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Stock code: 5835



Cathay United Bank

2018 Annual Report

Dated: April 26, 2019

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VI. Overseas Listings and Access to the Listing Information: None.

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One. Letter to Shareholders

I. Foreword

Dear shareholders:

The global economy remained largely stagnant throughout 2018 not only due to interest rate hikes initiated by the Fed, but also because of the series of trade wars waged by President Trump, and concerns toward China's economic prospects eventually resulted in the withdrawal of capital from equity markets. A weakened RMB currency combined with foreign investors' decisions to underweight Taiwan equity caused the NTD to weaken from less than NT\$30 per US\$1 to nearly NT\$31 per US\$1. At this point, we expect the global economy to slow down even further in 2019, which will ultimately affect Taiwan. Key areas to pay attention to include: whether the Fed ceases its rate hikes, whether the trade wars result in settlement, and whether capitals pending continue to weaken, but overall, the following year will pose many challenges to Taiwan as far as economic growth is concerned.

Despite intensifying volatility and competition within the global market, the Bank still managed to maintain high growth thanks to its exceptional management team and highly efficient organization. Not only has the Bank out-performed peers in earnings, the organization also won recognition from local and major awards such as: Global Finance - "The Best Banks in Taiwan from Global Finance"; Euromoney - "Regional Best Service in Asia Pacific" The Banker - "Best Transaction Bank in Asia-Pacific 2018"; Asiamoney - "Best Bank for CSR from Asiamoney"; Taiwan Academy of Banking and Finance - "Best Risk Management - Outstanding," "Best Wealth Management - Excellent" and "Best Trust Service - Excellent"; IDC DX Awards - "Omni Experience Innovator"; and Wealth Magazine - "Best Wealth Management." It is evident that financial products and services offered by the Bank have been well-perceived by experts local and abroad.

At the end of 2018, the Bank had a total of 164 branches deployed throughout Taiwan. With respect to key overseas markets, the Bank currently operates 2 wholly owned subsidiaries, 1 joint venture bank, 6 branches and 5 representative offices in total. In the China market, the Bank commenced operation of its subsidiary - Cathay United Bank (China) Ltd. on September 3, 2018, which will be working closely with the Bank's Hong Kong Branch to grow cross-border services and develop a new variety of RMB-denominated financial products. 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. Through expansion of service network, integration of group resources and working with local strategic partners, the Bank aims to create a one-stop financial service platform to the benefit of more corporate customers, and take progressive steps toward becoming “Asia's leading bank.”

In terms of service innovation, the Bank has been combining intra-group technologies and resources locally and abroad to create a “smart investment” platform that improved both the scope and added value of financial service. From information, investment subscription to after-sale service, this new platform brings digital solutions to conventional processes. Furthermore, the Bank uses big data to develop smart decision logics and applies them to products such as personal loan and credit card for optimal digital experience during application and transaction, as well as strengthened customer relations in terms of breadth and depth.

For more effective fulfillment of corporate social responsibilities, the Bank transformed into Taiwan's first equator bank 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 as a means to minimize impact of industrial activities on the environment and society. An announcement to voluntarily comply with UNEP FI “Principles for Responsible Banking” was made to further fulfill the Bank's corporate sustainability efforts, its vision of becoming the market's leading brand in green banking, and its goals toward “sustainable environmental, social and economic developments.”

The Bank perceives talent as the cornerstone to future growth, and has committed efforts into creating a complete talent bank and training programs, for which it was awarded “Best Talent Development - Outstanding” by Taiwan Academy of Banking and Finance and ranked first in People Development Awards of Taiwan Corporate Sustainability Awards. 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. 2018 business report

The Bank had been able to maintain growth across all main business activities in 2018; key accomplishments as of the end of 2018 are as follows:

(I) Consumer banking service

1. The Bank continues to improve fundamental services to customers, and has invested extensively to connect physical and digital channels to deliver the ultimate one-stop shopping experience of financial services.
2. Deposit balance amounted to NT\$2,204.2 billion at the end of 2018, up 5.9% compared to 2017; 65.1% of the NTD deposit balance were demand deposits.
3. At the end of December 2018, outstanding balance across mortgage products (including: home equity loan) totaled NT\$724.9 billion, up NT\$52.4 billion or 7.8% from the end of 2017. Balance of personal loan products amounted to NT\$71.3 billion, up NT\$11.6 billion or 19.5% from the end of 2017.

(II) Financial payment service

1. Transaction acquisition service: The Bank was able to expand payment applications further by winning the tender for Taoyuan Airport MRT in July 2018, which represents a significant breakthrough given that it is the Bank's first contract with a transportation service provider. Several renowned merchants were contracted this year, including: Elite Mall, VIESHOW Cinemas, and CityLink, whereas Cosmed, a member of Uni-President Group, also accepted the Bank as its new acquirer after 7-ELEVEN and Starbucks. As of December 2018, the Bank was contracted by 52,406 merchants for transaction acquisition service.
2. New payment: After cooperating with Familymart and 85°C Cafe for the integration of mobile payment and membership service in 2017, the Bank further expanded its collaborative efforts in 2018 to incorporate leading brands of different industries from convenience store chain, restaurant, pharmacy, culture & creativity to entertainment, and helped merchants develop brand-exclusive mobile payment solutions. 7-ELEVEN's "OPEN Wallet," Watsons' "Watsons Pay," SK Cinemas' e-Wallet and La Kaffa's e-Wallet are all successful examples of the Bank's mobile payment ecosystem.

(III) Credit card service

1. Total outstanding cards exceeded 6.35 million in 2018 while the number of active cards reached 4.67 million and credit card spending amounted to a record-high of NT\$492.4 billion during the year.

2. By working closely with prominent merchants, the Bank was able to expand payment applications further and integrate merchants' discounts and membership points through digital platforms in ways that improved cardholders' attachment, contribution and relationship.
3. Through the use of a smart decision model and a “customer view” platform, the Bank provides customers with most suitable product recommendations and thereby increased customers' product request and profit contribution.

(IV) Wealth management service

The Bank ranks first among peers in terms of RSP (regular savings plan) subscriptions, due to its sustained efforts at promoting long-term investment and the presence of a user-friendly fund pricing system.

(V) Trust service

AUM (asset under management) of charity trusts totaled NT\$37.8 billion in 2018, ranking first in the market, whereas AUM of personal and corporate trusts amounted to NT\$65.7 billion, representing a growth of more than 30% compared to 2017. AUM of real estate trusts totaled NT\$50.1 billion and total assets under custody amounted to NT\$858.9 billion, both were higher than 2017.

(VI) Corporate banking service

The Bank has been able to maintain growth of its corporate banking portfolio by targeting key industries and assigning specialized relationship managers. Meanwhile, support of group resources helps improve efficiency of business expansion efforts while maintaining proper balance between risk and return. As of December 31, 2018, corporate loan balance (including overseas) amounted to NT\$609.1 billion.

(VII) Foreign currency service

1. The Bank has been active in the establishment of correspondence banking relations in ASEAN and Greater China Regions as 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. Despite the challenging global environment, the Bank has been focusing on growing its foreign currency service. Using pattern analysis, the Bank was able to strengthen relationships across all customer segments for mutual benefit. Foreign currency deposit balance in 2018 amounted to US\$16.3 billion, up 9.4% from 2017; import/export and foreign exchange transactions amounted to US\$140.1 billion in 2018, up 10.9% from 2017; trade financing balance amounted to US\$1.03 billion in 2018, up 40.0% from 2017.

(VIII) Digital banking services

1. Mobile portal: A digital interactive ad placement system was implemented so that marketing information can be personalized according to customers' characteristics, browsing history etc. to achieve the best relevance, effectiveness and yield.
2. LINE BC: This digital service extension allows customers to make credit card inquiries, payments, cardless cash withdrawals, collect credit card payments and receive account information over LINE, and has been critical to the promotion of digital lifestyle.
3. Mobile banking APP: A new mobile banking APP has been designed to offer mobile features such as personalized push message, transaction and credit card information. Quick login options including fingerprint and hand gesture were added to shorten customers' time.
4. Having observed pain points in young customers' banking behaviors, new products including “KOKO Digital Account,” “KOKO COMBO icash Co-brand Card” and “KOKO Free's Loan” were introduced to create the smoothest digital experience. In addition, an unprecedented attempt was made to sponsor “KOKO LAB,” a multi-purpose exhibition space, to promote brand awareness and dominance. By making all services accessible online at customers' fingertips, KOKO's digital deposit account holders grew by 4 times with young customers representing 70% of total accounts.
5. With regards to the growth of digital banking service, new registrations increased by 14% by the end of 2018.

(IX) Treasury service

The Financial Supervisory Commission continued its high-profile supervision over derivatives and required all banks to develop proper valuation and control practices for derivative product offerings in 2018. In addition, transaction controls have to be implemented when offering structured deposits to mass-market customers to evaluate the suitability of products offered given customers' profile. In response to the new requirements, the Bank has acquired systems from external suppliers and developed proprietary models to enhance risk control, protect customers' interests and ensure compliance in all product offerings.

There has been significant volatility in global financial markets due to oil price fluctuations, anticipation for Fed's rate hike, and the ongoing China-US trade war. In response to increasing corporate demand for risk aversion solutions, the Bank adjusted its product structure and marketed them to customers in need, and was able to increase spread income by 19% in 2018.

(X) Overseas operations

The Bank places significant emphasis on the growth of Asian markets, especially the Greater China Region and Southeast Asia. In the Greater China market, the Bank's China subsidiary opened in September 2018 and has since been following a localized business strategy to grow new RMB services. The Hong Kong Branch, on the other hand, continued exploring service diversity and cooperative opportunities with domestic and foreign partners. 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. Through these branches, the Bank is able to develop distinctive businesses and integrate group resources to provide local customers with more diverse, better quality and more complete range of financial services.

■ Changes in organization

1. A new “International Banking Division” was established; offshore branches/offices previously managed under the Corporate Banking Affairs Division were moved under “International Banking Division,” and the International Banking Department was removed.
2. A new “Information Security Department” was created directly under the Head Office.
3. Foreign Businesses Department of the Corporate Banking Affairs Division was renamed “Global Trading Services Department.”
4. An “Institutional Business Department” was created under the Corporate Banking Affairs Division.
5. The “Education and Development Department” previously managed under the Personal Banking Affairs Division was moved to the General Administration Division.
6. Branches in China were re-organized into Cathay United Bank (China) Ltd.

■ Budget execution

The Bank achieved 101.88% of its NT\$2,163.6 billion deposit target and 97.35% of its NT\$1,618.1 billion loan target (including revolving credit on credit cards; mainly attributed to an adjustment of loan structure and re-organization of Shanghai Branch into subsidiary) in 2018. In terms of credit cards, the Bank achieved 102.92% of its 6.17 million card target.

Unit: NT\$ 100 million

Business activities	2018 - actual	2018 - target	Achievement rate
Deposit	22,042	21,636	101.88%
Credit (including revolving credit on credit cards)	15,752	16,181	97.35%
Credit card	6.35 million cards	6.17 million cards	102.9%

■ Revenue, expense, and profitability analysis

Unit: NT\$ millions, %

Item \ Year	2018	2017	Growth rate (%)
Net interest income	30,826	27,687	11.34%
Net income other than interest	27,660	25,268	9.47%
Total net revenues	58,486	52,955	10.44%
Bad debt expenses, commitment and guarantee liability provision expense	4,341	2,729	59.07%
Operating expenses	30,119	28,399	6.06%
Pre-tax profit	24,026	21,826	10.08%
Income tax expense	3,006	2,524	19.10%
Net income	21,020	19,302	8.90%
EPS (after tax)(NT\$)	2.30	2.17	-
Return on assets (after tax)	0.77%	0.74%	-
Return on shareholders' equity (after-tax)	10.96%	11.54%	-

■ Research and development

- (I) Users are guided to shift service from offline to online, and more O2O integrated services are being introduced to make Cathay United Bank the most accessible branch.

LINE BC cardless cash withdrawal was launched as a more advanced integration of online and ATM services

- (II) 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.

1. The Bank developed the industry's first digital-only loan product called Free's Loan, which achieved an application conversion rate that was 2~3 times the Bank-wide average.
2. The Bank introduced several APP-based credit card functions ahead of peers that greatly improved the overall experience of KOKO APP users.
3. Through interdepartmental cooperation (including departments managing deposit operations, channel management, customer services etc.), the Bank was able to resolve structural issues concerning users' data, including blacklists and bank data maintenance.

- (III) New credit card and personal loan customers were brought in to enhance influence of digital channels
1. The Bank developed the industry's first digital-only loan product called Free's Loan, which achieved an application conversion rate that was 2~3 times the Bank-wide average.
 2. The Bank introduced several APP-based credit card functions ahead of peers that greatly improved the overall experience of KOKO APP users.

III. Summary of the 2019 business plan

■ Operational strategies for 2019

- (I) In terms of deposit service, the Bank has been promoting customers' knowledge toward account opening/investment/loan/protection/wealth management through marketing campaigns, and reaching customers through a combination of digital and physical channels. Meanwhile, actions have been taken to optimize service process and minimize service disruption while improving the convenience and consistency of services offered for higher revenues.
- (II) For consumer credit service, the Bank will introduce a broader range of integrated financial products and market them through cross-selling to enhance customer relationships. Big data analysis will be adopted to help identify customer segments, develop personal loans in line with customers' requirements, and streamline the loan approval process. Through enhanced digital communication, the Bank aims to explore customers' lifestyle in greater depth and cooperate with established ecosystems to introduce lending service over existing platforms.
- (III) With respect to trust service, the Bank will target wealth transfer needs of high net worth customers and offer total asset planning solutions along with investment products in the form of trust, thereby satisfying customers' needs to transfer wealth across generations.
- (IV) Resources will be devoted to growing the Bank's professionalism in wealth management service. The existing team of financial experts will be supported by new technologies so that they may continue offering asset allocation advice, innovative investments, wealth transfer solutions and total asset planning at various stages in customers' lives that are mutually beneficial to customers and the Bank.

- (V) With respect to treasury service, the Bank has been coordinating with channels for end-to-end product delivery, acquiring customers by offering niche products that satisfy their needs, and growing treasury into a stable, sustainable and professional service for further potentials.
- (VI) As for private banking, the Bank has been expanding the overall size of this business segment, raising productivity of the sales team, optimizing private wealth management platforms in Taiwan and Hong Kong, and enhancing intra-industry cooperations and group resource integrations to provide total solutions and wealth transfer services for customers.
- (VII) In the credit card segment, the Bank will aim to improve customer segmentation by growing young customers with potential, while offering suitable product combinations with the help of data and information. Alliances will be formed with strategic partners to expand payment scenarios, whereas lifestyle banking services will be developed based on user experience and data-driven insight into customers' behaviors and needs to create a financial ecosystem that benefits both consumers and merchants.
- (VIII) The Bank will continue increasing market share of its transaction acquisition service by working with industry leaders. Securing top-3 market share in transaction acquisition would provide the economy of scale needed to market the Bank's complete cash flow services. The Bank may even resolve inter-department joint marketing to promote transaction acquisition as well as full range of financial services.
- (IX) Large-scale ATM deployment shall be the first step toward financial service expansion, and the Bank will be working with strategic partners to create a financial ecosystem that delivers optimal customer-centric user experience based on the extensive network of ATMs the Bank has in place.
- (X) The Bank will continue exploring cooperative opportunities with different industries, and leverage the flexibility and openness of an innovative platform called Payment Hub to help merchants expand customer reach while bringing mobile payment solutions close to people's lives.
- (XI) The digital banking team will strive to create, operate and transform existing digital channels and develop innovative products that are suitable for digital offering. Meanwhile, the team will engage external partners in open interfacing to develop the agility and data capacity needed to optimize end-to-end customer relationship management.

- (XII) In terms of foreign currency service, the Bank will promote its trade financing services by exploring customers and cross-selling products needed for customers' operating accounts through available channels. Automated services will be developed for corporate banking customers for improved experience and satisfaction, whereas cooperation will be made with peers on a higher level to further complete product offerings locally and abroad.
- (XIII) The corporate banking credit team will continue focusing business promotion efforts on key local businesses, industry specialization, and customer segment management for overall improvement in terms of business performance and service efficiency. Resources will be committed into training versatile corporate banking talents that are capable of supporting the organization's One Team spirit and raising team performance to a new level.
- (XIV) In terms of SME credit, the Bank will emphasize on growing SME customer base and business opportunities by helping SMEs undergo transformation. A specialized SME team is assembled to work with branches in providing differentiated service to “Sophisticated Customers” through a business model that focuses on “professionalism” and “localization,” while satisfying various financial needs of SME owners, their employees, family members and key shareholders. Professional capacity of the credit assessment team will be further enhanced for improved operating efficiency and risk identification, whereas front/mid/back office communication will also be established to achieve process optimization and deliver better customer experience.
- (XV) New technologies will be adopted as part of the digital development plan to incorporate financial services seamlessly into daily business scenarios. The Bank aims to progressively transform into a digital consultant for businesses, and shall replicate its successful experience to other overseas locations.
- (XVI) A significant amount of attention will be directed toward expansion into Greater China and ASEAN markets. In Southeast Asia, the Bank will focus on growing local customers and businesses, creating a cross-border platform, and cooperating with local strategic partners for the offering of one-stop financial service to more corporate customers. In the China market, the Bank will emphasize on expanding retail banking service, including the offering of new forms of RMB-denominated financial products.

■ Expected business targets and basis of estimate

2019 business targets

Unit: NT\$ 100 million

Main business category	Target
Deposit	22,388
Credit (including revolving credit on credit cards)	16,306
Credit card (outstanding cards)	6.53 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, and aim to achieve business targets by offering high 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. Strengthen relationship with top mortgage customers by introducing a broader range of integrated financial products and market them through cross-selling.
2. Enhance digital communication; explore customers' lifestyle in greater depth and cooperate with established ecosystems to introduce lending service over existing platforms.
3. Optimize services from a “customer experience” standpoint across physical and digital channels; strengthen customer relationships with more friendly and convenient services for improvement of overall operating performance.
4. Increase intensity of customer relationship management by focusing toward customers and products that offer revenue potentials for greater profit contribution. Improve transparency of privileges offered on platforms for uniform customer experience and increased business value.
5. Grow customer base and business opportunities through continual support to the SME transformation program. Assemble a specialized SME team that provides differentiated service to “Sophisticated Customers” through a business model that focuses on “professionalism” and “localization.” Enhance professional capacity of the credit assessment team for improved operating efficiency and risk assessment. Establish front/mid/back office communication to achieve process optimization and deliver better customer experience.

(II) Financial payment service

1. Merchant transaction acquisition service: Integrate bank resources and support the ONE TEAM by engaging internal departments in the joint marketing of transaction acquisition as well as full range of financial services. Support government policies by adopting TW Pay, and enable supported ATM cards to be used for QR code payment.
2. New payment service: Cooperate with prominent channels and merchants to explore innovative payment solutions not only to provide merchants with greater convenience but also to connect more financial service opportunities. In the meantime, the Bank will try to bring innovative banking into people's lifestyle by improving customer experience.

3. Automated channels: Optimize user interface and functionality; incorporate biometrics identification technology for better banking experience, cash flow service and overall business performance.

(III) Credit card service

1. Manage customer segments and offer differentiated yet suitable products using data/information analysis. Improve customer segmentation by growing young customers with potentials, and thereby sustain competitiveness.
2. Introduce customized and segmented promotional campaigns to create values from digital channels. Develop lifestyle banking services that are centered around customer experience for enhanced brand dominance and loyalty.
3. Form alliance with strategic partners and expand payment scenarios. Develop lifestyle banking services based on customer experience, analyze customers' financial service needs through the transaction data gathered, and incorporate financial service into various lifestyle scenarios to create a financial ecosystem that benefits both consumers and merchants.

(IV) Wealth management service

1. Apply differentiated customer segment management and strengthen attachment of high net worth customers.
2. The Bank will make more extensive use of financial technologies as means to improve customers' experience.
3. Additional attention will be directed towards asset allocation and investment risk management to help diversify income source and protect asset value for customers.

(V) Trust service

1. In response to aging demographics and increase in wealth transfer needs, an innovative trust platform offering diverse and complete asset planning solutions and investment instruments will be created to help customers structure customized and flexible trusts for wealth succession and transfer.
2. Participate in urban renewal and building renewal projects in support of government policies, while balancing risks against returns.
3. Engage top-performing investment trust companies to hold custody of

public (private) funds, and promote custodian service for investment-linked insurance and discretionary investment accounts.

