72,289
Foreign currency translation adjustment	(116,009)	(91,595)
Change in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(1,745,444)	(2,636,467)
(Increase) decrease in financial assets at fair value through profit or loss	(112,904,997)	55,590,467
Decrease in receivables	4,753,783	957,164
Increase in discounts and loans	(3,106,420)	(313,103,861)
Decrease (increase) in available-for-sale financial assets	8,887,079	(24,991,917)
Decrease in held-to-maturity financial assets	13,213,329	4,563,913
Decrease (increase) in other financial assets	2,097	(2,023)
Decrease in investments in debt securities with no active market	9,187,415	45,289,130
Decrease (increase) in other assets	3,541,508	(1,821,018)
Increase in due to the Central Bank and call loans from banks	14,125,626	36,402,468
Decrease in financial liabilities at fair value through profit or loss	(2,303,513)	(12,216,525)
Increase in securities sold under agreements to repurchase	53,188,674	2,714,874
(Decrease) increase in payables	(1,626,200)	4,248,556
Increase in deposits and remittances	68,671,920	151,751,353
Increase (decrease) in other financial liabilities	4,490,837	(5,660,297)
Decrease in provisions	(180,677)	(236,692)
(Decrease) Increase in other liabilities	(1,145,366)	3,195,054
Cash provided by (used in) operations	53,949,386	(57,322,860)
Interest received	44,306,953	40,425,810
Cash dividends received	567,685	815,604
Interest paid	(15,974,871)	(14,595,263)
Income tax paid	(2,381,390)	(1,886,138)
Net cash provided by (used in) operating activities	80,467,763	(32,562,847)
Cash flows from investing activities		
Disposal of investment under the equity method	46,659	-
Acquisition of property and equipment	(1,398,338)	(1,021,477)
Disposal of property and equipment	372	2,147
Acquisition of intangible assets	(168,502)	(233,870)
Disposal of investment properties	197,325	8,578
Decrease in other assets	9,947,501	7,151,817
Cash dividends received	60,475	77,196
Net cash provided by investing activities	8,685,492	5,984,391
Cash flows from financing activities		
Increase in financial debentures payable	11,450,000	-
Increase in other liabilities	934,650	1,108,978
Distribution of cash dividends	(11,038,772)	(10,518,969)
Issuance of common stock for cash	14,998,000	-
Net cash provided by (used in) financing activities	16,343,878	(9,409,991)
Effects of foreign exchange rate changes	(1,834,908)	(1,321,716)
Net increase (decrease) in cash and cash equivalents	103,662,225	(37,310,163)
Cash and cash equivalents at the beginning of the period	119,948,410	157,258,573
Cash and cash equivalents at the end of the period	\$223,610,635	\$119,948,410
The components of cash and cash equivalents		
Cash and cash equivalents in consolidated balance sheets	\$65,958,532	\$63,284,400
Due from the Central Bank and call loans to banks satisfied the definition of cash and cash equivalents under IAS 7	70,168,447	18,524,091
Securities purchased under agreements to resell satisfied the definition of cash and cash equivalents under IAS 7	87,483,656	38,139,919
Cash and cash equivalents at the end of the periods	\$223,610,635	\$119,948,410

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

English Translation of Financial Statements Originally Issued in Chinese  
Cathay United Bank and Subsidiaries  
Notes to consolidated financial statements  
For the years ended 31 December 2017 and 2016  
(Expressed in thousands of New Taiwan Dollars unless otherwise specified)

1. Business

Cathay United Bank (“the Bank”), originally named United World Chinese Commercial Bank (“UWCCB”), was enfranchised by the government of the Republic of China (“ROC”) in January 1975. The Bank started its operations on 20 May 1975 and is engaged in the following operations: (1) all commercial banking operations authorized by the ROC Banking Act (“Banking Act”); (2) international banking business and related operations; (3) trust business; (4) off-shore banking business; and (5) other financial operations related to the promotion of investments by overseas Chinese. The Bank’s registered office and the main business location is at No.7, Songren Rd., Xinyi District, Taipei City, Republic of China (R.O.C.).

The Bank’s stock was traded on the Taiwan Stock Exchange (the “TWSE”) until 18 December 2002. On 18 December 2002, the Bank became a wholly-owned subsidiary of Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”) through a conversion transaction and delisted from TWSE. Under the Financial Institutions Merger Act, the Bank engaged in a merger with the former Cathay United Bank, a wholly-owned subsidiary of Cathay Financial Holdings. The record date for such merger was 27 October 2003 and UWCCB survived and was renamed Cathay United Bank.

The Bank merged with Lucky Bank on 1 January 2007. The Bank was the surviving entity after this merger and Lucky Bank was the extinguished entity. In addition, the Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation (“CUTIC”) on 29 December 2007.

Cathay Financial Holding Co., Ltd. is the Bank’s parent company and ultimate parent company.

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Bank and subsidiaries (“the Group”) were authorized for issue in accordance with the Board of Directors’ resolution on 15 March 2018.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments:

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2017. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

## IAS 36 “*Impairment of Assets*” (Amendment)

This amendments relate to the amendment issued in May 2011 and require entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendments also require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement. The Group evaluated that the amendment only affected the related disclosure.

- (2) Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below:

### A. IFRS 15 “*Revenue from Contracts with Customers*”

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Bank expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after 1 January 2018.

### B. IFRS 9 “*Financial Instruments*”

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 Financial Instruments (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that "own credit risk" adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after 1 January 2018. Consequential amendments on the related disclosures also become effective for annual periods beginning on or after 1 January 2018.

C. IFRS 10 "*Consolidated Financial Statements*" and IAS 28 "*Investments in Associates and Joint Ventures*" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gains or losses resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or losses resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

D. IAS 12 “*Income Taxes*” – *Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify how to account for deferred tax assets for unrealized losses. The amendments are effective for annual periods beginning on or after 1 January 2017.

E. *Disclosure Initiative* – Amendment to IAS 7 “*Statement of Cash Flows*”

The amendments relate to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendments are effective for annual periods beginning on or after 1 January 2017.

F. IFRS 15 “*Revenue from Contracts with Customers*” – Clarifications to IFRS 15

The amendments clarify how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a licence should be recognized at a point in time or over time. The amendments are effective for annual periods beginning on or after 1 January 2018.

G. IFRS 2 “*Shared-Based Payment*” – Amendments to IFRS 2

The amendments contain a. clarifying that vesting conditions other than market condition, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, b. clarifying if tax laws or regulations oblige the employer to withhold a certain amount for an employee’s tax obligation to the tax authority on the employee’s behalf in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and c. clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognized in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognized on that date. Any difference between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2018.

## H. Applying IFRS 9 “*Financial Instruments*” with IFRS 4 “*Insurance Contracts*” – Amendments to IFRS 4

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (1 January 2018) and the new insurance contracts standard about to be issued by the IASB (not before 1 January 2021). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until the effective date of new insurance contracts standard (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

## I. *Transfers of Investment Property* – Amendments to IAS 40

The amendments relate to the transfers of investment property. The amendments clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after 1 January 2018.

## J. *Improvements to International Financial Reporting Standards (2014–2016 cycle)*

### IFRS 1 “*First-time Adoption of International Financial Reporting Standards*”

The amendments revise and amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after 1 January 2018.

### IFRS 12 “*Disclosure of Interests in Other Entities*”

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity’s interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after 1 January 2017.

## IAS 28 *“Investments in Associates and Joint Ventures”*

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments” on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after 1 January 2018.

## K. IFRIC 22 *“Foreign Currency Transactions and Advance Consideration”*

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it), the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after 1 January 2018.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2018. Apart from the potential impact of the standards and interpretations listed under (A) and (B), which is described below, all other standards and interpretations have no material impact on the Group:

- A. The explanation related to the application of IFRS 15 Revenue from Contracts with Customers (including Amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers) is as follows:

In accordance with the requirements of IFRS 15, more extensive disclosure would have to be made.

- B. The explanation related to the application of IFRS 9 Financial Instruments is as follows:

The Group elected not to restate prior periods in accordance with the requirements of IFRS 9 at the date of initial application (1 January 2018).



a. Classification and measurement of financial assets

Financial assets measured at fair value through profit or loss

Financial instruments which are classified as held-for-trading derivative instruments in financial assets measured at fair value through profit or loss and mixed instruments designated at fair value through profit or loss in accordance with IAS 39 are classified as financial assets at fair value through profit or loss under IFRS 9.

Available-for sale financial assets

Classified as available-for-sale financial assets according to IAS 39, including beneficiary certificates, stocks and bonds. The related explanation of change in classification is as follows:

(a) Beneficiary certificates

As the cash flow characteristics for beneficiary certificates are not solely payments of principal and interest on the principal amount outstanding, beneficiary certificates are classified as financial assets measured at fair value through profit or loss in accordance with IFRS 9. As at the date of initial application, the Group will reclassify available-for-sale financial assets to financial assets measured at fair value through profit or loss.

(b) Stocks

Upon de-recognition of equity investments currently classified as available-for-sale measured at fair value, the accumulated gains or losses previously recognized in other comprehensive income was recycled to profit or loss from equity. However, under IFRS 9, subsequent fair value changes of the aforementioned equity investments are recognized in other comprehensive income and cannot be recycled to profit or loss. Upon de-recognition, the accumulated amounts in other component of equity is reclassified to retained earnings (reclassification to profit or loss is not allowed).

Based on the facts and circumstances that existed as on 1 January 2018, aside from part of the financial assets which are not held-for-trading investments designated to measure at fair value through other comprehensive income, the others should be reclassified as financial assets measured at fair value through profit or loss. No difference from carrying amount exists when stocks are measured at fair value.

(c) Bonds

As the cash flow characteristics for bonds are solely payments of principal and interest on the principal amount outstanding, based on the facts and circumstances that existed as on 1 January 2018, bonds should be reclassified from available-for-sale financial assets to financial assets measured at amortized cost in accordance with IFRS 9 if the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The difference between fair value and amortized cost previously recognized will be adjusted to other equity and the carrying amount of the reclassified financial assets. The financial assets should also be assessed for impairment in accordance with IFRS 9.

Bond investments held within a business model whose objective is to hold financial assets in order to collect contractual cash flows should be classified as financial assets measured at fair value through other comprehensive income under IFRS 9. No difference from carrying amount exists, and the aforementioned assets should be assessed for impairment in accordance with IFRS 9.

Bond investments whose cash flow characteristics for beneficiary certificates are not solely payments of principal and interest on the principal amount outstanding should be classified as financial assets measured at fair value through profit or loss under IFRS 9. The reclassification doesn't result in any difference from carrying amount.

Held-to maturity financial assets and debt instrument investments for which no active market exists

Bond investments classified as held-to-maturity financial assets and loans and receivables (placed in debt instrument investments for which no active market exists) according to IAS 39 and whose cash flow characteristics are solely payments of principal and interest on the principal amount outstanding, based on the facts and circumstances that existed as at the date of initial application, should be reclassified from held-to maturity financial assets and debt instrument investments for which no active market exists to financial assets measured at amortized cost in accordance with IFRS 9 if the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. No difference from carrying amount exists, and the aforementioned assets should be assessed for impairment in accordance with IFRS 9.

Held-to maturity financial assets and debt instrument investments for which no active market exists held within a business model whose objective is to hold financial assets in order to collect contractual cash flows should be reclassified as financial assets measured at fair value through other comprehensive income under IFRS 9. The reclassification of business model will increase other equity and the carrying amount of the reclassified financial assets. The aforementioned assets should also be assessed for impairment in accordance with IFRS 9.

Bond investments classified as loans and receivables (placed in debt instrument investments for which no active market exists) according to IAS 39 and whose cash flow characteristics are solely payments of principal and interest on the principal amount outstanding should be classified as financial assets measured at fair value through profit or loss.

b. Impairment assessment of financial assets

As for financial assets (e.g. on-balance sheet debt instruments and off-balance sheet debt instruments) that are not measured at fair value through profit or loss, the impairment of debt instruments is evaluated by applying expected credit risk model in accordance with IFRS 9. If the credit risk of the financial assets doesn't increase significantly after the initial recognition, the allowance for losses will be measured at 12-month expected credit losses. If the credit risk of the financial assets increases significantly after the initial recognition and is not low credit risk, the allowance for losses will be measured at credit losses during remaining term to maturity. For receivables and contractual assets arose from the transactions in the scope of IFRS 15, credit losses are evaluated by simplified method. The aforementioned rule of impairment assessment is different from incurred losses model applied currently.

c. Effects on the date of initial application

In accordance with classification and measurement of financial assets and impairment assessment in IFRS 9, the Group expects to increase assets by \$3,635,423 thousand, increase liabilities by \$436,481 thousand, decrease retained earnings by \$492,615 thousand and increase other equity by \$3,691,557 thousand on the date of initial application (1 January 2018).

(a) Classification and measurement of financial assets

Parts of held-to-maturity financial assets and Investments in debt securities with no active market are reclassified to financial assets measured at fair value through other comprehensive income and parts of available-for-sale financial assets are reclassified to financial assets measured at fair value through other comprehensive income, thus reflect the impact from adjustments of unrealized gains. The assets increased by \$3,496,801 thousand, the liabilities increased by \$314,205 thousand, retained earnings decreased by \$484,779 thousand and other equity increased by \$3,667,375 thousand.

(b) Impairment assessment of financial assets

The Group recognized adjustments of expected credit losses of on-balance sheet and off-balance sheet debt instruments, which increased assets by \$138,622 thousand, increased liabilities by \$122,276 thousand, decreased retained earnings by \$7,836 thousand and increased other equity by \$24,182 thousand.

d. Others

Consequential amendments on the related disclosures in IFRS 7 were also made as a result of the application of IFRS 9, which include the disclosure requirements related to the initial application of IFRS 9. Therefore more extensive disclosure would have to be made.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group's financial statements are listed below:

A. IFRS 16 "*Leases*"

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after 1 January 2019.

B. IFRIC 23 "*Uncertainty Over Income Tax Treatments*"

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after 1 January 2019.

C. IFRS 17 "*Insurance Contracts*"

On initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- a. estimates of future cash flows
- b. discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows
- c. a risk adjustment for non-financial risk

In addition to general model, the Standard required investment contracts with discretionary participation features to apply variable fee approach (VFA), a modification of general model. If certain criteria are met, an entity may apply the premium allocation approach (PAA), a simplified measurement approach, to measure the carrying amount of the liability for remaining coverage.

IFRS 17 is effective for annual periods beginning on or after 1 January 2021.

D. IAS 28 “*Investment in Associates and Joint Ventures*” – Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28. The amendment is effective for annual reporting periods beginning on or after 1 January 2019.

E. *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income. The amendment is effective for annual reporting periods beginning on or after 1 January 2019.

F. *Improvements to International Financial Reporting Standards (2015-2017 cycle)*

*IFRS 3 “Business Combinations”*

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business. The amendments are effective for annual periods beginning on or after 1 January 2019.

*IFRS 11 “Joint Arrangements”*

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments are effective for annual periods beginning on or after 1 January 2019.

### *IAS 12 “Income Taxes”*

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendments are effective for annual periods beginning on or after 1 January 2019.

### *IAS 23 “Borrowing Costs”*

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale. The amendments are effective for annual periods beginning on or after 1 January 2019.

### *G. Plan Amendment, Curtailment or Settlement – Amendments to IAS 19*

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset. The amendments are effective for annual periods beginning on or after 1 January 2019.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Bank’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group is currently determining the potential impact of the standards and interpretations.

## 4. Summary of significant accounting policies

### (1) Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2017 and 2016 have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Public Banks”, the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the “Regulations Governing the Preparation of Financial Reports by Securities Firms” and “International Financial Reporting Standards”, “International Accounting Standards”, “Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee” as endorsed by Financial Supervisory Commission of the Republic of China.

(2) Basis of preparation

The consolidated financial reports comprise the consolidated balance sheet, consolidated statements of comprehensive income, the consolidated statements of change in equity, the consolidated statements of cash flows and related notes.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments and investment property that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars unless otherwise stated.

The Group classifies their economic activities as operating, investing and financing activities in accordance with management's judgment. The consolidated statements of cash flows presented the changes in cash and cash equivalents during the reporting period from operating, investing and financing activities. The components of cash and cash equivalents are disclosed in Note 6.(1).

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- B. exposure, or rights, to variable returns from its involvement with the investee, and
- C. the ability to use its power over the investee to affect its returns

When the Bank has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee
- B. rights arising from other contractual arrangements
- C. the Group's voting rights and potential voting rights

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Bank obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Bank loses control of a subsidiary, it:

- A. Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. Derecognizes the carrying amount of any non-controlling interest;
- C. Recognizes the fair value of the consideration received;
- D. Recognizes the fair value of any investment retained;
- E. Recognizes any surplus or deficit in profit or loss; and
- F. Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Business nature	Ownership (%)	
			2017.12.31	2016.12.31
The Bank	Indovina Bank Limited ("Indovina Bank") Indovina Bank was incorporated in Vietnam on 21 November 1990.	Wholesale banking	50%	50%
The Bank	Cathay United Bank (Cambodia) Corporation Limited ("CUBC Bank") SBC Bank was incorporated in Cambodia on 5 July 1993, and renamed as CUBC as of 14 January 2014.	Wholesale banking	100%	100%



For the years ended 31 December 2017 and 2016, respectively, the consolidated financial statements excluded the following subsidiaries because their total assets and operating revenues had immaterial impact to the Subsidiary.

Investor	Subsidiary	Business nature	Ownership (%)	
			2017.12.31	2016.12.31
The Bank	Seaward Card Co., Ltd. (“Seaward Card”) Seaward Card was incorporated on 9 April 1999.	Dispatch work	0%	100%

Subsidiaries that are not included in consolidated financial statements are recognized as investments accounted for using equity method according to the accounting treatment of subsidiaries above.

The Bank sold the Seaward Card Co., Ltd. to related party, Symphox Information Co., Ltd, on 21 July 2017. Please refer to Note 6.(8) for details on disposal.

#### (4) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Bank’s net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(5) Investments accounted for using the equity method

The Bank's investment in its associate is accounted for using the equity method. An associate is an entity over which the Bank has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

When an associate or joint venture issues new stock, and the Bank's interest in the associate or joint venture is reduced or increased as the Bank fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in additional paid-in capital and investments accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income is reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Bank disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Bank. Where necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

In accordance with IAS 39 "*Financial Instruments: Recognition and Measurement*", the Bank determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the "share of profit or loss of an associate or joint venture" in the statement of comprehensive income as required by IAS 36 *Impairment of Assets*. If using the investment's value in use as the recoverable amount, the Bank determines the value in use based on the following estimates:

- A. Future cash flows the Bank expects to derive from the investment in the associate or joint venture, including cash flows from the operation of the associate and from the ultimate disposal of such investment, or
- B. Present value of the future cash flows from dividends expected to be received from the associate and from the disposal of the investment.

Because goodwill included as part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for testing goodwill impairment in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Bank measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Bank continues to apply the equity method and does not re-measure the retained interest.

(6) Foreign currency transactions

The consolidated financial statements are presented in New Taiwan dollars, which is also the Bank's functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(7) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. When the partial disposal involves the loss of control of a subsidiary that includes a foreign operation, and the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(8) Cash and cash equivalents

Cash and cash equivalents in consolidated balance sheet comprise cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Group classifies time deposits that are readily convertible to known amounts of cash within twelve months and which are subject to an insignificant risk of changes in value as cash equivalents. The consolidated statements of cash flows consist of cash and cash equivalents in consolidated balance sheet, due from the Central Bank and call loans to the banks and securities purchased under agreements to resell that conformed to the definition of cash and cash equivalents in IAS 7.

(9) Bills and bonds under repurchase or resell agreements

Bills and bonds under repurchase or resell agreements are accounted for under the financing method. Bills and bonds sold under repurchase agreements are presented as “Securities sold under agreements to repurchase” at the sale date. Bills and bonds invested under resell agreements are presented as “Securities purchased under agreements to resell” at the purchase date. The difference between the purchase or the selling price and the contracted resell or repurchase price is recorded as interest income or interest expense, respectively.

(10) Financial assets and financial liabilities

The Group classifies its financial assets as either financial assets at fair value through profit or loss, held-to-maturity financial assets, investment in debt securities with no active market, financial assets carried at cost, available-for-sale financial assets, derivative financial assets for hedging and loans and receivables where appropriate. Financial liabilities are classified as either financial liabilities at fair value through profit or loss and financial liabilities carried at amortized cost. When financial assets or liabilities are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group accounts for regular way purchase or sales of financial assets on the trade date (i.e. the date that the Group commits to purchase or sell the asset).

A. Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities include held for trading and designated by the Group at fair value through profit or loss are classified as financial assets or liabilities at fair value through profit or loss. A financial asset is classified as held for trading if:

- (A) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (B) On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (C) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (A) It eliminates or significantly reduces a measurement or recognition inconsistency; or
- (B) A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value. When it changes in fair value it recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

For financial liabilities designated as at fair value through profit and loss, the recognition of the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

If financial assets do not have quoted prices in an active market and their fair value cannot be measured reliably, they are classified as financial assets measured at cost on balance sheet as at the reporting date.

#### B. Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable collections and fixed maturity which management has the intent and ability to hold to maturity are classified as held-to-maturity financial assets and reported at amortized cost. Such gains and losses are recognized when the investments are derecognized or impaired, as well as through amortized.

#### C. Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity except for impairment loss and foreign currency exchange related gains or losses, until the investment is derecognized at which time the cumulative gain or loss previously reported in equity is transferred to income statement. However, any difference between the initial amount and the maturity amount of available-for-sale financial assets shall be amortized by effective interest method as interest income or expense over the relevant periods.

#### D. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- (A) Those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading;
- (B) Those that the entity upon initial recognition designates as at fair value through profit or loss;
- (C) Those that the entity upon initial recognition designates as available-for-sale; or
- (D) Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Gains and losses are recognized when the investments are derecognized, impaired and as well as through the amortization process.

E. Other financial assets

(A) Investments in debt securities with no active market

Investment in debt securities with no active market are non-derivative financial assets with fixed or determinable collections that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized when these investments are derecognized, impaired and as well as through the amortization process.

(B) Financial assets carried at cost

Investment in equity instruments without quoted market price and derivative instruments linked to or settled by delivery of such unquoted equity investments shall be measured at cost.

F. Financial liabilities

After initial recognition, all financial liabilities are measured at amortized cost, except for financial liabilities at fair value through profit or loss and derivative financial liabilities for hedging purpose. Such liabilities are measured at fair value.

The fair value of investments is determined by reference to the closing price at the balance sheet date for listed shares and derivatives, the net asset value for open-ended funds, and the closing or quoted price at the balance sheet date for bond and valuation techniques for debt securities with no active market, hybrid instruments and derivative instruments.

This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less impairment and unreceivable amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

(11) Derivative financial instruments

The Group entered into various derivative contracts, including forward currency contracts, cross-currency swaps, options, futures and interest rate swaps. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are taken directly to income if a derivative instrument in a fair value hedge is terminated or the hedge designation is removed for the period.

(12) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- A. In the principal market for the asset or liability, or
- B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured by using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(13) Derecognition of financial assets and liabilities

A. Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial asset) is derecognized when:

- (A) The rights to receive cash flows from the asset have expired.
- (B) The Group has transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but the Bank has transferred control of the asset.

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



## B. Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

### (14) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### (15) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired when, and only when, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Objective evidence may include:

- A. Significant financial difficulty of the issuer or obligor; or
- B. A breach of contract, such as a default or delinquency in interest or principal payments; or
- C. It becomes probable that the borrower will enter bankruptcy or other financial reorganization; or
- D. The disappearance of an active market for that financial asset because of financial difficulties.

The Group applies the following methods to determine the amount of any impairment loss:

A. Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

In the case of equity investments classified as available-for-sale, impairment losses are not reversed through profit or loss; increases in its fair value after impairment are recognized directly in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment losses was recognized in profit or loss, the impairment losses are reversed through, with the amount of the reversal recognized in profit or loss.

B. Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of the loss is measured by 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. The carrying amount of the financial asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

C. Loans and receivables

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant. If there is objective evidence that an impairment loss on individual loans and receivables has been incurred, the amount of impairment loss should be assessed individually. If there is objective evidence that an impairment loss on a loan and receivable that is not individually significant has been incurred, the Bank shall include those assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the carrying amount of loans and receivables and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows on loans and receivables is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the loan and receivable that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

In addition, in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", the Bank shall allocate sufficient loan loss provision and reserves against liability on guarantees. Classification system classifies normal credit assets under the first category, with poorer credit assets assessed based on the securities and the length of time overdue, respectively classified as second category special mention, third category expectation of recovery, fourth category difficulty of recovery, and fifth category no hope of recovery.

The minimum loan loss provision and guarantee reserve shall be the sum of 1% of the outstanding balance of Category One credit asset's claim (excluding assets that represent claims against an ROC government agency), 2% of the balance of Category Two credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and the full balance of Category Five credit assets.

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "*Impairment of Assets*" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

(18) Foreclosed properties

Foreclosed properties of the Group represent assets acquired by repossession of collateral for realization and are stated at the lower of cost or net realizable value on the balance sheet date. If there is an objective evidence of impairment, the impairment loss shall be recognized.

(19) Lease

All the leasing contracts of the Group follow the regulations of IAS17 and SIC4 and are categorized as operating lease. If the Group is the lessor, the asset in the operating lease is categorized under "Investment properties" account. If the Group is the lessee, the asset then is recorded as leased asset in the balance sheet. The rent payable and receivable of operating lease are recorded by its rental duration using straight-line method. They are recorded as "Other general and administrative expenses" and "Other net non-interest income".

(20) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Bank recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line method over the following estimated useful lives:

Building	5 - 60	years
Machinery and equipment	3 - 8	years
Transportation equipment	3 - 7	years
Miscellaneous equipment	3 - 15	years

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

(21) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are measured using the fair value model in accordance with the requirements of IAS 40 "*Investment property*" for that model. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of comprehensive income in the period in which they arise, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*".

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The fair value of investment properties is measured on the character, location and condition of specific property.

(22) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

The category of intangible assets of the Group and the amortization method over the estimated useful lives are as follows:

<u>Category</u>	<u>Useful lives</u>	<u>Amortization method</u>
Computer software	3 - 8 years	Straight-line method
Other intangible assets	4 years	Straight-line method

(23) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the board of directors.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

In accordance with Article 49 of the Financial Holding Company Act, the Company and its parent company jointly filed corporation income tax returns and 10% surcharge on undistributed retained earnings since 2002 under the integrated income tax system. Such effects on current tax and deferred tax are accounted for as receivable or payables.

Effective from 1 January, 2006, the Company has considered the impact of the “Alternative Minimum Tax Act” to estimate their income tax liabilities.

(24) Employee benefits

Defined contribution plans

The Bank has a pension plan covering all full-time employees (the defined benefit plan). Under the plan, pension benefit payments for each employee are based on the employee’s years of service and final average compensation. The Bank has established two employee retirement fund committees to supervise the employees’ retirement fund based on the regulations of the employee retirement plan. Contribution to the pension fund is made to the separate accounts of the above two committees monthly. The Bank makes contributions to the pension plan, which is administered and operated by an independent employee retirement fund committee. The pension plan is not reflected in the consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.



The Labor Pension Act of the ROC (the “Act”), which adopts a defined contribution pension plan, is effective on 1 July 2005. In accordance with the Act, employees of the Bank may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Act. For employees subject to the Act, the Bank shall make monthly contributions to the employees’ individual pension accounts on a basis 6% of the employees’ monthly wages. Monthly contributions are recognized as pension costs.

#### Defined benefit plans

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions.

Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the

asset ceiling (excluding net interest) and the return on plan assets, excluding net interest are recognized as other comprehensive income with a corresponding debit or credit to other equity in the period in which they occur.

Past service costs are recognized in profit or loss on the earlier of:

- A. The date of the plan amendment or curtailment, and
- B. The date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

#### Employee preferential interest rate deposits

The Bank offers its employees with preferential deposit, including providing finite amount preferential interest rate deposits to current employees and providing the preferential interest rate deposits to current employees and retired employees after their retirement. The difference between the interest rate of preferential deposits and the market rate is recognized as employee benefits.

The finite amount preferential deposits that the Bank paid to its current employees are calculated monthly on accrual basis. The difference between the interest rate of preferential deposit and the market rate is recorded as “Employee benefits expenses”. In accordance with the article 30 of the “Regulations Governing the Preparation of Financial Reports by Public Banks”, when the interest incurred from preferential interest rate deposits exceed the interest generated from market rate, it should be considered the actuarial amount according to defined benefit plan regulated on IAS 19 “Employee Benefits” since the employee’s retirement date.

(25) Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

(26) Interest income

Interest income is recognized over the period by applying the interest rate method and measured except for delinquent accounts and troubled accounts whose interest is recognized when received.

(27) Service fee

The Group earns service fee from a diverse range of service it provide to its customers. Fee income can be divided into the following two categories:

- A. Fee income on transactions conducted or from services provided over a period of time.
- B. Fee income from providing transaction services.

The fair value of the award credits granted to the bank card holders is deferred and recognized as fee income when the award credits are redeemed or expire.

(28) Operating segment information

An operating segment is a component of an entity that has the follow characteristics:

- A. Engaging in business activities from which it may earn revenues and incur expenses;
- B. Whose operating results are regularly reviewed by the entity's chief operating decision marker to make decisions about resource to be allocated to the segment and assess its performance, and
- C. For which discrete financial information is available.