(VI) Corporate banking service

Focus business promotion efforts on key local businesses and industry specialization; streamline and optimize front/mid/back office processes for overall improvement in terms of business performance and service efficiency, and thereby create best customer experience for improved customer attachment.

(VII) Foreign currency service

Through expansion of foreign currency product line, optimization of foreign exchange platforms, 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.

(VIII) Overseas operations

1. Deploy overseas channels and devise plans to offer differentiated and diverse products that expand the customer base. Offer high-quality and comprehensive financial services based on needs of local markets and customers, and increase profit contribution from overseas.
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, and thereby taking steps toward becoming a leading financial institution in Asia Pacific.
3. Enhance existing compliance, internal control and risk management systems. Apply rigorous control over the credit process and service quality, and connect overseas offices to create a competitive cross-border platform. All overseas offices will escalate localization efforts to help raise the Bank's global visibility and explore new market opportunities. For suitable strategic partners, the Bank may collaborate on a higher level through arrangements such as investment, merger and joint venture, so that the Bank may continually improve the range and quality of financial services provided to customers.

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

(I) External competition

Stagnation of the global economy combined with curtailed capital expenditure have given the IMF, World Bank and Fed reasons to adjust economic outlook in a negative way. Rising interest rates and intensifying trade conflict between China and the USA may even put the global economy in recession. In response, the Bank will continue tightening control over credit exposures while promoting financial products and services with a creative mindset that aims to cater for revenues and risks at the same time.

The wave of “digital revolution” has given rise to new technologies and digital banking service, changed the conventional banking and marketing practices, and fueled the growth of virtual channels to the extent that physical branches are being forced to undergo transformation. Today, it is necessary for banks to invest into the creation of an online banking environment and to guide branches toward transformation, while at the same time cater for customers' experience and transaction security. Technologies have already changed the ways of the financial industry, and uprise of virtual and cloud-based services is believed to disrupt the competitive landscape even further, making FinTech companies the primary competitor.

Although competition in the Greater China Region and Southeast Asia has escalated due to deregulation on foreign investors, banks in general should be able to take advantage of this development now that new business models are available.

(II) The regulatory environment

In light of major information security incidents reported by local and foreign financial institutions in recent years, the Financial Supervisory Commission has amended “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” and imposed requirements for financial service providers to establish designated security units for the planning, monitoring and execution of information security measures. The Bank has responded to the legal requirement and the need for additional security protection by assembling its Information Security Department in March 2018.

The Bank places great emphasis on how the regulatory environment affects its business. In addition to enforcing internal control and compliance, the Bank has internal policies in place to address important issues such as consumer protection, AML/CTF and corporate social responsibilities. Training and compliance self-assessments are being held on a regular and ad-hoc basis to promote compliance culture and practice among employees of all grades and departments.

(III) The overall business environment

Outlook of the global economy in 2018 will be largely affected by uncertainties surrounding the China-US trade conflict, the slowdown in China's economic growth, monetary policies of major economies, and political/economic distractions in Europe. Overall, growth of global trade and economic activities are expected to lessen in the coming year. While the Fed continues to increase interest rates, other major economies remain divided in their monetary policies. The world should expect more frequent cross-border movement of capital, and fragile economies may suffer as a result. Domestic investors and consumers may turn conservative in the coming year, and hinder growth momentum of Taiwan's economy.

The Bank will strive to maintain consistency of its business performance, bring more complete financial services and account features to customers, secure deposit source, and optimize customer experience. The Bank also aims to develop integrated investment solutions for customers of special needs, and take advantage of group synergy by cross-selling them through 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	2018.10
Standard & Poor's	A-	A-2	Stable	2018.10
Moody's	A2	Prime-1	Stable	2019.01

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.”.

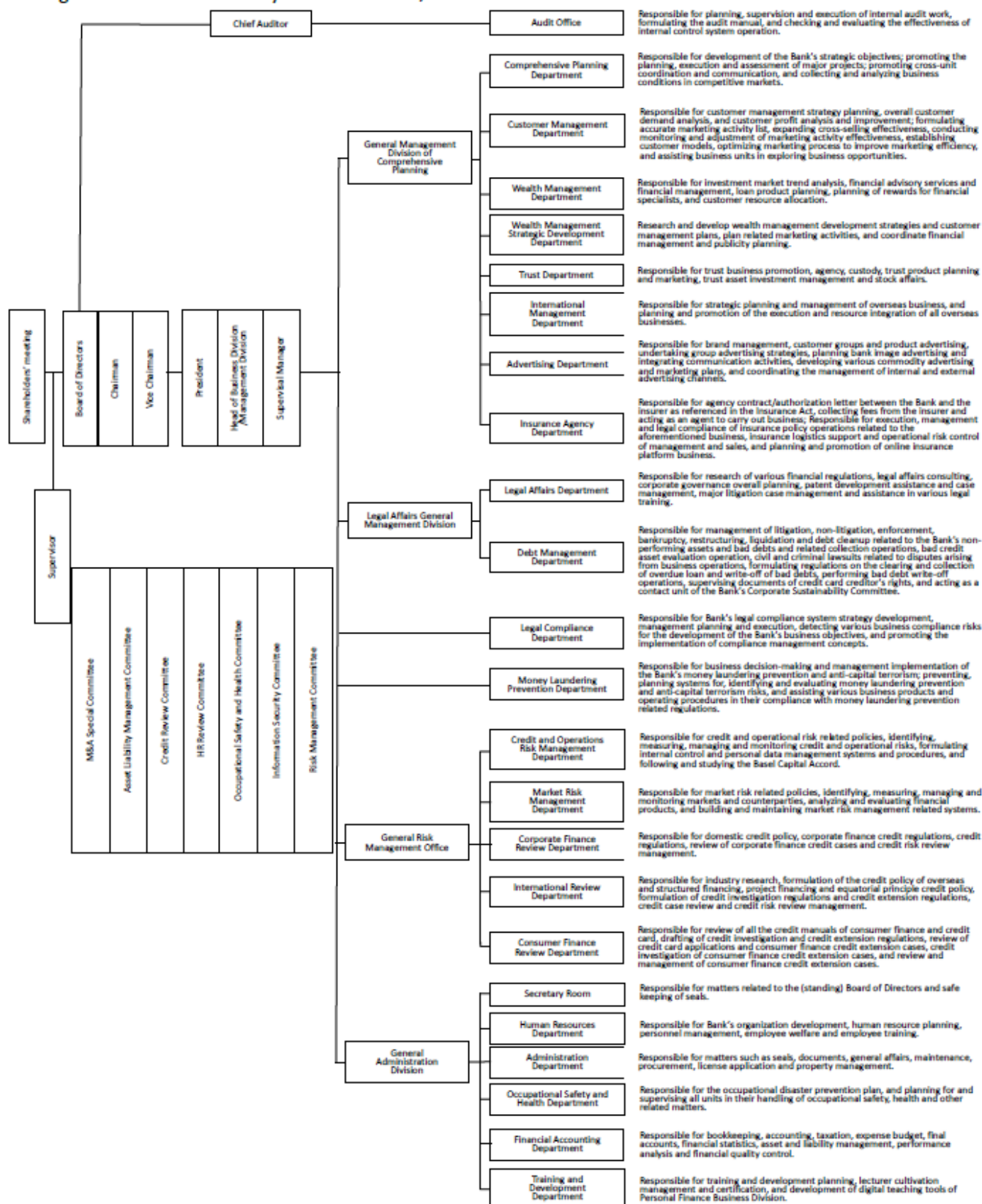
To expand the scope of services provided and our market share, we then acquired Diqi Shangye Yinhang (Seventh Commercial Bank) on 1 January 2007. Further growth was achieved by accepting specific asset debt balances and operations of Zhonglian Xintuo on 29 December 2007. Since these acquisitions and 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

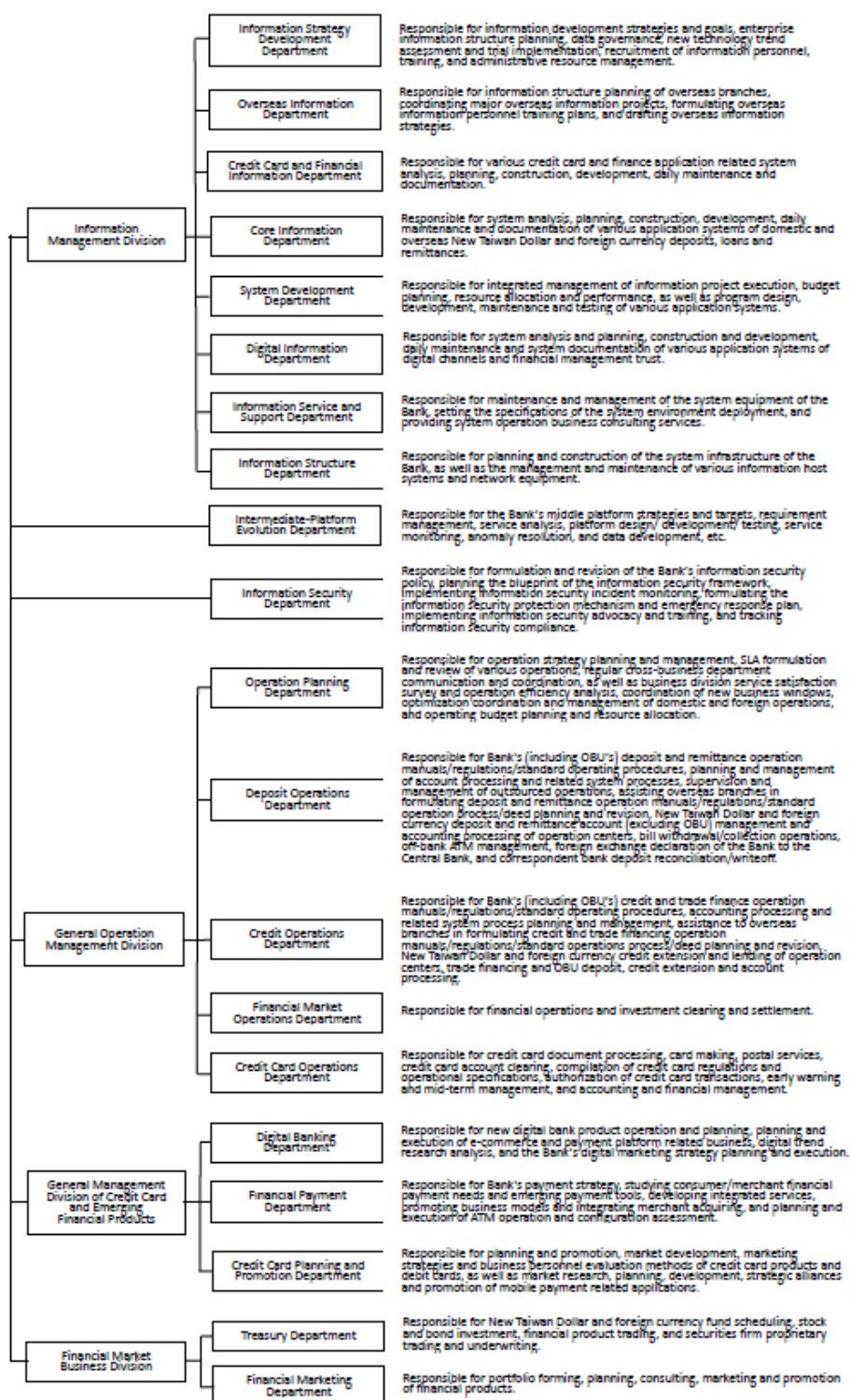
I. Organization: Organization and responsibilities of main departments

Organization Chart of Cathay United Bank Co., Ltd.

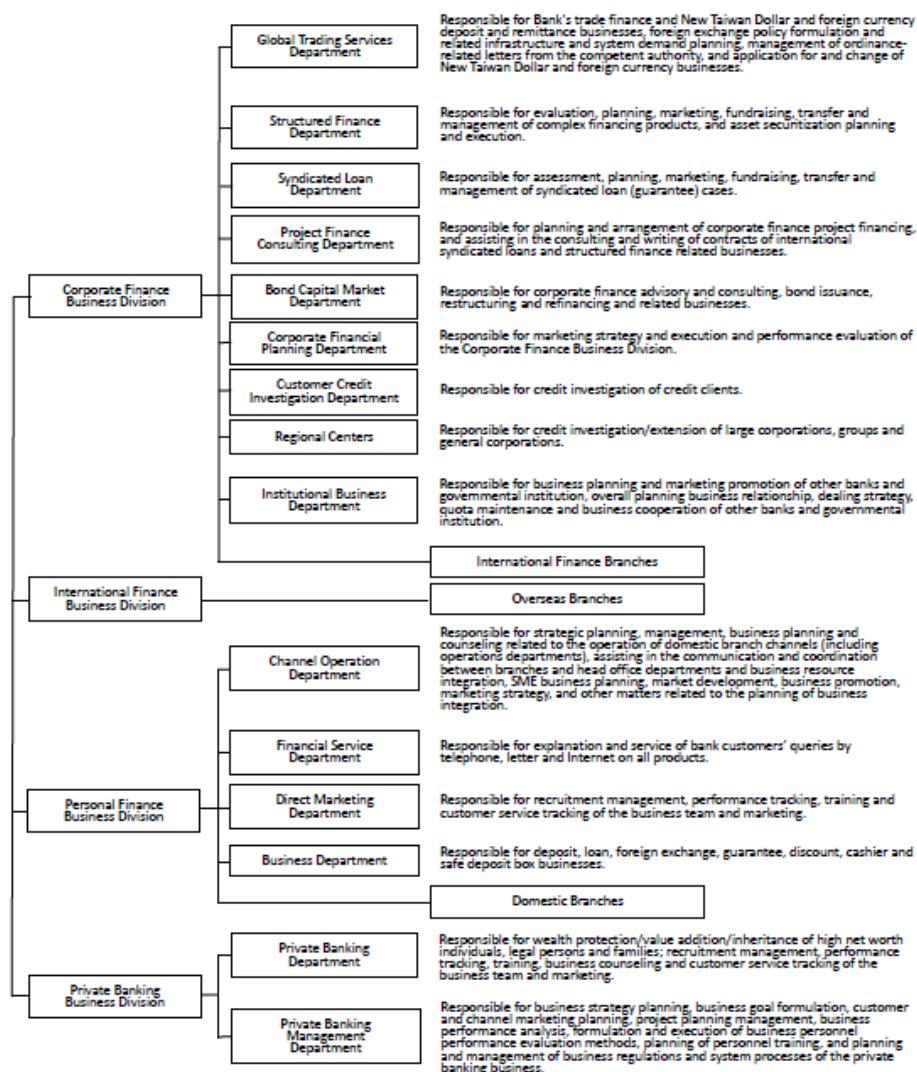
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II. Board members, Supervisors and Top managers from Each Division and Subsidiary and Consultants

Board Members and Supervisors Information (1)

March 31, 2019

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
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)	-	-	-	-	-	-	Chairman, Cathay United Bank (MBA, Baruch College, City University of New York, USA)	Director of Cathay Financial Holdings, Long Chen Paper, Far East Horizon Limited, Taiwan Farm Industry Co., Ltd., Avary Holding (Shenzhen) Co., Limited, Financial Information Service Co. Ltd., Cathay Medical Care Corporate and Cathay Charity Foundation; Independent Director of Samson Holding Ltd.; Chairman of Cathay United Bank (China); 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)	-	-	-	-	-	-	Vice Chairman of Cathay United Bank (J.D., Georgetown University, USA)	Director of Cathay Life Insurance, Conning Holdings Limited, The Taiwan Entrepreneurs Fund Limited and 7-Eleven Malaysia Holdings Berhad; Executive Vice President of Tung Chi Capital	Director	Tsung-Hsien Tsai	Brothers

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
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)	-	-	-	-	-	-	Director, Hon Hai Precision Industry Co., Ltd./Former Executive Officer & Head of Asia and Oceania, Daiwa Securities SMBC Co., Ltd., Former Director, First Financial Holding (Ph.D. Candidate, Business Graduate School, Nihon University, Japan)	Independent Director of Cathay Financial Holdings, Cathay Life Insurance, Cathay Century Insurance and Taiwan Glass Ind. Corp.; Chairman of Wei Heng Asset Management, KHL Venture Capital and KHL IB Venture Capital; Director of Hon Hai Precision Industry, KHL Capital, KHL Investment I Ltd., United Advertising Co., Ltd., Scope Star International Limited, Gloss Victory International Limited and Hongtze Investment; Director of Chinese National Association of Industry and Commerce, Taiwan (CNAIC), etc.	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)	-	-	-	-	-	-	President of Cathay United Bank (Master of Law, National Taiwan University)	President of Cathay United Bank; Director of Cathay United Bank (China), CDIB Partners Investment Holding Corp., Taiwan Real Estate Management, Taiwan Finance Corporation, National Credit Card Center of R.O.C.; Supervisor of PT Bank Mayapada Internasional, Tbk			

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
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)	-	-	-	-	-	-	Senior Executive Vice President of Cathay United Bank (Department of Law, National Chengchi University)	Senior Executive Vice President of Cathay United Bank; Supervisor of National Credit Card Center	None		
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)	-	-	-	-	-	-	President of Cathay Financial Holdings (MBA, University of Pennsylvania, USA)	President of Cathay Financial Holdings; Managing Director of CDIB Partners Investment Holding; Director of Cathay Financial Holdings, Cathay Securities, Cathay Charity Foundation, Cathay United Bank Foundation, Joint Credit Information Center and Taiwan Real Estate Management; Director of The Bankers Association of Taipei; Supervisor of Cathay General Hospital; Executive Supervisor of The Bankers Association of R.O.C.			
Director	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Han-Kuo Chen	M	2018.11.03 (Note 14)	3 years	2018.11.03	(Note)	(Note)	-	-	-	-	-	-	Bank of Taiwan - Deputy Manager of Department of Planning and Chief of Legal Affairs Center (Master of Law, Soochow University)	Bank of Taiwan - Deputy Manager of Department of Planning and Chief of Legal Affairs 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
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)	-	-	-	-	-	-	Chairman, MiTAC Holdings Corporation (MBA, Santa Clara University, USA, B.A. in Electrical Engineering, UC Berkeley, USA)	Independent Director of Cathay Financial Holdings, Cathay Life Insurance, Cathay Century Insurance and Cathay Securities; Chairman of MiTAC Holdings, MiTAC Inc., Synnex Technology International, Lien Hwa Holdings Corporation, UPC Technology, Harbinger Venture Capital, Lien Chieh Investment, MiTAC International, Harbinger VII Venture Capital, Harbinger Management Consultancy, Lien Cheng Venture Capital and Mei Feng Investment; Director of Getac Technology, Wei Cheng Investment, BOC Lien Hwa Industrial, Harbinger III Venture Capital, MiTAC Information Technology, MiTAC Computing Technology, United Industrial Gases, MiTAC Digital Technology, Synnex Corporation, GLORY ACE INTERNATIONAL INC. and Synnex Global Ltd.; Director of Chinese National Association of Industry and Commerce	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
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)	-	-	-	-	-	-	Chairman, YCSY Co., Ltd./Former CEO, Deloitte Taiwan (MBA, University of Georgia, USA)	Independent Director of Cathay Financial Holdings, Far Eastern Department Stores, Synnex Technology International and Chieh Shen International; Independent Non-Executive Director of Da Chan Food (Asia) Limited; Chairman of Yong Chin Enterprise; Director of Iron Force Industrial, Vanguard International Semiconductor, MiTAC Holdings and Chilisun Electronic Corp.; Supervisor of Jamicon Corporation	None		
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)	-	-	-	-	-	-	Chairman and CEO (legal representative) of Moderntimes Co., Ltd.; Former President, CMB Credit Card Center (B.A., Kean College of New Jersey, USA)	Legal Representative, Moderntimes (China) Co., Ltd.; Chairman and CEO (legal representative) of Moderntimes Co., Ltd.; Director of Cathay Financial Holdings, Essence Management Services Limited, Moderntimes Information Co., Ltd., etc.			
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)	-	-	-	-	-	-	Senior Executive Vice President of Cathay United Bank (MBA, Massachusetts Institute of Technology)	Chairman of Cathay United Bank (Cambodia); Senior Executive Vice President of Cathay Financial Holdings and Cathay United Bank; Director of Cathay United Bank (China) and Taiwan Star Telecom; Supervisor of Taipei Forex Inc.	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
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)	-	-	-	-	-	-	Former Senior Executive Vice President of Cathay United Bank (Department of Business Administration, Chinese Culture University)		None		
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)	-	-	-	-	-	-	Senior Executive Vice President of Cathay Financial Holdings (M.S. in Electronic Engineering, Harvard University, USA)	Director of Cathay Century Insurance, Symphox Information Co.,Ltd.; Senior Executive Vice President of Cathay Financial Holdings	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)	-	-	-	-	-	-	Senior Executive Vice President of Cathay United Bank (Master of Computer Science and Information Engineering, Tamkang University)	Senior Executive Vice President of Cathay Financial Holdings 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)	-	-	-	-	-	-	Senior Executive Vice President of Cathay United Bank (Master of Finance, National Chengchi University)	Senior Executive Vice President of Cathay United Bank; Director of Taiwan Finance Corporation; Supervisor of Cathay United Bank (China)			

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
Resident Supervisor	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Yiao-Chiun Lai	M	2019.01.31 (Note 16, 17)	3 years	2019.01.31	(Note)	(Note)	-	-	-	-	-	-	Former Chief Auditor of Cathay United Bank (Master of Business Administration, Tamkang University)		None		
Supervisor	R.O.C.	(representative for Cathay Financial Holding Co., Ltd.) Liang-Lin Chien	F	2018.04.27 (Note 12)	3 years	2018.04.27	(Note)	(Note)	-	-	-	-	-	-	Chief Secretary of Chunghwa Post (Master of International Business, Tamkang University)	Chief Secretary of Chunghwa Post			

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: Directors' and supervisors' concurrent duties were accurate as of the end of March 2019.

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 interim 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 Madam 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 Madam 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. Shan-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: Madam Shu-Chen Lan resigned from the Bank's supervisor position on January 16, 2018, effective from January 16, 2018.

Note 12: On April 26, 2018, Cathay FHC appointed Madam Liang-Lin Chien to succeed as the Bank's supervisor, to take effect from April 27, 2018 until the end of the existing term.

Note 13: Madam Chuan-Chuan Hsieh submitted a request on June 19, 2018 to resign from the Bank's director, effective on June 26, 2018.

Note 14: On November 2, 2018, Cathay FHC appointed Mr. Han-Kuo Chen to succeed as the Bank's director, to take effect from November 3, 2018 until the end of the existing term.

Note 15: Madam Peggy Wang submitted a request on January 17, 2019 to resign from the Bank's supervisor, effective on January 31, 2019.

Note 16: On January 30, 2019, Cathay FHC appointed Mr. Yiao-Chiun Lai to succeed as the Bank's supervisor, to take effect from January 31, 2019 until the end of the existing term.

Note 17: During the 2nd meeting of the 15th board of supervisors held on January 31, 2019, Mr. Yiao-Chiun Lai was elected to serve as Resident Supervisor.

Chart 1: Major Shareholders of Institutional Shareholders

April 16, 2019

Institutional Shareholders (Note 1)	Major Shareholders of Institutional Shareholders (Note 2)
Cathay Financial Holding Co., Ltd.	Wan Pao Development Co., Ltd. (15.84%), Lin Yuan Investment Co., Ltd. (13.83%), New Labor Pension Fund Scheme (2.42%), Shin Kong Life Insurance Co., Ltd. (1.90%), Labor Insurance Fund (1.48%), Nan Shan Life Insurance Company Ltd. (1.48%), TransGlobe Life Insurance Inc. (1.35%), Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (1.30%), China Life Insurance Company (1.13%), Old Labor Pension Fund Scheme (1.03%)

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 shares and Class A and Class B 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 16, 2019

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%)
Labor Pension Fund Supervisory Committee - Labor Retirement Fund under the new system	Non-company organization
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd. 100%
Labor Insurance Fund	Non-company organization

Institutional Shareholders (Note)	Major Shareholders of Institutional Shareholders
Nan Shan Life Insurance Company, Ltd.	First Commercial Bank in its capacity as trustee for trust account of Ruen Chen Investment Holding (68.17%), Ruen Chen Investment Holding (22.46%), Ying-Zong Tu (3.25%), Ruen Hua Dyeing & Weaving Co., Ltd. (0.28%), Ruentex Leasing Co., Ltd. (0.13%), Jipin Investment Co., Ltd. (0.11%), Wen-De Kuo (0.09%), Hsin-Hui Yao (0.06%), 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%)
TransGlobe Life Insurance Inc.	Chung Wei Yi Co., Ltd. - 100%
Citibank (Taiwan) as Directed Trustee For GIC-Government of Singapore	Non-company organization
China Life Insurance Co., Ltd.	China Development Financial Holding Corp. (25.33%), KGI Securities Co., Ltd. (9.63%), Cathay Life Insurance Co., Ltd. (3.34%), Videoland Television Network (2.35%), Citibank in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (Singapore) (1.73%), New Labor Pension Fund Scheme (1.34%), Ling-Lang Chan (1.27%), Citibank in Its Capacity as Master Custodian for Investment Account of the Central Bank of Norway (1.19%), JP Morgan Chase Bank in its Capacity as Master Custodian for Investment Account of Saudi Arabian Monetary Agency (1.13%), JP Morgan Chase Bank Taipei Branch in its capacity as Master Custodian for Investment Account of Vanguard FTSE Emerging Markets ETF (1.08%)
Labor Pension Fund Supervisory Committee - Labor Retirement Fund under the old system	Non-company organization

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, 2019

Name	Criteria	Has at least five years of relevant working experience and the following professional qualifications			Independence Criteria (Note 1)										Name of other Taiwanese Companies currently Serves as an independent Director (Note 2)
		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 the banking	Commercial, legal, financial, accounting or other work experiences required to perform banking duties	1	2	3	4	5	6	7	8	9	10	
Andrew Ming-Jian Kuo				✓	✓		✓	✓			✓	✓	✓		
Tzung-Han Tsai				✓			✓		✓		✓		✓		
Tsing-Yuan Hwang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		3
Alan Lee				✓			✓	✓	✓		✓	✓	✓		
Chun-Wei Yang				✓			✓	✓	✓		✓	✓	✓		
Chang-Ken Lee				✓			✓	✓			✓	✓	✓		
Han-Kuo Chen	✓	✓		✓	✓	✓	✓	✓	✓		✓	✓	✓		
Feng-Chiang Miao				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		3
Edward Yung Do Way		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		2
Chi-Wei Joong				✓	✓		✓	✓			✓	✓	✓		
Chung-Yi Teng				✓			✓	✓			✓	✓	✓		
Po-Tsang Hsieh				✓	✓	✓	✓	✓	✓		✓	✓	✓		
Tsung-Hsien Tsai				✓			✓				✓		✓		
Jian-Hsing Wu				✓		✓	✓	✓			✓	✓	✓		
Wei-Hua Chou				✓			✓	✓	✓		✓	✓	✓		
Yiao-Chiun Lai				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Liang-Lin Chien				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

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-Zi No. 0960010070.

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

March 31, 2019

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; Director of Cathay United Bank (China), CDIB Partners Investment Holding Corp., Taiwan Real Estate Management, Taiwan Finance Corporation, National Credit Card Center of R.O.C.; 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	Managing Director of Cathay United Bank; Supervisor of National Credit Card Center	—	—	—
Senior Executive Vice President	R.O.C.	Chung-Yi Teng	M	20140711	(Note)	—	—	—	—	—	MBA, Massachusetts Institute of Technology, USA	Chairman of Cathay United Bank (Cambodia); Senior Executive Vice President of Cathay FHC; Director of Cathay United Bank, Cathay United Bank (China), Taiwan Star Telecom; Supervisor of Taipei Forex Inc.	—	—	—
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	Supervisor of Cathay United Bank, Taiwan Finance Corporation, Cathay United Bank (China)	—	—	—
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		—	—	—
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)		—	—	—

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.	Yi-Fang Chan	M	20170309	(Note)	—	—	—	—	—	MBA, American International College		—	—	—
Executive Vice president	R.O.C.	Su-Chu Li	F	20050523	(Note)	—	—	—	—	—	MBA, University of Central Florida		—	—	—
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)	—	—	—	—	—	MBA, 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.	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, USA		—	—	—
Executive Vice president	R.O.C.	Chih-Feng Wang	M	20161206	(Note)	—	—	—	—	—	MBA, National Tsing Hua University		—	—	—
Executive Vice president	R.O.C.	Yun-Wei Huang	M	20170701	(Note)	—	—	—	—	—	MBA, Information Management, 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
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		—	—	—
Executive Vice president	R.O.C.	Po-Sheng Fu	M	20180613	(Note)	—	—	—	—	—	Master of Finance, Victoria University of Wellington		—	—	—
Executive Vice president	R.O.C.	Chen-Han Wen	M	20180701	(Note)	—	—	—	—	—	MBA, Drucker School of Management		—	—	—
Executive Vice president	R.O.C.	Fa-Hsiang Chang	M	20190101	(Note)	—	—	—	—	—	Master of Finance, New York University		—	—	—
Senior Vice President	R.O.C.	Chun-Liang Ko	M	20110315	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—
Senior Vice President	R.O.C.	Hui-Chun Huang	F	20151101	(Note)	—	—	—	—	—	MBA, University of Wisconsin-Madison		—	—	—
Senior Vice President	R.O.C.	Jung-Hsi Li	M	20171109	(Note)	—	—	—	—	—	Bachelor of Law, National Taiwan University		—	—	—
Senior Vice President	R.O.C.	Yao-Te Wang	M	20180502	(Note)	—	—	—	—	—	Master of Computer Science, University of Southern California	Senior Vice President of Cathay Financial Holdings	—	—	—
Senior Vice President	R.O.C.	Shu-Yu Tu	F	20040501	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
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.	Po-Hsiung Li	M	20070917	(Note)	—	—	—	—	—	MBA, Bernard M. Baruch College of the City University of New York		—	—	—

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.	Chia-Hui Sun	F	20120501	(Note)	—	—	—	—	—	Bachelor of Theatre Arts, Chinese Culture University		—	—	—
Senior Vice President	R.O.C.	Mei-E Kuo	F	20170101	(Note)	—	—	—	—	—	Bachelor of Department of Business, National Open University		—	—	—
Senior Vice President	R.O.C.	Chun-Ping Chen	F	20180210	(Note)	—	—	—	—	—	Bachelor of Economics, Tamkang University		—	—	—
Senior Vice President	R.O.C.	Chun-Wei Lai	M	20181103	(Note)	—	—	—	—	—	Master of Insurance, Feng Chia University		—	—	—
Senior Vice President	R.O.C.	Tzu-Jen Chao	M	20101101	(Note)	—	—	—	—	—	Bachelor of Accounting, Tamkang 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.	Wen-Kai Chen	M	20040530	(Note)	—	—	—	—	—	Master of Finance, National Chung Hsing University		—	—	—
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.	Yi-Sheng Hsieh	M	20160901	(Note)	—	—	—	—	—	MBA, Duke University		—	—	—
Senior Vice President	R.O.C.	Cheng-Lu Chen	M	20170101	(Note)	—	—	—	—	—	Master of Finance, National Chengchi University		—	—	—
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.	Yen-Wen Chen	M	20130826	(Note)	—	—	—	—	—	Bachelor of Food Science, Fu Jen Catholic University		—	—	—
Senior Vice President	R.O.C.	Chien-Kuo Huang	M	20170202	(Note)	—	—	—	—	—	MBA, Information Management, 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
Senior Vice President	R.O.C.	Wei-Jen Chang	M	20180103	(Note)	—	—	—	—	—	Bachelor in Business Administration, Baker University		—	—	—
Senior Vice President	R.O.C.	Chih-Hsiung Ku	M	20180401	(Note)	—	—	—	—	—	Master of Electrical and Computer Engineering, Texas A&M University		—	—	—
Senior Vice President	R.O.C.	Chung-Che Li	M	20180427	(Note)	—	—	—	—	—	MBA, Chiayi University		—	—	—
Senior Vice President	R.O.C.	Yu-Peng Wu	M	20160819	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Hsin-Pei Lin	F	20150501	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chung Cheng University		—	—	—
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-Chang Wu	M	20160503	(Note)	—	—	—	—	—	MBA, University of Wisconsin–Madison		—	—	—
Senior Vice President	R.O.C.	Kuo-Yu Hu	M	20140606	(Note)	—	—	—	—	—	MBA, Information Management, National Chengchi 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.	Chi-Ya Hua	F	20180316	(Note)	—	—	—	—	—	MBA, Massachusetts Institute of Technology, USA		—	—	—
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.	Chan-Hao Yeh	M	20170101	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Kuan-Hsueh Chen	M	20180207	(Note)	—	—	—	—	—	MBA, University of California, LA		—	—	—
Senior Vice President	R.O.C.	Hsiung-Hui Lin	M	20130826	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
Senior Vice President	R.O.C.	Hung-Ying Li	F	20181213	(Note)	—	—	—	—	—	Master of Law, University of Pennsylvania		—	—	—

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.	Chun-Liang Lin	M	20150501	(Note)	—	—	—	—	—	MBA, Soochow University		—	—	—
Senior Vice President	R.O.C.	Yu-Li Chen	F	20180817	(Note)	—	—	—	—	—	Department of Accounting and Statistics, Tamsui Institute of Business Administration		—	—	—
Senior Vice President	R.O.C.	Chien-Ju Sung	F	20160429	(Note)	—	—	—	—	—	Bachelor of Statistics, Feng Chia University		—	—	—
Senior Vice President	R.O.C.	Chi-Liang Huang	M	20171109	(Note)	—	—	—	—	—	MBA, National Chengchi 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.	Chih-Pang Lin	M	20160927	(Note)	—	—	—	—	—	Master of Economics, Feng Chia University		—	—	—
Senior Vice President	R.O.C.	Chih-Tung Huang	M	20190131	(Note)	—	—	—	—	—	Bachelor of Accounting, National Chung Hsing University		—	—	—
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.	Fei-Lung Li	M	20160530	(Note)	—	—	—	—	—	MBA, University of California, Berkeley		—	—	—
Senior Vice President	USA	Billy Betts	M	20151101	(Note)	—	—	—	—	—	Master of Environmental Law, George Washington University		—	—	—
Senior Vice President	R.O.C.	Min-Hui Chen	F	20171109	(Note)	—	—	—	—	—	Master of Finance, University of Florida		—	—	—
Senior Vice President	R.O.C.	Pei-Lin Hsu	F	20180918	(Note)	—	—	—	—	—	Bachelor of Economics, University of California, Irvine		—	—	—
Senior Vice President	R.O.C.	Yu-Jung Huang	F	20150330	(Note)	—	—	—	—	—	MBA, New York University		—	—	—
Senior Vice President	R.O.C.	Wen-Hung Li	M	20141001	(Note)	—	—	—	—	—	MBA, the University of Texas at Arlington		—	—	—
Senior Vice President of Regional Center	R.O.C.	Chiu-Ling Hung	F	20090122	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow 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.	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-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.	Wei-Chieh Lu	M	20071015	(Note)	—	—	—	—	—	Master of Finance, Chaoyang University of Technology		—	—	—
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.	Yu-Lan Lu	F	20170101	(Note)	—	—	—	—	—	MBA, Fudan University		—	—	—
Senior Vice President of Regional Center	R.O.C.	Yu-Jen Chiu	M	20180316	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—
Senior Vice President of Regional Center	R.O.C.	Li-Hua Feng	F	20180817	(Note)	—	—	—	—	—	Master of Finance, Fu Jen Catholic University		—	—	—
Senior Vice President of Regional Center	R.O.C.	Ming-Hsuan Liu	M	20180316	(Note)	—	—	—	—	—	MBA, University of Missouri Columbia		—	—	—
Senior Vice President of Regional Center	R.O.C.	Tzu-Chen Tsao	F	20140827	(Note)	—	—	—	—	—	Bachelor of International Trade, Chung Yuan Christian University				
Senior Vice President of Regional Center	R.O.C.	Wen-Chang Lin	M	20070101	(Note)	—	—	—	—	—	Master of Technology Management, Chung Hua University				
Overseas branch Senior Vice President	R.O.C.	Chung-En Pan	M	20140919	(Note)	—	—	—	—	—	Bachelor of Statistics, 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.	Hai-Ching Chen	M	20141216	(Note)	—	—	—	—	—	Master of Finance, 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
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.	Yu-Wei Yeh	M	20141113	(Note)	—	—	—	—	—	MBA, University of Dubuque		—	—	—
Overseas branch Senior Vice President	Indonesia	Setio Soejanto	M	20161014	(Note)	—	—	—	—	—	Bachelor of Business Administration, University of San Francisco		—	—	—
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.	Ling-Yu Lin	F	20031027	(Note)	—	—	—	—	—	Department of Accounting and Statistics, Shih Chien 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.	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.	Chun-Ting Lin	M	20071015	(Note)	—	—	—	—	—	MBA, Chaoyang University of Technology		—	—	—
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.	Ching-Sung Liu	M	20150320	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Kuei-Ching Juan	F	20031027	(Note)	—	—	—	—	—	MBA, National Chengchi 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.	Ssu-Chuan Hung	M	20031027	(Note)	—	—	—	—	—	Bachelor of International Trade, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Kuang-Chung Chen	M	20031027	(Note)	—	—	—	—	—	MBA, Yuan Ze 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.	Kuei-Chu Chen	F	20050607	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University of Science and Technology		—	—	—
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.	Chun-Ni Tseng	F	20040407	(Note)	—	—	—	—	—	Bachelor of Accounting, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Chin Huang	F	20050523	(Note)	—	—	—	—	—	MBA, National Pingtung University of Science and Technology		—	—	—
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.	Ping-Hui Lin	M	20050301	(Note)	—	—	—	—	—	MBA, National Chengchi 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.	Mei-Ling Chen	F	20080430	(Note)	—	—	—	—	—	Bachelor of Banking, National Chengchi 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.	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.	Chih-Hao Hsiung	M	20040407	(Note)	—	—	—	—	—	Bachelor of Economics, National Taiwan University		—	—	—
Branch Senior Vice President	R.O.C.	Chin-Ting Huang	M	20050425	(Note)	—	—	—	—	—	Department of Real Estate Management, Kun Shan 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.	Wen-Feng Chen	F	20061110	(Note)	—	—	—	—	—	MBA, Schiller International 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.	Yung-Ching Hung	M	20031027	(Note)	—	—	—	—	—	Bachelor of Economics, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Hui-Ying Chiang	F	20050615	(Note)	—	—	—	—	—	MBA, Providence University		—	—	—
Branch Senior Vice President	R.O.C.	Su-Yen Chi	F	20130625	(Note)	—	—	—	—	—	Department of Business Administration, Open College Affiliated with National Taipei University of Business		—	—	—
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.	Ju-Hui Lu	F	20060720	(Note)	—	—	—	—	—	Bachelor of Finance, Chihlee Institute of Technology		—	—	—
Branch Senior Vice President	R.O.C.	Yu Juan	F	20050617	(Note)	—	—	—	—	—	Master of Business Administration, National Cheng Kung University		—	—	—
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.	Hsin-Chun Li	M	20040407	(Note)	—	—	—	—	—	Bachelor of International Trade, Feng Chia 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.	Tung-Fa Li	M	20040407	(Note)	—	—	—	—	—	Bachelor of Economics, Tunghai 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		—	—	—