## 5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### (1) Judgment

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### A. Investment properties

Certain properties of the Bank comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. The property is classified as investment property in its entirety only if the portion that is owner-occupied is under 5% of the total property.

#### B. Operating lease commitment — the Group as the lessor

The Bank has entered into commercial property leases on its investment property portfolio. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

### (2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### A. Impairment losses on loans and receivables

The Group review their loans and receivables to assess whether an impairment loss should be recorded in profit or loss on a monthly basis. When the Group determines whether to recognize impairment losses, they mainly decide if there is any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable changes in debtor payment status, or sovereign or the local economic situation related to debt payment. While analysing expected cash flow, the estimates by the management are based on past losses experience on the assets of similar credit risk characteristics. The Group periodically reviews methods and assumptions behind the amount and schedule of expected cash flow, to reduce the difference between expected and actual loss.

## B. Fair value of financial instruments

Where the fair value of financial instruments cannot be derived from an active market or a quoted price, it is determined using a valuation technique. Observable market data for similar financial instruments is utilized as inputs to measure fair value. If observable inputs are not available, prudent assumptions are used for estimating fair value. In applying valuation techniques, the Group adopts pricing models in accordance with its procedure for valuation. All models are adjusted to ensure that their results reflect actual data and market prices.

## C. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The Bank determines whether goodwill is impaired on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or groups of CGUs to which goodwill is allocated. Estimating the recoverable amount requires the Bank to make an estimate of the expected future cash flows from the CGU or groups of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

## D. Award credits and deferred income

The Bank recognizes the fair value of all considerations received or receivable as revenue at the time of sale, and estimates the cost and related liabilities resulting from the awards given. The consideration allocated to the award credits should be deferred and only recognized as revenue when award credits are redeemed and the Bank fulfils its obligations to supply awards. As points issued under the program do not expire, such estimates are subject to significant uncertainty.

#### E. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group entity's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

#### F. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases.

According to internal regulation of the Bank or hiring agreement, IAS 19 "*Employee Benefit*" applies to the excess interest of retiring employee preferential interest rate deposits once the employee is retired.

#### G. Fair value of investment property

The fair value of investment property is derived from valuation techniques, including income approach (such as discounted cash flow model and direct capitalization approach), comparison approach, and cost approach, while the assumptions used in applying valuation techniques will have impacts on the fair value of investment property. Please refer Note 6.(11) for more details.

## 6. Breakdown of Significant Accounts

### (1) Cash and cash equivalents

	2017.12.31	2016.12.31
Cash on hand	\$18,106,605	\$19,950,689
Checks for clearance	7,025,587	7,390,035
Due from commercial banks	40,826,340	35,943,676
Total	<u>\$65,958,532</u>	<u>\$63,284,400</u>

The components of cash and cash equivalents in statement of cash flows are listed below.

	2017.12.31	2016.12.31
Cash and cash equivalents in consolidated balance sheets	\$65,958,532	\$63,284,400
Due from the Central Bank and call loans to banks satisfied the definition of cash and cash equivalents under IAS7	70,168,447	18,524,091
Securities purchased under agreements to resell satisfied the definition of cash and cash equivalents under IAS7	87,483,656	38,139,919
Cash and cash equivalents at end of the periods in statements of cash flows	<u>\$223,610,635</u>	<u>\$119,948,410</u>

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

	2017.12.31	2016.12.31
Call loans to banks	\$30,687,790	\$10,653,748
Due from the Central Bank - Statutory reserve on deposits	54,995,333	53,416,844
Due from the Central Bank - General deposits	39,480,657	7,870,343
Total	<u>\$125,163,780</u>	<u>\$71,940,935</u>

#### A. The Bank

Statutory reserve on deposits and general deposits consists mainly of New Taiwan dollars and foreign currency deposit reserves.

As provided by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. These reserves included \$51,180,284 thousand and \$48,836,800 thousand as of 31 December 2017 and 31 December 2016, respectively, which are subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. These non-interest bearing reserves may be withdrawn momentarily. As of 31 December 2017 and 31 December 2016, the balances of foreign-currency deposit reserves were \$1,531,299 thousand and \$2,336,047 thousand, respectively.

B. Indovina Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the State Bank of Vietnam were \$1,112,223 thousand and \$1,118,112 thousand as of 31 December 2017 and 31 December 2016, respectively.

C. CUBC Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the National Bank of Cambodia were \$1,171,527 thousand and \$1,125,885 thousand as of 31 December 2017 and 31 December 2016, respectively.

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

	<u>2017.12.31</u>	<u>2016.12.31</u>
Financial assets for trading:		
Stocks	\$4,779,697	\$-
Short-term bills	170,563,632	93,126,341
Mutual funds and beneficiary securities	49,939	-
Bonds	103,419,235	53,544,936
Derivative financial instruments	33,172,556	52,646,314
Total	<u>\$311,985,059</u>	<u>\$199,317,591</u>

A. As of 31 December 2017 and 31 December 2016, the amount (the range of fair value for derivative contracts between initial recognition and subsequent measurement) for derivative financial instruments (include hedging) are disclosed as following: (Unit: thousands of US dollars):

	2017.12.31	2016.12.31
Currency forward contracts	\$76,351,206	\$49,094,551
Interest rate swap	51,136,885	33,116,665
Cross currency swap	3,657,069	9,733,905
Options	3,206,295	6,213,816
Futures	1,970,671	15,688

B. The Bank was authorized to issue subordinated financial debentures amounting to US\$990 million in September 2014, which issued a subordinated financial debentures amounting to US\$660 million (perpetual) and US\$330 million (fifteen-year) with a fixed interest rate in 8 October 2014, respectively, and the Bank was authorized by the authorities to redeem the US\$660 million bonds at its fair value after 12 years by fulfilling the said conditions.

The Bank was authorized to issue unsubordinated financial debentures amounting to US\$180 million (thirty-year) in 30 March 2015, in addition to redeeming bond by exercising call option, redeemable on maturity, in the form of zero-coupon bonds, internal rate of return of 4.20%.

The Bank was authorized to issue unsubordinated financial debentures amounting to US\$195 million (thirty-year) in 11 April 2017, in addition to redeeming bond by exercising call option, redeemable on maturity, in the form of zero-coupon bonds, internal rate of return of 4.30%.

The Bank was authorized to issue unsubordinated financial debentures amounting to US\$300 million (thirty-year) in 24 November 2015, in addition to redeeming bond by exercising call option, redeemable on maturity, in the form of zero-coupon bonds, internal rate of return of 4.10%.

The Bank converted fixed interest rate into floating interest rate with interest rate swap contract to hedge the fair value risk resulting from interest rate. The interest rate swap valuations for the years ended 31 December 2017 and 2016 was net valuation losses \$93,496 thousand and \$537,022 thousand respectively.

C. As of 31 December 2017, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of \$46,143,100 thousand. Such repurchase agreements amounting to \$43,634,657 thousand, which was posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreement entered prior to 31 December 2017 were settled at \$43,732,175 prior to 28 February 2018.



(4) Receivables - net

	2017.12.31	2016.12.31
Accounts receivable	\$65,308,138	\$66,289,179
Interest receivable	7,630,282	5,721,478
Acceptances	785,112	1,045,109
Factoring receivable	2,248,622	4,073,377
Others	3,450,428	6,990,017
Total	79,422,582	84,119,160
Adjustment for discounts and premiums	(10,301)	(14,395)
Less: allowance for doubtful accounts	(2,431,464)	(3,836,359)
Net balance	\$76,980,817	\$80,268,406

A. Information on bad and doubtful accounts is as follows:

	2017		
	Individually impaired	Collectively impaired	Total
Balance, beginning of the period	\$208,096	\$3,628,263	\$3,836,359
(Reversal) Provision of doubtful accounts	(55,907)	86	(55,821)
Write-offs	(1,652,374)	-	(1,652,374)
Debt negotiation recoveries	110,658	-	110,658
Recoveries	459,832	-	459,832
Reclassification	1,080,553	(1,333,904)	(253,351)
Effects of exchange rates changes	(1,697)	(12,142)	(13,839)
Balance, end of the period	\$149,161	\$2,282,303	\$2,431,464

	2016		
	Individually impaired	Collectively impaired	Total
Balance, beginning of the period	\$650,596	\$2,129,092	\$2,779,688
Provision of doubtful accounts	1,757,743	136	1,757,879
Write-offs	(1,134,651)	-	(1,134,651)
Debt negotiation recoveries	119,404	-	119,404
Recoveries	455,543	-	455,543
Reclassification	(1,640,441)	1,524,814	(115,627)
Effects of exchange rates changes	(98)	(25,779)	(25,877)
Balance, end of the period	\$208,096	\$3,628,263	\$3,836,359

B. Impairment assessment of receivables – the Group

Item		Receivables	
		2017.12.31	2016.12.31
With objective evidence of impairment	Individual assessment	\$34,688	\$49,319
	Collective assessment	191,529	232,745
Without objective evidence of impairment	Collective assessment	79,196,365	83,837,096

Item		Allowance for doubtful accounts	
		2017.12.31	2016.12.31
With objective evidence of impairment	Individual assessment	\$11,165	\$31,141
	Collective assessment	137,996	176,955
Without objective evidence of impairment	Collective assessment	2,282,303	3,628,263

Notes: receivables shall refer to amounts originated excluded allowance for doubtful accounts and discount or premium.

(5) Discounts and loans - net

	2017.12.31	2016.12.31
Outward documentary bills	\$1,339,549	\$2,303,674
Overdrafts	2,191,344	3,239,367
Short-term loans	384,290,373	500,890,187
Medium-term loans	342,713,958	301,913,586
Long-term loans	724,090,995	646,340,706
Delinquent accounts	2,782,300	2,133,624
Total	1,457,408,519	1,456,821,144
Adjustment for discounts and premium	389,580	575,212
Less: allowance for doubtful accounts	(23,239,932)	(19,865,448)
Net balance	<u>\$1,434,558,167</u>	<u>\$1,437,530,908</u>

A. Please refer to Note 12.(7) for details on loans by industries and geographic regions.

B. Information on bad and doubtful accounts is as follows:

	2017		
	Individually impaired	Collectively impaired	Total
Balance, beginning of the period	\$3,192,994	\$16,672,454	\$19,865,448
Provision of doubtful accounts	3,395,509	154,761	3,550,270
Write-offs	(1,553,877)	-	(1,553,877)
Debt negotiation recoveries	102,707	-	102,707
Recoveries	1,333,840	-	1,333,840
Reclassification	(1,758,523)	2,011,874	253,351
Effects of changes in exchange rates	(8,679)	(303,128)	(311,807)
Balance, end of the period	<u>\$4,703,971</u>	<u>\$18,535,961</u>	<u>\$23,239,932</u>

	2016		
	Individually impaired	Collectively impaired	Total
Balance, beginning of the period	\$3,440,902	\$14,315,090	\$17,755,992
(Reversal)Provision of doubtful accounts	2,755,855	(26,679)	2,729,176
Write-offs	(1,594,216)	-	(1,594,216)
Debt negotiation recoveries	108,587	-	108,587
Recoveries	830,800	-	830,800
Reclassification	(2,349,381)	2,465,008	115,627
Effects of changes in exchange rates	447	(80,965)	(80,518)
Balance, end of the period	<u>\$3,192,994</u>	<u>\$16,672,454</u>	<u>\$19,865,448</u>

C. Impairment assessment of discounts and loans – the Group

Item		Discounts and loans	
		2017.12.31	2016.12.31
With objective evidence of impairment	Individual assessment	\$11,086,752	\$9,189,480
	Collective assessment	7,948,737	7,405,577
Without objective evidence of impairment	Collective assessment	1,438,373,030	1,440,226,087

Item		Allowance for doubtful account	
		2017.12.31	2016.12.31
With objective evidence of impairment	Individual assessment	\$3,155,218	\$1,690,166
	Collective assessment	1,548,753	1,502,828
Without objective evidence of impairment	Collective assessment	18,535,961	16,672,454

Note: Discounts and loans shall refer to amounts originated excluding allowance for doubtful accounts and discount or premium.

D. Information on provision for (reverse of) bad debt expenses and losses on guarantees are as follows:

	2017	2016
Provision for (reverse of ) allowance for doubtful accounts – receivables	\$(55,821)	\$1,757,879
Provision for allowance for doubtful accounts – discounts and loans	3,550,270	2,729,176
Provision for (reverse of) allowance for doubtful accounts – bills purchased	(21)	20
Reverse of reserve for losses on guarantees	(284)	(31,714)
Total	<u>\$3,494,144</u>	<u>\$4,455,361</u>

(6) Available-for-sale financial assets - net

	2017.12.31	2016.12.31
Stocks	\$15,833,022	\$11,734,360
Short-term bills	-	917,355
Mutual funds and beneficiary securities	541,355	3,586,499
Bonds	132,106,292	139,915,745
Net balance	\$148,480,669	\$156,153,959

A. Impairment assessment of available-for-sale financial assets above, please refer to Note 12. (7).

B. As of 31 December 2017, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of \$29,926,975 thousand. Such repurchase agreements amounting to \$29,338,529 thousand were posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheet. Repurchase agreements entered prior to 31 December 2017 were settled at \$29,404,419 thousand prior to 30 June 2018.

As of 31 December 2016, certain available-for-sale financial assets were sold under repurchase agreements with notional amounts of \$23,612,678 thousand. Such repurchase agreements amounting to \$22,468,724 thousand were posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 31 December 2016 were settled at \$22,472,812 thousand prior to 30 June 2017.

C. Available-for-sale financial assets of \$57,613 thousand and \$79,962 thousand as of 31 December 2017 and 31 December 2016, respectively, were pledged to other parties as collateral for business reserves and guarantees.

(7) Held-to-maturity financial assets - net

	2017.12.31	2016.12.31
Short-term bills	\$5,221,668	\$5,422,099
Bonds	29,123,417	42,516,765
Net balance	\$34,345,085	\$47,938,864

A. As of 31 December 2017, certain held-to-maturity financial assets were sold under repurchase agreements with notional amounts of \$32,683,560 thousand. Such repurchase agreements amounting to \$23,242,069 thousand were posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheet. Repurchase agreements entered prior to 31 December 2017 were settled at \$23,319,479 thousand prior to 31 March 2018.

As of 31 December 2016, certain held-to-maturity financial assets were sold under repurchase agreements with notional amounts of \$40,499,233 thousand. Such repurchase agreements amounting to \$31,066,277 thousand were posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements entered prior to 31 December 2016 were settled at \$31,129,794 thousand prior to 31 March 2017.

B. Held-to-maturity financial assets of \$595,043 thousand and \$2,361,157 thousand as of 31 December 2017 and 31 December 2016, respectively, were pledged to other parties as collateral of business reserves and guarantees.

(8) Investments accounted for using the equity method – net

	2017.12.31		2016.12.31	
	Carrying value	% of ownership	Carrying value	% of ownership
Investment in subsidiaries				
Seaward Card Co., Ltd.	\$-	-	\$39,793	100.00
Investment in associates				
Taiwan Real-estate Management Corp.	101,936	30.15	98,066	30.15
Taiwan Finance Corp.	1,642,111	24.57	1,570,490	24.57
Subtotal	1,744,047		1,668,556	
Total	\$1,744,047		\$1,708,349	

A. The shares of the subsidiaries and associates that the Bank invested in are not publicly traded. The subsidiaries and associates are not significantly restricted in term of ability to transfer funds to the investors in the form of cash dividends, repayment of loans or advances.

B. Investment in the associates.

The Bank’s investment in the associates are not significant. The carrying amount of investments in associates accounted for using the equity method amounted to \$1,744,047 thousand and \$1,668,556 thousand, as of 31 December 2017 and 31 December 2016, respectively. The aggregate financial information of the Bank’s investment in the associates is as follows:

	<u>2017</u>	<u>2016</u>
Profit from continuing operations	\$105,821	\$88,944
Other comprehensive income (loss) (post-tax)	28,638	(28,251)
Total comprehensive income	134,459	60,693

No investment in the associates had contingent liabilities or capital commitments and were pledged as of 31 December 2017 and 31 December 2016.

- C. Selling all shares of the Seaward Card CO., Ltd. to the Symphox Information Co., Ltd. was resolved by the Bank's board of directors on 29 June 2017. The Bank's board of directors authorized the Chairman to handle the follow-up matters.

The Bank received \$46,800 thousand by selling the share of the Seaward Card Co., Ltd. at price \$15.6 per share on 21 July 2017. The amount of the gains on disposal was \$7,755 thousand.

(9) Investments in debt securities with no active market – net

	<u>2017.12.31</u>	<u>2016.12.31</u>
Short-term bills	\$318,625,000	\$316,050,000
Bonds	69,662,593	81,425,008
Total	<u>\$388,287,593</u>	<u>\$397,475,008</u>

- A. Impairment assessment of investments in debt securities with no active market assets above, please refer to Note 12. (7).

- B. As of 31 December 2017, certain investments in debt securities with no active market assets were sold under repurchase agreement with notional amounts of \$22,555,953 thousand. Such repurchase agreements amounting to \$13,726,170 thousand was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 31 December 2017 were settled at \$13,763,664 thousand prior to 31 January 2018.

As of 31 December 2016, certain investments in debt securities with no active market assets were sold under repurchase agreement with notional amounts of \$5,543,771 thousand. Such repurchase agreements amounting to \$3,217,750 thousand was posted to the "Securities sold under agreements to repurchase" account on the consolidated balance sheets. Repurchase agreements entered prior to 31 December 2016 were settled at \$3,222,577 thousand prior to 31 January 2017.

- C. \$63,800,000 of certificates of deposit as of 31 December 2017 and 31 December 2016, were pledged to other parties as collateral for business reserves and guarantees.

(10) Property and equipment - net

	Land	Buildings	Office equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and prepayment for equipment	Total
Cost:								
2016.01.01	\$15,585,503	\$10,586,827	\$4,805,453	\$121,179	\$28,582	\$7,187,169	\$631,611	\$38,946,324
Additions	-	-	275,851	3,090	36,339	208,201	497,996	1,021,477
Transfers	-	(24,837)	27,290	1,909	62,720	184,703	(565,320)	(313,535)
Disposals	-	-	(1,034,180)	(7,528)	(6,559)	(133,143)	-	(1,181,410)
Exchange differences	(3,412)	(7,792)	(62,585)	(2,564)	(2,574)	22,652	(6,160)	(62,435)
2016.12.31	\$15,582,091	\$10,554,198	\$4,011,829	\$116,086	\$118,508	\$7,469,582	\$558,127	\$38,410,421
2017.01.01	\$15,582,091	\$10,554,198	\$4,011,829	\$116,086	\$118,508	\$7,469,582	\$558,127	\$38,410,421
Additions	-	545	687,665	2,177	9,442	204,651	494,571	1,399,051
Transfers	(245,639)	(218,904)	19,610	4,104	(62,914)	511,675	(514,562)	(506,630)
Disposals	-	(163)	(447,351)	(5,539)	(981)	(461,996)	-	(916,030)
Revaluation increments	55,981	17,181	-	-	-	-	-	73,162
Impairment loss of assets(Note1)	(3,241)	(22,684)	-	-	-	-	-	(25,925)
Others(Note 2)	(713)	-	-	-	-	-	-	(713)
Exchange differences	(10,540)	(26,956)	(37,699)	(8,447)	(4,293)	(16,474)	(5,684)	(110,093)
2017.12.31	\$15,377,939	\$10,303,217	\$4,234,054	\$108,381	\$59,762	\$7,707,438	\$532,452	\$38,323,243
Depreciations and impairments:								
2016.01.01	\$-	\$3,849,887	\$4,026,752	\$82,711	\$16,750	\$5,748,721	\$-	\$13,724,821
Depreciation	-	220,383	326,222	9,851	10,644	417,870	-	984,970
Transfers	-	(31,606)	(7,382)	(6,434)	37,021	-	-	(8,401)
Disposals	-	-	(1,033,865)	(6,989)	(5,418)	(118,868)	-	(1,165,140)
Exchange differences	-	(1,840)	(39,837)	(1,541)	(1,414)	20,391	-	(24,241)
2016.12.31	\$-	\$4,036,824	\$3,271,890	\$77,598	\$57,583	\$6,068,114	\$-	\$13,512,009
2017.01.01	\$-	\$4,036,824	\$3,271,890	\$77,598	\$57,583	\$6,068,114	\$-	\$13,512,009
Depreciation	-	220,117	319,413	8,848	7,790	433,449	-	989,617
Transfers	-	(112,697)	-	-	(42,972)	42,972	-	(112,697)
Disposals	-	(163)	(443,460)	(5,539)	(980)	(437,470)	-	(887,612)
Exchange differences	-	(6,751)	(29,692)	(5,664)	(1,241)	(8,024)	-	(51,372)
2017.12.31	-	\$4,137,330	\$3,118,151	\$75,243	\$20,180	\$6,099,041	\$-	\$13,449,945
Net carrying amount:								
2017.12.31	\$15,377,939	\$6,165,887	\$1,115,903	\$33,138	\$39,582	\$1,608,397	\$532,452	\$24,873,298
2016.12.31	\$15,582,091	\$6,517,374	\$739,939	\$38,488	\$60,925	\$1,401,468	\$558,127	\$24,898,412

Note1: The group property and equipment reclassify to impairment loss of assets.

Note2: Urban renewal resettlement and relocation compensation.

Components of building that have different useful lives are main building structure, air conditioning units and elevators, which are depreciated over five years to sixty years.

(11) Investment properties - net

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Carrying Value :</u>			
2016.01.01	\$1,535,360	\$99,889	\$1,635,249
Losses arising from changes in the fair value	(61,691)	(10,598)	(72,289)
Disposals	(7,260)	(1,100)	(8,360)
2016.12.31	<u>\$1,466,409</u>	<u>\$88,191</u>	<u>\$1,554,600</u>
2017.01.01	\$1,466,409	\$88,191	\$1,554,600
Transfers	302,241	49,959	352,200
Losses arising from changes in the fair value	(157,780)	1,772	(156,008)
Disposals	(196,394)	(7,026)	(203,420)
2017.12.31	<u>\$1,414,476</u>	<u>\$132,896</u>	<u>\$1,547,372</u>

	<u>2017</u>	<u>2016</u>
Rental income from investment property	\$-	\$-
Less: Direct operating expenses from investment property not generating rental income	(3,777)	(3,822)
Total	<u>\$(3,777)</u>	<u>\$(3,822)</u>

A. As of 31 December 2017 and 31 December 2016, no investment property was pledged.

B. The Bank appointed appraisers from REPro Valuation and Professional Services (Fu-Xue Shi, Zhi-Hao Wu, Hong-Xu Wu ) to evaluate the fair value of investment property on 2017. The Bank appointed appraisers from CCIS Valuation and Professional Services (Ching-Sheng Huang) to evaluate the fair value of investment property based on the “Regulations on Real Estate Appraisal” on 31 December 2017 and 31 December 2016.

Fair value has been supported by observable evidences in the market. The appraisal approaches used are mainly the income approach (such as discounted cash flow model and direct capitalization approach), sales comparison approach and cost approach, etc.

a. Office building has market liquidity and their rent levels are more comparable with similar items from the same neighborhood. The fair value has been determined by comparison approach and income approach.



Net rental income is based on the current market practices, assuming an annual rent increase of between 0% to 1.5% to extrapolate the total income of the underlying property, excluding losses as a result of idle and other reasons and related operation costs.

According to the ROC Real Estate Appraisers Association Gazette No.5, the house tax has been determined based on the reference tables of current house values assessed for each city/county to estimate the total current house value assessed. House tax is calculated based on the tax rates provided by the House Tax Act and the actual payment date.

Land value tax is based on the changes in the announced land values of the underlying property in the past few years and the actual payment data, to further extrapolate the announced land value in the future.

The replacement allowance is calculated renovation cost base on 15% construction cost, presume the useful life of 20 years, according to the ROC Real Estate Appraisers Association Gazette No.5, the replacement allowance is based on 0.5% to 1.5% of construction or building cost.

The main parameters are as follows:

	2017.12.31	2016.12.31
Direct capitalization rate	2.03%-5.83%	1.60%-2.75%
Overall capital interest rate	0.76%-2.89%	0.84%-2.23%

- b. The fair value has been determined by the method of land development analysis and comparison. Reserved area in hillside land, Scenic land site, areas for agriculture, animal husbandry and forestry had fewer market transactions as their uses are restricted by law, and will not have significant changes in the market in the near year.

	2017.12.31	2016.12.31
Rate of return	15%-20%	25%-30%
Overall capital interest rate	1.63%-2.11%	4.99%-16.98%

(12) Intangible assets - net

	Goodwill	Computer software	Others	Total
Cost:				
2016.01.01	\$7,022,604	\$1,815,330	\$1,384	\$8,839,318
Additions-acquired separately	-	226,957	6,913	233,870
Disposals	-	(428,422)	-	(428,422)
Transfers	-	233,362	-	233,362
Exchange differences	(8,319)	(3,598)	(40)	(11,957)
2016.12.31	\$7,014,285	\$1,843,629	\$8,257	\$8,866,171
2017.01.01	\$7,014,285	\$1,843,629	\$8,257	\$8,866,171
Additions-acquired separately	-	152,212	16,290	168,502
Disposals	-	(85,458)	-	(85,458)
Transfers	-	97,763	(3,886)	93,877
Exchange differences	(25,696)	(11,346)	(618)	(37,660)
2017.12.31	\$6,988,589	\$1,996,800	\$20,043	\$9,005,432
Amortization and impairment:				
2016.01.01	\$-	\$1,259,680	\$-	\$1,259,680
Amortization	-	216,070	-	216,070
Disposals	-	(428,422)	-	(428,422)
Exchange differences	-	(2,163)	-	(2,163)
2016.12.31	\$-	\$1,045,165	\$-	\$1,045,165
2017.01.01	\$-	\$1,045,165	\$-	\$1,045,165
Amortization	-	267,014	-	267,014
Disposals	-	(85,458)	-	(85,458)
Exchange differences	-	(7,273)	-	(7,273)
2017.12.31	\$-	\$1,219,448	\$-	\$1,219,448
Net carrying amount:				
2017.12.31	\$6,988,589	\$777,352	\$20,043	\$7,785,984
2016.12.31	\$7,014,285	\$798,464	\$8,257	\$7,821,006

Impairment testing of goodwill:

A. Key assumptions used in value in use calculations:

The recoverable amount of the unit has been determined based on a value in use calculation, using cash flow projections based on financial budgets approved by the management of the Bank covering a five-year period.

B. The calculation of value in use for the unit is most sensitive to the following assumptions:

a. Discount rates

Discount rates reflect the current market assessment of the risks specific to the unit. Discount rates are calculated by the Capital Assets Pricing Model (CAPM).

b. Projected growth rates, used to extrapolate cash flows beyond the budget period:

Assumptions are based on published industry research.

C. Sensitivity to changes in assumptions:

The Bank believes that reasonable possible changes in key assumptions used to determine the recoverable amount segments will not result in an impairment of goodwill.

(13) Other assets - net

	2017.12.31	2016.12.31
Prepayment	\$1,323,144	\$1,165,913
Temporary payments	228,550	2,362,178
Interbank settlement fund	4,285,737	5,300,005
Refundable deposits, net	17,633,953	27,604,939
Operating deposits, net	720,648	687,805
Others	93,273	101,971
Total	<u>\$24,285,305</u>	<u>\$37,222,811</u>

As of 31 December 2017 and 31 December 2016, the amounts of land use rights of \$448,910 thousand and \$485,627 thousand were recognized under prepayment, respectively.

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

	<u>2017.12.31</u>	<u>2016.12.31</u>
Due to commercial banks	\$14,296,722	\$12,491,685
Due to Post Co., Ltd.	18,719,644	18,889,713
Overdrafts from banks	591,665	1,407,329
Call loans from banks	56,809,828	44,705,068
Total	<u>\$90,417,859</u>	<u>\$77,493,795</u>

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

	<u>2017.12.31</u>	<u>2016.12.31</u>
Financial liabilities designated at fair value through profit or loss:		
Bonds	\$53,639,010	\$39,491,908
Financial liabilities held for trading:		
Bonds	49,945	-
Derivative financial instruments	33,718,696	48,645,076
Total	<u>\$87,407,651</u>	<u>\$88,136,984</u>

The Bank was authorized to issue subordinated financial debentures amounting to USD\$990 million in September 2014, which issued a subordinated financial debentures amounting to US\$660 million (perpetual) and US\$330 million (fifteen-year) with a fixed interest rate of 5.10% and 4.00% in 8 October 2014, respectively, and the interest is payable annually. The Bank was authorized by the authorities to redeem the US\$660 million bonds at its book value after 12 year by fulfilling the said conditions.

The Bank was authorized to issue unsubordinated financial debentures amounting to US\$180 million (thirty-year) in 30 March 2015, in addition to redeeming bond by exercising call option, redeemable on maturity, in the form of zero-coupon bonds, internal rate of return of 4.20%.

The Bank was authorized to issue unsubordinated financial debentures amounting to US\$195 million (thirty-year) in 11 April 2017, in addition to redeeming bond by exercising call option, redeemable on maturity, in the form of zero-coupon bonds, internal rate of return of 4.30%.

The Bank was authorized to issue unsubordinated financial debentures amounting to US\$300 million (thirty-year) in 24 November 2017, in addition to redeeming bond by exercising call option, redeemable on maturity, in the form of zero-coupon bonds, internal rate of return of 4.10%.