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-Hui Lu	M	20080822	(Note)	—	—	—	—	—	Master of Finance, National Taiwan University		—	—	—
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.	Ya-Ling Hsieh	F	20050520	(Note)	—	—	—	—	—	MBA, Yuan Ze University		—	—	—
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.	Kuan-Ling Kuo	F	20050315	(Note)	—	—	—	—	—	MBA, University of Southern Queensland		—	—	—
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.	Jung-Tsung Tsao	M	20100429	(Note)	—	—	—	—	—	Bachelor of Business Administration, Fu Jen Catholic University		—	—	—
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.	Hui-Fang Chen	F	20110503	(Note)	—	—	—	—	—	Bachelor of Commerce, Open University of Kaohsiung		—	—	—
Branch Senior Vice President	R.O.C.	Chia-Tsung Lin	M	20031027	(Note)	—	—	—	—	—	MBA, National Cheng Kung University College of Management		—	—	—
Branch Senior Vice President	R.O.C.	Feng-Hsu Ko	M	20110315	(Note)	—	—	—	—	—	MBA, University of Illinois		—	—	—
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.	Wen-Yuan Li	M	20040407	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Li-Fen Huang	F	20080701	(Note)	—	—	—	—	—	MBA, Royal Roads University		—	—	—
Branch Senior Vice President	R.O.C.	Pi-Wei Hsu	M	20130715	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chung Hsing 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.	Chen-Hui Shih	M	20050314	(Note)	—	—	—	—	—	Bachelor of Statistics, National Chung Hsing 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.	Chih-Hung Chen	M	20080101	(Note)	—	—	—	—	—	MBA, City University of New York		—	—	—
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.	Tsung-Han Lu	M	20050617	(Note)	—	—	—	—	—	Department of Finance, Chinese Culture 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.	Wen-Chiung Cheng	M	20110901	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Taiwan University of Science and Technology		—	—	—
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.	Min-Cheng Chiang	M	20110503	(Note)	—	—	—	—	—	International MBA, National Changhua University of Education		—	—	—
Branch Senior Vice President	R.O.C.	Ting-Sheng Lu	M	20070101	(Note)	—	—	—	—	—	MBA, Shih Chien University		—	—	—
Branch Senior Vice President	R.O.C.	Su-Mei Chen	F	20050607	(Note)	—	—	—	—	—	MBA, Chiayi University		—	—	—
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.	Li-Meng Lin	F	20080822	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—

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.	Chien-Liang Chen	M	20130617	(Note)	—	—	—	—	—	MBA, Royal Roads 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.	Cheng-Chi Hsiao	M	20081111	(Note)	—	—	—	—	—	Bachelor of International Trade, Chinese Culture University		—	—	—
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.	Chen-Chung Li	M	20110503	(Note)	—	—	—	—	—	Master of Finance, 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.	Chien-Cheng Tsung	M	20090826	(Note)	—	—	—	—	—	Bachelor of Business Administration, National Chung Hsing University		—	—	—
Branch Senior Vice President	R.O.C.	Ming-Chi Li	M	20130715	(Note)	—	—	—	—	—	Bachelor, Department of Applied Commercial, National Taipei College of Business School of Open Education		—	—	—
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.	Feng-Chu Lin	F	20070618	(Note)	—	—	—	—	—	MBA, Soochow 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.	Ming-Jen Yang	M	20060829	(Note)	—	—	—	—	—	Master of Industrial Engineering, 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
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.	Yu-Chi Yu	M	20050701	(Note)	—	—	—	—	—	Master of Public Affairs Management, Sun Yat-Sen 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.	Ya-Hui Lan	F	20150320	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—
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.	Chih-Wen Chang	M	20120628	(Note)	—	—	—	—	—	Master of Economics, National Taiwan 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-Kuang Yuch	M	20100901	(Note)	—	—	—	—	—	Department of Electrical Engineering, National Kaohsiung Institute and Technology		—	—	—
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.	Yi-Hsiung Liu	M	20070101	(Note)	—	—	—	—	—	Master of Electrical Engineering, National Changhua University of Education		—	—	—
Branch Senior Vice President	R.O.C.	Cheng-Hsien Yu	M	20070101	(Note)	—	—	—	—	—	Master of Electrical Engineering, 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.	Mao-Chang Ho	M	20100429	(Note)	—	—	—	—	—	Department of Business Administration, Natinal Taichung Commercial School		—	—	—
Branch Senior Vice President	R.O.C.	Ching-Yu Lin	M	20070101	(Note)	—	—	—	—	—	Department of Building Drafting, Ming-Dao High School		—	—	—
Branch Senior Vice President	R.O.C.	Sheng-Yu Huang	M	20070101	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—
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.	Chih-Jui Shen	M	20070101	(Note)	—	—	—	—	—	MBA, National Chung Hsing 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.	Shih-Lin Sung	M	20140827	(Note)	—	—	—	—	—	MBA, National Changhua University of Education		—	—	—
Branch Senior Vice President	R.O.C.	Chao-Chi Hsu	M	20170126	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Jen-Ming Liu	M	20180210	(Note)	—	—	—	—	—	Master of Finance, National Chung Cheng 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.	Liang-Jung Fan	M	20071229	(Note)	—	—	—	—	—	Bachelor of International Trade, Chinese Culture 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.	Chen-Chen Kuo	F	20070101	(Note)	—	—	—	—	—	MBA, Feng Chia University		—	—	—
Branch Senior Vice President	R.O.C.	Hui-Fang Lo	F	20061207	(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.	Li-Ping Hsu	F	20070401	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, Feng Chia 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.	Hui-Ying Wu	F	20031027	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, National Chung Hsing 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.	Lung-San Fu	M	20140315	(Note)	—	—	—	—	—	Bachelor of Applied Foreign Languages, National United 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.	Hsiang-Lan Chang Chien	F	20070401	(Note)	—	—	—	—	—	Bachelor of Economics, Tunghai University		—	—	—
Branch Senior Vice President	R.O.C.	Shu-Ling Chen	F	20070101	(Note)	—	—	—	—	—	International MBA, Asia University Taiwan		—	—	—
Branch Senior Vice President	R.O.C.	Mei-Ching Chan	F	20040825	(Note)	—	—	—	—	—	Bachelor of Business Administration, Tunghai University		—	—	—
Branch Senior Vice President	R.O.C.	Jen-Kai Tseng	M	20090122	(Note)	—	—	—	—	—	Bachelor of Law, Chinese Culture University		—	—	—
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.	Chun-Hsiang Hsu	F	20031027	(Note)	—	—	—	—	—	MBA, National Chengchi 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.	Chien-Min Lin	M	20031027	(Note)	—	—	—	—	—	Bachelor of Urban Planning and Development, 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.	Tsung-Chih Chen	M	20040407	(Note)	—	—	—	—	—	Bachelor of Economics, 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.	Hsiu-Hao Wu	F	20070822	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
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.	Chia-Ching Lin	M	20180210	(Note)	—	—	—	—	—	Bachelor of International Trade, National Tamkang 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.	Jen-Chieh Liao	M	20140315	(Note)	—	—	—	—	—	Ph.D. in Commerce, Chung Yuan Christian 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.	Kuei-Ying Wu	F	20180210	(Note)	—	—	—	—	—	Bachelor of Statistics, Fu Jen Catholic University		—	—	—
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.	Yi-Hsuan Tai	M	20070401	(Note)	—	—	—	—	—	MBA, National Chiao Tung University		—	—	—
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.	Chi-Hao Cheng	M	20050301	(Note)	—	—	—	—	—	Bachelor of Cooperative Economy, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Chen Wu	F	20080908	(Note)	—	—	—	—	—	Bachelor of Accounting, Tamkang 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.	Wen-Kan Lin	M	20080707	(Note)	—	—	—	—	—	Master of Finance, National Taipei 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.	Wen-Pin Yang	M	20030919	(Note)	—	—	—	—	—	MBA, National Chengchi University		—	—	—
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.	Tao-Huang Lin	M	20040407	(Note)	—	—	—	—	—	Master of Finance, National Chung Hsing 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.	Pai-Shun Li	M	20050516	(Note)	—	—	—	—	—	Bachelor of Business Administration, Soochow University		—	—	—
Branch Senior Vice President	R.O.C.	Chao-Chun Tseng	M	20070401	(Note)	—	—	—	—	—	International MBA, Asia University Taiwan		—	—	—
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.	Jen-Yi Huang	M	20180210	(Note)	—	—	—	—	—	Bachelor of Urban Planning and Development, Chinese Culture University		—	—	—
Branch Senior Vice President	R.O.C.	Yu-Teng Hsueh	M	20160401	(Note)	—	—	—	—	—	Master of Finance, National Chung Hsing 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.	Chien-Ta Chen	M	20161114	(Note)	—	—	—	—	—	Bachelor of Law, Tunghai University		—	—	—
Branch Senior Vice President	R.O.C.	Yao-Yi Huang	M	20150821	(Note)	—	—	—	—	—	Bachelor of Law, National Chung Hsing 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.	Hsing-Chu Chiu	F	20081215	(Note)	—	—	—	—	—	MBA, Yuan Ze 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.	Chih-Cheng Hsiao	M	20021101	(Note)	—	—	—	—	—	MBA, 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.	Shu-Hui Tsai	F	20160401	(Note)	—	—	—	—	—	Bachelor of Land Administration, National Chung Hsing 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.	Chiu-Chin Chen	F	20180210	(Note)	—	—	—	—	—	Bachelor of Business Administration, Tamkang University		—	—	—
Branch Senior Vice President	R.O.C.	Hsi-Chiu Chen	M	20150821	(Note)	—	—	—	—	—	MBA, National Chung Hsing University		—	—	—
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.	Chien-Hui Yu	F	20150320	(Note)	—	—	—	—	—	MBA, National Taiwan University of Science and Technology		—	—	—
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.	Chun-Yi Chen	M	20170101	(Note)	—	—	—	—	—	Master of Technology Management, National Chiao Tung 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.	Chih-Chi Peng	M	20190131	(Note)	—	—	—	—	—	MBA, Ming Chuan 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.	Cheng-Yu Chen	M	20190131	(Note)	—	—	—	—	—	Master of Financial Management, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Chao-Chi Chen	M	20190131	(Note)	—	—	—	—	—	Bachelor of I-SHOU University		—	—	—
Branch Senior Vice President	R.O.C.	Hsiu-Chuan Chou	F	20190131	(Note)	—	—	—	—	—	Bachelor of International Trade, Yung Ta Institute of Technology and Commerce		—	—	—
Branch Senior Vice President	R.O.C.	Kuo-Yang Wu	M	20190131	(Note)	—	—	—	—	—	Bachelor of Banking, National Chengchi University		—	—	—
Branch Senior Vice President	R.O.C.	Cheng-Kuan Yu	M	20190131	(Note)	—	—	—	—	—	Department of Business Administration, Overseas Chinese University, O.C. U.		—	—	—

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

(III) Information about Chairman and Presidents rehired as consultant after retiring:

None

III. Remuneration paid to Directors, Supervisors, President, Executive Vice Presidents, Consultants 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, 2018

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 businesses
		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	
																Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman	Andrew Ming-Jian Kuo	NT\$ 46,654,000	NT\$ 46,654,000	-	-	-	-	NT\$ 6,971,000	NT\$ 8,320,000	0.255%	0.259%	NT\$ 85,227,000	NT\$ 85,227,000	NT\$ 11,961,000	-	NT\$ 18,000	-	NT\$ 18,000	-	0.718%	0.716%	NT\$ 1,553,000
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	Han-Kuo Chen																					
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	Jian-Hsing Wu																					
Director	Wei-Hua Chou																					
*Apart from the aforementioned disclosure, the remunerations for directors of the Bank providing services (such as serving as a consultant that is not an employee) to consolidated subsidiaries: None.																						

*Apart from the aforementioned disclosure, the remunerations for directors of the Bank providing services (such as serving as a consultant that is not an employee) to consolidated subsidiaries: None.

Note: Salaries paid to drivers amounted to NT\$3,646,000.

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, Han-Kuo Chen, Edward Yung-Do Way, Feng-Chiang Miao, Chi-Wei Joong, Chung-Yi Teng, Po-Tsang Hsieh, Tsung-Hsien Tsai, Jian-Hsing Wu, Wei-Hua Chou	Tsing-Yuan Hwang, Alan Lee, Chun-Wei Yang, Chang-Ken Lee, Chuan-Chuan Hsieh, Han-Kuo Chen, Edward Yung-Do Way, Feng-Chiang Miao, Chi-Wei Joong, Chung-Yi Teng, Po-Tsang Hsieh, Tsung-Hsien Tsai, Jian-Hsing Wu, Wei-Hua Chou	Tsing-Yuan Hwang, Chang-Ken Lee, Chuan-Chuan Hsieh, Han-Kuo Chen, Edward Yung-Do Way, Feng-Chiang Miao, Chi-Wei Joong, Tsung-Hsien Tsai	Tsing-Yuan Hwang, Chang-Ken Lee, Chuan-Chuan Hsieh, Han-Kuo Chen, Edward Yung-Do Way, Feng-Chiang Miao, Chi-Wei Joong, Tsung-Hsien Tsai
2,000,000 (inclusive) ~ 5,000,000 (exclusive)				
5,000,000 (inclusive) ~ 10,000,000 (exclusive)				
10,000,000 (inclusive) ~ 15,000,000 (exclusive)			Chung-Yi Teng, Jian-Hsing Wu, Wei-Hua Chou	Chung-Yi Teng, Jian-Hsing Wu, Wei-Hua Chou
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	Andrew Ming-Jian Kuo, Tzung-Han Tsai	Andrew Ming-Jian Kuo, Tzung-Han Tsai	Andrew Ming-Jian Kuo, Tzung-Han Tsai, Alan Lee, Chun-Wei Yang, Po-Tsang Hsieh	Andrew Ming-Jian Kuo, Tzung-Han Tsai, Alan Lee, Chun-Wei Yang, Po-Tsang Hsieh
30,000,000 (inclusive) ~ 50,000,000 (exclusive)				
50,000,000 (inclusive) ~ 100,000,000 (exclusive)				
Over NT\$100,000,000				
Total	16	16	16	16

* 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, 2018

(2) Supervisors' Remuneration:

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\$296,000	NT\$296,000	0.007%	0.008%	None
Supervisor	Shu-Chen Lan											
Supervisor	Liang-Lin Chien											

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, Liang-Lin Chien	Peggy Wang, Shu-Chen Lan, Liang-Lin Chien
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	3	3

* 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 Executive Vice Presidents:

December 31, 2018

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\$ 141,765,000	NT\$ 141,765,000	NT\$ 11,961,000	NT\$ 11,961,000	NT\$ 149,215,000	NT\$ 150,001,000	NT\$ 43,000	-	NT\$ 43,000	-	1.441%	1.429%	NT\$ 1,879,000
Chief Auditor	Hung-Chang Yang													
Senior Executive Vice President	Wei-Hua Chou													
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	Yu-Hua Chih													
Executive Vice president	Yi-Fang Chan													
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	Su-Chu Li													
Executive Vice president	Shu-Ying Wu													
Executive Vice president	Francis Peng													

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	Ching-Yuan Kung													
Executive Vice president	Ching-Li Chang													
Executive Vice president	Chih-Feng Wang													
Executive Vice president	Yu-Chin Cheng													
Executive Vice president	Hsiang-Hsin Tsai													
Executive Vice president	Yun-Wei Huang													
Executive Vice president	Chen-Tung Chang													
Executive Vice president	Ching-Hsiang Chan													
Executive Vice president	Xu-Jie Yao													
Executive Vice president	Chien-Hui Hung													
Executive Vice president	Chi-Chang Huang													
Executive Vice president	Hua-Pen Miao													
Executive Vice president	Chi-Yuan Chien													
Executive Vice president	Winston Quek													
Executive Vice president	Shang-Min Lin													
Executive Vice president	Po-Sheng Fu													
Executive Vice president	Chen-Han Wen													

Note: Salaries paid to drivers amounted to NT\$8,397,000.

President and vice president remuneration range

Range of remuneration paid to President and vice presidents	President & Executive Vice President Name	
	The Bank	All companies included in consolidated statements (E)
Under NT\$2,000,000		
2,000,000 (inclusive) ~ 5,000,000 (exclusive)	Feng-Chih Hsu, Chi-Chang Huang, Chen-Tung Chang, Chang-Li Tsao, Cho-Min Chin, Xu-Jie Yao, Yu-Hua Chih, Chien-Hui Hung, Chen-Han Wen, Yuan-Lan Hung, Shu-Ying Wu, Po-Sheng Fu	Feng-Chih Hsu, Chi-Chang Huang, Chen-Tung Chang, Chang-Li Tsao, Cho-Min Chin, Xu-Jie Yao, Yu-Hua Chih, Chien-Hui Hung, Chen-Han Wen, Yuan-Lan Hung, Shu-Ying Wu, Po-Sheng Fu
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Yu-Chin Cheng, Francis Peng, Su-Chu Li, Chao-Kuei Kuo, Chih-Feng Wang, Hsing-Ming Li, Yun-Wei Huang, Yi-Fang Chan, Hung-Chang Yang, Tsung-Meng Huang, Ching-Li Chang, Hsiang-Hsin Tsai, Ching-Yuan Kung, Hsiu-Chu Chuang, Tung-Wen Li	Yu-Chin Cheng, Francis Peng, Su-Chu Li, Chao-Kuei Kuo, Chih-Feng Wang, Hsing-Ming Li, Yun-Wei Huang, Yi-Fang Chan, Hung-Chang Yang, Tsung-Meng Huang, Ching-Li Chang, Hsiang-Hsin Tsai, Ching-Yuan Kung, Hsiu-Chu Chuang, Tung-Wen Li
10,000,000 (inclusive) ~ 15,000,000 (exclusive)	Chun-Wei Yang, Winston Quek, Chi-Yuan Chien, Wei-Hua Chou, Chung-Yi Teng, Shang-Min Lin, Ching-Hsiang Chan, Hua-Pen Miao, Jian-Hsing Wu	Chun-Wei Yang, Winston Quek, Chi-Yuan Chien, Wei-Hua Chou, Chung-Yi Teng, Shang-Min Lin, Ching-Hsiang Chan, Hua-Pen Miao, Jian-Hsing Wu
15,000,000 (inclusive) ~ 30,000,000 (exclusive)	Alan Lee, Po-Tsang Hsieh	Alan Lee, Po-Tsang Hsieh
30,000,000 (inclusive) ~ 50,000,000 (exclusive)		
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
Over NT\$100,000,000		
Total	38	38

* 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 P33-52		-	NT\$295,000	NT\$295,000	0.00140%

- (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 2018 amounted to NT\$364,674,000 (representing 1.73% of net income in 2018), up 25.36% from the NT\$290,892,000 reported in 2017. 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 purpose.

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 outlines 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 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(2018); 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	7	0	100%	
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	6	1	85.71%	
Managing Director	(representative for Cathay Financial Holding Co., Ltd.) Chun-Wei Yang	7	0	100%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Chang-Ken Lee	7	0	100%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Han-Kuo Chen	0	0	-	Newly appointed on November 3, 2018; required attendance: 0 session.
Independent Director	(representative for Cathay Financial Holding Co., Ltd.) Feng-Chiang Miao	5	2	71.43%	
Independent Director	(representative for Cathay Financial Holding Co., Ltd.) Edward Yung Do Way	7	0	100%	
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	6	1	85.71%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Po-Tsang Hsieh	7	0	100%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Tsung-Hsien Tsai	5	2	71.43%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Jian-Hsing Wu	7	0	100%	
Director	(representative for Cathay Financial Holding Co., Ltd.) Wei-Hua Chou	7	0	100%	

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Resident Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Yiao-Chiun Lai	0	0	-	Newly appointed on January 31, 2019; required attendance: 0 sessions.
Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Liang-Lin Chien	4	0	100%	Newly appointed on April 27, 2018; required attendance: 4 sessions.
Director	(representative for Cathay Financial Holding Co., Ltd.) Chuan-Chuan Hsieh	4	0	100%	Resigned on June 26, 2018; required attendance: 4 sessions.
Resident Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Peggy Wang	6	0	85.71%	Resigned on January 31, 2019; required attendance: 7 sessions.
Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Shu-Chen Lan	0	0	-	Resigned on January 16, 2018; required attendance: 0 session(s).

Note: The Bank 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 Bank'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
8th interim meeting of the 15th board of directors on February 9, 2018	◎ Passed removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo for involvement in competing businesses. ◎ Passed allocation of 2017 year-end bonus, special incentive and long-term incentive for Chairman and Vice Chairman.	None.
7th meeting of the 15th board of directors on March 15, 2018	◎ The Bank's 2017 cash issue and capital-raising draft plans. ◎ 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 136 companies including Goldman Sachs and branches, subsidiaries and affiliated enterprises. ◎ Issues concerning the situation where Cathay Securities Corporation is concurrently appointed as underwriter for primary market offering or underwriting of corporate bonds issued by Taiwan Power Company, CPC, TSMC, CSC, Formosa Plastics, Nanya Plastics, Formosa Petrochemical, Formosa Chemicals & Fibre, Mai-Liao Power, Taiwan Mobile, FET, UMC, Far Eastern New Century, YangMing Marine Transport, Fubon Financial Holdings, CTBC Financial Holding, Yuanta Financial Holding, Huayulien Development and Dragon Steel. ◎ Authorization for the Treasury Department to	None.

Board meeting date/session	Motion	Company's response to all independent directors' opinions
	lend the Bank's securities to stakeholder - Cathay Securities Corporation at fixed price or through bidding. ◎ To share information resources with Cathay Financial Holding Co., Ltd. and Cathay Life Insurance Co., Ltd., and participate/sign “Cathay Financial Holding Co., Ltd. and Subsidiaries Information System Equipment and Personnel Sharing Agreement”.	
8th meeting of the 15th board of directors on April 26, 2018	◎ Removal of restrictions imposed against Independent Director Feng-Chiang Miao for involvement in competing businesses. ◎ Extension of short-term secured lending and treasury limit for Cathay Securities Corporation.	None.
9th meeting of the 15th board of directors on August 16, 2018	◎ Amendments to the Bank's “Derivative Guidelines.” ◎ Issues concerning the situation where Cathay Securities Corporation is concurrently appointed as underwriter for primary market offering or underwriting of international bonds (including Formosa bonds), or becomes obligated to hold the above international bonds due to commitment underwriting, by 142 companies including Goldman Sachs and branches, subsidiaries and affiliated enterprises. ◎ Issues concerning the situation where Cathay Securities Corporation is concurrently appointed as underwriter for primary market offering of corporate bonds issued by Taiwan Power Company, CPC, TSMC, CSC, Formosa Plastics, Nanya Plastics, Formosa Petrochemical, Formosa Chemicals & Fibre, Mai-Liao Power, Taiwan Mobile, FET, UMC, Far Eastern New Century, YangMing Marine	None.

Board meeting date/session	Motion	Company's response to all independent directors' opinions
	Transport, Fubon Financial Holdings, CTBC Financial Holding, Yuanta Financial Holding, Huayulien Development, Dragon Steel and Dafeng Media. ◎ Issues concerning the situation where Cathay Securities Corporation is concurrently appointed as underwriter for primary market offering of corporate bonds, or becomes obligated under commitment underwriting arrangement to hold corporate bonds, issued by Taiwan Power Company, CPC, TSMC, CSC, Formosa Plastics, Nanya Plastics, Formosa Petrochemical, Formosa Chemicals & Fibre, Mai-Liao Power, Taiwan Mobile, FET, UMC, Far Eastern New Century, YangMing Marine Transport, Fubon Financial Holdings, CTBC Financial Holding, Yuanta Financial Holding, Huayulien Development, Dragon Steel and Dafeng Media. ◎ Leasing arrangement and package lease renewal with Cathay Life Insurance Co., Ltd. ◎ Proposal to have Cathay Real Estate sign Memorandum of Understanding with Mitsui Fudosan Co., Ltd. ◎ Removal of restrictions imposed against Independent Director Tsing-Yuan Hwang, Independent Director Edward Yung Do Way and Director Chung-Yi Teng for involvement in competing businesses.	
10th interim meeting of the 15th board of directors on September 17, 2018	◎ Transaction with Cathay Life Insurance Co., Ltd.	None.
10th meeting of the 15th board of directors on November 2, 2018	◎ Change of accounting firm from 2019, and appointment and remuneration of financial statement auditors.	None.

Board meeting date/session	Motion	Company's response to all independent directors' opinions
	◎ Amendments to the Bank's "Derivative Guidelines." ◎ Amended the Bank "Asset Acquisition and Disposal Procedures." ◎ Amendments to Singapore Branch's "Internal Control System Policy." ◎ Removal of restrictions against Director Wei-Hua Chou for involving in competing businesses. ◎ Extension of treasury limit for Cathay Life Insurance Co., Ltd. ◎ Extension of treasury limit for Cathay Century Insurance Co., Ltd. ◎ Purchase of credit card insurance from Cathay Century Insurance Co., Ltd. for 2019. ◎ Authorization for the Treasury Department to lend the Bank's securities to stakeholder - Cathay Securities Corporation at fixed price or through bidding. ◎ To submit a joint tender with Cathay Securities Corporation for the role of underwriter in the corporate bonds issued by Cathay Financial Holding Co., Ltd..	

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

- II. In instances where an director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the motion and resolution thereof (Reason for not voting and actual voting counts):

Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Andrew Ming-Jian Kuo (Chairman)	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), Tzung-Han Tsai (Vice Chairman)	Allocation of 2017 year-end bonus, special incentive and long-term incentive for Chairman and Vice Chairman	The motion concerned the interest of directors listed on the left	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 136 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	To participate in the primary market offering or underwriting of corporate bonds issued by Taiwan Power Company, CPC, TSMC, CSC, Formosa Plastics, Nanya Plastics, Formosa Petrochemical, Formosa Chemicals & Fibre, Mai-Liao Power, Taiwan Mobile, FET, UMC, Far Eastern New Century, YangMing Marine Transport, Fubon Financial Holdings, CTBC Financial Holding, Yuanta Financial Holding, Huayulien Development and Dragon Steel.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Authorization for the Treasury Department to lend the Bank's securities to stakeholder - Cathay Securities Corporation at fixed price or through bidding	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, Chang-Ken Lee	To share information resources with Cathay Financial Holding Co., Ltd. and Cathay Life Insurance Co., Ltd., and participate/sign “Cathay Financial Holding Co., Ltd. and 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
Po-Tsang Hsieh	To purchase elevator equipment from Taiwan Mitsubishi Elevator Co., Ltd. for Taichung Branch building	The motion did not concern the interests of the directors listed on the left in any substantial or direct manner. These directors were not required to recuse by law, but they had voluntarily recused out of respect for the highest corporate governance standard	Disassociated from discussion and voting
Feng-Chiang Miao (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
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
Chang-Ken Lee	To participate in the primary market offering or underwriting of international bonds (including Formosa bonds) by 142 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

Directors Name	Motion	Reasons for avoiding conflict of interest	Participation in voting process
Chang-Ken Lee	To participate in the primary market offering or underwriting of corporate bonds issued by Taiwan Power Company, CPC, TSMC, CSC, Formosa Plastics, Nanya Plastics, Formosa Petrochemical, Formosa Chemicals & Fibre, Mai-Liao Power, Taiwan Mobile, FET, UMC, Far Eastern New Century, YangMing Marine Transport, Fubon Financial Holdings, CTBC Financial Holding, Yuanta Financial Holding, Huayulien Development, Dragon Steel and Dafeng Media.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	To participate in the primary market issuance or underwriting of corporate bonds by Taiwan Power Company, CPC, TSMC, CSC, Formosa Plastics, Nanya Plastics, Formosa Petrochemical, Formosa Chemicals & Fibre, Mai-Liao Power, Taiwan Mobile, FET, UMC, Far Eastern New Century, YangMing Marine Transport, Fubon Financial Holdings, CTBC Financial Holding, Yuanta Financial Holding, Huayulien Development, Dragon Steel and Dafeng Media.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Tzung-Han Tsai (Vice Chairman)	Leasing arrangement and package lease renewal with Cathay Life Insurance Co., Ltd.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Tsing-Yuan Hwang (Independent Director), Edward Yung Do Way (Independent Director), Chung-Yi Teng	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
Tzung-Han Tsai (Vice Chairman)	Transaction with Cathay Life Insurance Co., Ltd.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Edward Yung Do Way (Independent Director)	Change of accounting firm from 2019, and appointment and remuneration of financial statement auditors.	The motion did not concern the interests of the directors listed on the left in any substantial or direct manner. These directors were not required to recuse by law, but they had voluntarily recused out of respect for the highest corporate governance standard	Disassociated from discussion and voting
Wei-Hua Chou	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
Tzung-Han Tsai (Vice Chairman)	Extension of treasury limit for Cathay Life Insurance Co., Ltd.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Tsung-Hsien Tsai	Extension of treasury limit for Cathay Century Insurance Co., Ltd.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Tsung-Hsien Tsai	Purchase of credit card insurance from Cathay Century Insurance Co., Ltd. for 2019.	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	Authorization for the Treasury Department to lend the Bank's securities to stakeholder - Cathay Securities Corporation at fixed price or through bidding	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting
Chang-Ken Lee	To submit a joint tender with Cathay Securities Corporation for the role of underwriter in the corporate bonds issued by Cathay Financial Holding Co., Ltd..	The motion concerns a business that the listed director is in charge of	Disassociated from discussion and voting

III. Enhancements to the 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 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, 2016, 2017 and 2018.
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.

(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 (2018); 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.) Yiao-Chiun Lai	0	-	Newly appointed on January 31, 2019; required attendance: 0 session.
Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Liang-Lin Chien	4	100%	Newly appointed on April 16, 2018; required attendance: 4 sessions.
Resident Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Peggy Wang	6	85.71%	Resigned on January 31, 2019; required attendance: 7 sessions.
Supervisor	(representative for Cathay Financial Holding Co., Ltd.) Shu-Chen Lan	0	-	Resigned on January 16, 2018; required attendance: 0 session(s).

Other items to be stated:

I. Composition 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 Bank's supervisors communicate with the Chief Auditor and the internal audit unit through meetings on an unscheduled basis (at least once a year). Meeting proceedings are recorded in minutes and reported to the board of directors.
2. The Bank's supervisors and Chief Auditor are invited to take part in board meetings. The Chief Auditor makes an "Internal Audit Progress Report" at each board meeting to cover the progress and key issues concerning internal and external audits. Furthermore, defects highlighted in internal and external inspections/self-audits and areas requiring improvement, as mentioned in the declaration of internal control, are followed up during quarterly board meetings.
3. Audit reports prepared by the internal audit unit on the Bank and its subsidiaries, as well as opinions from external inspections, are escalated to supervisors.
4. All major occurrences (such as those listed in Article 42-1 of Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries) are reported to supervisors in writing.
5. The Bank's annual audit plans are subject to supervisors' review and opinion before presenting to the board of directors for approval.
6. Supervisors may communicate and discuss with the Chief Auditor on the above matters or at any time deemed necessary.
7. CPAs' independence is evaluated on a yearly basis; supervisors are able to communicate with CPAs on issues concerning the Bank'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 Bank 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 made on website, the Bank may simply post a link to the relevant webpage.

For details, please refer to relevant sections of this annual report or visit the Bank's website or the Market Observation Post System (company ID: 5835) at the following URL:

1. Corporate governance guidelines of the Bank:
<https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/#first-tab-04>
2. Financial position, business performance and annual report:
<https://www.cathaybk.com.tw/cathaybk/about/about/finance/>
<https://www.cathaybk.com.tw/cathaybk/about/about/announcement/announce-risk/>
3. Donations:
<https://www.cathaybk.com.tw/cathaybk/about/about/announcement/donation-info/>
4. Spokesperson and changes in insider shareholding:
<http://mops.twse.com.tw/mops/web/t146sb05>
5. Composition of the board of directors and supervisors:
<https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/>
6. Risk management information:
<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 the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
I. Equity structure and shareholders' rights of the Bank (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? (II) Whether the Bank controls the Bank's major shareholders and who are their ultimate owners? (III) Whether the Bank establishes or implements some risk control and firewall mechanisms between the Bank and its affiliates?	V		(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. (II) The Bank is a 100%-owned subsidiary of Cathay FHC. (III) The Bank complies with the Banking Act and related laws that it is bound to obey as a subsidiary under the Financial Holding Company Act. The Bank has implemented guidelines and rules to regulate credit and non-credit transactions with stakeholders (of the Bank, the financial holding parent and other subsidiaries), single counterparty, single related	Complied

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
II. Composition and responsibilities of board of directors (I) Is the Bank, in addition to establishing the remuneration committee and audit committee, pursuant to laws, willing to voluntarily establish any other	V		individual and single affiliated enterprise. Limits have been established and are being controlled using information systems. 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 of customers' information, use of information for joint marketing, lending and non-lending transactions with related parties, 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. (I) 1. All of the Bank's directors and supervisors are appointed by Cathay FHC, the only corporate shareholder. All remuneration-related matters are handled according to Cathay FHC's policies. 2. The Bank's 15th board of directors comprises 3	Complied

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
functional committees?	V		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.	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.
(II) Does the Bank conduct regular assessments regarding the independence of its financial statement auditors?			3. 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. Responsibilities of the committee are to assess the fairness and rationality of M&A projects and deals, and to present review findings for discussion at board meetings and shareholder meetings. However, no report has to be made during shareholder meeting in situations permitted by the “Business Mergers And Acquisitions Act.”	Complied
III. Where the Bank is a TWSE/TPEX-			(II) Financial statement auditors' independence is evaluated on a yearly basis. Supervisors are able to communicate with CPAs on issues concerning the Bank's financial and business performance.	
			Although the Bank is not listed on TWSE or TPEX, it has	

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
Listed company, has the Bank 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 of board meetings and shareholder meetings, company registration and changes, preparation of board meeting and shareholder meeting minutes, etc)? IV. Does the Bank have any means to communicate with stakeholders (including but not limited to shareholders, employees, customers etc)? V. Information Disclosure (I) Has the Bank established a website to disclose financial, business, and	V		assigned corporate governance specialists to oversee corporate governance-related affairs including: 1.Furnishing information and materials required for business execution by directors and supervisors. 2. Handling matters relating to board meeting in accordance of relevant laws. 3. Producing minutes of board meetings. 4. Assisting in onboarding and continuing training courses of directors and supervisors. 5. Other matters set out in the Articles of Incorporation or Charter. The Bank has diverse and open channels available for stakeholders to communicate with the Bank, including phone, e-mail, Internet, written correspondence and meeting. (I) Web Pages including “Financial Highlights,” “Disclosures” and “Corporate Governance” have	Complied

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
corporate governance-related information? (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 conferences via the Bank website)? 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	V		been created under “About Us” section of the Bank's website to disclose financial, business and corporate governance-related information. (https://www.cathaybk.com.tw/cathaybk/about/) (II) The Bank also has an English website created to disclose financial, business and corporate governance-related information in English. (https://www.cathaybk.com.tw/en-us/cathaybk/english/about-us/about-us/company-history/) (I) Directors' and supervisors' ongoing education: Progress of directors' and supervisors' education has been disclosed on MOPS. (http://mops.twse.com.tw/mops/web/t93sc03_1) (II) Insurance against directors' and supervisors' liabilities: “Director, Supervisor and Manager Liability Insurance” is collectively purchased by Cathay FHC. The insurance policy covers the Bank's directors and supervisors.	Complied

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
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)?	V		(III) The Bank has established its “Regulations Governing the Evaluation of Board of Directors and Functional Committees Performance” to involve the board of directors, functional committee members and meeting organizers in 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 education, and internal control). Performance of the board and functional committees is assigned one of three ratings: Above Standard, Standard, and Substandard. (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.	Complied
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 Bank is not one				

Scope of assessment	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary	
of the evaluated subjects) The Bank is not part of the evaluation				

(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 remuneration-related matters are handled according to Cathay FHC's policies and therefore no Remuneration Committee was assembled.

(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	
I. Sound corporate governance (I) Whether the Bank has defined corporate social responsibility policies within the Bank; the progress and effectiveness of such policies?	V		(I) 1. Cathay Financial Holdings, the Bank's parent company, assembled a “Corporate Social Responsibility Committee” in November 2011 to oversee CSR affairs throughout the financial group. In 2012, a set of “Cathay Financial Holdings Corporate Social Responsibility Principles (Note)” was established in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” to govern actual	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		practices undertaken by Cathay Group in response to economic, environmental and social issues. In 2014, the “Corporate Social Responsibility (CSR) Committee” was strategically re-organized into “Corporate Sustainability (CS) Committee” to expand the issues covered as well as its future visions. This reorganization not only introduced independent directors' supervision, but also allowed employees to participate in committee meetings for enhanced CS awareness. As part of the reorganization, “Corporate Social Responsibility Principles” was renamed “Corporate Sustainability Principles.” Six specialized working groups have been created under the abovementioned committee to coordinate across subsidiaries on matters concerning sustainability governance, responsible investment, responsible products and services, green operation, employee happiness and social prosperity. Each working group is responsible for outlining short-term, medium-term and long-term plans and hosting discussions on their assigned topics, and are required to report progress regularly at Corporate Sustainability Committee	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		meetings of Cathay Financial Holdings. (Note: The policy has been renamed “Cathay Financial Holdings Corporate Sustainability Principles”) 2. In addition to following “Cathay Financial Holdings Corporate Sustainability Principles,” the Bank has also established “Equator Principles Enforcement Guidelines” to guide employees toward applying financial expertise for the mitigation of environmental/social/governance risks and exploration of associated opportunities. In the meantime, improvements are constantly being made to internal credit management as well as external service/product offering, so that the Bank and the society may move in line toward creating a sustainable future. 3. A “Cathay United Bank Corporate Sustainability (CS) Team” (CS Team) comprising representatives from various departments has been assembled and vested with the authority to oversee CS activities within the Bank. The CS Team is supervised by the President and has six working groups established to promote “responsible investment, responsible products and	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	
(II) Whether the Bank holds corporate social responsibility (CSR) education training periodically?	V		services, sustainable governance, green operation, employee happiness and social prosperity.” Together, they work toward fulfilling the Bank's vision of “creating a sustainable future through green banking.” The CS Team convenes quarterly CS conferences to track progress of each working group and to discuss key issues relating to CS. All 6 CS working groups are communicated on a monthly basis using official correspondence, which helps monitor work progress, resolve obstacles and enforce the Bank's Creative Highlight initiative. (II)1. Progress of directors' and supervisors' education has been disclosed on MOPS. (http://mops.twse.com.tw/mops/web/t93sc03_1). 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). 3. The Bank has created a “Banking CS” section on	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 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?	V		“Cathay Learning Network,” the internal education website, and publishes monthly e-newsletters to share with employees CS trends around the world. By providing useful new knowledge on sustainability, the Bank hopes to maximize financial influence over this increasingly prominent topic through its employees. The Bank also disseminates information on external CS conferences and courses as they become available, and encourages participation from employees. (III)1. The Bank has assembled a CS Team based on the structure of Cathay FHC's “CS Committee” to execute and manage CSR-related practices. The CS Team comprises representatives from various departments, and enforces CS on three main aspects: environmental (E), social (S) and governance (G). It represents the Bank's primary CS enforcer, is supervised by the President and has six working groups established under to promote “responsible investment, responsible products and services, sustainable governance, green operation, employee happiness and social prosperity.” Together, they work	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 salary remuneration policy, combines employee performance evaluation system with the corporate CSR policy, and establishes clear and effective reward and punishment	V		toward fulfilling the Bank's vision of “creating a sustainable future through green banking.” 2. The CS Team makes half-yearly reports to the board of directors to explain the Bank's progress regarding CS vision, organization, systems and performance highlights. By making transparent disclosures on corporate governance and sustainability practice, the Bank strives to fulfill corporate social responsibilities while building its reputation as the leader in “green banking.” Regular reporting also enhances the board's strategic role in the promotion of corporate social responsibilities and enables CS policies to be implemented from the top down, thereby providing continual support to CS efforts at the required intensity. (IV) Remuneration to directors, supervisors, managers 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	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	
system? II. Fostering a Sustainable Environment (I) Does the Bank endeavor to upgrade the efficient use of available resources, and the use of environmental-friendly materials?	V		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,” during which employees are given ample opportunities to express opinions and appeal, and therefore ensure fair execution of the Bank's reward/disciplinary system. (I) The Bank supports group policy and has been progressively increasing the percentage of environment-friendly and energy-saving products/equipment purchased, as well as the overall amount of green procurement. More than NT\$150 million of green purchase was made in 2018.	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	
(II) Has the Bank established environmental policies suitable for the Bank's industrial characteristics? (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? III. Preserving Public Welfare (I) Whether the Bank establishes the related management policies and procedures in accordance with the	V		(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 energy conservation challenge, plastic-free service and solar power as means to bring employees' attention to Earth's environment. (III) The Bank conducted an organization-wide greenhouse gas survey, obtained ISO14064-1 certification, and supported the group's carbon reduction goal of reducing carbon emission by 5%~10% over 5 years. (I) The Bank complies with labor regulations and has management policies and transparent channels place to promote and protect employees' legal right. The	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	
relevant laws and International Bill of Human Right conventions? (II) Has the Bank established any employee complaint mechanism and channel, and handle such complaints adequately? (III) Whether the Bank provides the	V		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. (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, they bridge communication between managers and employees within the organization. (III) 1. Workplace carbon dioxide levels and lighting are	Complied