(16) Payables

	<u>2017.12.31</u>	<u>2016.12.31</u>
Accounts payable	\$7,374,046	\$7,770,115
Interest payable	3,665,969	3,102,831
Accrued expenses	7,556,732	6,301,996
Acceptance	796,185	1,048,958
Tax payable	370,384	326,827
Receipts under custody	506,995	450,511
Others	3,186,866	5,000,607
Total	<u>\$23,457,177</u>	<u>\$24,001,845</u>

(17) Deposits and remittances

	<u>2017.12.31</u>	<u>2016.12.31</u>
Check deposits	\$15,337,920	\$15,485,908
Demand deposits	483,481,732	446,127,135
Demand savings deposits	805,442,387	765,842,523
Time deposits	420,512,537	422,483,187
Negotiable certificates of deposit	3,310,000	3,554,400
Time savings deposits	368,394,533	377,702,458
Outward remittances	890,569	554,713
Remittances payable	998,285	849,464
Total	<u>\$2,098,367,963</u>	<u>\$2,032,599,788</u>

(18) Financial debentures payable

	<u>2017.12.31</u>	<u>2016.12.31</u>
Subordinated financial debentures	\$63,350,000	\$51,900,000

The Bank issued an eight-year subordinated financial debentures totaling \$3,650,000 thousand with a stated interest rate of 2.42% in June 2009, and the interest is payable quarterly. The Bank had redeemed all these debentures in June 2017.

The Bank issued a ten-year subordinated financial debentures totaling \$1,500,000 thousand with a stated interest rate of 2.60% in July 2009, and the interest is payable quarterly.

The Bank issued a seven-year subordinated financial debentures totaling \$3,850,000 thousand with a stated interest rate of 1.65% in March 2011, and the interest is payable quarterly.

The Bank issued a ten-year subordinated financial debentures totaling \$1,500,000 thousand with a stated interest rate of 1.72% in March 2011, and the interest is payable quarterly.

The Bank issued a seven-year subordinated financial debentures totaling \$3,900,000 thousand with a stated interest rate of 1.65% in June 2011, and the interest is payable quarterly.

The Bank issued a ten-year subordinated financial debentures totaling \$2,500,000 thousand with a stated interest rate of 1.72% in June 2011, and the interest is payable quarterly.

The Bank issued a seven-year subordinated financial debentures totaling \$200,000 thousand with a stated interest rate of 1.48% in June 2012, and the interest is payable annually.

The Bank issued a ten-year subordinated financial debentures totaling \$4,200,000 thousand with a stated interest rate of 1.65% in June 2012, and the interest is payable annually.

The Bank issued a ten-year subordinated financial debentures totaling \$5,600,000 thousand with a stated interest rate of 1.65% in August 2012, and the interest is payable annually.

The Bank issued a seven-year subordinated financial debentures totaling \$100,000 thousand with a stated interest rate of 1.55% in April 2013, and the interest is payable annually.

The Bank issued a ten-year subordinated financial debentures totaling \$9,900,000 thousand with a stated interest rate of 1.70% in April 2013, and the interest is payable annually.

The Bank issued a seven-year subordinated financial debentures totaling \$3,000,000 thousand with a stated interest rate of 1.70% in May 2014, and the interest is payable annually.

The Bank issued a ten-year subordinated financial debentures totaling \$12,000,000 thousand with a stated interest rate of 1.85% in May 2014, and the interest is payable annually.

The Bank issued a seven-year subordinated financial debentures totaling \$2,400,000 thousand with a stated interest rate of 1.50% in April 2015, and the interest is payable annually.

The Bank issued a ten-year subordinated financial debentures totaling \$12,700,000 thousand with a stated interest rate of 1.85% in April 2015, and the interest is payable annually.

Each subordinated financial debenture has a lower priority claim on assets and income than other debts. That is, its principal and interest are repayable only after more senior debt with higher priority has been satisfied. These subordinated financial debentures are, however, senior to common stock.

(19) Other financial liabilities

	2017.12.31	2016.12.31
Principal received from the sale of structured products	<u>\$66,057,646</u>	<u>\$61,566,809</u>

(20) Provisions

	2017.12.31	2016.12.31
Reserve for employee benefits		
— Defined benefits plan	\$2,507,030	\$2,377,078
Reserve for employee benefits		
— Preferential interest rate deposits	579,063	576,083
Reserve for losses on guarantees	72,897	73,181
Other operating reserve	28,674	27,622
Total	<u>\$3,187,664</u>	<u>\$3,053,964</u>

	2017.01.01	Addition (Reversal)	2017.12.31
Reserve for employee benefits			
— Defined benefits plan	\$2,377,078	\$129,952	\$2,507,030
Reserve for employee benefits			
— Preferential interest rate deposits	576,083	2,980	579,063
Reserve for losses on guarantees	73,181	(284)	72,897
Other operating reserve	27,622	1,052	28,674
Total	<u>\$3,053,964</u>	<u>\$133,700</u>	<u>\$3,187,664</u>

	2016.01.01	Addition (Reversal)	2016.12.31
Reserve for employee benefits			
— Defined benefits plan	\$2,462,781	\$(85,703)	\$2,377,078
Reserve for employee benefits			
— Preferential interest rate deposits	605,038	(28,955)	576,083
Reserve for losses on guarantees	104,895	(31,714)	73,181
Other operating reserve	26,316	1,306	27,622
Total	<u>\$3,199,030</u>	<u>\$(145,066)</u>	<u>\$3,053,964</u>

(21) Post-employment benefits

Defined contribution plan

The Bank adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Bank will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Bank has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended 31 December 2017 and 2016 were \$331,604 thousand and \$304,365 thousand, respectively, and recorded as "Employee benefits expenses".

### Defined benefit plan

The Bank adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Bank contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Bank assesses the balance in the designated labor pension fund. Based on Article 56 of Labor Standards Act of the R.O.C., if the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Bank will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. The Bank expects to contribute \$196,926 thousand to its defined benefit plan during the 12 months beginning after 31 December 2017.

As of 31 December 2017 and 2016, the Bank expects its defined benefits plan obligation to become due in 2028.

Pension costs recognized in profit or loss for the years ended 31 December 2017 and 2016:

	2017	2016
Current period service costs	\$146,608	\$146,910
Interest expense from net defined benefit liability	32,374	30,679
Total	<u>\$178,982</u>	<u>\$177,589</u>



Changes in the defined benefit obligation and fair value of plan assets are as follows:

	2017.12.31	2016.12.31
Defined benefit obligation	\$5,234,640	\$4,940,717
Plan assets at fair value	(2,727,610)	(2,563,639)
Other non-current liabilities — Accrued pension liabilities recognized on the consolidated balance sheets	<u>\$2,507,030</u>	<u>\$2,377,078</u>

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
2016.1.1	\$4,856,742	\$(2,393,961)	\$2,462,781
Defined benefit cost recognized in profit or loss			
Current period service costs	146,910	-	146,910
Net interest expense (income)	62,292	(31,613)	30,679
Subtotal	<u>209,202</u>	<u>(31,613)</u>	<u>177,589</u>
Defined benefit cost — recognized in other comprehensive income			
Actuarial gains and losses arising from changes in financial assumptions	(70,603)	-	(70,603)
Experience adjustments	100,609	-	100,609
Return on plan assets	-	13,110	13,110
Subtotal	<u>30,006</u>	<u>13,110</u>	<u>43,116</u>
Payments from the plan	(155,233)	155,233	-
Contributions by employer	-	(306,408)	(306,408)
2016.12.31	4,940,717	(2,563,639)	2,377,078
Defined benefit cost recognized in profit or loss			
Current period service costs	146,608	-	146,608
Net interest expense (income)	69,116	(36,742)	32,374
Subtotal	<u>215,724</u>	<u>(36,742)</u>	<u>178,982</u>
Defined benefit cost — recognized in other comprehensive income			
Actuarial gains and losses arising from changes in financial assumptions	192,660	-	192,660
Experience adjustments	43,082	-	43,082
Return on plan assets	-	11,266	11,266
Subtotal	<u>235,742</u>	<u>11,266</u>	<u>247,008</u>
Payments from the plan	(157,518)	157,518	-
Contributions by employer	-	(296,013)	(296,013)
Cumulative translation effect	(25)	-	(25)
2017.12.31	<u>\$5,234,640</u>	<u>\$(2,727,610)</u>	<u>\$2,507,030</u>

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%) as at	
	2017.12.31	2016.12.31
Cash	35.00%	32.30%
Equity instruments	41.00%	41.80%
Debt instruments	9.10%	12.80%
Others	14.90%	13.10%

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	2017.12.31	2016.12.31
Discount rate	1.10%	1.42%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as at 31 December 2017 and 2016 is, as shown below:

	Effect on the defined benefit obligation			
	2017		2016	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$-	\$287,877	\$-	\$281,604
Discount rate decrease by 0.5%	314,047	-	306,306	-
Future salary increase by 0.5%	303,579	-	301,365	-
Future salary decrease by 0.5%	-	282,643	-	281,604

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

#### Employee preferential interest rate deposits plan

The Bank has the obligation to pay the preferential interest deposits for current employees and retired employees as according to the "Regulation for Employee Preferential Interest Rate Deposits of Cathay United Bank".

Expenses under preferential interest rate deposits plan amounted to \$271,804 thousand and \$252,512 thousand were recognized for the years ended 31 December 2017 and 2016, respectively, and recorded as “Employee benefits expenses”.

Pension costs recognized in profit or loss for the years ended 31 December 2017 and 2016:

	2017	2016
Current period service costs	\$-	\$-
Interest expense from net defined benefit liability	21,363	22,452
Total	<u>\$21,363</u>	<u>\$22,452</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	2017.12.31	2016.12.31
Defined benefit obligation	\$(579,063)	\$(576,083)
Plan assets at fair value	-	-
Other non-current liabilities — Accrued pension liabilities recognized on the consolidated balance sheets	<u>\$(579,063)</u>	<u>\$(576,083)</u>

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation
2016.1.1	<u>\$605,038</u>
Defined benefit cost recognized in profit or loss	
Net interest expense	22,452
Subtotal	<u>22,452</u>
Defined benefit cost — recognized in other comprehensive income	
Experience adjustments	48,510
Subtotal	<u>48,510</u>
Payments from the plan	<u>(99,917)</u>
2016.12.31	576,083
Defined benefit cost recognized in profit or loss	
Net interest expense	21,363
Subtotal	<u>21,363</u>
Defined benefit cost — recognized in other comprehensive income	
Experience adjustments	67,369
Subtotal	<u>67,369</u>
Payments from the plan	<u>(85,752)</u>
2017.12.31	<u>\$579,063</u>

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	2017.12.31	2016.12.31
Discount rate	4.00%	4.00%
Expected rate of return on deposited fund	2.00%	2.00%
Withdrawal rate of preferential interest rate deposits	1.00%	1.00%

A sensitivity analysis for significant assumption as at 31 December 2017 and 2016 is, as shown below:

	Effect on the defined benefit obligation			
	2017		2016	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$-	\$28,374	\$-	\$28,804
Discount rate decrease by 0.5%	31,269	-	31,685	-
Death rate adjusted to 105%	-	5,791	-	5,185
Death rate adjusted to 95%	5,791	-	5,761	-
Interest rate of premium deposit increase by 0.5%	135,501	-	134,803	-
Interest rate of premium deposit decrease by 0.5%	-	135,501	-	134,803

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or death rate), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(22) Other liabilities

	2017.12.31	2016.12.31
Unearned receipts	\$558,868	\$411,292
Temporary receipts	1,768,412	3,090,841
Guarantee deposits received	5,226,119	4,296,304
Deferred income	1,487,838	1,480,301
Others	14,990	10,129
Total	<u>\$9,056,227</u>	<u>\$9,288,867</u>

(23) Capital stock

As of 31 December 2017 and 31 December 2016, the Bank had issued outstanding capital stock of \$78,604,060 thousand and \$72,099,815 thousand divided into 7,860,406 thousand and 7,209,981 thousand common shares, respectively, with par value \$10 per share.

The recapitalization of undistributed earnings of \$2,620,210 was resolved by the Bank's board of directors (according to the Company Act, the board of directors acted on behalf of the Bank's shareholders) on 28 April 2016. The recapitalization was approved by the Financial Supervisory commission and the recapitalization record date was 11 July 2016. The authorized share capital amounted to \$72,099,815 after recapitalization.

Insurance of common stock for cash by 535,643 thousand common shares was resolved by the Bank's board of directors (according to the Company Act, the board of directors acted on behalf of the Bank's shareholders) on 27 April 2017. The recapitalization was approved by FSC and the recapitalization record date was 13 June 2017. The Bank approved that issue price was \$28 per share on 27 April 2017. The authorized share capital amounted to \$77,456,243 after recapitalization.

The recapitalization of undistributed earnings of \$1,147,816 divided into 114,782 thousand common shares was resolved by the Bank's board of directors (according to the Company Act, the board of directors acted on behalf of the Bank's shareholders) on 27 April 2017. The recapitalization was approved by the FSC and the recapitalization record date was 29 June 2017. The authorized share capital amounted to \$78,604,060 after recapitalization.

(24) Capital surplus

	2017.12.31	2016.12.31
Capital surplus from the merger Bank	\$10,949,303	\$10,949,303
Additional paid-in capital	22,648,873	13,007,302
Others	12,807	12,807
Total	<u>\$33,610,983</u>	<u>\$23,969,412</u>

(25) Retained earnings

A. According to the Bank's Articles of Incorporation, the Bank's annual earnings, after paying tax and deducting any deficits of prior years, if any, shall be appropriated as legal capital reserve according to the law and appropriated special capital reserve in accordance with the resolution.

- B. The Company Act provides that the Bank must retain part of its annual net income as legal reserve, and cash dividend declaration, if any, should not exceed the limit of 15% of paid-in capital until such retention of legal reserve reaches the amount of paid-in capital. The legal reserve may be used at any time to offset the accumulated deficit, if any. Once the legal reserve reaches 25% of the paid-in capital, the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed by issuing new shares or by cash.
- C. Accounting to Order No. Financial-Supervisory-Securities-Corporate-10310000140 and Financial-Supervisory-Securities-Corporate-1030006415, on the first-time adoption of fair value model for investment properties subsequent measurement, the Bank shall set aside an equal amount of special reserve with transfer the fair value increment of investment properties to retained earnings. After transferring the fair value increment of investment properties to retained earnings, if the Bank could not set aside the enough amount to special reserve, the Bank could only set aside the amount according to the retained earnings balance, and the special reserve that is not enough to be set aside would not be counted in the accumulated fair value increment of investment properties.

When the Bank adopts the fair value model for investment properties subsequent measurement, the Bank shall set aside an equal to amount of special reserve when transfer the fair value increment of investment properties.

For any subsequent reversal of accumulated fair value increment of investment properties or disposal of investment properties, the amount reversed may be distributed.

The Bank has reversed special reserve of investment properties to retained earnings during the years ended 31 December 2017 and 2016 as results of the use, disposal or reclassification of related assets in the amounts set out below:

	Investment properties	Others	Total
2016.01.01	\$1,643,528	\$271,009	\$1,914,537
Reversal of special reserve	(21,869)	-	(21,869)
2016.12.31	1,621,659	271,009	1,892,668
Appropriation of special reserve	-	86,060	86,060
Reversal of special reserve	(1,365)	-	(1,365)
2017.12.31	\$1,620,294	\$357,069	\$1,977,363

D. On 15 March 2018 and 27 April 2017, the following are appropriations and distribution approved by the Bank's board of directors (according to the Company Act, the board of directors acted on behalf of the Bank's shareholders) and resolved as follows:

	2017		2016	
	Amount	Dividend per share	Amount	Dividend per share
Appropriation of legal reserves	\$5,807,539	\$-	\$5,164,217	\$-
Appropriation of special reserves	951,444	-	84,695	-
Distribution of cash dividends	-	-	10,814,972	1.50
Distribution of stock dividends	12,593,563	1.60	1,147,816	0.16

Please refer to Note 6.(33) for further details on employees' compensation and remuneration to directors and supervisors.

(26) Unrealized gains (losses) on available-for-sale financial assets

	2017	2016
Beginning balance	\$468,952	\$3,052,854
Unrealized gains (losses) on available-for-sale financial assets	1,217,946	(2,807,897)
Income tax of unrealized gains (losses) on available-for-sale financial assets	62,706	249,910
Share of unrealized gains (losses) on available-for-sale financial assets of associates accounted for using the equity method	157,192	(25,915)
Ending balance	\$1,906,796	\$468,952

(27) Remeasurements of defined benefit plans

	2017	2016
Beginning balance	\$(1,079,139)	\$(1,002,133)
Remeasurements of defined benefit plans	(314,377)	(91,626)
Income tax of remeasurements of defined benefit plans	53,444	15,576
Share of remeasurements of defined benefit plans of associates accounted for using the equity method	(739)	(956)
Ending balance	\$(1,340,811)	\$(1,079,139)

(28) Non-controlling interests

	2017	2016
Beginning balance	\$3,877,157	\$3,760,901
Net income attributable to non-controlling interests	361,203	299,560
Other comprehensive income attributable to non-controlling interests		
Exchange differences resulting from translating the financial statements of a foreign operation	(298,287)	(88,626)
Unrealized gains on available-for-sale financial assets	127,816	2,351
Change in non-control interests	(223,800)	(97,029)
Ending balance	<u>\$3,844,089</u>	<u>\$3,877,157</u>

(29) Net interest income

	2017	2016
Interest income		
Discounts and loans	\$32,328,058	\$28,070,985
Factoring receivable	41,831	112,614
Due from banks and call loans to banks	1,470,179	1,619,605
Securities	9,773,802	8,670,508
Credit cards	2,146,400	2,005,859
Others	480,711	243,038
Subtotal	<u>46,240,981</u>	<u>40,722,609</u>
Interest expense		
Deposits	11,540,398	11,391,990
Due to Central Bank and other banks	253,359	224,685
Funds borrowed from the Central Bank and banks	866,673	213,318
Structured products	1,704,813	1,573,933
Financial debentures	1,073,667	933,037
Others	1,101,274	475,605
Subtotal	<u>16,540,184</u>	<u>14,812,568</u>
Net interest income	<u>\$29,700,797</u>	<u>\$25,910,041</u>



(30) Net fee income

	2017	2016
Fee income:		
Trust business	\$2,952,344	\$1,951,247
Cross-selling marketing	5,837,945	7,826,712
Credit card business	6,404,811	5,632,076
Loan business	1,070,593	1,380,792
Others	1,870,252	1,814,916
Subtotal	18,135,945	18,605,743
Fee expense:		
Credit card business	2,298,213	1,966,056
Others	975,377	894,861
Subtotal	3,273,590	2,860,917
Net fee income	\$14,862,355	\$15,744,826

The bank also has business for pay online service , brokerage handling fee revenue was \$378 thousand, and fructus or others income which used payment were 0 thousand in 2017.

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

	2017	2016
Stock	\$239,824	\$220,257
Short-term bills	736,178	763,492
Funds	(714)	8,824
Bonds	823,657	(1,506,934)
Derivative financial instruments	4,812,666	3,787,106
Total	\$6,611,611	\$3,272,745

Realized gains or losses on financial assets and liabilities at fair value through profit or loss include interest income \$2,586,018 thousand and \$1,100,538 thousand, dividends income \$20,426 thousand and \$36,391 thousand, interest expense \$1,657,451 thousand and \$1,640,803 thousand, and gains or losses on disposal of financial assets or liabilities at fair value through profit or loss were gains \$3,823,707 thousand and \$4,051,720 thousand, gains or loss on evaluation of financial assets or liabilities at fair value through profit or loss were loss \$1,838,911 thousand and gain \$275,101 thousand, and net gains were \$6,611,611 thousand and \$3,272,745 thousand for the years ended 31 December 2017 and 2016, respectively.

(32) Net other net non-interest income

	2017	2016
Income from Securities underwriting	\$83,454	\$169,705
Rental income from operating assets	252,710	247,172
Rental income from investment properties	395,193	4,265
Gain on disposal of property transactions	337	1,049
Loss from retirement of properties and equipment	(28,383)	(15,172)
(Loss) Gain on disposal of investment properties	(6,095)	218
Loss on valuation of investment properties	(156,008)	(72,289)
Others	675,228	886,604
Total	\$1,216,436	\$1,221,552

(33) Employee benefits expenses

	2017	2016
Salary	\$11,288,043	\$10,169,913
Insurance	910,526	847,318
Post-employment benefit	566,353	518,634
Others	657,866	646,288
Total	\$13,422,788	\$12,182,153

A resolution was passed at a Board of Directors meeting of the Bank held on 28 April 2016 to amend the Articles of Incorporation of the Company. According to the resolution, 0.05% of profit of the current year is distributable as employees' compensation. However, the Bank's accumulated losses shall have been covered. The Bank may, 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, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. The Article of Incorporation has been amended in the shareholders' meeting by the Bank's board of directors (according to the Company Act, the board of directors acted on behalf of the Bank's shareholders) in 28 April 2016. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of current year, the Bank estimated the amounts of the employees' compensation and remuneration of directors for the year ended 31 December 2017 to be 0.05 % and doesn't exceed 0.1% of profit of current year, and recognized employee benefits and remuneration of directors were 10,922 thousand and 7,000 thousand. The estimation of employee bonus for the year ended 31 December 2016 was \$9,639 thousand based on profitability of the current year and were recognized as salary expense. The actual amount of payments resolved at the next year shareholders' meeting might differ from the estimation mentioned above and the difference, if any, will be recognized as income or expense in the next year.

A resolution was passed at a Board of Directors meeting held on 8 March 2017 to distribute \$9,369 thousand in cash as employees' compensation. No material differences exist between the estimated amount and the actual distribution of the employee bonuses for the year ended 31 December 2016.

A resolution was passed at a Board of Directors meeting held on 17 March 2016 to distribute \$10,513 thousand in cash as employees' compensation. No material differences exist between the estimated amount and the actual distribution of the employee bonuses for the year ended 31 December 2015.

As of 31 December 2017 and 2016, the Bank and subsidiaries employed 11,656 and 11,188 employees, respectively.

(34) Depreciation and amortization expenses

	2017	2016
Depreciation expenses - property and equipment	\$989,617	\$984,970
Amortization expenses - intangible assets	267,014	216,070
Total	<u>\$1,256,631</u>	<u>\$1,201,040</u>

(35) Other general and administrative expenses

	2017	2016
Rental expenses	\$2,135,511	\$1,792,473
Business promotion expenses	1,224,439	1,406,613
Product promotion expenses	3,251,032	2,625,361
Insurance expenses	665,658	618,903
Tax expenses	2,149,111	2,270,188
Others	5,196,277	4,862,011
Total	<u>\$14,622,028</u>	<u>\$13,575,549</u>

### (36) Components of other comprehensive income

#### 2017

	Arising during the period	Reclassification adjustment during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of defined benefit plans	\$(314,377)	\$-	\$(314,377)	\$53,444	\$(260,933)
Revaluation surplus	73,162	-	73,162	6,047	79,209
Change of designated financial liabilities at fair value through profit or loss resulting from credit risk	(1,579,937)	-	(1,579,937)	268,589	(1,311,348)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(739)	-	(739)	-	(739)
To be classified to profit of loss:					
Exchange differences resulting from translating the financial statement of a foreign operation	(1,571,498)	-	(1,571,498)	216,446	(1,355,052)
Unrealized gains (losses) on available-for- sale financial assets	3,024,635	(1,551,058)	1,473,577	62,706	1,536,283
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	29,377	-	29,377	-	29,377
Total	<u>\$(339,377)</u>	<u>\$(1,551,058)</u>	<u>\$(1,890,435)</u>	<u>\$607,232</u>	<u>\$(1,283,203)</u>

#### 2016

	Arising during the period	Reclassificatio n adjustment during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss:					
Remeasurements of defined benefit plans	\$(91,626)	\$-	\$(91,626)	\$15,576	\$(76,050)
Change of designated financial liabilities at fair value through profit or loss resulting from credit risk	44,408	-	44,408	(7,549)	36,859
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	61	-	61	-	61
To be classified to profit of loss:					
Exchange differences resulting from translating the financial statement of a foreign operation	(1,394,461)	-	(1,394,461)	221,992	(1,172,469)
Unrealized gains on available-for-sale financial assets	180,825	(2,984,020)	(2,803,195)	249,910	(2,553,285)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(28,266)	-	(28,266)	-	(28,266)
Total	<u>\$(1,289,059)</u>	<u>\$(2,984,020)</u>	<u>\$(4,273,079)</u>	<u>\$479,929</u>	<u>\$(3,793,150)</u>

(37) Income tax

A. Under a directive issued by the Ministry of Finance (MOF), a financial holding company and its domestic subsidiaries that hold over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the consolidated income tax return for income tax filings. Additional tax and tax receivable resulting from the consolidated income tax return are recorded in the account of consolidated income tax return payable or receivable.

B. The major components of income tax expense are as follows:

Income tax (expense) income recognized in profit or loss

	<u>2017</u>	<u>2016</u>
Current income tax (expense) income:		
Current income tax charge	\$(2,459,358)	\$(1,628,417)
Adjustments in respect of current income tax of prior periods	(117,897)	(9,696)
Deferred tax (expense) income:		
Deferred tax (expense) income relating to origination and reversal of temporary differences	53,255	(417,887)
Income tax of overseas subsidiaries	(238,573)	(172,758)
Income tax expense	<u>\$(2,762,573)</u>	<u>\$(2,228,758)</u>

Income tax relating to components of other comprehensive income

	<u>2017</u>	<u>2016</u>
Deferred tax (expense) income:		
Remeasurements of defined benefit plans	\$53,444	\$15,576
Revaluation surplus	6,047	-
Changes of designated financial liabilities at fair value through profit or loss resulting from credit risk	268,589	(7,549)
Exchange differences resulting from translating the financial statements of a foreign operation	216,446	221,992
Unrealized gains (losses) on available-for-sale financial assets	62,706	249,910
Income tax relating to components of other comprehensive income	<u>\$607,232</u>	<u>\$479,929</u>

C. Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2017	2016
Accounting profit (loss) before tax from continuing operations	\$22,426,179	\$19,740,018
At the Bank's statutory income tax rate of 17%	\$(3,812,450)	\$(3,355,803)
Tax effect of revenues exempt from taxation	1,380,570	322,770
Tax effect of expenses not deductible for tax purposes	(4,570)	(2,608)
Tax effect of deferred tax assets/liabilities	30,347	989,337
Adjustments in respect of current income tax of prior periods	(117,897)	(9,696)
Income tax of overseas subsidiaries	(238,573)	(172,758)
Total income tax expense recognized in profit or loss	\$(2,762,573)	\$(2,228,758)

D. Deferred tax assets (liabilities) relating to the following:

2017

	2017.1.1	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	2017.12.31
Temporary differences				
Allowance for bad debt	\$304,512	\$255,051	\$-	\$559,563
Revaluations of financial assets at fair value through profit or loss	(182,447)	(61,296)	268,589	24,846
Fair value adjustments arising from investment properties	(71,350)	2,014	6,047	(63,289)
Revaluations of available-for-sale investments to fair value	(22,753)	-	62,706	39,953
Impairment on property and equipment	120,772	5,665	-	126,437
Investments accounted for using the equity method	(152,580)	(64,909)	-	(217,489)
Fair value adjustments arising from business combinations	(504,684)	(60,821)	-	(565,505)
Reserve for land value increment tax	(230,671)	(8,030)	-	(238,701)
Pensions	404,104	(19,925)	41,991	426,170
Preferential interest rate deposits	97,933	(10,945)	11,453	98,441
Exchange differences resulting from translating the financial statements of a foreign operation	(107,365)	-	216,446	109,081
Deferred income on customer loyalty programmes	251,652	1,280	-	252,932
Others	9,080	15,171	-	24,251
Deferred tax expense / (income)		\$53,255	\$607,232	
Net deferred tax assets/(liabilities)	\$83,797			\$576,690
Net deferred income tax assets / (liabilities) of overseas branches	\$58,223			\$66,424
Net deferred income tax assets / (liabilities) of foreign subsidiaries	\$59,180			\$(132,679)
Reflected in balance sheet as follows:				
Deferred tax assets	\$1,410,010			\$2,223,266
Deferred tax liabilities	\$(1,611,210)			\$(1,712,831)

## 2016

	2016.1.1	Deferred tax income		2016.12.31
		Deferred tax income (expense) recognized in profit or loss	(expense) recognized in other comprehensive income	
Temporary differences				
Allowance for bad debt	\$651,307	\$(346,795)	\$-	\$304,512
Revaluations of financial assets at fair value through profit or loss	(175,000)	102	(7,549)	(182,447)
Fair value adjustments arising from investment properties	(172,465)	101,115	-	(71,350)
Revaluations of available-for-sale investments to fair value	(272,663)	-	249,910	(22,753)
Impairment on property and equipment	112,708	8,064	-	120,772
Investments accounted for using the equity method	(88,663)	(63,917)	-	(152,580)
Fair value adjustments arising from business combinations	(443,864)	(60,820)	-	(504,684)
Reserve for land value increment tax	(188,060)	(42,611)	-	(230,671)
Pensions	418,673	(21,899)	7,330	404,104
Preferential interest rate deposits	102,856	(13,169)	8,246	97,933
Exchange differences resulting from translating the financial statements of a foreign operation	(329,357)	-	221,992	(107,365)
Deferred income on customer loyalty programmes	228,273	23,379	-	251,652
Others	10,416	(1,336)	-	9,080
Deferred tax expense / (income)		<u>\$(417,887)</u>	<u>\$479,929</u>	
Net deferred tax assets/(liabilities)	<u>\$(145,839)</u>			<u>\$(83,797)</u>
Net deferred income tax assets / (liabilities) of overseas branches	<u>\$90,260</u>			<u>\$(58,223)</u>
Net deferred income tax assets / (liabilities) of foreign subsidiaries	<u>\$(17,176)</u>			<u>\$(59,180)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$1,864,066</u>			<u>\$1,410,010</u>
Deferred tax liabilities	<u>\$(1,936,821)</u>			<u>\$(1,611,210)</u>

### E. Unrecognized deferred tax assets

As of 31 December 2017 and 31 December 2016, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amounted to \$756,905 thousand and \$637,200 thousand, respectively.

F. Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Bank's overseas subsidiaries.

G. Imputation credit information

	<u>2017.12.31</u>	<u>2016.12.31</u>
Balances of imputation credit amount	<u>(Note)</u>	<u>\$146,560</u>

The actual creditable ratio of cash dividends for 2016 and 2015 were 0.66% and 0.17%, respectively. For 2016, imputation credit ratio for individual stockholders residing in R.O.C. is half of the original ratio according to the Article 66-6 of Income Tax Act.

The Bank's earnings generated in the year ended 31 December 1997 and prior years have been fully appropriated. As of 31 December 2017, the undistributed earnings amounted to \$19,302,403 arose from earnings in 1998 and thereafter.

Note: On 18 January 2018, the Legislative Yuan passed amendments to the Income Tax Act and the President announced on 7 February 2018 that the imputation credit ratio will no longer be used.

H. The assessment of income tax returns

As of 31 December 2017, the assessment of the income tax returns of the Bank is as follows:

	<u>The assessment of income tax returns</u>
The Bank	Assessed and approved up to 2012

In 2010 to 2012, the income tax return had been assessed; however, the Bank has invoked the administrative remedy to cases about employee benefit of that year.

(38) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.



	2017	2016
Profit attributable ordinary to owners of the parent (in thousands dollars)	\$19,302,403	\$17,211,700
Retroactive adjustment weight-average shares outstanding (in thousands shares)	7,621,201	7,324,763
Earnings per share (in dollar)	\$2.53	\$2.35

The Group adopt Cash-settled share-based payment transactions. Therefore, the amount of weighted average outstanding shares is unaffected. There is no need to calculate the diluted earnings per share.

Insurance of common stock for cash by 535,643 thousand common shares was resolved by the Bank's board of directors (according to the Company Act, the board of directors acted on behalf of the Bank's shareholders) on 27 April 2017. The recapitalization was approved by FSC and the recapitalization record date was 13 June 2017. The Bank approved that issue price was \$28 per share on 27 April 2017. The authorized share capital amounted to \$77,456,243 thousand after recapitalization.

The recapitalization of undistributed earnings of \$1,147,816 thousand divided into 114,782 thousand common shares was resolved by the Bank's board of directors (according to the Company Act, the board of directors acted on behalf of the Bank's shareholders) on 27 April 2017. The recapitalized was approved by the Financial Supervisory Commission and the recapitalization record date was 29 June 2017. The authorized share capital amounted to \$78,604,060 thousand after recapitalization.

The recapitalization of undistributed earnings of \$2,620,210 thousand was resolved by the Bank's board of directors (according to the Company Act, the board of directors acted on behalf of the Bank's shareholders) on 28 April 2016. The recapitalized was approved by the Financial Supervisory Commission and the recapitalization record date was 11 July 2016. The authorized share capital amounted to \$72,099,815 thousand after recapitalization.

The recapitalization mentioned above were adjusted retrospectively the calculation of the current and previous periods in accordance with IAS 33 "*Earnings per Share*".

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of financial statements.

## 7. Related parties transactions

### Related parties and relationships

Related parties	Relationships
Cathay Financial Holding Co., Ltd.	Parent Company
Taiwan Real-estate Management Corp	Accociate
Taiwan Finance Corp.	Accociate
Cathay Life Insurance Co., Ltd.	Other related party
Cathay Century Insurance Co., Ltd.	Other related party
Cathay Securities Corp.	Other related party
Cathay Securities (Hong Kong) Ltd.	Other related party
Cathay Venture Inc.	Other related party
Cathay Securities Investment Trust Co., Ltd.	Other related party
Cathay Securities Investment Consulting Co., Ltd.	Other related party
Conning Asia Pacific Ltd.	Other related party
Cathay Life Insurance(Vietnam) Co., Ltd.	Other related party
Cathay Insurance(Vietnam) Co., Ltd.	Other related party
Cathay Futures Co., Ltd.	Other related party
Symphox Information Co., Ltd.	Other related party
Seaward Card Co., Ltd.	Other related party
Tien-Tai energy Corp.	Other related party
Cathay Dragon Fund etc.	Other related party
Cathay United Bank Culture and Charity Foundation	Other related party
Cathay Life Insurance Employees' Welfare Committee	Other related party
Cathay Real Estate Development Employees' Welfare Committee	Other related party
Cathay Private Equity Co., Ltd.	Other related party
Vietinbank	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Lin Yuan Property Management and Maintenance Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Xintai Tai Energy Co., Ltd.	Other related party
Liang Ting Industrial Company	Other related party
Others	Other related party

Significant transactions with the related parties are summarized as follows:

(1) Loans and Deposits

Accounts/Related parties	2017.12.31		2016.12.31	
	Account balance	% of	Account balance	% of
	Amount	Account	Amount	Account
<u>Loans</u>				
Associates				
Taiwan Real-estate Management Corp.	\$32,000	-	\$35,000	-
Other related parties				
Tien-Tai energy Corp.	87,763	0.01%	96,131	0.01%
Liang Ting Industrial Company	-	-	28,225	-
Others	1,422,061	0.10%	1,384,358	0.10%
Subtotal	1,509,824	0.11%	1,508,714	0.11%
Total	\$1,541,824	0.11%	\$1,543,714	0.11%
<u>Deposits</u>				
Parent company				
Cathay Financial Holding Co., Ltd.	\$137,400	0.01%	\$198,101	0.01%
Other related parties				
Cathay Life Insurance Co., Ltd.	28,472,961	1.36%	26,758,316	1.32%
Cathay Century Insurance Co., Ltd.	1,827,176	0.09%	1,400,324	0.07%
Cathay Securities Corp.	3,414,826	0.16%	2,320,198	0.11%
Cathay Securities (Hong Kong) Ltd.	66	-	74	-
Cathay Futures Co., Ltd.	1,041,691	0.05%	1,364,251	0.07%
Cathay Venture Inc.	25,765	-	36,161	-
Cathay Securities Investment Trust Co., Ltd.	179,814	0.01%	168,566	0.01%
Cathay Securities Investment Consulting Co., Ltd.	146,976	0.01%	101,398	
Cathay Real Estate Development Co., Ltd.	253,682	0.01%	466,369	0.02%
Cathay Hospitality Management Co., Ltd.	9,202	-	3,018	-
Cathay Life Insurance (Vietnam) Co., Ltd.	29,124	-	55,198	-
Cathay Insurance (Vietnam) Co., Ltd.	145,661	0.01%	225,719	0.01%
Cathay Dragon Fund etc.	106,497	-	21,461	-
Symphox Information Co., Ltd.	150,870	0.01%	94,865	-
Conning Asia Pacific - Limited	90,502	-	129,781	0.01%
Cathay Private Equity Co., Ltd.	49,963	-	-	-
Cathay United Bank Culture and Charity Foundation	544,588	0.03%	538,766	0.03%
Cathay Life Insurance Employees' Welfare Committee	3,065,254	0.15%	2,748,449	0.14%
Cathay Real Estate Development Employees' Welfare Committee	363,768	0.02%	334,531	0.02%
Xintai Tai Energy Co., Ltd.	308,836	0.01%	1,326,041	0.07%
Others	9,013,397	0.42%	7,949,720	0.39%
Subtotal	49,240,619	2.34%	46,043,206	2.27%
Total	\$49,378,019	2.35%	\$46,241,307	2.28%

Accounts/Related parties	Interest Income	
	2017	2016
<u>Loans</u>		
Associates		
Taiwan Real-estate Management Corp.	\$613	\$263
Other related parties		
Cathay Real Estate Development Co., Ltd.	37	16
Tien-Tai energy Corp.	2,936	3,283
Liang Ting Industrial Company	272	684
Cathay Securities Corp.	11	-
Others	21,453	24,571
Subtotal	24,709	28,554
Total	\$25,322	\$28,817

Accounts/Related parties	Interest Expense	
	2017	2016
<u>Deposits</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	\$294	\$696
Other related parties		
Cathay Life Insurance Co., Ltd.	27,653	18,450
Cathay Century Insurance Co., Ltd.	7,110	7,303
Cathay Securities Corp.	4,652	3,814
Cathay Futures Corp.	9,198	15,804
Cathay Venture Inc.	50	49
Cathay Securities Investment Trust Co., Ltd.	249	473
Cathay Securities Investment Consulting Co., Ltd.	565	570
Cathay Real Estate Development Co., Ltd.	45	67
Cathay Hospitality Management Co., Ltd.	22	22
Cathay Life Insurance (Vietnam) Co., Ltd.	1,438	270
Cathay Insurance (Vietnam) Co., Ltd.	5,638	4,954
Cathay Dragon Fund etc.	1	1
Symphox Information Co., Ltd.	585	824
Conning Asia Pacific Ltd.	504	584
Cathay Private Equity Co., Ltd.	3	-
Cathay United Bank Culture and Charity Foundation	5,666	6,233
Cathay Life Insurance Employees' Welfare Committee	23,450	24,578
Cathay Real Estate Development Employees' Welfare Committee	3,761	3,493
Xintai Tai Energy Co., Ltd.	459	68
Others	62,043	71,020
Subtotal	153,092	158,577
Total	\$153,386	\$159,273

Accounts / Related parties	Account balance	
	2017.12.31	2016.12.31
<u>Due from commercial banks</u>		
Other related parties		
Vietinbank	\$5,340,176	\$6,162,462
<u>Due to commercial banks</u>		
Other related parties		
Vietinbank	5,334,420	5,849,798
Accounts / Related parties	Interest Income (Expense)	
	2017	2016
<u>Due from commercial banks</u>		
Other related parties		
Vietinbank	\$5,242	\$35,271
<u>Due to commercial banks</u>		
Other related parties		
Vietinbank	(5,561)	(10,550)

- a. Transactions terms with related parties are similar to those with third parties, except for the preferential interest rates set by the employees' interest rates on deposits and loans within prescribed limits.
- b. Related parties lending, Guarantee payment, Financial tools trading information: Appendix 11 in Chinese version.

(2) Lease

Accounts/Related parties	2017	2016	Payment term
<u>Rental income</u>			
Other related parties			
Cathay Life Insurance Co., Ltd.	\$62,552	\$62,833	Monthly
Cathay Century Insurance Co., Ltd.	9,004	9,020	Monthly
Cathay Securities Corp.	9,930	9,430	Monthly
Cathay United Bank Culture and Charity Foundation	4,633	4,633	Monthly
<u>Rental expense</u>			
Other related parties			
Cathay Life Insurance Co., Ltd.	580,440	480,382	Monthly
Cathay Real Estate Development Co., Ltd.	20,150	21,166	Monthly

Accounts/Related parties	2017.12.31	2016.12.31
<u>Refundable deposits</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$164,798	\$157,492
Cathay Real Estate Development Co., Ltd.	4,549	4,605
<u>Guarantee deposit received</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$15,367	15,455
Cathay Century Insurance Co., Ltd.	2,224	2,224
Cathay Securities Corp.	2,597	2,815

The rental period and the way of rent collection are in accordance with the contract. The main collection method is collected on a monthly basis and the general term is one to three years.

The lease period and the way of payment are in accordance with the contract. The main payment method is paid on a monthly basis and the general term is two to five years.

Accounts/Related parties	2017	2016
<u>(3) Commissions and handling fees income</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$6,743,403	\$8,583,492
Cathay Century Insurance Co., Ltd.	154,446	122,711
Cathay Securities Co., Ltd.	48,216	32,880
Cathay Securities Investment Trust Co., Ltd.	38,319	32,222
Cathay Securities Investment Consulting Co., Ltd.	19,039	21,184
Cathay Real Estate Development Co., Ltd.	4,636	3,495
<u>(4) Other operating income</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	18,269	1,871
<u>(5) Commissions and handling fees expense</u>		
Other related parties		
Cathay Securities Co., Ltd.	2,980	3,024

Accounts/Related parties	2017	2016
(6) <u>Operating expenses</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$174,073	\$181,017
Cathay Securities Co., Ltd.	2,900	2,400
Cathay Real Estate Development Co., Ltd.	5,055	4,933
Symphox Information Co., Ltd.	656,647	446,920
Lin Yuan Property Management and Maintenance Co., Ltd.	10,125	9,441
Cathay Healthcare Inc.	11,524	11,006
Seaward Card Co., Ltd.	199,585	192,472
Cathay Securities Investment Trust Co., Ltd.	4,200	-
(7) <u>Insurance expenses paid</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	78,392	71,294
Cathay Century Insurance Co., Ltd.	172,376	167,339
	Accounts/Related parties	2017.12.31
(8) <u>Related party receivables for allocation of linked-tax system</u>	2017.12.31	2016.12.31
Parent company		
Cathay Financial Holdings Co., Ltd.	\$145,836	\$-
(9) <u>Receivables</u>		
Other related parties		
Cathay Securities Investment Trust	6,957	2,730
(10) <u>Related party receivables for commission of collecting insurances</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	163,342	549,934
(11) <u>Refundable deposit</u>		
Other related parties		
Cathay Futures Corp.	79,854	120,374
(12) <u>Accrued expenses</u>		
Subsidiaries		
Seaward Card Co., Ltd.	24,254	23,361

Accounts/Related parties	2017.12.31	2016.12.31
(13) <u>Accounts payable</u>		
Other related parties		
Cathay Century Insurance Co., Ltd.	\$\$9,994	\$\$3,259
Symphox Information Co., Ltd.	157,938	78,383
(14) <u>Related party payables for allocation of linked-tax system</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	-	263,299

(15) Securities trading

		2017	
Related parties	Securities Name	Trading shares	Sale price
Others			
Symphox Information Co., Ltd.	Seaward Card Co., Ltd.	3,000,000 shares	\$46,800

There was no securities trading on 2016.

The Bank sold the Seaward Card Co., Ltd. to related party, Symphox Information Co., Ltd., on 21 July 2017. Please refer to Note 6.(8.C) for details on sales.

Accounts/Related parties	2017	2016
(16) <u>Key management personnel compensation</u>		
Short-term employee benefits	\$248,445	\$240,989
Post-employment benefits	4,583	4,466
Other long-term employee benefits	45	96
Total	<u>\$253,073</u>	<u>\$245,551</u>

The key management personnel of the Group include the Chairman, Vice-Chairman, Directors, Supervisors, President and Vice-President.

(17) Others

A. The Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amount of \$13,552 thousand and \$17,214 thousand during the years ended 31 December 2017 and 2016, respectively.

B. The Bank purchased bonus points in exchange for merchandise for the Bank's customer from Symphox Information Co., Ltd. As of 31 December 2017 and 31 December 2016, the unconverted bonus points amounted to \$16,690 thousand and \$49,570 thousand, respectively.

The terms of the foregoing transactions with related parties are similar to those with third parties.

Combined disclosures have been made for transactions with related parties that are under a certain percentage of the total amount of all transactions with related parties and non-related parties.



8. Assets pledged as security

Please refer to Note 6.

9. Commitments and contingencies

As of 31 December 2017 and 31 December 2016, the Group had the following commitments and contingent liabilities, which are not reflected in the consolidated financial statements:

(1) The Bank

A. Entrusted Items and Guarantees:

	2017.12.31	2016.12.31
Trust and security held for safekeeping	\$684,016,891	\$604,042,204
Travelers checks for sale	355,055	403,853
Bills for collection	40,718,597	44,988,442
Book-entry for government bonds and depository for short-term marketable securities under management	388,637,503	367,976,014
Entrusted financial management business	8,827,034	4,965,210
Guarantees on duties and contracts	7,167,460	7,141,798
Unused commercial letters of credit	3,765,996	3,741,879
Irrevocable loan commitments	211,222,089	182,538,242
Unused credit card lines commitments	555,478,907	520,529,231
Underwriting securities	230,000	-

B. As of 31 December 2017, the Bank's significant lawsuits and proceedings are as follows:

As of December 31 2017, the Bank is subject to a major ongoing lawsuit arising in the normal due to normal business relations. The details are elaborated below: Lee & Li, Attorneys-at-Law and SanDisk Corporation of USA alleged that the embezzlement case of Liu Wei-Chieh (an employee of Lee & Li), which occurred in October 2003 was caused by the negligence of the Bank in its operation, and the plaintiffs claimed damages from the Bank in the amount of approximately \$991,002 and \$3,090,000 separately. The case has been pending in the court since July 2007, and the Bank won favorable decisions in both first instance and second instances. Now the proceeding is still pending in the Supreme Court. Both the Bank and its attorneys hold that this case will not have material adverse effect on the financial position of the Bank.

C. According to the operating leases agreement, rentals for lease that should be paid in future are disclosed in Note 12.(8).

(2) Indovina Bank

A. Entrusted Item and Guarantees:

	2017.12.31	2016.12.31
Financial guarantee contracts	\$2,587,848	\$2,865,926
Unused commercial letters of credit	1,629,282	841,466

B. According to the operating leases agreements of Indovina Bank, rentals for lease that should be paid in the future listed are as follows:

	2017.12.31	2016.12.31
Not later than one year	\$31,454	\$41,800
Later than one year and not later than five years	61,348	128,388
Later than five years	17,045	33,476

(3) CUBC Bank

A. Entrusted Item and Guarantees:

	2017.12.31	2016.12.31
Financial guarantee contracts	\$60,673	\$63,479
Unused commercial letters of credit	-	3,223
Irrevocable loan commitments	647,417	546,423
Credit card line commitments	403,120	328,186
Bills for collection	-	1,442

B. According to the operating leases agreements of CUBC Bank, rentals for lease that should be paid in the future listed are as follows:

	2017.12.31	2016.12.31
Not later than one year	\$14,845	\$13,798
Later than one year and not later than five years	27,551	28,311
Later than five years	15,443	8,359

10. Losses due to major disasters

None.

## 11. Significant subsequent events

On 18 January 2018, the Legislative Yuan passed amendments to the Income Tax Act. The amendments raised the corporate income tax rate for companies from 17% to 20%. After the change of the tax rate, the deferred tax assets and deferred tax liabilities will be increased by \$393,169 thousand and \$293,133 thousand, respectively.

## 12. Other

### (1) Disclosure of financial instruments information

#### A. Information of fair value

	2017.12.31	
	Carrying value	Fair value
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$311,985,059	\$311,985,059
Available-for-sale financial assets	148,480,669	148,480,669
Held-to-maturity financial assets	34,345,085	35,129,018
Investment in debt securities with no active market	388,287,593	389,043,125
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	47,851,927	47,851,927
Due from the Central Bank and call loan to banks	125,163,780	125,163,780
Securities purchased under agreements to resell	87,483,656	87,483,656
Receivables - net	76,980,817	76,980,817
Discounts and loans - net	1,434,558,167	1,434,558,167
Other financial assets - net	1,276	1,276
Other assets - net	18,354,601	18,354,601
Subtotal	<u>1,790,394,224</u>	<u>1,790,394,224</u>
Total	<u>\$2,673,492,630</u>	<u>\$2,675,032,095</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Due to the Central Bank and call loans from banks	\$90,417,859	\$90,417,859
Securities sold under agreements to repurchase	109,941,425	109,941,425
Payables	23,457,177	23,457,177
Deposits and remittances	2,098,367,963	2,098,367,963
Financial debentures payable	63,350,000	63,350,000
Other financial liabilities	66,057,646	66,057,646
Other liabilities	5,226,119	5,226,119
Subtotal	<u>2,456,818,189</u>	<u>2,456,818,189</u>
Financial liabilities at fair value through profit or loss		
Held for trading	33,768,641	33,768,641
Designated at fair value through profit or loss	53,639,010	53,639,010
Subtotal	<u>87,407,651</u>	<u>87,407,651</u>
Total	<u>\$2,544,225,840</u>	<u>\$2,544,225,840</u>

	2016.12.31	
	Carrying value	Fair value
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$199,317,591	\$199,317,591
Available-for-sale financial assets	156,153,959	156,153,959
Held-to-maturity financial assets	47,938,864	49,290,107
Investment in debt securities with no active market	397,475,008	396,848,601
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	43,333,711	43,333,711
Due from the Central Bank and call loan to banks	71,940,935	71,940,935
Securities purchased under agreements to resell	38,139,919	38,139,919
Receivables - net	80,268,406	80,268,406
Discounts and loans - net	1,437,530,908	1,437,530,908
Other financial assets - net	3,373	3,373
Other assets - net	28,292,744	28,292,744
Subtotal	1,699,509,996	1,699,509,996
Total	<u>\$2,500,395,418</u>	<u>\$2,501,120,254</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Due to the Central Bank and call loans from banks	\$77,493,795	\$77,493,795
Securities sold under agreements to repurchase	56,752,751	56,752,751
Payables	24,001,845	24,001,845
Deposits and remittances	2,032,599,788	2,032,599,788
Financial debentures payable	51,900,000	51,900,000
Other financial liabilities	61,566,809	61,566,809
Other liabilities	4,296,304	4,296,304
Subtotal	2,308,611,292	2,308,611,292
Financial liabilities at fair value through profit or loss		
Held for trading	48,645,076	48,645,076
Designated at fair value through profit or loss	39,491,908	39,491,908
Subtotal	88,136,984	88,136,984
Total	<u>\$2,396,748,276</u>	<u>\$2,396,748,276</u>

- B. The methodologies and assumptions used by the Group to estimate the above fair value of financial instruments are summarized as follows:
- a. The carrying value of short-term financial instruments, such as cash and cash equivalents, receivables, securities purchased under agreements to resell, securities sold under agreements to repurchase, payables, refundable deposits, guarantee deposits, borrowed funds, due from the Central Bank and call loans to banks and due to the Central Bank and call loans from banks arising in the ordinary course of business, approximate the fair value because of the relatively short period of time between their origination and expected realization.
  - b. Quoted market prices, if available, are utilized as estimates of the fair values of financial instruments at fair value through profit or loss, available-for-sale financial instruments, held-to-maturity financial assets, purchase of foreign exchange, debt instrument investment without active market and derivatives financial instruments of hedging. If no quoted market prices exist for certain financial instruments, the fair value of such instruments has been derived based on pricing models. A price model incorporates all factors that market participants would consider in setting a price. The discounted cash flow technique is used to estimate the fair value of a debt instrument where an active market does not exist. The estimates, hypotheses and discount rates for valuation refer to quoted prices, from financial instruments, of financial instruments having substantially the same terms and characteristics, including the credit quality of debtors, the remaining term over which the contractual interest rate is fixed, the remaining term to repayment of the principal, and the currency in which the payments are to be made.
  - c. Discounts and loans, deposits, financial debentures payable and principals received from the sale of structured products are classified as interest-bearing financial instruments. Thus, their carrying value is equivalent to their fair value. The face value of delinquent accounts deducted from allowance for doubtful accounts is adopted as fair value.
  - d. Investments accounted for using the equity method were non-listed stocks that do not have a quoted price in an active market. The variability in the range of reasonable fair value estimates is not insignificant for that instrument and the probabilities of the various estimates within the range cannot be reasonably assessed. Since the fair value cannot be reliably measured, the carrying amount should be the reasonable basis to estimate the fair value.
  - e. The fair value of financial debentures payable which designated as at fair value through profit or loss is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities.

- f. If the derivatives do not have market prices available to compare, the discounted-cash-flow model is applied to forward currency and interest rate swap and Black-Scholes model, Binomial Option Price model or Monte-Carlo-method are applied to option derivatives.
  - g. The Bank adopts the exchange rates and market interest rates provide by Thomson Reuters' system to evaluate the fair value of forward currency, currency swap, interest rate swap and cross currency swap. The average price or closing price is used to figure the fair value of each contract.
  - h. Under the assumption that the Bank will not default, the Bank determines its credit value adjustment by multiplying three factors, probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD") of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Bank calculates its debit value adjustments by multiplying three factors, PD, LGD, and EAD of the Bank.
- C. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded at Taipei Exchange.
- D. The Bank sets estimated LGD at 60 % for most of the counterparties, but may apply other assumptions when risk character and data are available.
- E. The Bank has considered the adjustment of credit risk in the calculation of the fair value of financial instruments to reflect credit risk and credit quality of counterparty and the Bank, respectively.

## (2) The fair value hierarchy information of the financial instruments

- A. The definition of the hierarchy of the financial instruments is measured at fair value:
- 1<sup>st</sup> Level: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
  - 2<sup>nd</sup> Level: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
  - 3<sup>rd</sup> Level: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognized in the financial statement on a recurring basis, the bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. The Group measures financial instruments and investment properties based on recurring basis, and assets held for sale are measured on the lower of non-recurring basis and fair value minus cost of goods sold. The Group's fair value hierarchy is described as follows:

Item	2017.12.31			Total
	1 <sup>st</sup> Level	2 <sup>nd</sup> Level	3 <sup>rd</sup> Level	
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Stocks	\$4,779,697	\$-	\$-	\$4,779,697
Bonds	81,440,783	21,978,452	-	103,419,235
Others	49,939	170,563,632	-	170,613,571
Available-for-sale financial assets				
Stocks	12,435,887	763	3,396,372	15,833,022
Bonds	85,891,057	46,215,235	-	132,106,292
Others	541,355	-	-	541,355
Investment properties	-	-	1,547,372	1,547,372
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Designated at fair value through profit or loss				
Bonds	-	53,639,010	-	53,639,010
Financial liabilities held for trading				
Bonds	49,945	-	-	49,945
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	31,724	24,420,485	8,720,347	33,172,556
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	4,101	24,891,723	8,822,872	33,718,696
Item	2016.12.31			Total
	1 <sup>st</sup> Level	2 <sup>nd</sup> Level	3 <sup>rd</sup> Level	
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Bonds	\$18,427,748	\$35,117,188	\$-	\$53,544,936
Others	-	93,126,341	-	93,126,341
Available-for-sale financial assets				
Stocks	8,454,576	826	3,278,958	11,734,360
Bonds	81,870,623	58,045,122	-	139,915,745
Others	3,586,499	917,355	-	4,503,854
Investment properties	-	-	1,554,600	1,554,600
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Designated at fair value through profit or loss				
Bonds	-	39,491,908	-	39,491,908
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	3,137	35,020,477	17,622,700	52,646,314
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	2,217	30,943,591	17,699,268	48,645,076

### Transfers between 1<sup>st</sup> Level and 2<sup>nd</sup> Level during the period

For the year ended 31 December 2017, the Bank transferred government bonds designated as at fair value through profit or loss, an asset measured at fair value on a recurring basis, from 1<sup>st</sup> Level to 2<sup>nd</sup> Level. A total of \$8,431,930 thousand was transferred as its market price was not obtainable.

For the year ended 31 December 2016, the Bank transferred government bonds designated as at fair value through profit or loss, an asset measured at fair value on a recurring basis, from 1<sup>st</sup> Level to 2<sup>nd</sup> Level. A total of \$5,627,229 thousand was transferred as its market price was not obtainable.

### Reconciliation for fair value measurements in 3<sup>rd</sup> Level for movements

Reconciliation for fair value measurements in 3<sup>rd</sup> Level of the fair value hierarchy for movements during the period is as follows:

	Assets			Liabilities
	At fair value	Available-for-sale	Investment	At fair value
	through profit			through profit
	or loss	sale	Properties	or loss
Derivative	Stock	Derivatives		
Beginning balances as at 1 January 2017	\$17,622,700	\$3,278,958	\$1,554,600	\$17,699,268
Total gains and losses recognized				
Amount recognized in profit or loss				
Loss on financial assets and liabilities at fair value through profit or loss	(8,781,888)	-	-	(8,749,500)
Gain on disposal of investment properties	-	-	(6,095)	-
Loss on valuation of investment properties	-	-	(156,008)	-
Amount recognized in other comprehensive income				
Unrealized gains on available-for-sale financial assets	-	223,583	-	-
Acquisition or issues	618,434	4,767	-	618,434
Transfers	-	-	352,200	-
Disposal or settlements	(738,899)	(110,936)	(197,325)	(738,899)
Effects of exchange rates changes	-	-	-	(6,431)
Ending balances as at 31 December 2017	\$8,720,347	\$3,396,372	\$1,547,372	\$8,822,872



	Assets			Liabilities
	At fair value	Available-for-	Investment	At fair value
	through profit			through profit
	or loss	sale	Properties	or loss
Derivative	Stock	Derivatives		
Beginning balances as at 1 January 2016	\$22,533,717	\$3,115,497	\$1,635,249	\$22,517,930
Total gains and losses recognized				
Amount recognized in profit or loss				
Loss on financial assets and liabilities at				
fair value through profit or loss	(2,719,249)	-	-	(2,627,086)
Gain on disposal of investment properties	-	-	218	-
Loss on valuation of investment properties	-	-	(72,289)	-
Amount recognized in other comprehensive				
income				
Unrealized gains on available-for-sale				
financial assets	-	177,366	-	-
Acquisition or issues	464,592	19,129	-	464,592
Disposal or settlements	(2,656,016)	(33,034)	(8,578)	(2,656,016)
Effects of exchange rates changes	(344)	-	-	(152)
Ending balances as at 31 December 2016	\$17,622,700	\$3,278,958	\$1,554,600	\$17,699,268

Total gains or losses recognized for the years ended 31 December 2017 and 2016 in the table above contain unrealized gains and losses related to assets on hand as at 31 December 2017 and 2016 in the amount of losses \$8,937,896 thousand and \$2,791,538 thousand, respectively.