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	Yes	No	Summary	
existence of a safe and healthy work environment; regular safety and health training to its employees?	V		inspected once every six months, whereas drinking dispensers are subjected to water quality tests once every quarter. The Bank has a total of 25 nursery rooms at 10 office locations to provide employees with a safe and comfortable work environment. 2. The Bank arranges regular employee health checkups and adopts a tier-based health management system. 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. 3. The Bank hosts occupational safety and health training courses and occupational hazard prevention awareness programs on a regular basis. Each business unit is staffed with a safety officer and first-aid crew whose responsibilities are to ensure workers' safety and health. 4. The Bank has a total of 209 AEDs deployed throughout. All employees are given practical training on AED+CPR to protect their own and customers'	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		safety and create a safe workplace.	Complied
(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 staff and the Bank. In addition, the Bank uses communication channels such as new recruits seminar, regional meeting and the Cathay Platform to gather employees' suggestions, convey core values. These communication channels not only provide employees with broader means to express opinions, the data gathered can also be analyzed to gain insight into employees' preferences, so that assistance and programs may be arranged to satisfy their needs better.				
(V) Has the Bank established effective career development training plan for			(V) In addition to providing convenient, professional and innovative financial services for better customer	

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	
employees? (VI) Has the Bank implemented consumer protection and grievance policies with regards to its research and development, procurement, operation and service activities?	V		experience, the Bank also emphasizes diversity in employees' career development potentials. A career roadmap has been designed to highlight growth opportunities and learning goals for employees, while a systematic training program supported by the use of digital technology has been implemented to improve learning motivation and outcome within the organization. Furthermore, skill and performance evaluation systems are constantly adjusted to ensure high degree of association between employee growth and corporate targets. (VI) 1.The Bank has established consumer protection policies and systems in accordance with Consumer Protection Act and Enforcement Rules 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. 2.The Bank has a dedicated unit available to handle	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		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 and improved upon by the respective product/service departments to implement the operating policy of consumer protection 3.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, but also consumers are given reasonable amount of time to review contract terms. If disputes arise, customers can enforce their rights base on the contract. In addition, principles of “Notes on Consumer Review Committee” have been incorporated into the Bank's “Consumer Protection Policy” to ensure more	Complied

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	V		efficient and more appropriate way to customers' complaint. 4. Apart from adopting “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 offered before purchase. 5. The Bank has “Cathay United Bank Consumer Protection Policy,” “Cathay United Bank Notes on Consumer Review Committee” and “Cathay United Bank Customer Grievance Handling Policy for Business Units” in place to protect consumers' interest and prevent dispute. Dispute resolution guidelines (which contain details on acceptance of grievance, 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	Complied

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	Yes	No	Summary	
	V		and proper manner. 6. The Bank has established its “Wealth Management Service Policy” and “Wealth Management Service Rules” according to “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 Information Protection Act.” These two policies clearly outline the rules of conduct that employees are bound to comply and pay attention to when providing wealth management products and services, and are examined and adjusted regularly according to laws and actual practice to ensure that the Bank fulfills its duty of care as a prudent manager. Customers who have any query or suggestion regarding the products or services offered may approach any of the Bank's branches during business hours or raise them via the Bank's 24-hour customer service hotline or mailbox on the website. Ensuring quick response to consumers'	Complied

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	V		opinions is one of the approaches we adopt to protect consumers' interests. 7. “Fair customer treatment” not only represents one of the key values in the Bank's corporate culture, but is also an important foundation principle to all operating and business activities. To further enforce the Bank's “fair customer treatment” philosophy and implement refined consumer practices for the harmony of the financial market, amendments have been made to “Cathay United Bank Fair Customer Treatment Policy” to introduce self-assessment standards and involvement from the board of directors based on Financial Supervisory Commission's “Fair Customer Treatment Evaluation for Financial Service Providers.” The Bank will direct more attention toward the performance of fair customer treatment in the future, while taking a cautionary approach to discover and rectify defects, examine the products/services offered and plan future businesses, thereby avoiding dispute where possible. Meanwhile, employees will be required to undergo rigorous training to promote “fair customer treatment” not only	Complied

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(VII) Does the Bank market and label products and services in accordance with the related laws and international standards?	V		as an important part of the corporate culture, but a common value and guideline that all behaviors are based upon. 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 and to facilitate timely response to customers' potential needs. As for consumers' complaint, the Bank has established standard procedures for the different grievance channels available for the best protection of consumers' interest. (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	Complied

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	Yes	No	Summary	
(VIII) Does the Bank has assessed the supplier's record in environmental protection and society before trading with the supplier?	V		entirely compliant with laws, instructions of the Financial Supervisory Commission, and terms of the Financial Consumer Protection Act pertaining to specific industries. All information has been disclosed to consumers in the utmost integrity, credibility, and protection for financial consumers' rights. By ensuring the completeness and accuracy of financial information delivered, the Bank aims to help customers make the correct decisions. (VIII) Prior to engaging in business transactions, the Bank evaluates its counterparties for history 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 Financial Holdings, the Bank's parent company, and subsidiaries have adopted sustainable procurement practices based on ISO 20400 Sustainable Procurement - Guidance and established procurement policies, strategies and supply chain	Complied

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(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?	V		management procedures accordingly since 2018. In the end of 2018, the Bank passed BSI audit and became the first financial institution in the world to be certified for conformity with ISO 20400. (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 “Notes on Property Procurement and Management” 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.”	Complied
IV. Enhancing Information Disclosure Whether the Bank discloses relevant and reliable corporate social			(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	

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responsibility information on its website or Market Observation Post System?	V		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 Venture). (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 and made available by the public. (https://www.cathayholdings.com/holdings/csr/intro/te/sustainability-disclosure#first-tab-02)	Complied
V. If the Bank has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM 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.				
VI. Other information material to the understanding of the corporate social responsibility: (I) The Bank was the pioneer in the financial industry, starting with the establishment of Cathay United Bank Foundation in 1980				

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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 2018 are presented as follows:: 1. “Elevated Tree Program — Grow A Big Tree From A Shoot” series: ①Elevated Tree Program Scholarship: In April and October, the Foundation made 2 donations under the Elevated Tree Program for a total of NT\$10,970,000. 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 847 elementary and junior high schools in Hsinchu County, Miaoli County, Changhua County, Yunlin County, Chiayi County, Taitung County and Yilan County to a total of 7,626 beneficiaries. Since the program started in 2004, more than NT\$156 million in donations have been made to the benefit of nearly 100,000 children. Cathay United Bank Chu Lai Branch, also, has responded to the Program and introduced its own “Elevated Tree Program - Vietnam” since 2008. In 2018, the Foundation extended its support across borders by donating NT\$1 million in scholarship to a total of 1,005 beneficiaries. ②Donating coats in collaboration with Ever Shine Y&F Co., Ltd and Ever Shine I&F Co., Ltd: Ever Shine Y&F and Ever Shine I&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&F Chairman Johnny Shen and Ever Shine I&F Chairman Sally Yeh had sponsored the “Elevated Tree Program” through action, donating nearly 4,500 winter coats to students in remote locations in 2018. ③Elevated Tree Program Public Welfare Lectures: 14 lectures were held in Taipei City, Taichung City and Taitung County to an audience size of nearly 3,000 people. Since the				

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Program first began in 2008, more than 160 lecture sessions have been held to an audience size of more than 20,000 people.				
④ Love Without Barriers:				
In order to fully preserve the contents of “Elevated Tree Program Public Welfare,” the Bank published the 6th volume of “Love Without Barriers,” which features a collection of knowledge verbally communicated by experts and scholars of parental education. 12,500 copies of the publication were printed and placed at Cathay United Bank branches where customers and the general public may access free of charge. A total of 87,500 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 an attempt to promote art and charity, Cathay United Art Center invited numerous artists to hold exhibitions and seminars in 2018, and arranged “Elevated Tree Program - Philanthropist Artists Exhibition” in October where non-professional artists were invited to showcase their artworks. The venue was also used to display winning pieces from Cathay Arts Festival - New Century Potential Painting Exhibition. A total of 7 art exhibitions and 4 artist seminars were held during the year. The art center provides the public with a comfortable space to learn about art free of charge.				
② “Art Talk Lectures” held at Cathay United Art Center:				
The 2018 “Art Talk Lectures” placed greater emphasis on art history and sharing of practical experiences from real artists, including introduction to artist’s/painter’s ordinary day. Through these lectures, we hope to help the public appreciate art, participate in cultural activities, and find spiritual satisfaction through art.				
③ Charity auction of specially designed calendar:				
In 2018, Cathay United Art Center created a calendar with the theme “Beauty of Arts” that comprised artworks of 12 artists including Yin-Hui Chen. Through this calendar, the art center hoped to bring colors and excitement to the public in the coming year, and help people appreciate the wonders of art. The art center also designed publications, albums and calendars in relation				

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	Yes	No	Summary	
to the “Elevated Tree Program - Philanthropist Artists Exhibition,” and auctioned them to raise proceeds for socially disadvantaged students and spread acts of kindness in society. 3. Sponsored events: The Bank supported Bunun Cultural and Educational Foundation’s “Jabuticaba Industrialization” - a fruit farming project that not only provides local indigenous people with the means to become self-sustainable, but also generates income to finance English education foundation for tribal children and teenagers and connect them with the world. In an attempt to support persons with disabilities that prevent them from competing in the job market, the Bank made actual purchases of handmade cookies and merchandises from “Taoyuan Sheltered Workshop - Eden Bakery & Cafe” of “Eden Social Welfare Foundation,” “Workshop with Happiness” of “Syin-Lu Social Welfare Foundation” and “Xingfu Shop” of “Taiwan Fund for Children and Families,” and distributed them in various events or consigned charity organized by Cathay United Bank Foundation. Apart from the above, the Bank also sponsored: “The 81st Tai Yang Art Exhibition” by Tai Yang Art Society, “The 42nd National Oil Painting Competition and Exhibition” by The Oil Art Society of The Republic of China, “I’m 20” by Down Syndrome Foundation R.O.C., “Fitness Support Program” by Happy Mount, performance of Puzangalan Children’s Choir at “The 1st Tokyo International Choir Competition,” and co-arranged “Mid-autumn Charity Auction” with UBS Group. 4. Charity events co-sponsored with group affiliates: The Bank participated in “Cathay Scholarship,” “Teach For Taiwan (TFT),” “Cathay Children’s Development Camp,” “New Immigrant Offspring After-school Care,” “Giving Winter Warmth” and “Eden Charity Auction”, and was involved in the preparation of Cathay Charity Group annual report. 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 Bank will continue to support charity events of all kinds so that love and warmth can be spread to all corners of the society. (II) To support the government’s policies of helping social enterprises grow and obtain the required funding, Cathay United Bank collaborated with Taipei City Government on the launch of “Social Enterprise Financing Program” and invited Small and Medium				

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			Enterprise Credit Guarantee Fund to provide guarantee on low-interest loans for borrowers that met the required eligibility criteria. 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 to 6 social enterprises for a sum of NT\$29.5 million, and supported their efforts toward caring for the socially disadvantaged and fostering a sustainable environment. Cathay United 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 environment where they may thrive and realize their visions of an inclusive society.	
(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:	
			1. High Speed Rail (HSR) bonus redemption: When purchasing HSR tickets in the “Credit Card Promotions” section of the 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. In 2018, cardholders converted a total of 300 million reward points for Taiwan High Speed Rail business class upgrades (with an equivalent value of NT\$20 million), representing approximately 10% annual growth.	
			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 2018, Cathay cardholders donated a total of NT\$350 million to partnered charity organizations by credit cards.	
			3. Reward point online donation: The Bank currently works with 21 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	

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			specified (donation amount over redemption of reward point can be paid by Cathay United Bank credit card). In 2018, cardholders made a total of 451 donations with reward points; these transactions involved 3.76 million reward point conversions (equivalent to NT\$226,000) and NT\$297,000 of donations being paid by credit cards for a sum of NT\$523,000. 4. Reward point fax donation: The Bank currently works with 11 charity organizations to enable reward point donation over fax. In 2018, a total of 507 reward point donations were made over fax for a sum of 4.72 million points (equivalent to NT\$283,000). (IV) The Bank initiated a computer recycling program in 2017, where internal departments were instructed to take count of impaired computer cases, monitors and laptops and donated them to ASUS Foundation for refurbishment. 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 avoids wastage, but also helps reduce the digital divide of remotely located schools and the socially disadvantaged. A total of 1,127 computers were donated in 2018. (V) The Bank organized “Cathay DIY Environmental Protection Carnival” that aimed to raise the public’s awareness towards reducing usage of water and plastic items through games. (VI) By engaging children in environmental protection, it is the Bank’s belief that preservation of Earth’s environment best begins with the young.Cathay Financial Holdings organized the 422 Costal Cleanup where the Bank and its subsidiaries were mobilized on April 22 to clean up 22 coastal areas throughout Taiwan. More than 7,000 people had participated in this event, during which they cleared out 11 tons of garbage in total. (VII) Below is a summary of main health promotion events the Bank had organized in 2018: 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 4.1 tons, for which the financial holding company made a donation of NT\$2 million to charity causes. 2. The Bank organized the “2018 Cathay United Parental Engagement” event along with a series of interactive courses and parenting	

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lectures and baby crawling contest to help employees better understand the growth of their children. The Bank also hosted its 2nd 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 864 participants. 3. The Bank organized “2018 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 8 sessions were held in northern, central and southern Taiwan, all of which received overwhelming responses from the public, and resulted in 1,336 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. 4. 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 4168 enrollments were received, and 562 people won the HSR concession tickets prepared by the Bank. Through these activities, the Bank hopes to promote work-life balance of its employees. 5. The Bank supported influenza vaccination and worked with public health service centers in organizing 9 mobile healthcare events. A total of 1,268 employees had taken the influenza vaccine to increase health protection. 6. The Bank organized a “Pampered Mommy 2.0” 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. (VIII) In 2018, the Bank continued working with major merchants to expand mobile payment application through innovative technologies, and helped merchants expand the scope of their business and revenues. The Bank recognizes innovation as part of its mission, and supports the government’s effort in promoting electronic payments. We strive to incorporate our corporate social responsibility and quality values into the products and services we offer, and apply innovations to create new values.				
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/GTSM Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
I. Enactment of integrity management policy and scheme. (I) Has the Bank stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?	V		(I) According to Article 12 of 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 “Code of Operation Integrity” based on the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” that applies to the Bank and all subsidiaries of Cathay FHC. A set of “Cathay United Bank Corporate Governance Guidelines” has been established in accordance with “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and “Corporate Governance Best-Practice Principles for Banks” to support a sound corporate governance system. The	Complied

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
(II) Does the Bank have any measures in place against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	V		Guidelines state that the Bank is bound to uphold integrity principles and respect and protect the rightful interests of shareholders, customers, employees, consumers, local communities and other stakeholders of the Bank. Principles of the guidelines have also been enforced through internal policies such as “Employee Code of Conduct” and “Donation Guidelines.” (II) “Cathay Financial Holding Code of Operation Integrity” clearly outlines behavioral guides, disciplinary actions and grievance systems on a broad range of issues including business ethics, workplace conducts, compliance, prevention of conflicting interest, gifting/treatment, bribes/kickbacks, political donation, sponsorship, confidentiality, fair trading, insider trading, AML, discrimination, harassment and maintenance of work environment; all of which have been duly implemented. Meanwhile, other policies such as “Cathay United Bank Whistle-blowing System Guidelines,” “Cathay United Bank Guidelines Governing Report and Complaint Handling” and “Employee Rewards and Discipline Guidelines” have	Complied

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
(III) Has the Bank taken any preventative measures against the operating activities involving highly unethical conduct risks under Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” or within other operating areas? II. Implementation of integrity	V		also been implemented to facilitate prevention, reporting and discipline of dishonest conducts. Furthermore, according to “Cathay United Bank Corporate Governance Guidelines,” all employees, business administration units and accountable departments 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. (III) The Bank has established internal rules for various business activities, and implemented robust systems to verify transactions, regularly review employees' conducts, rotate job duties and thereby minimize integrity risks. All new products and services have to undergo rigorous review procedures before launch for the protection of consumers' and stakeholders' interests.	Complied

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
management (I) Has the Bank assessed a trading counterpart’s integrity management record, and expressly states the integrity management clause in the contract to be signed with the trading counterpart? (II) Does the Bank have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis? (III) Has the Bank defined any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?	V		(I) Prior to engaging in commercial transactions, the Bank first considers the legitimacy and reputation of its counterparties and avoids dealing with those that exhibit a history of dishonest conduct. All contracts signed with counterparties include terms that outline integrity obligations to be fulfilled by contract principals. (II) Compliance with Code of Operation Integrity is being audited by the Bank's internal audit unit to ensure proper implementation. Any defects and improvements discovered during audit are reported to the board of directors on a regular basis. (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' complaint, the Bank has established standard procedures for the different grievance channels available for the best protection of consumers' interest.	Complied

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
(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? (V) Has the Bank organized internal/external education training program for integrity management periodically?	V		(IV) The Bank has implemented an accounting policy and internal control system based on International Financial Reporting Standards and Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. Compliance with the accounting policy and internal control system is being audited by the internal audit unit; any defects discovered and any improvements made are reported to the board of directors on a regular basis. (V) 1.The Bank is bound to comply with The Bank 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.	Complied

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
III. Status of the Bank’s complaint system (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? (II) Has the Bank defined the standard operating procedure and confidentiality mechanism toward the investigation of complaints as accepted?	V		2. The Bank organizes annual training courses on a variety of compliance topics including code of conduct, confidentiality, fair customer treatment, whistle-blowing system and Personal Information Protection Act to promote employees' awareness toward business integrity and compliance. These topics represent the fundamental focus of the Bank's integrity efforts. (I) “Cathay United Bank Whistle-blowing System Guidelines” has been established in accordance with “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.” (II) The Bank assigns suitable handlers depending on the subject of the alleged misconduct; furthermore, standard operating procedures and confidentiality measures have been established to govern the investigation process.	Complied

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
(III) Has the Bank adopted any measures to prevent the complainants from being abused after filing complaints? IV. Enhancing Information Disclosure Has the Bank disclosed the Integrity Management Principles and effect of implementation on its website and Market Observation Post System?	V		(III) Relevant measures have been adopted to protect whistleblowers against inappropriate treatment. These measures apply to all domestic and overseas branches of the Bank and are intended to protect insiders and outsiders alike. Details of available grievance channels have been disclosed on the Bank's website. Cathay Financial Holdings, the Bank's parent company, has disclosed its “Code of Operation Integrity” on its website and MOPS. The Bank complies with “Mandatory Disclosure Guidelines for Bank Annual Reports” and discloses execution of integrity policy in its annual report, which can be found on the Bank’s website. (https://www.cathaybk.com.tw/cathaybk/about/about/finance/)	Complied
V. If the Bank has established integrity management principles based on “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation: Cathay FHC, the Bank's parent company, established a set of “Code of Operation Integrity” in March 2012 based on “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” to provide the foundation needed to support business integrity, corporate culture, corporate governance, risk management and a sustainable business environment. The code not only governs practices of the financial holding company 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.				

Scope of assessment	Implementation Status (Note 1)			Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons (Note 2)
	Yes	No	Summary	
VI. Other information material to the understanding of integrity management operation (e.g. discussion of an amendment to the ethical management best practice principles defined by the Bank):				
1. Prevention against embezzlement				
All financial advisors of Cathay United 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/GTSM Listed Companies.”

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

The Bank has established “Cathay United Bank Corporate Governance Guidelines” based on Corporate Governance Best-Practice Principles for Banks, and disclosed it along with other governance-related policies on the official website:

<https://www.cathaybk.com.tw/cathaybk/about/about/intro/management/#first-tab-04>.

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

Cathay Financial Holdings, Cathay United Bank and Cathay Life participated in the “Corporate Governance Assessment” of Taiwan Corporate Governance Association for the first time in 2018, and managed to claim the highest “Exceptional” rating on the first attempt.

(X) Implementation of internal control system

Declaration of Internal Control System of Cathay United Bank

- I. On behalf of Cathay United Bank, we hereby declare that, between the period January 1 and December 31, 2018, the Bank had duly implemented internal control system and exercised risk management in accordance with “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.
- II. In regards to concurrent life insurance agency service:
- (I) 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). According to “the Regulations,” internal control system shall be evaluated on at least the following aspects: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision.
- (II) The Bank has adopted the abovementioned criteria to examine the design, execution and effectiveness of its internal control system.
- (III) 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 laws) within the abovementioned period and are able to provide reasonable assurance with regards to the above goals.
- (IV) This declaration constitutes part of the Bank'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 Securities and Exchange Act and relevant laws.
- III. This declaration was passed during the board of directors meeting held on March 21, 2019.