Total gains or losses recognized for the years ended 31 December 2017 and 2016 in the table above contain unrealized gains and losses related to liabilities on hand as at 31 December 2017 and 2016 in the amount of gains \$8,749,500 thousand and \$2,627,086 thousand, respectively.

#### Information on 3<sup>rd</sup> Level significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within 3<sup>rd</sup> Level of the fair value hierarchy is as follows:

### 2017.12.31

	Valuation techniques	Significant unobservable inputs	Interval (weighted average)	Relationship between inputs and fair value
<u>Financial assets</u>				
<u>Available-for-sale</u>				
-Stocks	Market approach	Discount for lack of marketability	15%~20%	The higher the discount for lack of marketability, the lower the fair value of the stocks
	Income approach	Cost of equity rate	6%~7%	The higher the cost of equity rate, the lower the fair value of the stocks
	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stocks
<u>Non-Financial Assets</u>				
Investment properties	Income approach and comparison approach	Direct capitalization rate	2.03%~5.83%	The higher the direct capitalization rate, the lower the fair value
	Land development analysis approach and cost approach	Composite interest rate for capital interest	0.76%~2.89%	The higher the Composite interest rate for capital interest, the lower the fair value

### 2016.12.31

	Valuation techniques	Significant unobservable inputs	Interval (weighted average)	Relationship between inputs and fair value
<u>Financial assets</u>				
<u>Available-for-sale</u>				
-Stocks	Market approach	Discount for lack of marketability	15%~20%	The higher the discount for lack of marketability, the lower the fair value of the stocks
	Income approach	Cost of equity rate	6%~7%	The higher the cost of equity rate, the lower the fair value of the stocks
	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stocks
<u>Non-Financial Assets</u>				
Investment properties	Income approach and comparison approach	Direct capitalization rate	1.60%~2.75%	The higher the Direct capitalization rate, the lower the fair value
	Land development analysis approach and cost approach	Composite interest rate for capital interest	0.84%~16.98%	The higher the Composite interest rate for capital interest, the lower the fair value

Valuation process used for fair value measurements categorized within 3<sup>rd</sup> Level of the fair value hierarchy

The Group's Risk Management Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

C. Fair value measurement hierarchy of the Bank's assets and liabilities not measured at fair value but for which the fair value is disclosed

2017.12.31	1 <sup>st</sup> Level	2 <sup>nd</sup> Level	3 <sup>rd</sup> Level	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets held to maturity				
Bonds	\$24,588,987	\$5,313,456	\$-	\$29,902,443
Others	-	5,226,575	-	5,226,575
Debt instrument investments for which no active market exists				
Bonds	-	66,491,710	3,650,216	70,141,926
Others	-	318,901,199	-	318,901,199
2016.12.31	1 <sup>st</sup> Level	2 <sup>nd</sup> Level	3 <sup>rd</sup> Level	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets held to maturity				
Bonds	\$35,895,680	\$13,394,427	\$-	\$ 49,290,107
Debt instrument investments for which no active market exists				
Bonds	-	75,686,261	4,840,916	80,527,177
Others	-	316,321,424	-	316,321,424

(3) Transfers of financial assets

A. Financial assets transferred that have not been fully removed

Transferred financial assets that are part of the Group daily operations that do not meet the criteria for full removal are mostly made up of debt securities used as counterparty collateral for repurchase agreements or equity securities lent out as part of securities lending agreement. The nature of these transactions are secured loans, and reflects the liability where the Bank are obligated to repurchase the transferred financial assets according to a fixed price in future periods. With respect to such transactions, the Bank will not be able to use, sell or pledge such transferred financial assets during the effective period. However the Bank is still exposed to interest rate risk and credit risk, hence they are not removed.

The following table analyses financial assets and financial liabilities that have not been fully removed:

2017.12.31	Transferred Financial Assets Carrying Value	Related Financial Liabilities Carrying value	Transferred Financial Assets Fair Value	Related Financial Liabilities Fair value	Net fair value
Financial assets at fair value through profit or loss Repurchase Agreements	\$46,111,758	\$43,634,657	\$46,023,858	\$43,634,657	\$2,389,201
Available for sale Financial Assets					
Repurchase Agreements	30,037,560	29,338,529	29,620,525	29,338,529	281,996
Held to Maturity Financial Assets					
Repurchase Agreements	23,492,043	23,242,069	23,491,961	23,242,069	249,892
Debt instrument investments for which no active market exists					
Repurchase Agreements	13,877,559	13,726,170	13,877,559	13,726,170	151,389
2016.12.31	Transferred Financial Assets Carrying Value	Related Financial Liabilities Carrying value	Transferred Financial Assets Fair Value	Related Financial Liabilities Fair value	Net fair value
Available for sale Financial Assets					
Repurchase Agreements	\$23,261,811	\$22,468,724	\$22,577,930	\$22,468,724	\$109,206
Held to Maturity Financial Assets					
Repurchase Agreements	31,325,346	31,066,277	31,325,346	31,066,277	259,069
Debt instrument investments for which no active market exists					
Repurchase Agreements	4,817,209	3,217,750	4,817,209	3,217,750	1,599,459

(4) Offsetting of Financial assets and liabilities

The Bank own financial instruments that do not offset in accordance with IAS 32 but it executed enforceable master netting arrangement or other similar agreements with counterparties. Financial instruments subject to enforceable master netting arrangement or other similar agreements could be settled at net amount as chosen by the counterparties, or the financial instruments could be settled at gross amount if not. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities is disclosed as follows:

2017.12.31						
Financial assets subject to offsetting, master netting arrangement or similar agreement						
Item	Gross amount of recognized financial assets (a)	Gross amount offset in the balance sheet (b)	Amount presented in the balance sheet (c)= (a)- (b)	Amount not offset in the balance sheet (d)		Net amount (e)= (c)- (d)
				Financial instruments (Note)	Cash collateral received/pledged	
Derivative Financial Instruments	\$33,172,556	\$-	\$33,172,556	\$33,172,556	\$-	\$-

2017.12.31						
Financial liabilities subject to offsetting, master netting arrangement or similar agreement						
Item	Gross amount of recognized financial liabilities (a)	Gross amount offset in the balance sheet (b)	Amount presented in the balance sheet (c)= (a)- (b)	Amount not offset in the balance sheet (d)		Net amount (e)= (c)- (d)
				Financial instruments (Note)	Cash collateral received/pledged	
Derivative Financial Instruments	\$33,616,157	\$-	\$33,616,157	\$33,172,556	\$443,601	\$-

2016.12.31						
Financial assets subject to offsetting, master netting arrangement or similar agreement						
Item	Gross amount of recognized financial assets (a)	Gross amount offset in the balance sheet (b)	Amount presented in the balance sheet (c)= (a)- (b)	Amount not offset in the balance sheet (d)		Net amount (e)= (c)- (d)
				Financial instruments (Note)	Cash collateral received/pledged	
Derivative Financial Instruments	\$52,646,314	\$-	\$52,646,314	\$48,567,099	\$2,907,944	\$1,171,271

2016.12.31						
Financial liabilities subject to offsetting, master netting arrangement or similar agreement						
Item	Gross amount of recognized financial liabilities (a)	Gross amount offset in the balance sheet (b)	Amount presented in the balance sheet (c)= (a)- (b)	Amount not offset in the balance sheet (d)		Net amount (e)= (c)- (d)
				Financial instruments (Note)	Cash collateral received/pledged	
Derivative Financial Instruments	\$48,567,099	\$-	\$48,567,099	\$48,567,099	\$-	\$-

Note: Master netting arrangement and non-cash collateral are included.

## (5) Financial risk management

### Risk control and hedging strategy

The Bank's risk control and hedging strategy follows the requirement of customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, the Bank adopted different risk management methods to identify its risks and the Bank followed the spirit and regulation of the "Basel Accord" to keep strengthening its assets and the practices of capital management to maintain the best capital adequacy ratio.

The Bank organized the risk management committee and its responsibilities are illustrated as below:

- A. To amend the risk management policies, risk appetite or risk tolerance and report the above issues to board of directors for approval.
- B. To manage and decide the strategy about the Bank's credit risk, market risk and operational risk management.
- C. To report the significant risk management issues, such as credit ratings, market assessment and risk indicators.
- D. To analyze the issues that the Bank's business unit brought up for discussion.
- E. Other issues.

The Bank organized a risk management group to monitor, lead, develop, and establish the integral risk management framework.

## (6) Market risk

Market risk is the potential loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and equity securities.

The Bank organized market risk management department and the committee of assets and liabilities management is responsible for monitoring the market risk management. The department and committee periodically examine the Bank's structure of assets and liabilities; plan the pricing principle of deposit and loan and financing and using scheme of medium and long term funding while executing the market risk management, the market risk management department periodically provides the related information of management and reports to the authorized managers of the Bank for the management system, such as valuating position, risk limit management, calculating of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

## Market risk management process

### A. Identification and measurement

The operations department and risk management department of the Bank identified the market risk factors of risk exposure position, and measured the market risk further. Market risk factors are the components that could have an impact on value of financial instrument, such as interest rates, foreign exchange rates, equity securities...etc., including position, gain and loss, the loss of stress test, sensitivity (DV01, Delta, Vega, Gamma) and Value at Risk (VaR)...etc., to measure the extent of investment portfolio that is influenced by interest risk, foreign exchange risk and equity securities.

### B. Monitoring and reporting

The risk management department periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress test, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. The Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. If the transaction reaches its stop-loss limitation, stop-loss process will be implemented immediately. If the stop-loss process is not implemented, the transaction department should document the reason of non-implementing stop loss process and responding plan. Furthermore, the department shall report to the executive management for approval and report to the board of directors regularly.

## Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investment for the purpose of trading or the hedge on the trading book. Portfolio is held for trading, which is intended to earn the profit from bid-ask spread. Any positions aside from the above trading book will be in the banking book.

### A. Strategy

In order to control market risk effectively and ensure flexibility in operating the transaction strategy, the Bank carries out various assessment and control. The portfolio of trading book has the risk limitation of each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

## B. Policy and procedure

The Bank sets the “Regulation Governing of Market Risk Management” as the important regulation that should be complied with when holding trading portfolio.

## C. Valuation policy

If the financial instruments of trading book have market values, they should be evaluated at least once each day by the information that is from an independent source and easily accessible. If it's evaluated by a model, a mathematical model should be used prudently, and the assumptions and parameters of the valuation model should be regularly reviewed and examined.

## D. Method of measurement

- a. The assumption and calculation of VaR: see VaR section.
- b. The Bank executes the stress test monthly with the following scenarios: the fluctuation of interest rate at 100bp, equity securities at 15% and foreign exchange rate at 3%, and reports to the risk management committee regularly.

## Interest risk management of trading book

### A. Definition of interest risk

Interest risk is the risk that the trading portfolios suffer losses or the change of its fair value which is caused by the fluctuation of interest rate. The main instruments include the securities and derivatives that relate to interest rates.

### B. Interest risk management procedure of trading book

The Bank prudently choose its investment target by studying the credibility and financial position of the securities issuers, their sovereign risk and the trend of interest rates. According to the operating strategy and the circumstances of the market, the Bank sets the transaction limit and stop-loss limit (including the limits of dealing room, traders, and investment...etc.) of the trading book that are reported to the executive management or the board of directors for approval.

### C. Method of measurement

- a. The assumption and calculation of VaR: see VaR section.
- b. The Bank measures the investment portfolio's interest risk exposure monthly.



## Interest risk management of banking book

The main objective of interest risk management of the banking book is to enhance the interest risk management, increase the operating efficiency of the fund and strengthen the business operation.

### A. Strategy

Interest risk management enhances the Bank's ability take responsive actions to measure, to manage and avoid the risk that the fluctuation of interest rate may cause on the profit and the economic value of assets/liabilities.

### B. Management procedure

When undertaking the operations relating to interest rate instruments, the Bank identifies the repricing risk of interest rate, yield curve risk, basis risk and options risk characteristics. In additional, the Bank also measures the potential impact of interest rate changes on the profit and economic value of the Bank. The Bank analyzes and monitors the interest risk limits and each target of interest risk management monthly. The results of analysis and monitoring are regularly reported to not only the risk management committee but also the board of directors.

If any risk management targets is found to exceed the limit during the monitoring process, it will be reported to the risk management committee and a solution should be proposed.

### C. Method of measurement

The interest risk of the Bank mainly measures the repricing risk that is caused by the difference between maturity date and repricing date of the assets, liabilities, and off balance sheet items in banking book. To stabilize long-term profitability and ensure business growth, the Bank sets the monitoring indicators of interest sensitivity in major terms and implements stress test. Each interest risk indicator and the result of stress test are reported to the executive management regularly for review.

## Foreign exchange risk management

### A. Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchange at different times. The Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option...etc. The Bank's foreign exchange transactions are implemented daily to offset clients' position. Thus, the Bank suffers little foreign exchange risk.

## B. Policy, procedure and measurement methodology of foreign exchange risk management

In order to control foreign exchange risk, the Bank sets the limits of transaction and stop-loss limits for the dealing room and traders. Meanwhile, the Bank also sets the maximum annual loss limit to control the loss within the tolerable extent. Foreign exchange risk is controlled based on VaR. The assumption and calculation of VaR is described in VaR section.

For foreign exchange risk, the Bank sets the scenario at 3% fluctuation of interest rate of major currencies to execute the stress test quarterly, and reports to the risk management committee.

## Risk management of equity securities price

### A. Definition of risk of equity securities price

The market risk of equity securities held by the Bank includes the individual risk from the fluctuation of individual equity securities' market price and general market risk from the fluctuation of the overall price trend.

### B. Purpose of risk management in equity securities prices

To avoid the massive fluctuation of equity securities price to worsen the Bank's financial situation or earnings. Also, to raise the operating efficiency of capital and strengthen the business operation.

### C. Procedure of risk management of equity securities prices

The Bank sets investment limit on industries, using the  $\beta$  value to measure the investment portfolio affected by the systemic risk monthly. The stop-loss point must be authorized by the board of directors, and the equity investment should be authorized by the executives if the stop-loss point is reached but the investment is not going to be disposed of.

### D. Measured methodology

The risk of equity securities prices in trading book is mainly controlled by VaR.

The Bank's risk of equity securities prices from its non-trading portfolio should be control by each bank according to its own business scale to develop a stress test under appropriate scenarios and report to the risk management committee.

The Bank adopts many methodologies to manage its market risk. Value-at-risk (VaR) is one of the methodologies. VaR is a statistical measure that assesses potential losses that might be caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence. The Bank applies historical simulation with a statistic confidence of 99% to extrapolate the VaR of one-year fluctuations. The following form indicates the VaR which is the estimation of potential amount of loss within one day. While the statistic confidence of 99% represents the possible fluctuations that would be included in assumed adverse market changes. Base on the assumption, the VaR may exceed the amounts listed in 1 of 100 days due to the price changes in the market. The overall VaR in the market may be less than the aggregate VaR of individual market risk factors.

2017.12.31			
Factors of market risk	Average balance	Maximum balance	Minimum balance
Interest rate	\$1,413,900	\$1,885,738	\$1,105,164
Foreign exchange	252,124	554,769	115,940
Equity securities price	232,500	303,251	165,345

2016.12.31			
Factors of market risk	Average balance	Maximum balance	Minimum balance
Interest rate	\$1,257,294	\$2,000,760	\$707,624
Foreign exchange	460,721	619,473	309,051
Equity securities price	227,274	534,899	118,192

The Bank enters into a variety of derivatives transactions for both trading and non-trading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage the Bank's exposure to risks and to generate revenues through trading activities. The Bank trades derivative instruments on behalf of customers and for its own positions. The Bank provides derivative contracts to address customers' demands for customized derivatives and also takes proprietary positions for its own accounts.

#### Stress testing

The stress testing is used to measure the maximum losses of risk asset portfolio under the worst scenario. The Bank's stress testing considers various types of risk factors and reporting the results will be reported to the executive management.

Stress Test		
Market/ Product	Scenarios	2017.12.31
Stock Market	Major Stock Exchanges +15%	\$2,668,120
	Major Stock Exchanges -15%	(2,668,120)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(9,791,210)
	Major Interest Rate - 100bp	10,097,920
Foreign Exchange Market	Major Currencies +3%	6,597,235
	Major Currencies -3%	(6,596,390)
Composite	Major Stock Exchanges -15%	(5,862,095)
	Major Interest Rate + 100bp	
	Major Currencies +3%	

Stress Test		
Market/ Product	Scenarios	2016.12.31
Stock Market	Major Stock Exchanges +15%	\$1,781,090
	Major Stock Exchanges -15%	(1,781,090)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(6,797,830)
	Major Interest Rate - 100bp	6,773,150
Foreign Exchange Market	Major Currencies +3%	5,703,175
	Major Currencies -3%	(5,703,175)
Composite	Major Stock Exchanges -15%	(2,875,745)
	Major Interest Rate + 100bp	
	Major Currencies +3%	

### Sensitivity analysis

#### A. Interest rate risk

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivatives portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting the portfolio. The Bank’s interest rate-sensitive portfolios include bonds, interest rate swaps and structured products composed of such products.

#### B. Foreign exchange risk

Foreign exchange rate factor sensitivities (“FX delta”) represent the change of the foreign exchange portfolios caused by the underlying currency exchange rate fluctuation.

### C. Equity securities price risk

Equity securities price factor sensitivities (“Equity delta”) represent the change of the equity securities price portfolio caused by a parallel unit shift of 1% (100 basis points) in the underlying stocks prices fluctuation. The Bank’s equity portfolios include stocks and equity index options.

#### Market risk factor sensitivity of the Bank

	<u>2017.12.31</u>	
	<u>Sensitivity of</u>	<u>Sensitivity of</u>
	<u>profit or loss</u>	<u>equity</u>
Foreign exchange rate factor sensitivity (FX Delta)		
USD+1%	\$1,603,478	\$785
HKD+1%	3,030	6,815
JPY+1%	5,609	-
AUD+1%	146,393	-
CNY+1%	356,174	25,520
Interest rate factor sensitivity (PVBP)		
Yield curves (USD) parallel shift+1bp	(32,220)	(14,516)
Yield curves (HKD) parallel shift+1bp	(11)	-
Yield curves (JPY) parallel shift+1bp	(195)	-
Yield curves (AUD) parallel shift+1bp	(137)	(437)
Yield curves (CNY) parallel shift+1bp	(947)	(16,479)
Equity securities price factor sensitivity (Equity Delta)	-	177,875
	<u>2016.12.31</u>	
	<u>Sensitivity of</u>	<u>Sensitivity of</u>
	<u>profit or loss</u>	<u>equity</u>
Foreign exchange rate factor sensitivity (FX Delta)		
USD+1%	\$620,573	\$523
HKD+1%	3,576	1,142
JPY+1%	8,865	-
AUD+1%	86,912	-
CNY+1%	256,047	25,929
Interest rate factor sensitivity (PVBP)		
Yield curves (USD) parallel shift+1bp	(2,558)	(36,101)
Yield curves (HKD) parallel shift+1bp	(1)	(24)
Yield curves (JPY) parallel shift+1bp	(11)	(262)
Yield curves (AUD) parallel shift+1bp	-	(2,959)
Yield curves (CNY) parallel shift+1bp	(90)	(12,449)
Equity securities price factor sensitivity (Equity Delta)	-	118,740

(7) Credit risk

Credit risk represents the risk of loss that the Group would incur if counterparty fails to perform its contractual obligations.

To centralize risk management functions currently handled by different departments, the Bank's board of directors resolved that a risk management department would be established to manage the credit risk. The objectives of a credit risk management are to improve asset quality and to generate stable profits while reducing risk through a diversified and balanced loan portfolio. The Bank's board of directors sets the counterparty credit limits, which are then implemented by the credit committee. The credit committee also monitors current and potential credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates. The Bank performs periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios.

The Bank maintains a strict policy to evaluate customers' credit ratings when providing loan commitments and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loans, and the Bank retains the legal right to foreclose on or liquidate the collateral. The disclosure of the maximum credit exposure shall not take account of any collateral held or other enhancements.

The management procedure and measurement methodology of credit risk in the Bank's main business are as follows:

Credit business (including the loan commitments and guarantees)

The category of credit asset and the grade of credit quality were narrated as follow:

A. Category of credit risk

The credit risk of the Bank was classified into five categories. Normal credit assets shall be classified as "Category One." The remaining unsound credit assets shall be evaluated based on the status of the loan collaterals and the length of time overdue. Assets that require special mention shall be classified as "Category Two," assets that are substandard shall be classified as "Category Three," assets that are doubtful shall be classified as "Category Four," and assets for which there is loss shall be classified as "Category Five". For managing the default credits, the Bank established the regulations governing the procedure to deal with non-performing loans, non-accrual loans and bad debts.

## B. Grade of credit quality

The Bank sets the level of credit quality based on the characteristics and scale of business (such as establishing the internal rating model of credit risk, setting the credit rating table or relevant rules to classify) to proceed with risk management.

In order to measure the credit risk of the clients, the Bank employs the statistic methods and the professional judgment from the experts. The Bank develops the rating model of business credit after considering the clients' relevant information. The model shall be reviewed periodically to verify if the calculated results conform to the reality and revise every parameter to optimize the results.

With respect to consumer credit assets such as mortgages, credit cards, and small-amount credit loans, the Bank also evaluates default risk of clients by using the credit rating scores developed by the Bank and the external due diligence services.

The credit quality of the Bank's corporate borrowers is classified as excellent, good, and average.

To ensure the reasonable estimated values of credit rating system's design, process, and relevant risk factors, the Bank executes the relevant verification and tests the model according to the actual default every year so that the calculated results will be close to actual default.

### Due from and call loans to other banks

The Bank evaluates the counterparties' credit quality before transactions and refers to the domestic and foreign credit rating agencies, when rendering different lines of credit based on the credit quality.

## C. Hedge of credit risk and easing policy

### a. Collateral

The Bank adopts a series of policies to lower the credit risk, and one of the frequently-used methods is requesting borrowers to provide collaterals. To ensure the creditor's rights, the Bank sets the scope available as collaterals and the procedures of appraising, managing, and disposing the collaterals. In addition, a credit contract is in place to provide the credit claim preservation, collaterals, and offset provisions to stipulate when a credit trigger event occurs, the Bank may reduce the limit, cut down the payback period, or deem all debts mature. Also, the Bank will use the deposits that the borrowers saved in the Bank to offset the liabilities to lower the credit risk.

Other non-credit business collaterals shall depend on the characteristics of the financial instruments. Only the asset-backed securities and other similar financial instruments are secured by an asset pool of financial instruments.

b. Limit of credit risk and control of credit risk concentration

To avoid the excessive risk concentration, the Bank limits the credit amounts of single counterparties and groups; the Bank also sets the investment guide and regulation of risk control of equity investment to restrict the investment limits of single person (company) or related company (group). Furthermore, the Bank establishes relevant regulations to control the concentration risk of assets, and sets the credit limits by industry, group, country, and stock types to monitor the credit concentration risk.

c. Net settlement agreement

The Bank usually settles by the gross balance, but signs contract with some counterparties to settle by net balance. If a default happens, the Bank will terminate all transactions with the counterparty and settle by net balance in order to lower the credit risk.

D. The Bank's maximum exposures to credit risk

Without taking into account the collateral or other credit enhancement instrument, the maximum credit risk exposure of on-balance-sheet financial assets equals their carrying values. The maximum credit risk exposure of off-balance-sheet items (without considering the collaterals or other credit enhancement is irrevocable) are as follows:

a. The Bank

Off balance sheet items	Maximum exposure to credit risk	
	2017.12.31	2016.12.31
Irrevocable loan commitments	\$211,222,089	\$182,538,242
Credit card commitments	626,829,201	584,566,895
Unused commercial letters of credit	3,765,996	3,741,879
Guarantees on duties and contracts	7,167,460	7,141,798
Total	\$848,984,746	\$777,988,814

b. Indovina Bank

Off balance sheet items	Maximum exposure to credit risk	
	2017.12.31	2016.12.31
Unused commercial letters of credit	\$1,629,282	\$841,466
Financial guarantee contracts	2,587,848	2,865,926
Total	\$4,217,130	\$3,707,392



c. CUBC Bank

Off balance sheet items	Maximum exposure to credit risk	
	2017.12.31	2016.12.31
Irrevocable loan commitments	\$647,417	\$546,423
Credit card commitments	403,120	328,186
Unused commercial letters of credit	-	3,223
Financial guarantee contracts	60,673	63,479
Total	\$1,111,210	\$941,311

To reduce the risk from any businesses, the bank conducts an overall assessment and takes appropriate risk reduction measures, such as obtaining collaterals and guarantors. For obtaining of collaterals, the Bank has *Collateral Management Guidelines*, to ensure that collaterals meet the specific criteria and has the effect of reducing the business risk.

The management deems the Group is able to control and minimize the credit risk exposures in off-balance-sheet items as the Group uses more strict rating procedures when extending credits and conduct reviews regularly.

E. Credit concentration risk of the Group

When the counterparties are obviously the same party, or there are several counterparties but engaging in similar business activities and sharing similar economic characteristics, and vulnerable to the same economic impacts or other changes, the credit concentration risk is apparent.

Credit concentration risk of the Group derives from the assets, liabilities and off-balance-sheet items, and arise from performing obligations or engaging in transactions or cross-line portfolio of risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. The Group does not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty accounted for the Bank's total bills discounts and loans and overdue receivables is not significant. Discounts and loans, guarantees, bills purchased, and acceptances receivable of the Group according to industry and country are listed below:

Item	2017.12.31		2016.12.31	
	Amount	%	Amount	%
Industry type				
Manufacturing	\$98,481,993	6.72	\$80,057,522	5.46
Financial institutions and insurance	67,599,101	4.61	52,975,202	3.61
Leasing and real estate	122,798,794	8.38	115,994,786	7.90
Individuals	822,631,846	56.14	726,970,977	49.52
Others	353,911,306	24.15	491,942,342	33.51
Total	\$1,465,423,040	100.00	\$1,467,940,829	100.00

Item	2017.12.31		2016.12.31	
	Amount	%	Amount	%
Geographic Region				
Domestic	\$1,223,249,877	83.47	\$1,262,746,943	86.02
Asia	130,593,968	8.91	116,804,425	7.96
America	28,077,424	1.92	24,369,284	1.66
Others	83,501,771	5.70	64,020,177	4.36
Total	\$1,465,423,040	100.00	\$1,467,940,829	100.00

#### F. Credit quality analysis of the financial assets

Some of the financial assets held by the Group, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit and loss, securities purchased under agreements to resell, refundable deposits, operating deposits and settlement fund, are excluded from this analysis since the counterparty is normally with good credit quality and is considered as low credit risk.