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

March 21, 2019

**Areas of Improvement and Improvement Plan for the Internal Control System of Cathay
United Bank**

(Basis date: December 31, 2018)

Issues-to-be-improved	Improvement	Scheduled to Complete
I. When offering structured Notes, the Bank did not make full disclosure of possible risks and the KYC process was not duly completed.	Steps have been taken to enhance control and risk disclosure for structured Notes.	Rectified
II. An isolated case that additional credit card was issued to a customer without the customer's consent.	A digital training course has been produced and branch managers are being instructed to convey the underlying knowledge to branch staff, and thereby promote compliance awareness.	Rectified
III. Financial advisors' control over services to customers.	The Bank has reiterated rules on counter transactions, enhanced management over business premises, undertaken self-audit and enforced training to promote employees' awareness toward daily duties and compliance.	Rectified

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

To Cathay United Bank Co., Ltd.:

We have performed due diligence on: the design and execution of internal control systems (for banking and insurance activities), execution of the compliance system, appropriateness of loan loss provisioning policy and accuracy of regulatory reports of Cathay United Bank Co., Ltd. in 2018. 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 audit according to generally accepted auditing principles, we do not provide any assurance with regards to the design and execution of internal control system (for banking and insurance activities), execution of the compliance system, appropriateness of loan loss provisioning policy and accuracy of regulatory reports 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 has been prepared 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 21, 2019

(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 crimes.	None	
II. Fines imposed by the Financial Supervisory Commission (FSC) for violations of laws and regulations.	(I) 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 Subparagraph 7, Article 129 of the Act as a result. (Letter Jin-Guan-Yin-Kong-Zi No. 10660002226 of June 1, 2017)	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 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. 2. With regards to “inadequate review of customers’ financial information”: To facilitate authenticity checks on customers’ financial information when applying for treasury limits, the subsidiary has amended its “Notes on Application and Assessment of Treasury Transactions” and introduced enhanced financial review practices such as: (1) Improved KYC process for assessing customers’ risk tolerance. (2) Ensure the accuracy and rationality of statement figures,when obtaining financial statements from customers.. (3) Consolidated financial

Disclosure	Cases	Improvement
		statements and standalone financial statements from customers to support its credit assessment process. Rationality between consolidated and standalone financial statements should also be reviewed. (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 analysis at the group level. Proof of treasury limits granted to group members should also be obtained to support limit approval.
III. Penalties imposed by the FSC for violation under Article 61-1 of the Act.	(I) As mentioned in Paragraph II(I), 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) (II) 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 06, 2017)	Improvements have been made as described in Paragraph II(I) 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. 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.

Disclosure	Cases	Improvement
	(III) Defects in the offering of structured notes posed concern to the Bank's operations, for which an order of correction was imposed according to Paragraph 1, Article 61-1 of the Banking Act. (Letter Jin-Guan-Yin-Kong-Zi No. 10702083860 of July 17, 2018) (IV) Misuse of customer's personal information for credit card applications involving a former branch staff posed concern to the Bank's operations, for which an order of correction was imposed according to Paragraph 1, Article 61-1 of the Banking Act. (Letter Jin-Guan-Yin-Kong-Zi No. 10701140880 of December 6, 2018)	3. The Bank has listed 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. The Bank has implemented control measures before, during and after transaction of structured instrument. The risk declaration part is now displayed in bolded text. A digital training course has been produced and branch managers are being instructed to convey the underlying knowledge to branch staff, and thereby promote compliance awareness.
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	None	

Disclosure	Cases	Improvement
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.		
V. Other disclosures required by the Financial Supervisory Commission.	None	

(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 auditor) in the most recent year up till the publication date of this annual report:

Resignation of relevant personnel within the Bank

March 31, 2019

Title	Name	Date onboard	Date departed	Reasons for resignation or discharge
Head of Finance	Wei-Ting Kao	20130826	20190201	Job rotation

V. Professional Fees to the CPAs:

Range of Professional Fees to the CPAs

Name of Accounting Firm	Names of CPAs		Audit Period	Remarks
Ernst & Young	Bob Chang	James Huang	2018.01.01~2018.12.31	—

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\$ thousand

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

Amount Unit: NT\$ thousand

Name of Accounting Firm	Names of CPAs	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	10,062	16,184	-	-	2,743	18,927	2018.01.01 ~ 2018.12.31	—

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 :

(I) Information relating to the former CPA

Date of reappointment	During the board of directors meeting dated November 2, 2018, a decision was made to reappoint accounting firm and CPAs starting from 2019		
Reason for reappointment	The reappointment of accounting firms and CPAs since 2019 was arranged to accommodate group policy.		
Was the termination of audit services initiated by the principal or by the CPA	Contracting Party		Certified Public Accountant
	Status		Principal
	Service terminated by		V
	Service no longer accepted (continued) by		
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 Item 1-4, Subparagraph 6, Article 10 of the Guidelines)	None		

(II) Information relating to the succeeding CPA

Name of Accounting Firm	Deloitte & Touche
Names of CPAs	Li-Chi Chen, Hsu-Jan Cheng
Date of reappointment	During the board of directors meeting dated November 2, 2018, a decision was made to reappoint the accounting firm and CPAs starting from 2019.
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 Standards:

None.

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, 2019

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.	9,119,762,236	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: 2019.03.31 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
Financial institutions						
Taiwan Depository and Clearing Corporation	628,150	0.17%	-	-	628,150	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	2,086,395	0.62%	-	-	2,086,395	0.62%
Financial Information Service Co., Ltd.	12,233,746	2.34%	-	-	12,233,746	2.34%
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	61,200,000	5.79%	-	-	61,200,000	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%	1,200	0.00%	117,626	0.02%
Indovina Bank (Note)	-	50.00%	-	-	--	50.00%

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
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%
Quantifeed Holdings Limited	2,514,867	7.70%	-	-	2,514,867	7.70%
Cathay United Bank (China) Co., Ltd. (Note)	-	100.00%	-	-	-	100.00%
Non-financial institutions						
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	12.95%	-	-	7,091,512	12.95%
Yu Hua Venture Capital Investment Co., Ltd.	1,047,200	5.00%	-	-	1,047,200	5.00%
Harbinger Venture Capital Corporation	6,636	3.35%	52	0.00%	6,688	3.35%
Victor Taichung Machinery Works Co., Ltd.	65,597	0.03%	-	-	65,597	0.03%
Taichung City Central District Cooperative Association	50	0.26%	95	0.49%	145	0.75%
Alliance Digital Technology Co.	900,000	2.16%	-	-	900,000	2.16%

Note 1: Indovina Bank and Cathay United Bank (China) do not issue shares.

Note 2: Alliance Digital Technology Co. passed a resolution to dissolve during its 2018 annual general meeting; the dissolution baseline date was set at December 31, 2018.

Note 3: The Bank held VISA Class C common shares, and the Bank's managers held VISA Class A common shares. Each Class C common share is convertible into 4 Class A common shares.

Four.Capital Overview

I. Capital and Shares:

The Bank has total capital of NT\$91,197,622,360, issued in 9,119,762,236 shares of NT\$10 each. The share is entirely issued in common shares. The Bank became 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 share is presented below:

(I) 1. Capital stock Source:

Baseline date: 2019.3.31 Unit: shares/\$

Date	Issue price	Registered Capital		Total Paid-in Capital		Remarks	
		Number of shares	Amount	Number of shares	Amount	Capital stock 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
2009.09	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 \$ 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
2018.06	10	9,119,762,236	91,197,622,360	9,119,762,236	91,197,622,360	Capitalization of earnings NT\$ 12,593,562,710	Note 11

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

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

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

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

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

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

Note 7: Approved by FSC under Letter No. Jin-Guan-Zheng-Fa-Zi No. 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-Zi No. 10600114621 dated May 31, 2017.

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

Note 11: Effected by FSC on June 19, 2018.

Unit: shares/\$

Share Type	Registered Capital			Remarks
	Outstanding shares	Un-issued shares	Total	
Common stock	9,119,762,236	0	9,119,762,236	-

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

(II) Shareholder structure

Baseline date: March 31, 2019

Shareholder structure Quantity	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	—	1	—	—	—	1
Number of shares held	—	9,119,762,236	—	—	—	9,119,762,236
Ratio of shareholding	—	100%	—	—	—	100%

(III) Fact of equity scattering

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

Baseline date: March 31, 2019

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	9,119,762,236	100%
Total	1	9,119,762,236	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.	9,119,762,236	100%

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

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

Item \ Year (Note 8)		2017	2018	As of March 31, 2019
Market Price per share (Note 1)	Highest	-	-	-
	Lowest	-	-	-
	Average	-	-	-
Net worth per share (Note 2)	Before payout	21.03	22.12	23.22
	After payout	21.03	Not yet resolved in a shareholder meeting	-
Earnings Per Share (Note 3)	Weighted Average No of Shares	7,621,201 thousand shares	9,119,762 thousand shares	9,119,762 thousand shares
	Earnings Per Share	Before Adjustment: 2.53	2.30	0.67
		After Adjustment: 2.17		
Dividend per share	Cash Dividend		-	Not yet resolved in a shareholder meeting
	Stock Dividend	From Retained Earnings	1.60	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 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: 2017 - 2018 figures were prepared according to International Accounting Standards (IAS), whereas financial information up till March 31, 2019 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 2018 dividends proposed for discussion in the upcoming shareholder meeting are as follows:

- (1) Retrospective adjustment for adopting IFRS 9: NT\$(492,614,992)
- (2) Disposal of equity instruments at fair value through other comprehensive income: NT\$487,854,269
- (3) Legal reserve: NT\$6,304,671,379
- (4) Reversal of provision for special reserve (other equity): NT\$854,931,498
- (4) Provision for special reserve (Fintech): NT\$105,101,660
- (5) Distribution of stock dividends: NT\$5,460,729,720
- (6) Distribution of cash dividends: NT\$10,000,000,002

(VII) Impacts of proposed stock dividends on the Bank's business performance and earnings per share in the upcoming shareholder meeting:

The Bank does not make public financial forecast 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 2018:

- (1) Proposal was made to pay out employee remuneration of NT\$12,022,178 in cash, and NT\$6,300,000 of 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 2018. 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)-Zi No. 09700444760 dated November 28, 2008 and Letter No. Jin-Guan-Yin-(VI)-Zi No. 09800135230 dated May 12, 2009 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 10000048760 dated March 2, 2011 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 10000048760 dated March 2, 2011 by FSC
Date of issue	2009.7.20	2011.3.30	2011.6.22
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\$1.5 billion	NT\$2.5 billion
Interest rate	2.60%	1.72%	1.72%
Duration	10 years Expiration date: 2019.7.20	10 years Expiration date: 2021.3.30	10 years Expiration date: 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\$1.5 billion	NT\$2.5 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\$98.178 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	1.61	3.15	5.60
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, 2011, twAA	Taiwan Ratings: February 9, 2011, 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-Zi No. 10100108800 dated April 18, 2012 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 10100108800 dated April 18, 2012 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 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: 2019.6.6/2022.6.6	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 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	10.08	15.79	24.75
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-Zi No. 10300093700 dated April 8, 2014 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 10300254740 dated September 11, 2014 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 10300254740 dated September 11, 2014 by FSC
Date of issue	2014.05.19	2014.10.08	2014.10.08
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: 2021.5.19/2024.5.19	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	33.17	49.78	58.08
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-Zi No. 10300338550 dated December 3, 2014 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 10600042300 dated March 7, 2017 by FSC	Letter No. Jin-Guan-Yin-Kong-Zi No. 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, Twiwan 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	62.61	57.83	68.42
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-Zi No. 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	66.62
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 or acquisition of other financial institution:

None.

VII. Implementation of the Capital Utilization Plans:

(I) Plan details

In an attempt to increase capital adequacy ratio and to reserve the capital needed for medium and long-term lending as well as to support business development of overseas branches, the Bank submitted a debt issuance plan to the authority on March 7, 2017 and received approval under Letter No. Jin-Guan-Yin-Kong-Zi No. 10600042300 from FSC 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. The Bank currently has approximately NT\$15.1 billion (or equivalent foreign currency) of senior bond issuance limit remaining.

(1) Status of Securities in Private Placement: Not applicable.

(2) Plan(s) completed the most recent three (3) years but without significant benefits as yet: None.

(II) Implementation Status

The Bank utilized US\$495 million (equivalent to NT\$14.9 billion) of the NT\$30-billion (or equivalent foreign currency) pre-approved ordinary bank debenture limit in 2017 to finance its long-term USD lending, which presented a lower treasury risk. The remaining limits may be utilized depending on market condition and capital requirements.

The Bank utilized NT\$15.1 billion of the NT\$30-billion (or equivalent foreign currency) pre-approved subordinated bank debenture limit in 2017 to strengthen tier-2 capital. The remaining limit of NT\$14.9 billion had expired in March 2018. The Bank's capital adequacy ratio as of December 2018 was reported at 14.99%; future offerings of subordinated bank debenture may be planned depending on business growth and capital adequacy requirements.

- (1) Where capital is intended to acquire another company, expand or construct new property, plant or equipment, compare and explain potential effects on fixed asset balance, operating revenues, operating costs, operating profits etc: Not applicable.
- (2) Where capital is intended to be invested into another company, explain impacts to the operations of the invested business and to the Bank's investment gains: Not applicable.
- (3) Where capital is intended to provide working capital or repay debts, compare and explain any increase/decrease in current assets, current liabilities, total liabilities, interest expense, operating revenues and earnings per share, and analyze the financial position: Not applicable.

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 self-service deposit and digital deposit to satisfy saving and cash flow needs of both individual and corporate customers. The Bank operates a network of physical and digital channels and automated service equipment that, with the support of a user-friendly cash flow system, satisfies customers' needs for fund transfer.

2. Credit service

The Bank offers secured and unsecured consumer loans for individual customers, such as: adjustable-rate mortgage, revolving mortgage, government-subsidized mortgage and other consumer loans etc.

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 exclusive solutions for SME customers for more productive relationship management.

■ Financial payment service

1. Transaction acquisition service

The Bank offers a diverse range of transaction acquisition services for merchants, including online, offline and installment purchases, reward point offset, and TW Pay.

2. New payment service

Through the use of an innovative payment platform, the Bank helps merchants adopt an efficient and secured cash flow service that is beneficial to their operations.

3. Automated channels service

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 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 offers professional consultation, trust planning, insurance planning and asset planning services based on customers' financial goals and investment needs.

■ Trust service

1. Mutual fund and foreign securities service

Mutual funds and foreign securities are offered to satisfy investment needs of different customers.

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.

3. Personal trust

The Bank offers a multitude of personal trust services including children's trust, retirement trust, insurance trust, foreign currency money trust, share ownership trust, dividend transfer trust, inheritance trust, and charity trust.

4. Corporate trust

For corporate customers, the Bank offers solutions such as employee welfare trust, escrow trust and electronic payment service 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, operating margin, 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, discount, overdraft, construction loans, and equipment financing.

2. Syndicated and structured loans:

The Bank possesses the professional capacity to coordinate syndicated loans of high magnitude as a lead arranger, and satisfy corporate customers' needs for capital such as fixed asset purchase, performance bond for public construction or major project, acquisition financing, and infrastructure project financing.

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 and promissory note guarantee service to small and medium-size enterprises that meet SMEG's definition.

5. Guarantee and acceptance service

Services in this category include tender bond guarantee, performance bond guarantee, prepayment guarantee, loan guarantee, promissory note guarantee, post-dated check guarantee, medium/long term debt guarantee, and bill acceptance.

6. Foreign currency service

The Bank offers the following services in foreign currencies: credit - foreign currency loan and guarantee; import/export - international trade-related services such as negotiation, collection, L/C-based transaction and cross-border supply chain financing; cash management - foreign currency deposit, inward/outward remittance, clean bill collection and purchase, traveler's check, foreign currency cash, forward exchange and cross-border services through overseas branches; and online trading platform.

■ International Financial Business service

1. The Bank provides a broad range of services for offshore individual and corporate customers, including deposit, remittance, import/export trade, credit, cross-border syndicated loan, international accounts receivable, and special purpose money trust for investment in foreign currency securities, structured notes, 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 relationship with government agencies and financial peers, studying laws and trends of major markets and regions, and engaging in interbank cooperations to introduce new services and products. Interbank credit limits are constantly monitored to ensure optimal risk-return trade-off.

■ Digital banking services

1. B2C digital banking: The Bank has created a versatile mobile platform to accommodate a broad variety of mobile networking scenarios. This platform allows customers to make inquiries, transact and apply for financial products entirely using mobile devices.

2. New digital banking service: The Bank continues to introduce innovative wealth management products and optimize APP design based on customers' needs. By going online, customers are given easier, more enjoyable, and more immediate access to financial service.

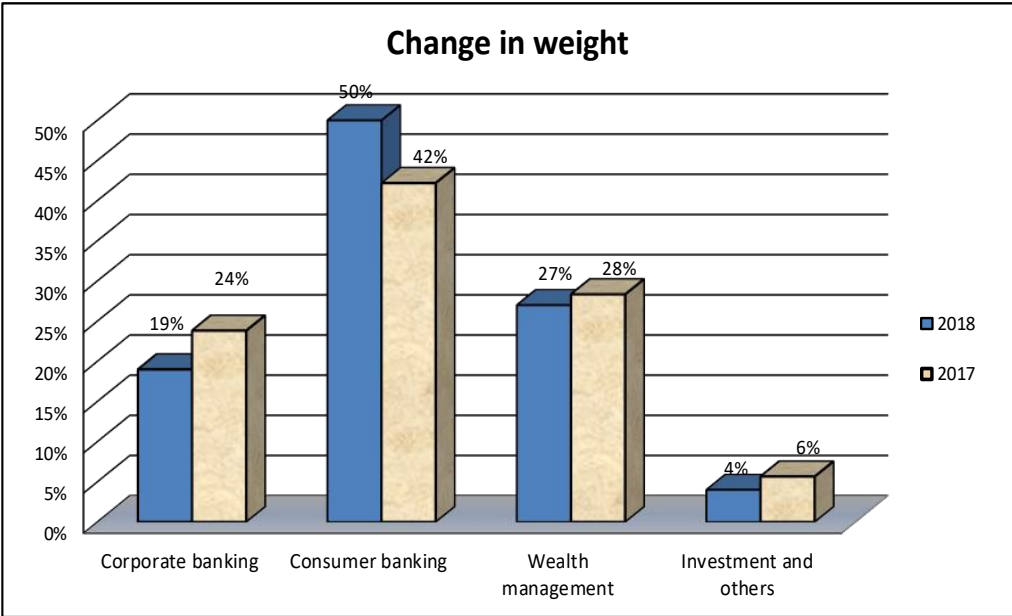
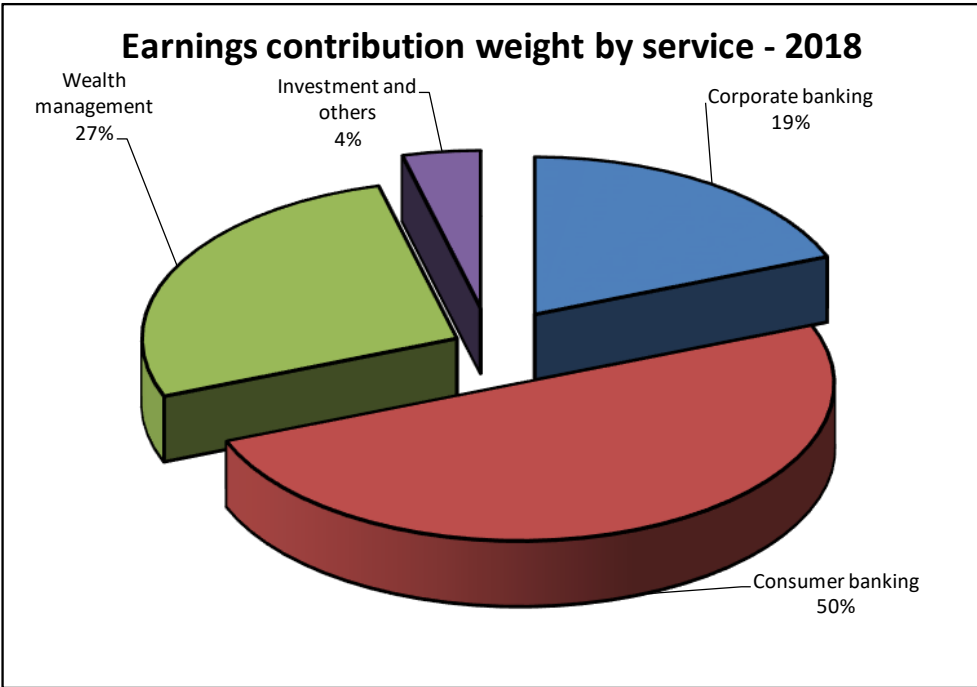
■ Investment and treasury marketing service

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 explores expansion in Greater China and Southeast Asian markets. In the Southeast Asian market, relationships are formed with local and multinational businesses to secure syndicated lending (as a lead arranger or participating lender) and commercial lending opportunities. In the Greater China market, the Bank actively explores greater diversity of financial products and services denominated in RMB and focuses on strengthening cross-border connections.