In addition to all of the above, the credit quality analysis of the financial assets was shown as follows:

##### a. Credit quality analysis to loans and receivables of the Bank

2017.12.31	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	\$49,329,442	\$10,191,113	\$3,585,181	\$63,105,736	\$170,565	\$161,634	\$63,437,935	\$130,938	\$1,238,855	\$62,068,142
Others	13,169,520	2,658,060	64,064	15,891,644	6,803	52,462	15,950,909	12,657	1,042,859	14,895,393
Discounts and loans	941,240,553	413,585,185	48,456,790	1,403,282,528	868,799	17,579,331	1,421,730,658	4,239,528	18,313,706	1,399,177,424

2016.12.31	Neither past due nor impaired				Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Impairment allowances (D)		Net balance (A)+(B)+(C)-(D)
	Excellent	Good	Average	Subtotal (A)				With objective evidence of impairment individual	Without objective evidence of impairment individual	
Receivables										
Credit card business	\$45,930,089	\$10,400,044	\$3,620,218	\$59,950,351	\$177,494	\$166,800	\$60,294,645	\$135,097	\$1,008,209	\$59,151,339
Others	18,043,437	4,588,328	84,966	22,716,731	5,583	84,087	22,806,401	49,991	2,619,510	20,136,900
Discounts and loans	929,993,249	435,476,181	40,751,762	1,406,221,192	913,366	15,811,890	1,422,946,448	3,088,327	16,597,827	1,403,260,294

b. The credit quality analysis on neither past due nor impaired discounts and loans of the Bank

2017.12.31	Excellent	Good	Average	Total
Consumer banking				
Residential mortgage loans	\$288,306,859	\$61,393,161	\$9,757,389	\$359,457,409
Unsecured personal loans	33,796,775	19,384,730	5,789,780	58,971,285
Other	362,886,985	68,568,088	9,065,468	440,520,541
Corporate banking				
Secured	41,310,306	162,034,535	20,899,707	224,244,548
Unsecured	214,939,628	102,204,671	2,944,446	320,088,745
<b>Total</b>	<b>\$941,240,553</b>	<b>\$413,585,185</b>	<b>\$48,456,790</b>	<b>\$1,403,282,528</b>

2016.12.31	Excellent	Good	Average	Total
Consumer banking				
Residential mortgage loans	\$260,337,798	\$70,434,151	\$11,978,542	\$342,750,491
Unsecured personal loans	25,676,322	15,839,926	4,634,166	46,150,414
Other	293,208,211	64,003,096	9,591,057	366,802,364
Corporate banking				
Secured	33,210,000	169,692,228	6,202,863	209,105,091
Unsecured	317,560,918	115,506,780	8,345,134	441,412,832
<b>Total</b>	<b>\$929,993,249</b>	<b>\$435,476,181</b>	<b>\$40,751,762</b>	<b>\$1,406,221,192</b>

c. Credit quality analysis on securities investment of the Bank

2017.12.31	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade or non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$124,014,858	\$1,824,503	\$125,839,361	\$-	\$-	\$125,839,361	\$-	\$125,839,361
Stocks	1,512,618	14,319,641	15,832,259	-	146,379	15,978,638	146,379	15,832,259
Others	-	541,355	541,355	-	-	541,355	-	541,355
Held-to-maturity financial assets								
Bonds	24,522,472	2,109,403	26,631,875	-	-	26,631,875	-	26,631,875
Others	5,221,668	-	5,221,668	-	-	5,221,668	-	5,221,668
Investments in debt securities with no active market								
Bonds	69,662,593	-	69,662,593	-	-	69,662,593	-	69,662,593
Others	318,625,000	-	318,625,000	-	-	318,625,000	-	318,625,000

2016.12.31	Neither past due nor impaired			Past due but not impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Accumulated impairment (D)	Net balance (A)+(B)+(C)-(D)
	Investment grade	Non-investment grade or non-credit rating	Subtotal (A)					
Available-for-sale financial assets								
Bonds	\$135,593,396	\$101,939	\$135,695,335	\$-	\$-	\$135,695,335	\$-	\$135,695,335
Stocks	1,547,161	10,186,373	11,733,534	-	140,985	11,874,519	140,985	11,733,534
Others	917,355	3,586,499	4,503,854	-	-	4,503,854	-	4,503,854
Held-to-maturity financial assets								
Bonds	35,526,500	1,946,358	37,472,858	-	-	37,472,858	-	37,472,858
Others	5,422,099	-	5,422,099	-	-	5,422,099	-	5,422,099
Investments in debt securities with no active market								
Bonds	81,310,348	114,660	81,425,008	-	1,478,556	82,903,564	1,478,556	81,425,008
Others	316,050,000	-	316,050,000	-	-	316,050,000	-	316,050,000

d. Aging analysis on past due but not impaired financial assets of the Bank

Past due but not impaired loans might result from some temporary administration reasons so the customers is in the early stages of delinquency but no actual impairment has occurred yet. Unless there is other objective evidence shown otherwise, according to internal credit risk assets impairment evaluation guideline, a loan that is past due for no more than 30 days is typically not to be treated as impairment.

2017.12.31	Less than 60 days	61-90 days	Total
Receivables			
Credit card business	\$98,072	\$72,493	\$170,565
Others	4,299	2,504	6,803
Discounts and loans			
Consumer banking			
Residential mortgage loans	273,792	50,936	324,728
Unsecured personal loans	91,079	76,553	167,632
Others	255,977	45,463	301,440
Corporate banking			
Secured	60,166	-	60,166
Unsecured	14,833	-	14,833

2016.12.31	Less than 60 days	61-90 days	Total
Receivables			
Credit card business	\$107,733	\$69,761	\$177,494
Others	3,335	2,248	5,583
Discounts and loans			
Consumer banking			
Residential mortgage loans	276,308	144,448	420,756
Unsecured personal loans	70,608	57,371	127,979
Others	182,770	35,679	218,449
Corporate banking			
Secured	140,175	-	140,175
Unsecured	6,007	-	6,007

#### G. Impairment analysis of financial assets of the Group

- a. The Group has recognized accumulated impairment loss for available-for-sale financial assets in the amount of \$146,379 thousand and \$140,985 thousand as of 31 December thousand 2017 and 31 December 2016, due to the existence of objective impairment evidence.
- b. The Group has recognized accumulated impairment loss for investments in debt securities with no active market in the amount of \$0 and \$1,382,970 thousand as of 31 December 2017 and 31 December 2016, respectively, due to credit deterioration of securitization products and financial debentures.

The Group has recognized accumulated impairment loss for investment in debt securities with no active market in the amount of \$0 and \$95,586 thousand as of 31 December 2017 and 31 December 2016, due to the default on the convertible bonds.

- c. The Group's impairment assessment of discounts and loans and receivables, please refer to Note 6.(5) and Note 6.(6).

#### H. Impairment analysis of non-financial assets of the Group

##### Foreclosed properties management policy

The Group has recognized impairment loss for foreclosed properties in CUBC Bank for the years ended 31 December 2017 and 2016 were \$0 and \$58,161 thousand, respectively, due to the existence of objective impairment evidence. The accumulated impairment loss in the amount of \$53,726 thousand and \$58,102 thousand as of 31 December 2017 and 31 December 2016, respectively.

Foreclosed properties will be sold when are available to sell. The proceeds are used to reduce or repay the outstanding claim. Foreclosed properties are classified under other assets in the consolidated balance sheets.

(8) Liquidity risk

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity risk is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds the Group believes it can generate within that period. As part of our liquidity risk management, the Group focuses on a number of components, including tapping available sources of liquidity, preserving necessary funds at reasonable cost and continuous contingency planning.

A. Analysis of financial assets and non-derivative financial liabilities by remaining contractual maturities

a. Financial assets were held to manage liquidity risk

The Group holds highly marketable and diverse financial assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets were held to manage liquidity risk including cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit and loss, discounts and loans, available-for-sale financial assets, held-to-maturity financial assets and investments in debt securities with no active market.

b. Maturity analysis of non-derivative financial liabilities of the Bank

The table below shows the analysis of the cash outflow of non-derivative financial liabilities on time remaining until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

2017.12.31	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$39,789,043	\$23,513,092	\$18,408,292	\$2,851,614	\$84,562,041
Non-derivative financial liabilities at fair value through profit or loss	49,914	-	593,179	49,696,920	50,340,013
Securities sold under agreements to repurchase	97,261,840	9,954,474	-	2,896,151	110,112,465
Payables	11,947,054	7,208,487	70,925	372,275	19,598,741
Deposits and remittances	326,857,503	809,442,125	815,158,881	106,700,709	2,058,159,218
Financial debentures payable	3,850,000	3,900,000	-	56,190,661	63,940,661
Other capital outflow at maturity	20,427,101	37,656,749	7,500,761	729,552	66,314,163

2016.12.31	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$36,668,211	\$19,582,460	\$11,159,327	\$11,987	\$67,421,985
Non-derivative financial liabilities at fair value through profit or loss	-	-	641,491	37,766,430	38,407,921
Securities sold under agreements to repurchase	32,151,648	18,162,666	-	6,458,060	56,772,374
Payables	17,087,536	1,882,092	68,098	402,241	19,439,967
Deposits and remittances	270,499,401	837,032,161	764,993,589	123,482,329	1,996,007,480
Financial debentures payable	7,800	3,986,939	37,213	48,250,000	52,281,952
Other capital outflow at maturity	26,286,100	30,646,766	4,455,094	389,911	61,777,871

## B. Maturity analysis of derivative financial liabilities

### a. Net settled derivative financial instruments

Net settled derivatives engaged by the Bank include:

- i. Foreign exchange derivative instruments: foreign exchange options, non-delivery forwards;
- ii. Interest rate derivative instruments: swaptions, net settled interest rate swaps and other interest rate agreements.

The table below shows the net settled derivative financial instruments on time remaining until the contractual maturity date. Analysis of contractual maturity date helps to illustrate all derivative financial instruments listed in the consolidated balance sheet. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheet. Maturity analysis of net settled derivative financial liabilities was as follows:

2017.12.31	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$98,475	\$14,663	\$213,193	\$463	\$326,794
- Interest rate derivative instruments	3,061,667	292,540	147,564	11,944,700	15,446,471
Total	\$3,160,142	\$307,203	\$360,757	\$11,945,163	\$15,773,265

2016.12.31	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$121,095	\$1,576,083	\$1,796,462	\$307	\$3,493,947
- Interest rate derivative instruments	1,886,141	419,128	88,343	22,041,123	24,434,735
Total	\$2,007,236	\$1,995,211	\$1,884,805	\$22,041,430	\$27,928,682

b. Maturity analysis of gross settled derivative financial instruments

Gross settled derivatives engaged by the Bank include:

- i. Foreign exchange derivative instruments: currency futures and swaps;
- ii. Interest rate derivative instruments: cross currency swaps;
- iii. Credit derivative instruments: all derivatives shown in gross pay a periodic fee in return for a payment by the protection seller upon the occurrence, if any, of such a credit event.

The contract maturity date is the basic element to understand the Bank's gross settled derivative instruments as at balance sheet dates. The disclosed amounts are based on contract cash flows and part of the disclosed are not in conformity with related items on consolidated balance sheet. Maturity analysis of gross settled derivative financial liabilities was as follows:

2017.12.31	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(2,282,100)	\$(4,014,702)	\$(744,683)	\$(111,439)	\$(7,152,924)
-Cash inflow	11,422	7,488	-	-	18,910
- Interest rate derivative instruments					
-Cash outflow	(59,474)	(233,906)	(130,287)	(205,167)	(628,834)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(2,341,574)	(4,248,608)	(874,970)	(316,606)	(7,781,758)
Cash inflow subtotal	11,422	7,488	-	-	18,910
Net cash flow	\$(2,330,152)	\$(4,241,120)	\$(874,970)	\$(316,606)	\$(7,762,848)



2016.12.31	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments					
-Cash outflow	\$(2,608,154)	\$(7,043,669)	\$(1,487,912)	\$(330,246)	\$(11,469,981)
-Cash inflow	31,816	48,284	69,423	-	149,523
- Interest rate derivative instruments					
-Cash outflow	(169,357)	(880,692)	(617,141)	(1,021,022)	(2,688,212)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(2,777,511)	(7,924,361)	(2,105,053)	(1,351,268)	(14,158,193)
Cash inflow subtotal	31,816	48,284	69,423	-	149,523
Net cash flow	\$(2,745,695)	\$(7,876,077)	\$(2,035,630)	\$(1,351,268)	\$(14,008,670)

C. Maturity analysis of off-balance sheet items

- a. Irrevocable commitments: include the Bank's irrevocable loan commitments and credit card commitments.
- b. Financial guarantee contracts: the Bank acts as a guarantor or an issuer of credit line in a financing guarantee agreement.
- c. Leasing commitments: the Bank acts as a lessor/lessee in an irrevocable operating lease agreement and the minimum lease payments are shown as follows:

2017.12.31	Not later than 1 year	1~5 years	Later than 5 years	Total
Irrevocable loan commitments	\$191,776,099	\$18,595,520	\$850,470	\$211,222,089
Credit card commitments	52,188,926	285,821,408	288,818,867	626,829,201
Financial guarantee contracts	9,933,790	940,456	59,210	10,933,456
Leasing commitments				
- Non-cancellable operating lease payments	1,666,530	2,938,921	75,995	4,681,446
Total	\$255,565,345	\$308,296,305	\$289,804,542	\$853,666,192

2016.12.31	Not later than 1 year	1~5 years	Later than 5 years	Total
Irrevocable loan commitments	\$129,060,972	\$51,146,768	\$2,330,502	\$182,538,242
Credit card commitments	78,376,870	229,495,576	276,694,449	584,566,895
Financial guarantee contracts	9,837,073	1,035,270	11,334	10,883,677
Leasing commitments				
- Non-cancellable operating lease payments	1,657,098	3,472,465	113,195	5,242,758
Total	\$218,932,013	\$285,150,079	\$279,149,480	\$783,231,572

## (9) Capital management

### A. Overview

- a. The capital management objectives of the Group are as follows:
  - i. The eligible capital of the Group must conform to the regulatory capital requirements and achieve the minimum adequacy ratio. The calculation of the eligible capital and regulatory capital should follow the rules issued by the competent authority.
  - ii. To ensure the Group possesses sufficient capital to assume various risk, the Group assesses required capital for the portfolios and characteristics of risk and execute risk management through capital allocation to realize optimization of resources.

### B. Capital management procedures

- a. The Group follows the guides and the spirit established by the Basel Committee on Banking Supervision, “The Banking Act of The Republic of China” and the local regulations governing the foreign operations to assess and monitoring the capital adequacy ratio monthly. The information about capital adequacy ratio is reported to the competent authority quarterly.
- b. The Group maintains the BIS (Bank for International Settlement) capital adequacy ratio at 8%, the minimum standard set by the competent authority. To implement capital management, the Group considers not only the business development but also the revised regulation from the competent authority, significant fund operations and capital increase plans to evaluate the capital adequacy ratio. To enhance internal monitoring efficiency, the Bank established an early-warning mechanism to reduce the impact of significant events, to maintain the capital adequacy ratio and to ensure the integrity of the capital structures.
- c. The risk management team is responsible for monitoring the regulatory capital of the Group. The regulatory capital is divided into net Tier 1 Capital and net Tier 2 Capital listed as follows:
  - i. Net Tier 1 Capital: The aggregate amount of net Common Equity Tier 1 and net additional Tier 1 Capital.

Net common equity tier 1 capital: Primarily consists of common equity minus intangible assets (including goodwill), unamortized losses on sales of non-performing loans, deferred tax assets due to losses from the previous year and other statutory adjustments.

Net additional tier 1 capital: Consists of the aggregate amount of non-cumulative perpetual preferred stocks and non-cumulative perpetual subordinated debts, etc.

- ii. Net Tier 2 Capital: Consists of cumulative perpetual preferred stocks, cumulative perpetual subordinated debts, revaluation increments, convertible bonds, operating reserves and allowance for uncollectible accounts.

d. According to “Regulations Governing the Capital Adequacy and Capital Category of Banks”, terms of risk-weighted assets are defined as follows:

- i. Total Risk-weighted Assets: The sum of the risk-weighted assets and the capital requirements for market risk and operational risk multiplied by 12.5. Those assets already deducted from the regulatory capital, however, shall be deducted from the total risk-weighted assets.
- ii. Risk-weighted Assets for Credit Risk: The measurement of the risk of loss caused by the counterparty’s default. This risk measurement is expressed as the total of each of the bank’s transaction items on and off the balance sheet times a risk weight.
- iii. The Capital Requirement for Market Risk: The capital required for assessed losses from the bank’s transaction items on and off the balance sheet arising from movements in market prices (interest rates, exchange rates, and stock prices, etc.).
- iv. The Capital Requirement for Operational Risk: The capital required for the risk of loss resulting from inadequate or failed internal process, people and systems or external events.

C. Regulatory capital ratio

Pursuant to of the Banking Act, the ratio of a bank’s eligible capital to its risk-weighted assets must not be lower than a certain ratio; if such ratio is lower than the prescribed ratio, the Bank’s ability to distribute cash earnings or repurchase its shares may be restricted by the regulatory.

As of 31 December 2017 and 2016, the ratio of the Group eligible capital to its consolidated risk-weighted assets were 15.78% and 14.05%, respectively.

(10) Unconsolidated structured entities

A. The Group does not provide financial support or other support to the unconsolidated structured entities. The Group’s maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets the Group recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

<u>Types of structured entity</u>	<u>Nature and purpose</u>	<u>Interests owned</u>
Securitization vehicle	Investment in asset-backed securities to receive returns	Investment in securitization vehicles issued by the entity

B. As of 31 December 2017 and 31 December 2016, the carrying amount of assets recognized by Group relating to its interests in unconsolidated structured entities is disclosed as follows:

	2017.12.31	2016.12.31
Available-for-sale financial assets	\$581,533	\$922,506
Held-to maturity financial assets	9,843,981	12,296,939
Investments in debt securities with no active market	27,141,758	28,079,749
Total	<u>\$37,567,272</u>	<u>\$41,299,194</u>

(11) The assets and liabilities managed under the Bank's trust in accordance with the Trust Enterprise Act

A. In accordance with Article 17 of "Enforcement Rules of the Trust Enterprise Act" the balance sheet and income statement based on trust and details of trust properties are as follows:

Balance Sheet Based on Trust

	Trust Assets		Trust Liabilities	
	2017.12.31	2016.12.31	2017.12.31	2016.12.31
Bank deposits	\$10,474,729	\$10,712,259	Payables	\$210
Bonds	53,075,477	100,655,714	Tax Payable	38
Stocks	37,580,235	31,430,344	Custody securities payable	115,412,690
Mutual funds	205,412,786	186,704,972	Other liabilities	6
Insurance product	2,837,954	2,774,416	Trust capital	355,232,038
Receivables	2,492	-	Accumulated Losses	367,505,709
Real estate			Earnings distribution	(92,145)
Land	44,789,865	34,114,766	Net income	129,789
Buildings, net	46,079	55,732	Retained Losses	(168,287)
Construction in progress	882,032	889,219	Net assets	(379,604)
Custody securities	115,412,690	115,283,884	Capital account	-
			Distributable revenue	-
Total	<u>\$470,514,339</u>	<u>\$482,621,306</u>	Total	<u>\$470,514,339</u>
				<u>\$482,621,306</u>

### Income Statement Based on Trust

Items	2017	2016
Trust revenue		
Interest income	\$32,885	\$40,673
Rental income	36	84
Cash dividend income	116,244	94,626
Investment income-stocks	886	120
Investment income-funds	8,340	16,823
Unrealized Investment income-stocks	20,507	-
Unrealized Investment income-funds	2,177	-
Others	-	6
Subtotal	<u>181,075</u>	<u>148,332</u>
Trust expense		
Management fee	18,392	15,972
Supervisor fee	1,251	1,117
Taxes	1,317	1,292
Processing fee	1,383	3,679
Investment loss-stocks	24,382	10,460
Unrealized Investment loss-stocks	508	-
Unrealized Investment loss-funds	752	-
Others	3,301	4,308
Subtotal	<u>51,286</u>	<u>36,828</u>
Income equalization		
Net income before tax	129,789	111,504
Tax expenses	-	-
Net income	<u>\$129,789</u>	<u>\$111,504</u>

### Details of Trust Properties

Items	2017.12.31	2016.12.31
Bank deposits	\$10,474,729	\$10,712,259
Bonds	53,075,477	100,655,714
Common stock	37,580,235	31,430,344
Mutual fund	205,412,786	186,704,972
Insurance product	2,837,954	2,774,416
Receivables	2,492	-
Real estate		
Land	44,789,865	34,114,766
Buildings, net	46,079	55,732
Construction in progress	882,032	889,219
Custody securities	115,412,690	115,283,884
Total	<u>\$470,514,339</u>	<u>\$482,621,306</u>

B. The Bank conducts trust business by Trust Enterprise Act Article 3. The related trust business information as of 31 December 2017 and 2016 are as follows:

Items	2017.12.31	2016.12.31
Special trust of money that invest in foreign securities	\$205,950,455	\$245,096,136
Special trust money that invest in domestic securities	51,048,312	41,299,863
Trust of money-custody securities	115,412,690	115,283,884
Trust of real estate	45,424,195	36,079,365
Trust of real estate price	3,083,420	3,070,475
Trust of insurance claims	209,081	186,669
Personal and corporate trust	46,498,114	37,955,601
Trust of business employee's savings	2,151,132	2,148,416
Trust of securities	736,940	1,500,897
Total	\$470,514,339	\$482,621,306

(12) Implementation of cross-selling marketing strategies implemented between the Bank, Cathay Financial Holding Co., Ltd., and its subsidiaries

The Bank has entered into cross-selling marketing contracts with Cathay Life Insurance Co., Ltd., Cathay Century Insurance Co., Ltd. and Cathay Securities Corp. The contracts cover joint use of operation sites and facilities as well as cross-selling marketing personnel. Remuneration apportionment and expenses allocation for cross-selling marketing personnel follow the “Cathay Financial Group Scope of Cross-selling Marketing and Rules for Reward”.

The Bank has entered into cooperation contracts with Cathay Financial Holding Co., Ltd., Cathay Life Insurance Co., Ltd., Cathay Century Insurance Co., Ltd., and Cathay Securities Corp. for the joint use of information equipment and the development, operation, maintenance and management of information systems. Calculation methodologies for expenses allocation have been established.

(13) The significant portfolio of foreign currency financial assets and liabilities are as follows:

	2017.12.31		
	Foreign Currency	Exchange Rate	NTD
<u>Financial Assets</u>			
<u>Monetary Items</u>			
USD	\$13,335,856	29.8480	\$398,048,630
CNY	11,814,038	4.5789	54,095,299
AUD	915,339	23.2635	21,293,989
 <u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	12,308,567	29.8480	367,386,108
CNY	8,615,933	4.5789	39,451,496
AUD	1,475,664	23.2635	34,329,109

	2016.12.31		
	Foreign Currency	Exchange Rate	NTD
<u>Financial Assets</u>			
<u>Monetary Items</u>			
USD	\$9,791,650	32.2790	\$316,064,670
HKD	3,528,433	4.1622	14,686,044
CNY	7,749,947	4.6220	35,820,255
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	11,210,625	32.2790	361,867,764
CNY	8,151,331	4.6220	37,675,452
AUD	1,159,402	23.3103	27,026,008

As the Group has a large variety of foreign currencies, it is not possible to disclose foreign currency exchange gain or loss based on each foreign currency's exposure to major impact. The foreign currency exchange gains for the years ended 31 December 2017 and 2016 were \$459,492 thousand and \$1,118,602 thousand, respectively.

### 13. Segment information

For management purposes, the Group is organized into business units based on products and services and have four reportable segments as follows:

- a. Corporate banking segment - syndication loans, large-sized loans, group loans and general loans, etc.
- b. Retail banking segment - deposits and consumer loans, foreign exchange services, endorsement guarantees business, note discounting, disbursements and receipts, safe deposit boxes, credit card-related products, and trust business, etc.
- c. Offshore banking segment, offshore banking unit, overseas branches and representative office, etc.
- d. Other segments - these parts contain the Bank's assets, liabilities, revenues and expenses that cannot be attributed to or allocated reasonably to certain operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessments. Segment performance is evaluated based on operating profit or loss. Segments' accounting policies are the same as Note 4 mentioned above.

(1) Segment information

	Corporate Banking Segment	Retail Banking Segment	Offshore Banking Segment	Other Segment	Consolidated
2017					
Net interest income (from external customer)	\$7,822,828	\$11,393,161	\$5,828,850	\$4,655,958	\$29,700,797
Inter-segment revenues (expense)	\$(2,737,301)	\$9,660,926	\$(50,432)	\$(6,873,193)	\$-
Segment net income	\$4,345,194	\$15,707,060	\$4,188,942	\$(1,815,017)	\$22,426,179
Income tax expense					(2,762,573)
Net income after income taxes					\$19,663,606

	Corporate Banking Segment	Retail Banking Segment	Offshore Banking Segment	Other Segment	Consolidated
2016					
Net interest income (from external customer)	\$7,203,660	\$8,489,930	\$4,973,453	\$5,242,998	\$25,910,041
Inter-segment revenues (expense)	\$(2,312,909)	\$9,157,752	\$(168,603)	\$(6,676,240)	\$-
Segment net income	\$4,115,481	\$13,167,615	\$3,092,983	\$(636,061)	\$19,740,018
Income tax expense					(2,228,758)
Net income after income taxes					\$17,511,260

(2) Geographic regions information

Income from external customer:

	2017	2016
Taiwan	\$23,871,947	\$20,936,588
Other countries	5,828,850	4,973,453
Total	\$29,700,797	\$25,910,041

Income is based on the country where the customer is located.

Note:

A. No revenue from transactions with a single external customer amounted to 10% or more of the Group total revenue during the years ended 31 December 2017 and 2016.

B. Operating segments' profit are measured at pre-tax income basis, the income taxes are not allocated to reporting segments for the purpose of making decisions about resource allocation and performance assessment.

C. The Group provide the average of deposits and loans to assess the performance, the disclosed measure amounts of assets and liabilities are zero.



#### 14. Other information

Pursuant to "Regulations Governing the Preparation of Financial Reports by Public Banks", the Group should disclose the relevant information about capital adequacy.

As of 31 December 2017 and 2016, the regulatory capital were \$253,819,539 thousand and \$221,328,589 thousand, respectively. The regulatory capital were divided to the net Common Equity Tier 1, the net additional Tier 1 Capital and the Net Tier 2 Capital. As of 31 December 2017 and 2016, the net Common Equity Tier 1 were \$151,860,690 thousand and \$145,012,403 thousand, the net additional Tier 1 Capital were \$33,690,073 thousand and \$20,424,620 thousand, and the Net Tier 2 Capital were \$68,268,776 thousand and \$55,891,566 thousand, respectively.

As of 31 December 2017 and 2016, the Risk-weighted Assets were \$1,608,306,654 thousand and \$1,575,245,555 thousand, respectively. The Risk-weighted Assets were divided to credit risk, market risk and operational risk. As of 31 December 2017 and 2016, the Risk-weighted Assets for Credit Risk were \$1,384,495,613 thousand and \$1,405,125,068 thousand, the Capital Requirement for Market Risk were \$140,437,191 thousand and \$89,363,378 thousand, and the Capital Requirement for Operational Risk were \$83,373,850 thousand and \$80,755,109 thousand, respectively.

As of 31 December 2017 and 2016, the ratio of the Group eligible capital to its consolidated risk-weighted assets were 15.78% and 14.05%, the ratio of the net Common Equity Tier 1 to its consolidated risk-weighted assets were 9.44% and 9.21%, the ratio of total Tier 1 Capital to its consolidated risk-weighted assets were 11.54% and 10.50%, and the ratio of total Tier 1 Capital to total exposure were 6.27% and 5.99%, respectively.

# **Appendix V**

**Cathay United Bank Co., Ltd.**

**Parent Company Only Financial Statements**

**For The Years Ended**

**31 December 2017 and 2016**

**With Independent Auditors' Report**

## **Independent Auditors' Report**

### English Translation of a Report Originally Issued in Chinese

The Board of Directors and Shareholders  
Cathay United Bank

#### **Opinion**

We have audited the accompanying parent company only balance sheets of Cathay United Bank (“the Bank”) as of 31 December 2017 and 2016, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2017 and 2016, and notes to the financial statements, including the summary of significant accounting policies.

In our opinion, based on our audits, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of 31 December 2017 and 2016, and their financial performance and cash flows for the years ended 31 December 2017 and 2016 in conformity with the requirements of the “Regulations Governing the Preparation of Financial Reports by Public Banks”, the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the “Regulations Governing the Preparation of Financial Reports by Securities Firms”.

#### **Basis for Opinion**

We conducted our audits in accordance with the “Rules Governing Auditing and Certification 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 Parent Company Only 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 (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 2017 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **Independent Auditors' Report (continued)**

### English Translation of a Report Originally Issued in Chinese

#### **Key Audit Matters (continued)**

##### The Provision of Allowance for Loans

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" of the ROC, the Bank developed its own systems to perform both individual and collective assessments of impairment loss on loans and receivables. The systems assess the amount of an impairment loss based on parameters from historical experience or future cash flows on a case-by-case basis. The estimates of discount factors, including effective interest rate, incidence of impairment and recoverable rate, and the classification to assess whether there is any objective evidence that loan is impaired, require professional judgment and uses of estimates and assumptions. Therefore, we determined the provision of allowance for loans as a key audit matter.

Our audit procedures include (but not limited) to assessing and testing the effectiveness of internal control relating to calculations of impairment, including the underlying data and systems with respect to impairment calculation. For loan loss provisions calculated on an individual basis, we tested the assumptions which were used to identify and quantify the impairments, including estimates of future cash flows, valuation of guarantee and estimates of recovery on default. For loan loss provisions calculated on a collective basis, we reviewed whether the models of impairment were approved by management and relied on our specialists to verify the effectiveness of those models. We also tested the appropriateness and accuracy of the inputs used in those models, such as recovery rates and historical loss rates. We reviewed whether management of the Bank complied with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" of the ROC, including assessing appropriateness of the classification of loans and testing accuracy of impairment calculations.

Please refer to Note 4, 5.(2) and 6.(5) for information about the Bank's the provision of allowance for loans.

##### Valuation of financial instruments

The Bank use internal model valuation for part of financial instruments' fair value, and the assumptions used in the valuation will impact the fair value of the reported financial instruments. Therefore, we determined valuation of financial instruments as a key audit matter.

## **Independent Auditors' Report (continued)**

### English Translation of a Report Originally Issued in Chinese

#### **Key Audit Matters (continued)**

##### Valuation of financial instruments - financial instrument investments for which no active market exists (continued)

Our audit procedures include (but not limited) to assessing and testing the effectiveness of internal controls related to financial instruments valuation, including how management decides and approves the valuation model and its assumptions, the controls related to the valuation model and change of assumptions, and how management reviews the valuation. We use internal valuation experts on a sampling basis to assist in reviewing the valuation techniques adopted by the Bank, understanding and assessing the rationality of key valuation assumptions, performing independent valuation calculation, and determining whether the valuation differences are acceptable.

Please refer to Notes 4, 5.(2) and 12 for information about the Bank's financial instruments valuation.

##### Assessment of goodwill impairment

IAS 36 requires entities to perform an impairment test annually. However the calculation made by management of the Bank is complex and involves major subjective judgments and assumptions. Thus we conclude that assessment of goodwill impairment is a key audit matter of our audit.

Our audit procedures included but not limited to assessing the rationality of the Bank's financial forecasts, and using internal experts to assist in assessing the rationality of the assumptions made by the Bank's management.

Please refer to Notes 4, 5.(2) and 6.(12) for information about the Bank's goodwill impairment assessment.

#### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with requirements of the "Regulations Governing the Preparation of Financial Reports by Public Banks", the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.



## **Independent Auditors' Report (continued)**

### English Translation of a Report Originally Issued in Chinese

#### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements (continued)**

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Bank, 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 or supervisors, are responsible for overseeing the financial reporting process of the Bank.

#### **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only 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 internal control of the Bank.
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 ability to continue as a going concern of the Bank. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

## Independent Auditors' Report (continued)

### English Translation of a Report Originally Issued in Chinese

#### **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements (continued)**

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



Ernst & Young  
Taipei, Taiwan  
The Republic of China  
15 March 2018

#### Notice to Readers

The accompanying parent company only financial statements are intended only to present the financial position and results of operations 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank

Parent company only balance sheets

31 December 2017 and 31 December 2016

(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	2017.12.31	2016.12.31
Cash and cash equivalents	4, 6, 7	\$58,342,595	\$56,011,450
Due from the Central Bank and call loans to banks	6, 7	121,859,843	68,782,302
Financial assets at fair value through profit or loss	4, 5, 6	309,972,777	196,166,871
Securities purchased under agreements to resell	4, 6	85,388,175	36,466,540
Receivables - net	4, 5, 6, 7	76,953,234	79,273,844
Discounts and loans - net	4, 5, 6, 7	1,399,567,004	1,403,835,506
Available-for-sale financial assets - net	4, 5, 6	142,212,975	151,932,723
Held-to-maturity financial assets - net	4, 5, 6	31,853,543	42,894,957
Investments accounted for using the equity method - net	4, 6	9,017,435	7,877,956
Other financial assets - net	4, 5	1,276	3,373
Investments in debt securities with no active market - net	4, 5, 6	388,287,593	397,475,008
Property and equipment - net	4, 6, 7	24,262,267	24,208,305
Investment properties - net	4, 5, 6	1,547,372	1,554,600
Intangible assets - net	4, 5, 6	7,398,865	7,413,407
Deferred tax assets	4, 5, 6	2,223,266	1,410,010
Other assets - net	4, 6, 7	23,704,316	36,538,491
Total assets		<u>\$2,682,592,536</u>	<u>\$2,511,845,343</u>

The accompanying notes are an integral part of the parent company only financial statements.



English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank

Parent company only balance sheets (continued)

31 December 2017 and 31 December 2016

(Expressed in thousands of New Taiwan Dollars)

Liabilities and equity	Notes	2017.12.31	2016.12.31
Liabilities			
Due to the Central Bank and call loans from banks	6, 7	\$84,375,047	\$67,298,569
Financial liabilities at fair value through profit or loss	4, 5, 6	87,305,126	88,060,416
Securities sold under agreements to repurchase	4, 6, 7	109,941,425	56,752,751
Payables	6, 7	22,794,360	22,183,733
Current tax liabilities	4, 5	408,947	269,766
Deposits and remittances	6, 7	2,056,168,811	1,993,999,765
Financial debentures payable	4, 6	63,350,000	51,900,000
Other financial liabilities	6	66,057,646	61,566,809
Provisions	4, 5, 6	3,187,664	3,053,964
Deferred tax liabilities	4, 5, 6	1,580,152	1,552,030
Other liabilities	6, 7	8,959,880	9,116,761
Total liabilities		2,504,129,058	2,355,754,564
Equity			
Equity attribute to equity holders of parent			
Capital stock	6		
Common stock		78,604,060	72,099,815
Capital surplus	6	33,610,983	23,969,412
Retained earnings	6		
Legal reserves		45,823,601	40,659,384
Special reserves		1,977,363	1,892,668
Undistributed earnings		19,302,403	17,211,700
Other equity	6	(854,932)	257,800
Total equity		178,463,478	156,090,779
Total liabilities and equity		\$2,682,592,536	\$2,511,845,343

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Financial Statements Originally Issued in Chinese  
Cathay United Bank  
Parent company only statements of comprehensive income  
For the years ended 31 December 2017 and 2016  
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	Notes	2017.01.01- 2017.12.31	2016.01.01- 2016.12.31
Interest income	4, 6, 7	\$42,724,485	\$37,666,600
Interest expense	6, 7	(15,037,732)	(13,558,911)
Net interest income		<u>27,686,753</u>	<u>24,107,689</u>
Non-interest income			
Net fee income	4, 6, 7	14,730,893	15,597,239
Gains on financial assets and liabilities at fair value through profit or loss	6, 7	6,131,848	3,211,817
Realized gains on available-for-sale financial assets		1,958,976	3,691,124
Realized gains on held-to-maturity financial asset		189,932	55,116
Gains on foreign currency exchange	4	538,999	1,190,142
Losses on impairment of assets	6, 12	(31,318)	-
Share of profit of associates and joint ventures accounted for using the equity method		593,045	438,492
Net other non-interest income	4, 6, 7	1,155,724	1,211,330
Total net non-interest income		<u>25,268,099</u>	<u>25,395,260</u>
Net operating income		<u>52,954,852</u>	<u>49,502,949</u>
Bad debt expense and losses on guarantees		<u>(2,729,328)</u>	<u>(4,069,204)</u>
Operating expenses			
Employee benefits expenses	4, 5, 6	(12,927,381)	(11,812,326)
Depreciation and amortization expenses	6	(1,172,074)	(1,111,969)
Other general and administrative expenses	4, 6, 7	(14,299,666)	(13,241,750)
Total operating expenses		<u>(28,399,121)</u>	<u>(26,166,045)</u>
Profit before income tax from continuing operations		21,826,403	19,267,700
Income tax expense	4, 6	(2,524,000)	(2,056,000)
Net income		<u>19,302,403</u>	<u>17,211,700</u>
Other comprehensive income			
Not to be reclassified to profit or loss in subsequent periods			
Remeasurements of defined benefit plans	6	(314,377)	(91,626)
Revaluation surplus	6	73,162	-
Changes of designated financial liabilities at fair value through profit or loss resulting from credit risk	6	(1,579,937)	44,408
Share of other comprehensive income of associates and joint ventures accounted for using the equity method - not to be reclassified to profit or loss in subsequent periods	6	(739)	61
Income tax relating to the components not to be reclassified to profit or loss in subsequent periods	6	32,080	8,027
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of a foreign operation	6	(1,273,211)	(1,305,835)
Unrealized gains (losses) on available-for-sale financial assets	6	1,217,946	(2,807,897)
Share of other comprehensive income (losses) of associates and joint ventures accounted for using the equity method equity method	6	157,192	(25,915)
Income tax relating to the components to be reclassified to profit or loss in subsequent periods	6	279,152	471,902
Other comprehensive income (losses), net of tax		<u>(1,112,732)</u>	<u>(3,706,875)</u>
Total comprehensive income		<u>\$18,189,671</u>	<u>\$13,504,825</u>
Earnings per share (In dollars)			
Net income from continuing operations	6	<u>\$2.53</u>	<u>\$2.35</u>

The accompanying notes are an integral part of the parent company only financial statements.

English Translation of Financial Statements Originally Issued in Chinese

Cathay United Bank

Parent company only statements of changes in equity

For the years ended 31 December 2017 and 2016

(Expressed in thousands of New Taiwan Dollars)

Items	Retained earnings					Equity adjustment							Total	Total Equity
	Capital stock	Capital surplus	Legal reserves	Special reserves	Undistributed earnings	Exchange differences resulting from translating the financial statements of a foreign operation	Unrealized gains (losses) on available-for-sale financial assets	Changes of designated financial liabilities at fair value through profit or loss resulting from credit risk	Remeasurements of defined benefit plans	Revaluation surplus	Others			
Balance, 1 January 2016	\$69,479,605	\$23,969,412	\$35,073,510	\$1,914,537	\$18,606,155	\$1,608,041	\$3,052,854	\$83,463	\$(1,002,133)	\$223,467	\$(1,017)	\$3,964,675	\$153,007,894	
Appropriation and distribution for 2015														
Legal Reserves	-	-	5,585,874	-	(5,585,874)	-	-	-	-	-	-	-	-	
Cash Dividends	-	-	-	-	(10,421,940)	-	-	-	-	-	-	-	(10,421,940)	
Stock Dividends	2,620,210	-	-	-	(2,620,210)	-	-	-	-	-	-	-	-	
Reversal of special reserves	-	-	-	(21,869)	21,869	-	-	-	-	-	-	-	-	
Net income for the year ended 31 December 2016(Note 1)	-	-	-	-	17,211,700	-	-	-	-	-	-	-	17,211,700	
Other comprehensive income (losses) for the year ended 31 December 2016	-	-	-	-	-	(1,083,843)	(2,583,902)	36,859	(77,006)	-	1,017	(3,706,875)	(3,706,875)	
Total comprehensive income (losses) for the year ended 31 December 2016	-	-	-	-	17,211,700	(1,083,843)	(2,583,902)	36,859	(77,006)	-	1,017	(3,706,875)	13,504,825	
Balance, 31 December 2016	\$72,099,815	\$23,969,412	\$40,659,384	\$1,892,668	\$17,211,700	\$524,198	\$468,952	\$120,322	\$(1,079,139)	\$223,467	\$-	\$257,800	\$156,090,779	
Appropriation and distribution for 2016														
Legal Reserves	-	-	5,164,217	-	(5,164,217)	-	-	-	-	-	-	-	-	
Special Reserves	-	-	-	86,060	(86,060)	-	-	-	-	-	-	-	-	
Cash Dividends	-	-	-	-	(10,814,972)	-	-	-	-	-	-	-	(10,814,972)	
Stock Dividends	1,147,816	-	-	-	(1,147,816)	-	-	-	-	-	-	-	-	
Reversal of special reserves	-	-	-	(1,365)	1,365	-	-	-	-	-	-	-	-	
Net income for the year ended 31 December 2017(Note 2)	-	-	-	-	19,302,403	-	-	-	-	-	-	-	19,302,403	
Other comprehensive income (losses) for the year ended 31 December 2017	-	-	-	-	-	(1,056,765)	1,437,844	(1,311,348)	(261,672)	79,209	-	(1,112,732)	(1,112,732)	
Total comprehensive income (losses) for the year ended 31 December 2017	-	-	-	-	19,302,403	(1,056,765)	1,437,844	(1,311,348)	(261,672)	79,209	-	(1,112,732)	18,189,671	
Issuance of common stock for cash	5,356,429	9,641,571	-	-	-	-	-	-	-	-	-	-	14,998,000	
Balance, 31 December 2017	\$78,604,060	\$33,610,983	\$45,823,601	\$1,977,363	\$19,302,403	\$(532,567)	\$1,906,796	\$(1,191,026)	\$(1,340,811)	\$302,676	\$-	\$(854,932)	\$178,463,478	

The accompanying notes are an integral part of the parent company only financial statements.

Note 1: Compensation to employee \$9,639 thousand had deducted from comprehensive income in 2016.

Note 2: Compensation to directors and supervisors \$7,000 thousand and compensation to employee \$10,922 thousand had deducted from comprehensive income in 2017.

English Translation of Financial Statements Originally Issued in Chinese  
Cathay United Bank

Parent company only statements of cash flows  
For the years ended 31 December 2017 and 2016  
(Expressed in thousands of New Taiwan Dollars)

Items	2017.01.01- 2017.12.31	2016.01.01- 2016.12.31
Cash flows from operating activities		
Profit before income tax from continuing operations	\$21,826,403	\$19,267,700
Adjustment items:		
Income and expense adjustments		
Depreciation expenses	922,616	912,775
Amortization expenses	249,458	199,194
Bad debt expenses	2,729,328	4,069,204
Interest expense	15,037,732	13,558,911
Interest income	(42,724,485)	(37,666,600)
Dividends income	(567,685)	(815,604)
Share of profit of associates and joint ventures accounted for using the equity method	(593,045)	(438,492)
Losses on disposal of property and equipment	27,472	14,359
Losses (Gains) on disposal of investment properties	6,095	(218)
Losses on impairment of financial assets	5,393	-
Losses on impairment of non-financial assets	25,925	-
Losses on valuation of investment properties	156,008	72,289
Foreign currency translation adjustment	(116,009)	(91,595)
Change in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(1,538,736)	(2,234,658)
(Increase) decrease in financial assets at fair value through profit or loss	(113,805,906)	58,059,959
Decrease in receivables	4,546,538	264,399
Decrease (increase) in discounts and loans	1,496,876	(304,688,480)
Decrease (increase) in available-for-sale financial assets	10,932,302	(24,182,991)
Decrease in held-to-maturity financial assets	11,041,414	6,717,150
Decrease (increase) in other financial assets	2,097	(2,023)
Decrease in investments in debt securities with no active market	9,187,415	45,289,130
Decrease (increase) in other assets	2,828,974	(1,201,093)
Increase in due to the Central Bank and call loans from banks	17,076,478	28,658,798
Decrease in financial liabilities at fair value through profit or loss	(2,335,227)	(12,293,173)
Increase in securities sold under agreements to repurchase	53,188,674	2,714,874
(Decrease) increase in payables	(239,997)	4,262,800
Increase in deposits and remittances	62,169,046	146,080,081
Increase (decrease) in other financial liabilities	4,490,837	(5,660,297)
Decrease in provisions	(180,677)	(236,692)
(Decrease) increase in other liabilities	(1,082,585)	1,940,255
Cash provided by (used in) operations	<u>54,762,729</u>	<u>(57,430,038)</u>
Interest received	40,755,770	37,430,388
Cash dividends received	567,685	815,604
Interest paid	(14,585,880)	(13,329,679)
Income tax paid	(2,163,949)	(1,791,382)
Net cash provided by (used in) operating activities	<u>79,336,355</u>	<u>(34,305,107)</u>
Cash flows from investing activities		
Acquisition of investment for using the equity method	(1,234,600)	-
Disposal of investment for using the equity method	46,659	-
Acquisition of property and equipment	(1,349,063)	(849,051)
Disposal of property and equipment	362	1,908
Acquisition of intangible assets	(145,320)	(217,480)
Disposal investment properties	197,325	8,578
Decrease in other assets	9,947,501	7,151,817
Cash dividends received	60,475	171,846
Net cash provided by investing activities	<u>7,523,339</u>	<u>6,267,618</u>
Cash flows from financing activities		
Increase in bank debentures payable	11,450,000	-
Increase in other liabilities	934,650	1,108,978
Distribution of cash dividends	(10,814,972)	(10,421,940)
Issuance of common stock for cash	14,998,000	-
Net cash provided by (used in) financing activities	<u>16,567,678</u>	<u>(9,312,962)</u>
Effects of foreign exchange rate changes	<u>(635,787)</u>	<u>(1,047,554)</u>
Net increase (decrease) in cash and cash equivalents	102,791,585	(38,398,005)
Cash and cash equivalents at the beginning of the period	110,087,445	148,485,450
Cash and cash equivalents at the end of the period	<u>\$212,879,030</u>	<u>\$110,087,445</u>
The components of cash and cash equivalents		
Cash and cash equivalents in balance sheets	\$58,342,595	\$56,011,450
Due from the Central Bank and call loans to banks satisfied the definition of cash and cash equivalents under IAS 7	69,148,260	17,609,455
Securities purchased under agreements to resell satisfied the definition of cash and cash equivalents under IAS 7	85,388,175	36,466,540
Cash and cash equivalents at the end of the periods	<u>\$212,879,030</u>	<u>\$110,087,445</u>

The accompanying notes are an integral part of the parent company only financial statements.

# **Appendix VI**

**Cathay United Bank Co., Ltd.**

**Affiliation report**

**2017**

## Declaration

The Bank's 2017 Affiliation Report (for the period January 1 to December 31, 2017) has been prepared in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises." There was no material discrepancy between information disclosed in the above report and notes to financial statements for the corresponding period.

Hereby declared by

Company name: Cathay United Bank Co., Ltd.

Chairman: Andrew Ming-Jian Kuo

Dated: March 15, 2018

## Correspondence

Recipient: Cathay United Bank Co., Ltd.

Subject: To express opinions on the rationality of various statements made in the 2017 Affiliation Report prepared by the Bank.

Details: The Bank has issued a declaration stating that its 2017 Affiliation Report has been prepared by the management in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” and that there was no material discrepancy between information disclosed in the above report and notes to financial statements for 2017.

In our opinion, the declaration made by the Bank’s management with respect to its 2017 Affiliation Report are deemed reasonable in all material aspects.

Ernst & Young

Bob Chang

Certified Public Accountant:

James Huang

Dated: March 15, 2018

## Relationships between parent and controlled entities

Unit: shares

Controlling company	Reasons for control	Shareholding and pledges by the controlling company			Directors and supervisors representing the controlling company	
		Number of shares held	Ratio of shareholding	Quantity of pledged shares	Title	Name
None						

Note: In situations where the subordinate company's controlling company is a subordinate company of another controlling entity, information of that controlling entity shall also be provided. The same applies to further controlling entities that can be traced along the chain of ownership.



## Relationships between controlling and controlled entities

Unit: shares

Controlling company	Reasons for control	Shareholding and pledges by the controlling company			Directors and supervisors representing the controlling company	
		Number of shares held	Ratio of shareholding	Quantity of pledged shares	Title	Name
Cathay Financial Holding Co., Ltd.	Holds 100% of voting rights-vested shares issued by the company	7,860,405,965 shares	100%	-	Chairman Vice Chairman Managing Director/ Independent Director Managing Director Managing Director Director Director Director Director Director Director Director Director Independent Director Independent Director Resident Supervisor Supervisor	Andrew Ming-Jian Kuo Tzung-Han Tsai Tsing-Yuan Hwang  Alan Lee Chun-Wei Yang Chang-Ken Lee Chuan-Chuan Hsieh Chi-Wei Joong Chung-Yi Teng Po-Tsang Hsieh Tsung-Hsien Tsai Wei-Hua Chou Jian-Hsing Wu Edward Yung Do Way Feng-Chiang Miao Peggy Wang Shu-Chen Lan

Note: In situations where the subordinate company's controlling company is a subordinate company of another controlling entity, information of that controlling entity shall also be provided. The same applies to further controlling entities that can be traced along the chain of ownership.

## Relationships between controlling and controlled entities

Unit: shares

Controlling company	Reasons for control	Shareholding and pledges by the controlling company			Directors and supervisors representing the controlling company	
		Number of shares held	Ratio of shareholding	Quantity of pledged shares	Title	Name
Cathay Life Insurance Co., Ltd.	The company is also a 100%-owned subsidiary of Cathay Financial Holding Co., Ltd.	—	—	—	—	—
Cathay Century Insurance Co., Ltd.	//	—	—	—	—	—
Cathay Securities Corporation	//	—	—	—	—	—
Cathay Venture Inc.	//	—	—	—	—	—
Cathay Securities Investment Trust Co., Ltd.	//	—	—	—	—	—

Note: In situations where the subordinate company's controlling company is a subordinate company of another controlling entity, information of that controlling entity shall also be provided. The same applies to further controlling entities that can be traced along the chain of ownership.

## Purchase (sales) transactions

Unit: NT\$ thousands

Transactions with the controlling entity				Terms with the controlling entity		Ordinary trade terms		Cause of difference	Accounts and notes receivable (payable)		Amount of receivables overdue			Remarks
Purchase (Sale)	Amount	As a percentage of total purchase (sale)	Gross profit	Unit price (\$)	Credit term	Unit price (\$)	Credit term		Balance	As a percentage of total accounts and notes receivable (payable)	Amount	Treatment	Amount of doubtful debt provisions	
None														

Note 1: In the case of advanced receipt (prepayment), explain in the remarks column the reason, terms & conditions, amount and deviation from general transaction terms.

Note 2: Adjust the items listed as deemed appropriate; leave blank if not applicable given the industry characteristics.

## Property transaction

Unit: NT\$ thousands

Transaction type (acquisition or disposal)	Property name	Transaction date or date of occurrence	Transaction amount	Delivery or payment terms	Collection/ payment of proceeds	Gain/ loss on disposal (Note 1)	Reason for transacting with the controlling entity	Information on the previous transfer (Note 2)				Transaction decision method (Note 3)	Pricing reference	Purpose of acquisition or disposal and usage	Other terms and conditions
								Owner	Relationship with the company	Date of transfer	Amount				
None															-

Note 1: Not required for properties acquired.

Note 2: (1) For properties acquired, disclose information as at the time when the property was first acquired by the controlling company; for properties disposed, disclose information as at the time when the property was first acquired by the subordinate company.

(2) In the “Relationship with the company” field, explain relationship between the owner and the controlled and controlling companies.

(3) If the counterparty of the previous transfer is a related party, provide information regarding the related party’s previous transfer in the same column.

Note 3: Explain the level of authority at which the transaction was approved.

## Capital financing

Unit: NT\$ thousands

Transaction type (lending or borrowing)	Highest balance	Closing balance	Interest rate range	Total interest - current	Financing tenor	Reason for financing	Collaterals obtained (provided)		Transaction decision method (Note 1)	Provision of doubtful debts (Note 2)
							Name	Amount		
None										

Note 1: Explain the level of authority at which the transaction was approved.

Note 2: Disclosure not required for borrowing.

## Assets leasing

Unit: NT\$ thousands

Transaction type (as lessor or lessee)	Underlying asset		Lease tenor	Nature of lease (Note 1)	Basis of rental rate	Collection (payment) terms	Comparison with normal rental rates	Sum of rent in the current period	Amount collected/paid this year	Other terms and conditions (Note 2)
	Name	Location								
As lessor (Cathay Securities)	Office premise, carpark, and signage	Taipei City, Taoyuan City, Taichung City, Tainan City, and Kaohsiung City	2017.1.1 ~ 2017.12.31	Operating lease	Negotiation	Monthly collection	Same as ordinary rental rates	\$9,930	Normal	Guarantee deposits received - \$2,597
As lessor (Cathay Life Insurance)	Office premise and carpark	Taipei City and Taichung City	2017.1.1 ~ 2017.12.31	Operating lease	Negotiation	Monthly collection	Same as ordinary rental rates	62,552	Normal	Guarantee deposits received - \$15,367
As lessor (Cathay Century Insurance)	Office premise and carpark	Taipei City, Taichung City, and Tainan City	2017.1.1 ~ 2017.12.31	Operating lease	Negotiation	Monthly collection	Same as ordinary rental rates	9,004	Normal	Guarantee deposits received - \$2,224
As lessee (Cathay Life Insurance)	Office premise	Nationwide	2017.1.1 ~ 2017.12.31	Operating lease	Negotiation	Monthly payment	Same as ordinary rental rates	580,440	Normal	Guarantee deposits paid - \$164,798
As lessee (Cathay Real Estate)	Office premise, carpark, and corporate vehicles	Taipei City, Taichung City, and Kaohsiung City	2017.1.1 ~ 2017.12.31	Operating lease	Negotiation	Monthly payment	Same as ordinary rental rates	20,150	Normal	Guarantee deposits paid - \$4,549

Note 1: The preparer should explain whether the nature of this transaction is capital lease or operating lease.

Note 2: If there are other encumbrances on the ownership, such as superficies, pledges, and servitude of real property, the preparer should disclose such conditions .

## Guarantees and endorsements

Unit: NT\$ thousands

Highest balance	Closing balance		Reason for endorsement / guarantee	Where collateral is placed as guarantee			Condition or date for guarantee withdrawal/collateral recovery	Amount of contingent losses recognized in financial statement	Any violation against operating guidelines
	Amount	As a percentage of net worth shown on financial statements		Name	Quantity	Value			
None									

## Other important transactions

### (1) Deposit

Unit: NT\$ thousands

Controlling company	Item	Closing balance	Interest rate range	Total interest
Cathay Financial Holding Co., Ltd.	Demand (current) deposit	\$137,400	0.001%-0.35%	\$294
	Check deposit	129,018	-	-
Cathay Life Insurance Co., Ltd.	Demand (current) deposit	26,126,471	0.001%-1.1%	25,584
	Check deposit	343,491	-	-
	Time deposit	2,003,000	0.05%-1.115%	2,069
Cathay Century Insurance Co., Ltd.	Demand (current) deposit	1,079,221	0.001%-1.1%	640
	Check deposit	129,755	-	-
	Time deposit	618,200	0.05%-1.115%	6,470
Cathay Securities Corporation	Demand (current) deposit	1,636,042	0.001%-1.1%	1,468
	Check deposit	-	-	-
	Time deposit	1,778,784	0.12%-0.85%	3,184
Cathay Venture Inc.	Demand (current) deposit	25,765	0.001%-0.35%	50
Cathay Securities Investment Trust Co., Ltd.	Demand (current) deposit	5,119	0.01%-0.28%	26
	Check deposit	78,395	-	-
	Time deposit	96,300	0.05%-1.02%	223



## Other important transactions

Item/Name of controlling entity	Unit: NT\$ thousands 2017
(2) <u>Revenue from service charges</u>	
Cathay Life Insurance	\$6,743,403
Cathay Century Insurance	154,446
Cathay Securities Corporation	48,216
Cathay Securities Investment Trust	38,319
(3) <u>Sundry income</u>	
Cathay Life Insurance	18,269
(4) <u>Fee expense</u>	
Cathay Securities Corporation	2,980
(5) <u>Selling expense</u>	
Cathay Life Insurance	174,073
Cathay Securities Corporation	2,900
Cathay Securities Investment Trust	4,200
(6) <u>Insurance premiums paid in the current period</u>	
Cathay Life Insurance	78,392
Cathay Century Insurance	172,376
	<u>December 31, 2017</u>
(7) <u>Consolidated tax receivable</u>	
Cathay Financial Holding Co., Ltd.	\$145,836
(8) <u>Receivable</u>	
Cathay Securities Investment Trust	\$6,957
(9) <u>Insurance agency commission receivable</u>	
Cathay Life Insurance	163,342
(10) <u>Amount payable</u>	
Cathay Century Insurance	9,994
(11) As of December 31, 2017, the Bank had engaged Cathay Life Insurance in derivative transactions such as forward exchange for a total notional principal of \$99,155,056,000. At the same time, the Bank had engaged Cathay Century Insurance in derivative transactions such as forward exchange for a total notional principal of \$2,820,538,000.	

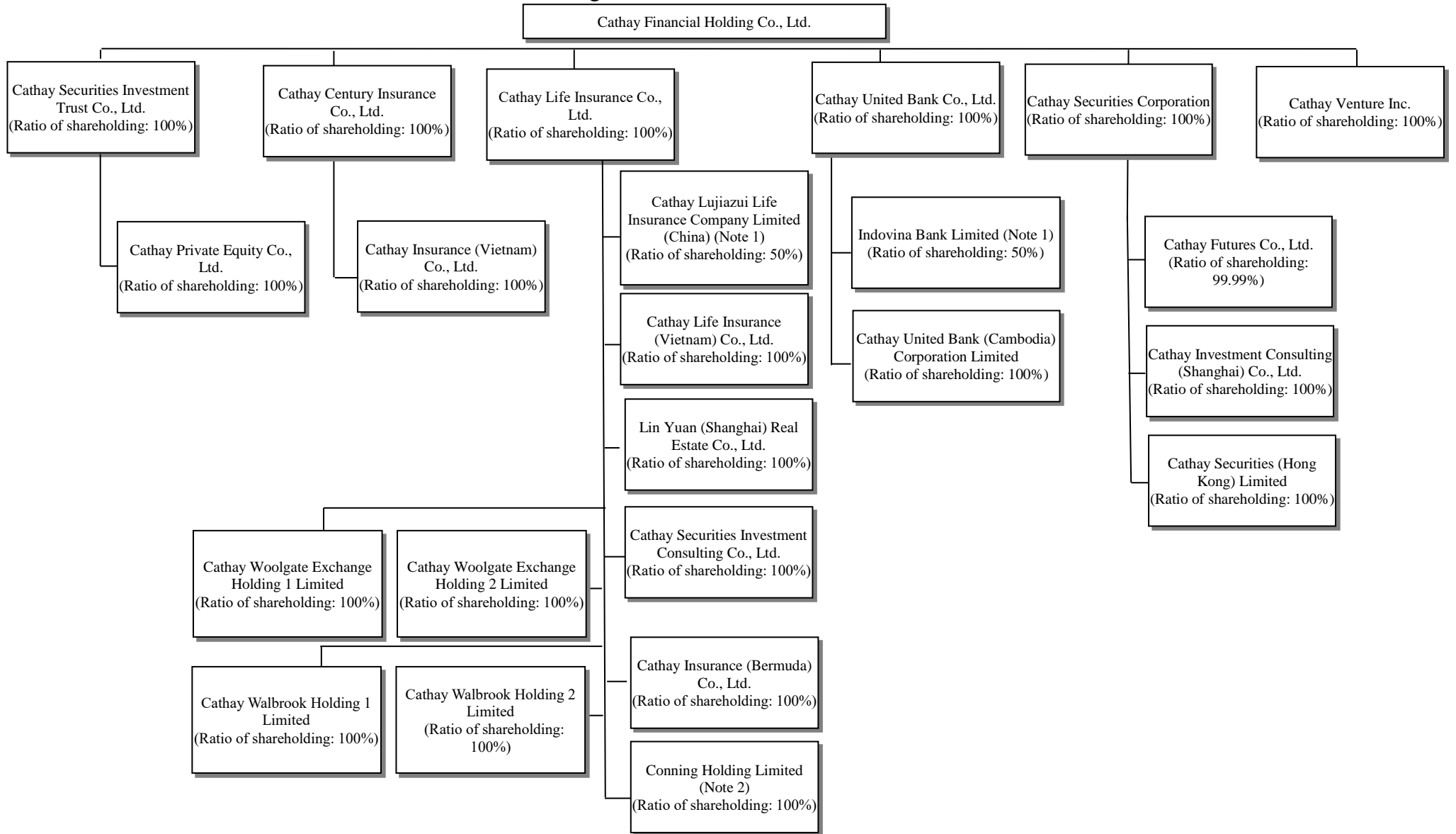
## **Appendix VII**

# **Cathay United Bank Co., Ltd.**

## **Consolidated business reports**

### **2017**

## Organizational chart of affiliates



Note 1: A subsidiary other than those referred to in Article 4 of the Financial Holding Company Act.

Note 2: Expressed with the merger entity.

Basic information on affiliates

Unit: NT\$ thousands

Company name	Date of Establishment	Address	Paid-in capital	Scope of business/production
Cathay Financial Holding Co., Ltd.	2001.12.31	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	\$133,965,102	Financial holding
Cathay Life Insurance Co., Ltd.	1962.10.23	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	54,315,274	Life insurance
Cathay United Bank Co., Ltd.	1975.1.4	No.7, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	78,604,060	Commercial banking
Cathay Century Insurance Co., Ltd.	1993.7.19	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	3,369,552	Non-life insurance
Cathay Securities Corporation	2004.5.12	19-20F., No. 333 and 6, 10, 18-21F., No. 335, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	5,510,000	Securities Business
Cathay Venture Inc.	2003.4.10	7F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	3,173,235	Venture capital services
Cathay Securities Investment Trust Co., Ltd.	2000.2.11	6F., No. 39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	1,500,000	Securities Investment Trust
Cathay Lujiazui Life Insurance Company Limited	2004.12.29	19F., Block B, 1168 Century Avenue (Oriental Financial Plaza), Pudong District, Shanghai City	13,497,155	Life insurance
Cathay Securities Investment Consulting Co., Ltd.	2002.11.25	6F., No.108, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	70,000	Securities investment consulting
Cathay Insurance (Bermuda) Co., Ltd.	1999.11.10	Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda	11,751	Class 3 general business insurers and Class C long-term insurer
Lin Yuan (Shanghai) Real Estate Co., Ltd.	2012.8.15	Unit 306, 3F. Dining-2 Department, Huadu Building, No. 828-838 Zhangyang Road, Free Economic Pilot Zone, Shanghai City	7,223,435	Leasing of proprietary office property
Cathay Life Insurance (Vietnam) Co., Ltd.	2007.11.21	46-48-50 Pham Hong Thai Street, District 1, Ho Chi Minh City, Vietnam	5,410,990	Life insurance
Cathay Woolgate Exchange Holding 1 Limited	2014.7.30	13 Castle Street, St Helier, Jersey, JE4 5UT	16,654,013	Real estate investment and management
Cathay Woolgate Exchange Holding 2 Limited	2014.7.30	13 Castle Street, St Helier, Jersey, JE4 5UT	168,222	Real estate investment and management

Company name	Date of Establishment	Address	Paid-in capital	Scope of business/production
Cathay Walbrook Holding 1 Limited	2015.3.31	13 Castle Street, St Helier, Jersey, JE4 5UT	10,189,090	Real estate investment and management
Cathay Walbrook Holding 2 Limited	2015.3.31	13 Castle Street, St Helier, Jersey, JE4 5UT	536,268	Real estate investment and management
Conning Holdings Limited	2015.6.10	24 Monument Street, London, EC3R 8AJ, United Kingdom	14,507,059	Holdings
Indovina Bank Limited	1992.10.29	97A Nguyen Van Troi Street Ward 12, Phu Nhuan Dist., HCMC, Vietnam	6,094,911	Banking
Cathay United Bank (Cambodia) Corporation Limited	1993.7.5	No.68, Samdech Pan Street (St.214),Sangkat Boeung Raing,Khan Daun Penh, Phnom Penh, Kingdom of Cambodia	3,020,769	Banking
Cathay Insurance (Vietnam) Co., Ltd.	2010.11.2	6th floor, 46-48-50 Pham Hong Thai Street, District 1, Ho Chi Minh City, Vietnam	845,585	Non-life insurance
Cathay Futures Co., Ltd.	1993.12.29	19F., No. 333 and 10 F., No.335, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	667,000	Futures services
Cathay Securities (Hong Kong) Limited	2007.3.22	Room 1001, 10F., No. 29 Queen's Road Central (China Building), Central, Hong Kong	728,544	Securities Business
Cathay Investment Consulting (Shanghai) Co., Ltd.	2014.6.11	Room 1503-B, 15F., Block A, 1168 Century Avenue (Oriental Financial Plaza), Pudong District, Shanghai City	38,965	Investment advisory services
Cathay Private Equity Co., Ltd.	2017.11.15	6F., No. 39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	50,000	Venture capital investment, investment and management consultation services

Information on shareholders presumed to have a controlling and dependent relationship

Unit: NT\$ thousands; Shares

Reason	Name (Note 1)	Number of shares held (Note 2)		Date of Establishment	Address	Paid-in capital	Main business activities
		Number of shares	Ratio of shareholding				
Cathay Life Insurance Co., Ltd. and Cathay United Bank Co., Ltd. met the conditions specified in Paragraph 2, Article 369-3 of The Company Act	Cathay Financial Holding Co., Ltd.	5,431,527,395	100%	October 23, 1962	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	\$54,315,274	Life insurance
Cathay Century Insurance Co., Ltd. and Cathay United Bank Co., Ltd. met the conditions specified in Paragraph 2, Article 369-3 of The Company Act	Cathay Financial Holding Co., Ltd.	336,955,194	100%	July 19, 1993	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	3,369,552	Non-life insurance
Cathay Securities Corporation and Cathay United Bank Co., Ltd. met the conditions specified in Paragraph 2, Article 369-3 of The Company Act	Cathay Financial Holding Co., Ltd.	551,000,000	100%	May 12, 2004	19-20F., No. 333 and 6, 10, 18-21F., No. 335, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	5,510,000	Securities Business
Cathay Venture Inc. and Cathay United Bank Co., Ltd. met the conditions specified in Paragraph 2, Article 369-3 of The Company Act	Cathay Financial Holding Co., Ltd.	317,323,481	100%	April 10, 2013	7F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	3,173,235	Venture capital services
Cathay Securities Investment Trust Co., Ltd. and Cathay United Bank Co., Ltd. met the conditions specified in Paragraph 2, Article 369-3 of The Company Act	Cathay Financial Holding Co., Ltd.	150,000,000	100%	February 11, 2000	6F., No. 39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	1,500,000	Securities Investment Trust

Note 1: In the case of common corporate shareholders, specify the name of the corporate entity; in the case of common natural-person shareholders, specify the name of the natural person. For natural-person shareholders, specify reason, name and shareholding only.

Note 2: For shareholding, specify shareholder's ownership interest in the controlling company.

Information on directors, supervisors and presidents of the company's affiliates

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay United Bank Co., Ltd.	Chairman	Andrew Ming-Jian Kuo (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Vice Chairman	Tzung-Han Tsai (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Managing Director/ Independent Director	Tsing-Yuan Hwang (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Managing Director	Alan Lee (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Managing Director	Chun-Wei Yang (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Director	Chang-Keng Li (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Director	Chuan-Chuan Hsieh (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Director	Chi-Wei Joong (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Director	Po-Tsang Hsieh (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Director	Tsung-Hsien Tsai (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Director	Wei-Hua Chou (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Director	Jian-Hsing Wu (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Independent Director	Edward Yung Do Way (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Resident Supervisor	Peggy Wang (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	Supervisor	Shu-Chen Lan (Representative of Cathay Financial Holdings)	7,860,405,965	100%
	President	Alan Lee	-	-

Information on directors, supervisors and presidents of the company's affiliates

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Financial Holding Co., Ltd.	Chairman	Hong-Tu Tsai	76,571,875	0.57%
	Vice Chairman	Tsu-Pei Chen (Representative of Cathay Medical Care Corporate)	25,148,985	0.19%
	Director	Cheng-Ta Tsai (Representative of Cathay Medical Care Corporate)	25,148,985	0.19%
	Director	Cheng-Chiu Tsai (Representative of Chen Sheng Industrial Co., Ltd.)	27,915,093	0.21%
	Director	Peter V. Kwok (Representative of Chia Yi Capital Co., Ltd.)	55,901,492	0.42%
	Director	Chi-Wei Joong (Representative of Chia Yi Capital Co., Ltd.)	55,901,492	0.42%
	Director	Andrew Ming-Jian Kuo (Representative of Chia Yi Capital Co., Ltd.)	55,901,492	0.42%
	Director	Tiao-Kuei Huang (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.26%
	Director	Chang-Ken Lee (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.26%
	Director	Ming-Ho Hsiung (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.26%
	Independent Director	Edward Yung Do Way	-	-
	Independent Director	Feng-Chiang Miao	-	-
	Independent Director	Tsing-Yuan Hwang	-	-
President	Chang-Ken Lee	-	-	



Information on directors, supervisors and presidents of the company's affiliates

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Life Insurance Co., Ltd.	Chairman	Tiao-Kuei Huang (Representative of Cathay Financial Holdings)	5,431,527,395	100%
	Vice Chairman	Ming-Ho Hsiung (Representative of Cathay Financial Holdings)	5,431,527,395	100%
	Director	Tzung-Han Tsai (Representative of Cathay Financial Holdings)	5,431,527,395	100%
	Director	Chung-Yan Tsai (Representative of Cathay Financial Holdings)	5,431,527,395	100%
	Director	John Chu (Representative of Cathay Financial Holdings)	5,431,527,395	100%
	Director	Shang-Chi Liu (Representative of Cathay Financial Holdings)	5,431,527,395	100%
	Director	Yi-Tsung Wang (Representative of Cathay Financial Holdings)	5,431,527,395	100%
	Director	Chao-Ting Lin (Representative of Cathay Financial Holdings)	5,431,527,395	100%
	Independent Director	Tsing-Yuan Hwang (Representative of Cathay Financial Holdings)	5,431,527,395	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	5,431,527,395	100%
	Resident Supervisor	Chih-Ying Tsai (Representative of Cathay Financial Holdings)	5,431,527,395	100%
	Supervisor	Tso-Hsing Hsu (Representative of Cathay Financial Holdings)	5,431,527,395	100%
	Supervisor	Chih-Ming Lin (Representative of Cathay Financial Holdings)	5,431,527,395	100%
	President	Shang-Chi Liu	-	-

Information on directors, supervisors and presidents of the company's affiliates

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Century Insurance Co., Ltd.	Chairman	Cheng-Chiu Tsai (Representative of Cathay Financial Holdings)	336,955,194	100%
	Vice Chairman	Jung-Hsien Hsu (Representative of Cathay Financial Holdings)	336,955,194	100%
	Director	Kuo-Tsai Tsai (Representative of Cathay Financial Holdings)	336,955,194	100%
	Director	Tsu-Yao Lu (Representative of Cathay Financial Holdings)	336,955,194	100%
	Director	Chih-Yi Yu (Representative of Cathay Financial Holdings)	336,955,194	100%
	Director	Tsung-Hsien Tsai (Representative of Cathay Financial Holdings)	336,955,194	100%
	Director	Yi-Min Hu (Representative of Cathay Financial Holdings)	336,955,194	100%
	Independent Director	Tsing-Yuan Hwang (Representative of Cathay Financial Holdings)	336,955,194	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	336,955,194	100%
	Resident Supervisor	Chin-Hsing Liu (Representative of Cathay Financial Holdings)	336,955,194	100%
	Supervisor	Tso-Hsing Hsu (Representative of Cathay Financial Holdings)	336,955,194	100%
	President	Yi-Min Hu	-	-
Cathay Securities Corporation	Chairman	Shun-Yu Chuang (Representative of Cathay Financial Holdings)	551,000,000	100%
	Director	Chang-Keng Li (Representative of Cathay Financial Holdings)	551,000,000	100%
	Director	Chin-Hsing Liu (Representative of Cathay Financial Holdings)	551,000,000	100%
	Director	Kuan-Cheng Chou (Representative of Cathay Financial Holdings)	551,000,000	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	551,000,000	100%
	Independent Director	Wei-Kang Pan (Representative of Cathay Financial Holdings)	551,000,000	100%
	Supervisor	Wan-Chu Ma (Representative of Cathay Financial Holdings)	551,000,000	100%
	Supervisor	Chi-Chang Huang (Representative of Cathay Financial Holdings)	551,000,000	100%
	President	Kuan-Cheng Chou	-	-

Information on directors, supervisors and presidents of the company's affiliates

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Venture Inc.	Chairman	Jen-Ho Chang (Representative of Cathay Financial Holdings)	317,323,481	100%
	Director	Shang-Chi Liu (Representative of Cathay Financial Holdings)	317,323,481	100%
	Director	Yi-Tsung Wang (Representative of Cathay Financial Holdings)	317,323,481	100%
	Director	Yi-Fang Tsai (Representative of Cathay Financial Holdings)	317,323,481	100%
	Director	Shih-Chiao Lin (Representative of Cathay Financial Holdings)	317,323,481	100%
	Supervisor	Shun-Yu Chuang (Representative of Cathay Financial Holdings)	317,323,481	100%
	President	Chuan-Yen Hu	-	-
Cathay Securities Investment Trust Co., Ltd.	Chairman	Shyi Chang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Yung-Chuan Chang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Kou-Chung Huang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Yi-Tsung Wang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Chih-Ping Chiang (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Woody Bradford (Representative of Cathay Financial Holdings)	150,000,000	100%
	Director	Bo Kratz (Representative of Cathay Financial Holdings)	150,000,000	100%
	Supervisor	Jui-Hung Hung (Representative of Cathay Financial Holdings)	150,000,000	100%
	President	Yung-Chuan Chang	-	-
Cathay Lujiazui Life Insurance Company Limited	Chairman	Tso-Chiang Li (Representative of Shanghai Lujiazui Finance & Trade Zone Development Company Limited)	-	50%
	Director	Hsuan-Yen Wang (Representative of Shanghai Lujiazui Finance & Trade Zone Development Company Limited)	-	50%
	Director	Chin-Shu Lin (Representative of Cathay Life Insurance)	-	50%
	Director	Chun-Hung Wu (Representative of Cathay Life Insurance)	-	50%
	Director	Ming-Hung Liao (Representative of Cathay Life Insurance)	-	50%
	President	Ming-Hung Liao	-	-

Information on directors, supervisors and presidents of the company's affiliates

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Securities Investment Consulting Co., Ltd.	Chairman	David P. Sun (Representative of Cathay Life Insurance)	7,000,000	100%
	Director	Bo Kratz (Representative of Cathay Life Insurance)	7,000,000	100%
	Director	Kuan-Cheng Chou (Representative of Cathay Life Insurance)	7,000,000	100%
	Director	Su-Chu Li (Representative of Cathay Life Insurance)	7,000,000	100%
	Director	Chun-Hung Wu (Representative of Cathay Life Insurance)	7,000,000	100%
	Supervisor	Wei-Chi Li (Representative of Cathay Life Insurance)	7,000,000	100%
	President	-	-	-
Cathay Insurance (Bermuda) Co., Ltd.	Chairman	Ta-Kun Liu (Representative of Cathay Life Insurance)	370,000	100%
	Vice Chairman	Hsien-Chung Lin (Representative of Cathay Life Insurance)	370,000	100%
	Director	Carol Feathers (Representative of Cathay Life Insurance)	370,000	100%
	President	Hsien-Chung Lin	-	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Chairman	Wen-Kai Kuo (Representative of Cathay Life Insurance)	-	100%
	Director	Yi-Hui Chien (Representative of Cathay Life Insurance)	-	100%
	Director	Min-Hung Shih (Representative of Cathay Life Insurance)	-	100%
	Supervisor	Tu-Chih Kung (Representative of Cathay Life Insurance)	-	100%
	President	-	-	-
Cathay Life Insurance (Vietnam) Co., Ltd.	Chairman	Chin-Shu Lin (Representative of Cathay Life Insurance)	-	100%
	Director	Wan-Hsiang Chen (Representative of Cathay Life Insurance)	-	100%
	Director	Hsun-Yu Li (Representative of Cathay Life Insurance)	-	100%
	Supervisor	Chun-Hung Wu (Representative of Cathay Life Insurance)	-	100%
	President	Hsun-Yu Li	-	-
Cathay Woolgate Exchange Holding 1 Limited	Managing Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	326,700,000	100%
	Director	Ting-Lun Li (Representative of Cathay Life Insurance)	326,700,000	100%
	Director	Min-Hung Shih (Representative of Cathay Life Insurance)	326,700,000	100%
	President	-	-	-

Information on directors, supervisors and presidents of the company's affiliates

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Woolgate Exchange Holding 2 Limited	Managing Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	3,300,000	100%
	Director	Yi-Hui Chien (Representative of Cathay Life Insurance)	3,300,000	100%
	Director	Min-Hung Shih (Representative of Cathay Life Insurance)	3,300,000	100%
	President	-	-	-
Cathay Walbrook Holding 1 Limited	Managing Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	213,750,000	100%
	Director	Hsu-Feng Cheng (Representative of Cathay Life Insurance)	213,750,000	100%
	Director	Ting-Lun Li (Representative of Cathay Life Insurance)	213,750,000	100%
	President	-	-	-
Cathay Walbrook Holding 2 Limited	Managing Director	Wen-Kai Kuo (Representative of Cathay Life Insurance)	11,250,000	100%
	Director	Hsu-Feng Cheng (Representative of Cathay Life Insurance)	11,250,000	100%
	Director	Min-Hung Shih (Representative of Cathay Life Insurance)	11,250,000	100%
	President	-	-	-
Conning Holdings Limited	Chairman	Woody Bradford (Representative of Cathay Life Insurance)	1,855,283	100%
	Director	David P. Sun (Representative of Cathay Life Insurance)	1,855,283	100%
	Director	Tzung-Han Tsai (Representative of Cathay Life Insurance)	1,855,283	100%
	Independent Director	John Boneparth (Representative of Cathay Life Insurance)	1,855,283	100%
	Independent Director	Meryl D. Hartzband (Representative of Cathay Life Insurance)	1,855,283	100%
	Independent Director	Ronald P. Joelson (Representative of Cathay Life Insurance)	1,855,283	100%
	Independent Director	David P. Marks (Representative of Cathay Life Insurance)	1,855,283	100%
	Independent Director	Jason Rotman (Representative of Cathay Life Insurance)	1,855,283	100%
Indovina Bank Limited	President	-	-	-
	Chairman	Nguyen Anh Tuan (Representative of Vietinbank)	-	50%
	Vice Chairman	Ming-Hsien Li (Representative of Cathay United Bank)	-	50%
	Director	Chan-Kun Lu (Representative of Cathay United Bank)	-	50%
	Director	Yi-Fang Chan (Representative of Cathay United Bank)	-	50%
	Director	Le Van Phu (Representative of Vietinbank)	-	50%
	Director	Nguyen Thu Hang (Representative of Vietinbank)	-	50%
	President	Yi-Fang Chan	-	-

Information on directors, supervisors and presidents of the company's affiliates

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay United Bank (Cambodia) Corporation Limited	Chairman	Chung-Yi Teng (Representative of Cathay United Bank)	100,000,000	100%
	Director	David P. Sun (Representative of Cathay United Bank)	100,000,000	100%
	Director	Yi-Fang Chan (Representative of Cathay United Bank)	100,000,000	100%
	Director	Su-Chu Li (Representative of Cathay United Bank)	100,000,000	100%
	Director	Wei-Chih Chen (Representative of Cathay United Bank)	100,000,000	100%
	Independent Director	Wu-Shui Cheng (Representative of Cathay United Bank)	100,000,000	100%
	Independent Director	Chang-Chuan Hsia (Representative of Cathay United Bank)	100,000,000	100%
	President	Wei-Chih Chen		-
Cathay Insurance (Vietnam) Co., Ltd.	Chairman	Wen-Te Tu (Representative of Cathay Century Insurance)	-	100%
	Director	Yu-Tang Lin (Representative of Cathay Century Insurance)	-	100%
	Director	Fu-Chi Huang (Representative of Cathay Century Insurance)	-	100%
	President	Yu-Tang Lin	-	-
Cathay Futures Co., Ltd.	Chairman	Chun-Sheng Chen (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Ju-Ping Chiu (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Chia-Chin Lin (Representative of Cathay Securities)	66,693,748	99.99%
	Director	Chao-Kuei Kuo (Representative of Cathay Securities)	66,693,748	99.99%
	Supervisor	Yu-Mei Li (Representative of Cathay Securities)	66,693,748	99.99%
Cathay Securities (Hong Kong) Limited	President	Shih-Ming Lin	-	-
	Director / President	Yuan-Chung Lu (Representative of Cathay Securities)	-	100%
	Director	Hsiu-Ling Hsu (Representative of Cathay Securities)	-	100%
	Director	Chien-Chih Lin (Representative of Cathay Securities)	-	100%
	President	-	-	-

Information on directors, supervisors and presidents of the company's affiliates

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Investment Consulting (Shanghai) Co., Ltd.	Chairman	Chun-Wei Yang (Representative of Cathay Securities)	-	100%
	Director	Chien-Chih Lin (Representative of Cathay Securities)	-	100%
	Director	Hsi-Wei Chou (Representative of Cathay Securities)	-	100%
	Supervisor	Jui-Ming Huang (Representative of Cathay Securities)	-	100%
	President	Hsi-Wei Chou	-	-
Cathay Private Equity Co., Ltd.	Chairman	Shyi Chang (Representative of Cathay Securities Investment Trust)	5,000,000	100%
	Director	Yung-Chuan Chang (Representative of Cathay Securities Investment Trust)	5,000,000	100%
	Director	Kou-Chung Huang (Representative of Cathay Securities Investment Trust)	5,000,000	100%
	Director	Chih-Ping Chiang (Representative of Cathay Securities Investment Trust)	5,000,000	100%
	Director	Hui-Chun Wu (Representative of Cathay Securities Investment Trust)	5,000,000	100%
	Supervisor	Yung-Hui Chang (Representative of Cathay Securities Investment Trust)	5,000,000	100%
	President	Chih-Ping Chiang	-	-

## Operating profile of affiliated companies

Unit: NT\$ thousands

Company name	Location	Capital	Total Assets	Total liabilities	Net worth	Operating income	Operating profit /net revenues	Current pre-tax profit	Income tax (expense) benefit	Current net income	Earnings Per Share (NTD)
Cathay Financial Holding Co., Ltd.	Taiwan	133,965,102	652,749,699	53,682,628	599,067,071	Note 1	58,936,647	58,114,043	(1,807,308)	56,306,735	4.47
Cathay Life Insurance Co., Ltd.	Taiwan	54,315,274	6,060,689,374	5,625,101,329	435,588,045	861,140,395	32,377,300	33,806,661	2,483,477	36,290,138	6.84
Cathay United Bank Co., Ltd.	Taiwan	78,604,060	2,682,592,536	2,504,129,058	178,463,478	Note 1	52,954,852	21,826,403	(2,524,000)	19,302,403	2.53
Cathay Century Insurance Co., Ltd.	Taiwan	3,369,552	37,918,485	27,401,164	10,517,321	17,581,119	2,171,750	2,154,814	(296,677)	1,858,137	6.32
Cathay Securities Corporation	Taiwan	5,510,000	27,932,538	20,687,242	7,245,296	2,901,034	334,503	352,900	(79,029)	273,871	0.50
Cathay Venture Inc.	Taiwan	3,173,235	3,589,088	41,078	3,548,010	283,108	230,278	229,162	(22,659)	206,503	0.65
Cathay Securities Investment Trust Co., Ltd.	Taiwan	1,500,000	2,851,902	522,948	2,328,954	1,755,727	498,888	525,257	(85,842)	439,415	2.93
Cathay Lujiazui Life Insurance Company Limited	China	13,497,155	30,451,588	20,464,490	9,987,098	8,312,772	(121,164)	(111,500)	(80,715)	(192,215)	-
Cathay Securities Investment Consulting Co., Ltd.	Taiwan	70,000	309,427	52,268	257,159	285,737	127,203	125,417	(21,153)	104,264	14.89
Cathay Insurance (Bermuda) Co., Ltd.	Bermuda	11,751	121,671	-	121,671	23,425	1,590	1,590	-	1,590	4.27
Lin Yuan (Shanghai) Real Estate Co., Ltd.	China	7,223,435	7,928,907	401,051	7,527,856	241,081	174,968	174,951	(42,108)	132,843	-
Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	5,410,990	8,032,089	2,066,470	5,965,619	1,552,735	95,900	98,577	(18,404)	80,173	-
Cathay Woolgate Exchange Holding 1 Limited	Jersey Island	16,654,013	14,190,719	99,103	14,091,616	(106,998)	(107,700)	(107,700)	(145,611)	(253,311)	-
Cathay Woolgate Exchange Holding 2 Limited	Jersey Island	168,222	143,773	952	142,821	(1,086)	(1,779)	(1,779)	(1,340)	(3,119)	-
Cathay Walbrook Holding 1 Limited	Jersey Island	10,189,090	22,638,818	13,269,202	9,369,616	471,780	45,462	45,462	-	45,462	-
Cathay Walbrook Holding 2 Limited	Jersey Island	536,268	1,189,471	698,379	491,092	24,827	1,906	1,906	-	1,906	-
Conning Holdings Limited(Note 2)	UK	14,507,059	22,157,021	8,405,643	13,751,378	5,804,132	118,054	118,054	98,597	216,651	-
Indovina Bank Limited	Vietnam	6,094,911	54,257,168	46,568,991	7,688,177	Note 1	2,286,114	925,330	(202,924)	722,406	-
Cathay United Bank (Cambodia) Corporation Limited	Cambodia	3,020,769	10,010,451	6,979,864	3,030,587	Note 1	459,653	153,294	(35,649)	117,645	0.66
Cathay Insurance (Vietnam) Co., Ltd.	Vietnam	845,585	1,023,905	434,347	589,558	208,066	21,143	22,583	3	22,586	-
Cathay Futures Co., Ltd.	Taiwan	667,000	6,328,972	5,156,430	1,172,542	239,019	(20,348)	34,027	(93)	33,934	0.51
Cathay Securities (Hong Kong) Limited	Hong Kong	728,544	1,272,055	904,870	367,185	102,482	(32,901)	(31,628)	-	(31,628)	-
Cathay Investment Consulting (Shanghai) Co., Ltd.	China	38,965	11,445	425	11,020	4,248	(4,715)	(4,713)	-	(4,713)	-
Cathay Private Equity Co., Ltd.	Taiwan	50,000	49,984	86	49,898	-	(126)	(123)	21	(102)	(0.02)

Note 1: Only net revenues are disclosed because the latest version of Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and Regulations Governing the Preparation of Financial Reports by Public Banks no longer present operating revenues and operating gains.

Note 2: Conning Holdings Limited is presented as a consolidated entity.



## Overview of business activities of affiliated enterprises

### I. Businesses activities covered by affiliated companies

- (I) Cathay Financial Holding Co., Ltd.: Financial holding.
- (II) Cathay Life Insurance Co., Ltd.: Life insurance.
- (III) Cathay United Bank Co., Ltd.: Commercial banking.
- (IV) Cathay Century Insurance Co., Ltd.: Non-life insurance.
- (V) Cathay Securities Corporation: Securities.
- (VI) Cathay Venture Inc.: Venture capital investment.
- (VII) Cathay Securities Investment Trust Co., Ltd.: Securities investment trust.
- (VIII) Cathay Lujiazui Life Insurance Company Limited: Life insurance.
- (IX) Cathay Securities Investment Consulting Co., Ltd.: Securities investment consultation.
- (X) Cathay Insurance (Bermuda) Co., Ltd.: Class 3 general business insurers and Class C long-term insurer.
- (XI) Lin Yuan (Shanghai) Real Estate Co., Ltd.: Leasing of proprietary office property.
- (XII) Cathay Life Insurance (Vietnam) Co., Ltd.: Life insurance.
- (XIII) Cathay Woolgate Exchange Holding 1 Limited: Real estate investment and management.
- (XIV) Cathay Woolgate Exchange Holding 2 Limited: Real estate investment and management.
- (XV) Cathay Walbrook Holding 1 Limited: Real estate investment and management.
- (XVI) Cathay Walbrook Holding 2 Limited: Real estate investment and management.
- (XVII) Conning Holdings Limited: Holdings company.
- (XVIII) Indovina Bank Limited: Banking.
- (XIX) Cathay United Bank (Cambodia) Corporation Limited: Banking.
- (XX) Cathay Insurance (Vietnam) Co., Ltd.: Non-life insurance.
- (XXI) Cathay Futures Co., Ltd.: Futures.
- (XXII) Cathay Securities (Hong Kong) Limited: Securities.
- (XXIII) Cathay Investment Consulting (Shanghai) Co., Ltd.: Investment consulting.
- (XXIV) Cathay Private Equity Co., Ltd.: Venture capital investment, investment and management consultation services.

### II. Job specialization with affiliated enterprises:

The Bank has signed a joint marketing agreement with Cathay Life Insurance, Cathay Century Insurance and Cathay Securities; this arrangement covers shared use of business premise or equipment and coordinated business promotion between employees. Expenses and compensations are allocated according to “Cathay Financial Holding Co., Ltd. Subsidiaries Joint Marketing Policy.”

The Bank has signed a collaborative agreement with Cathay Financial Holding Co., Ltd., Cathay Life Insurance, Cathay Century Insurance and Cathay Securities to share the use, development and maintenance of information equipment and systems. The agreement outlines details of how expenses are allocated.

Cathay United Bank Co., Ltd.

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