(II) Revenue weight by business category:



(III) 2019 business plans

■ Consumer banking service

1. Optimize customer structure and increase product penetration for key customers.
2. Maintain a differentiated interest pricing strategy and improve spread, profitability and customer structure.
3. Capitalize on the extensive distribution channels of Cathay financial group and coordinate group resources into providing all-round financial service for customers. Shift emphasis toward customers of high potential and products of high profit contribution for stronger customer attachment, higher customer contribution, and product penetration.
4. Provide customers with more convenient mobile payment tools and services through product optimization and new digital/mobile features. Attract new customers through the use of digital marketing tools, and introduce diverse products and projects with enhanced product features for optimal customer experience.
5. Enhance deposit infrastructure and standardize online/offline service for consistent customer experience. Incorporate financial service into customers' routine activities for closer interaction.
6. Through the cooperation of SME specialist team and branches in adopting a “professional, focused and localized” service model, and in doing so increase product penetration rate, optimize customer structure and create value from banking relationships.

■ Financial payment service

1. Transaction acquisition service: Aim to increase market share of transaction acquisition service and develop diverse payment solutions.
2. New payment service: The Bank will continue seeking for the cooperate with prominent channels and merchants, offer total solutions to accommodate the needs of different merchants, and explore potential opportunities for financial service.
3. Automated channels: Optimize the efficiency, user interface and functionality of automated equipment with customers' experience in mind; cooperate with distribution partners to introduce differentiated service.

■ Credit card service

1. Utilize big data analysis to predict customers' needs and preferences, and to connect merchants with consumers. Satisfy target customers' lifestyle needs by

offering a diverse range of privileges and thereby increase both the amount and market share of credit card spending.

2. Enhance the use of new tools and data for tracking customers' behavior. Adopt audience analysis and decision algorithms to create value and establish control over existing data, and thereby establish better understanding of target customers' needs. Capitalize on event-driven business opportunities and associate banking service with real-life scenarios. Optimize precision marketing for strengthened relationships and loyalty from customers.
3. Enhance multi-channel experience and risk-based pricing of interest-bearing products. Monitor and satisfy customers' needs with suitable product combination for increased revenues.
4. Connect payment scenarios and merchant resources through API. Develop digitally linked payment services and use them to attract merchants and broaden the Bank's digital customers.
5. Incorporate mobile banking service to deliver uninterrupted mobile payment experience, and make Cathay card the preferred brand for mobile device payment.

■ Wealth management service

1. In light of the aging population, the Bank will combine expertise from wealth management and trust services to provide customers with total asset management solutions.
2. The Bank will also incorporate technologies to help its expert team develop innovative digital investment services.
3. Apply differentiated customer segment management.

■ Trust service

Market children's trust, insurance trust, inheritance trust, share ownership trust and real estate trust combined with other investment products as family wealth transfer solutions, and satisfy customers' needs to transfer wealth across generations.

■ Corporate banking service

1. Improve asset quality by enhancing corporate credit assessment, increasing disclosure of credit risk, enforcing post loan management, and enhancing customer risk management.
2. Enhance training system for professional banking talents and improve course quality/job rotation/promotion program for more effective selection, retention, and development of wholesale banking talents.

3. Introduce innovative offerings of deposit products; raise competitiveness and market share by enriching the digital deposit platform with better quality and more convenient products and services.
4. 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.
5. 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 meet the needs of customers local and abroad.
6. 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.
7. Develop the diversity of GTS products, 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.
8. Design solutions based on the scale and needs of corporate customers. Integrate products and distribution channels into providing customers with more efficient and suitable service.
9. Explore overseas trade financing and cross-border cash management in line with future financial deregulations. Integrate overseas branch network into a cross-border service network that offers innovative, robust, complete, and diverse solutions to overseas customers.
10. Grow domestic businesses, follow the group's customer management strategy, continue offering niche products and services such as project financing and capital market financing and aim to become the best partner for businesses. Grow wealth management service with customers' satisfaction in mind and thereby improve overall performance.

■ International Financial Business

Actively explore and maintain relationship with local financial peers to capitalize on the growth potentials of Asian markets. Coordinate subsidiaries 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.

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 leading financial institution in Asia.

■ Digital banking services

1. Strive to become customers' most dependable transaction/service channel. Observe customers' needs from a user-centric perspective, and integrate online and offline channels to deliver a seamless, optimal experience over the digital platform.
2. Develop full channel experience and create a collaborative financial ecosystem using API.
3. Design products and services targeted at customers in the 20-35 age group, and create refreshing, satisfying experiences for the young generation.
4. Create digital pipelines with a customer-centric focus, and aim to increase the size of customers attracted and their profit contribution.

■ Investment and treasury marketing

1. Optimize system and service process with a customer-centric focus.
2. Create end-to-end sales coordination system between channels.
3. Offer viable products based on the needs of different customer segments for strengthened relationship.

■ Overseas operations

Coordinate branches throughout the Greater China Region and ASEAN countries to secure the foundation for overseas development. Extend service through overseas branches and create service platforms through collaboration with local strategic partners. Grow overseas businesses by offering greater product diversity as well as professional, quality and complete financial services to customers.

(IV) Market analysis

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

(1) Supply

- ① The government's efforts at creating a digital banking environment has attracted financial institutions into developing big data applications and diverse digital solutions such as investment, deposit, payment and loans,

all for the purpose of providing personalized and convenient service to customers. Meanwhile, deregulation of online-only banks will further intensify competition within the financial industry.

- ② The domestic financial market is already saturated with competition, and as peers invest an increasing amount of resources into new technology, bringing innovations of financial services such as AI-based investment service, and developing diversified methods to manage different customer segments, such as ultra high net worth individuals and families, to explore business opportunities.

(2) Demand and growth

The global equity market has turned in strong gains in the last few years as investors' confidence recovered in line with the U.S. economy. However, concerns about the trade war between China and the USA will undoubtedly suppress economic recovery in the coming year, causing central banks around the world to be more cautious about interest rate hikes. The low-interest environment is expected to remain, which increases investors' demand for income. Furthermore, recent reforms of government employee annuity schemes have brought the public's attention to retirement planning, and increased demands for principle-guaranteed products as well as investment solutions. There is ample room for banks to grow in midst of the rising demand.

(3) Competitive advantage

The Bank's wealth management service received awards on many occasions in 2018, including: “Best Wealth Management” and “Best Trust Service” during Taiwan Banking and Finance Best Practice Awards organized by Taiwan Academy of Banking and Finance; and “Best Wealth Management of Banks” in Business Today's Wealth Management Survey. These accomplishments are a testament to the Bank's efforts and innovative capacity.

The Bank possesses many advantages including a reputable track record, trusted corporate image, broad customer base, extensive service network, and diverse financial products and services. It also has the ability to integrate group resources and cross-sell through a combination of physical and virtual channels for synergistic effect, and ultimately improve customer relations and overall satisfaction.

2. Future opportunities, threats, and response strategies

(1) Opportunities, threats and response strategies in Taiwan

■ Opportunities

- ① The Bank has several advantages including an extensive customer base, diverse products from the financial group, and comprehensive branch coverage that enable it to provide timely, suitable and localized financial products and services to customers.
- ② The government is actively supporting electronic payments and offering incentives for merchants and consumers with the goal to increase usage by multiple folds. These efforts will also result in increased credit card usage.
- ③ The Bank currently operates 164 branches domestically. This extensive coverage enables it to build relationship and offer full range of financial services to local SME customers and related parties for additional revenues.
- ④ The size of credit cards continues to grow, and online and offline transaction data now offer more analytical values than they did before. Exchanging information with strategic partners from different industries helps identify customers' needs at greater precision, an advantage that the Bank may exploit to create differentiation and improve brand competitiveness by offering services beyond expectation.
- ⑤ Fintech can be used to improve convenience of the trading platform, enrich the information provided, and enhance consultative services for funds and insurance. Fintech also has the potential to integrate different services for better digital experience and added value.
- ⑥ Research institutions are generally conservative about the short-term and medium-term outlook of the global economy due to the China-US trade war, China's economic slowdown, and stagnation in developed economies (such as EU). This strain on financial market performance is expected to continue into 2020. The business world has grown conservative in terms of capital requirement and investment, which the Banking industry has responded by closely monitoring credit risks and industry changes in lending activities, and shifting focus toward asset quality and service diversity for improved performance.

■ Threats

- ① Intensive market competition and aggressive credit card privilege offerings from peers have resulted in additional marketing costs and undermined profitability.
- ② Credit cards have been used more commonly as a payment tool and less so as a financing tool in recent years, which makes commissions and fees the primary form of revenue. Furthermore, banks are promising higher levels of reward at higher costs in an attempt to appeal to customers, which limits profit potentials of the entire industry.
- ③ Electronic payment service providers and their account linkage features present direct competition for credit card usage and young customers without credit cards.
- ④ Digital innovations around the world have changed customers' demand and preferences to such an extent that conventional banking services and products can no longer satisfy customers' diverse needs, and the speed at which deregulations occur will present a significant obstacle to service innovations within the financial industry.
- ⑤ In terms of industry competition, banks are facing challenges from new (quasi-) financial service providers and online-only banks as recent deregulations no longer make banking an exclusively chartered business.
- ⑥ The competent authority's tightened control over the product-selling process will impact business development and increase compliance costs. Increasing revenues under balanced risk and compliance will prove to be a challenging task.
- ⑦ It is difficult for banks to enjoy excess profit margin 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 challenge to future operations.
- ⑧ While domestic interest rates remain low, banks have very limited room to profit, particularly given the excessive number of highly homogeneous branches operating simultaneously. The margin on deposit and lending activities has been reduced to the point that they

no longer contribute to the overall performance. As a result, Taiwan's banking industry now exhibits lower production value and profitability compared to its Asia Pacific counterparts.

■ Response measures

- ① Combine channel resources and explore payment scenarios through strategic alliance; target high spending customers for profitability.
- ② Monitor customers' online and offline transaction activities; learn and capitalize on the needs of target customers through data analysis; increase the size of highly loyal customers by creating the optimal financial ecosystem.
- ③ Explore new payment scenarios and combine channel resources to create new pipelines for young customers.
- ④ Coordinate group resources toward improving overall service experience of existing customers; enforce a customer-centric business philosophy, offer products and services needed by customers and strive to deliver consistent customer experience across all channels through service integration.
- ⑤ Increase the depth and breadth of customer data gathered; apply big data analysis to explore customers' potential needs and provide suitable service and product referrals; integrate financial service capacity across digital and physical channels, and create a cycle of positive experience that ultimately improves customer satisfaction.
- ⑥ Integrating across devices, platforms and physical/virtual channels, provide digital cash flow service and enhance account collection/payment functions to become customers' primary banker.
- ⑦ Make optimal use of existing customer base and physical channels, and intensify intra-group business referral in ways that improve the depth and breadth of relationship with top customers.
- ⑧ Given the rapid evolution of financial products, the financial industry remains desperately in need of competent talents, which is why the Bank will continue improving its training system and aim to build a workforce of adequate quality, quantity, and professional characters to support wholesale banking growth.

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

■ Opportunities

The Bank's target markets still present 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. Main 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 2018	End of 2017
Deposit balance	\$2,204.2 billion	\$2,080.8 billion
Mortgage (including: home equity loan) credit balance	\$724.9 billion	\$672.5 billion
Unsecured credit balance	\$71.3 billion	\$59.7 billion

- ① Deposit balance amounted to NT\$2,204.2 billion at the end of December 2018, up NT\$123.4 billion or 5.9% from the end of 2017. and NT\$1,378.1 billion of which were demand deposit while NT\$826 billion of which were time deposit.
- ② At the end of December 2018, outstanding balance across mortgage products (including: home equity loan) totaled NT\$724.9 billion, up NT\$52.4 billion or 7.8% from the end of 2017.
- ③ At the end of December 2018, outstanding balance across personal loan products totaled NT\$71.3 billion, up NT\$11.6 billion or 19.5% from the end of 2017.

(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\$ thousand

Year	2017	2018	2019 estimate
Amount	297,277	376,710	316,156
Growth rate (%)	4.47%	26.72%	-16.07%

(2) Results of research and development outcomes completed in 2018

Name of major project	Costs invested (NT\$ thousands)
Real-time decision-making (RTDM) platform	20,430
Data warehouse upgrade	44,030
Consumer banking loan system (e-Loan)	37,092
Customer contribution model	12,000
IFRS 9 and IAS	27,165
Smart customer service	20,203
Summit upgrade	16,390

(3) Future R&D plans and progress

March 31, 2019

Plan/project in the recent years	Progress	Expected R&D expenses to completion (NT\$ thousand)	Estimated time of completion	Factors critical to the success of research and development
Corporate banking eLoan + CRM	In progress (50% incomplete)	123,134	2019/12/31	Effective communication with the departments in need
Video-based service and facial recognition	In progress (80% incomplete)	46,114	2019/10/1	Analysis of recognition rate and system calibration
Investment platform project	In progress (50% incomplete)	45,100	2019/10/31	Effective communication with the departments in need
Introduction of robotic process automation (RPA)	In progress (50% incomplete)	10,734	2019/7/31	Effective communication with the departments in need
Smart counter and digital service station	Planning	41,900	2020	Analysis of customers' behavior and completeness of system feedback
Pre-processing enhancement to the core banking system	Planning	63,000	2020	System integration and optimization
Digital account opening platform - Phase 2/3	Planning	15,000	2020	Analysis of customers' behavior and completeness of system feedback

(VI) Long and short-term business plans

1. Short-term plan:

(1) Consumer banking

- ① Using data mining technology, the Bank will develop a prediction model to focus business efforts on target customers, particularly the high net worth group. Integrated solutions will also be introduced to achieve higher product attachment.
- ② Continually optimize existing credit process to support efficient service and digitalization.
- ③ 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.
- ④ Optimize service interface and deliver good customer experience for enhanced relationship and performance.
- ⑤ Enhancements will continue to be made to the consultation service and additional service modules will be introduced to connect customers' needs. Meanwhile, attention will be directed toward managing relationship with high net worth customers.
- ⑥ Emphasize on utilizing financial technology for precision marketing and differentiated investment service. Apply AI in investment advisory for enhanced digital experience.
- ⑦ Increase the size of quality SME customers, direct focus toward target customers, and explore business opportunities with high net worth customers. Design integrated products/services and solutions exclusive for SME customers, and improve the flexibility and convenience of operating procedures to support business promotion.

(2) Trust service

Combine trust service with investment products to offer protection over customers' assets, and satisfy their needs to transfer wealth or business across generations.

(3) Credit card service

- ① Explore new payment scenarios through strategic alliance; apply digital technologies for the introduction of account-linked service, which in turn

improves user experience and brings new customers.

- ② Continually expand payment scenarios and grow the size of digital customers; cooperate with merchants to introduce privileges that improve user experience and brand attachment.
- ③ Enhance multi-channel experience for card applying and capitalize on event-driven business opportunities; aim to satisfy customers' needs in real-time for increased credit card revenues.
- ④ Organize a series of Test & Learn marketing projects; enhance data value and improve data utilization for precision marketing to strengthen customer loyalty and increase profitability.
- ⑤ Apply audience analysis and decision algorithm to gain insight into target customers' needs; strengthen relationship with young and valuable customers, and build a highly loyal customer base.

(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 expanding its primary customers and offer trade financing, foreign currency hedging and investment as the primary services. By expanding both the breadth and depth of banking relationship, the Bank aims to increase customers' profit contribution while at the same time maintain growth momentum.

(5) Offshore Banking

- ① Capitalize on the opportunities of converting China branches/ sub-branches into full-fledged subsidiaries; expand the scope of RMB service and enhance association between investment products and cross-border banking service.
- ② Coordinate offices throughout Southeast Asia into developing business activities with distinctive, local features, and enhance collaboration between Greater China and Southeast Asian teams.
- ③ In light of the challenges presented by the global political and economic environment, the Bank shall strengthen its financial position by making ongoing optimizations to balance sheet and risk management.
- ④ Optimize product performance and P/L management, and 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 integrate online with offline services for optimal digital experience.

(7) Financial payment service

- ① Transaction acquisition service: Aim to increase market share of transaction acquisition 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: Aim to deliver customer-centric experience.

(8) Investments and financial products

- ① Create end-to-end sales coordination system between channels and explore active traders.
- ② Enhance KYC and KYP practices; evaluate customers' risk tolerance in greater precision and minimize risk of complaint.
- ③ Consolidate service capacity across channels to raise the quality of services offered; review and refine transaction procedures on an ongoing basis for improved operating efficiency and reduced operational costs.

2. Long-term plan:

(1) Consumer banking

- ① Leverage big data analysis to anticipate customers' needs and market products at greater precision marketing.
- ② Utilize group resources and integrate manpower, sales channels and product lines into coordinated marketing efforts and create synergy in business development.
- ③ Adopt the optimal asset/liability structure for improved capital efficiency and profitability.
- ④ Adhere to a customer-centric business approach and offer diverse

financial services to accommodate customers' distinctive characteristics. Actively develop digital cash flow service for increased account utilization; aim to become customers' main banker and increase demand deposit balance.

- ⑤ Cooperate with third parties to bring banking service into customers' lifestyles and business operations; expand customer base and strengthen their attachment to banking service.
- ⑥ Enhance asset allocation and investment advisory services; apply differentiated customer segment management and strive to improve customer experience.
- ⑦ Introduce diverse products and services for different market segments.

(2) Trust service

Enrich the existing trust product line to accommodate customers' needs and market changes

(3) Credit card service

- ① Adopt big data analysis and digital platform as means to connect with merchants and consumers, and create a lifestyle ecosystem that meets the needs of merchants and consumers; increase brand value by offering differentiated services that precisely cater for the lifestyles of target customers.
- ② Master and utilize the AI technology to create business opportunities; exchange information with strategic partners for closer observation of changes in market trend and consumers' behavior, and thereby enable development of financial services that best meet customers' expectations.
- ③ Undergo active digital transformation; apply big data and mobile analyses on the vast number of credit card customers to explore hidden demands; strive to bring financial services into different scenarios and create a lifestyle banking ecosystem.

(4) Corporate banking

- ① The Bank will adhere to its sustainable strategies and make ongoing optimization and upgrades to organization, personnel deployment, training and system hardware/software as well as internal procedures in order to accomplish the organization's medium-term and long-term goals.

- ② Optimize service procedures, product depth and expand digital channels to provide customers the most suitable solutions with real-time support, and build the reputation needed to attract new customers into the Bank's service network. Meanwhile, combine the Bank's extensive experience on syndicated loan and structured financing with its distinctive advantages in capital market to introduce localized products and services and create synergies.

(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 provide customers the incentive to engage the Bank for cross-border operations account.
- ② Develop a fully featured digital channel for deposit service 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 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 by enhancing the advantage of Hong Kong Branch and Singapore Branch as financial hubs.
- ④ 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.

(6) Digital banking

Become the key service channel that customers may depend upon for transactions.

(7) Financial payment service

- ① Transaction acquisition service: Strive to achieve economies of scale and rank top 3 in market share; offer comprehensive range of cash flow services for improved profitability.
- ② New payment service: Explore new payment solutions in line with Fintech, market trends, and channel development.
- ③ Automated channels: Match channel attributes with customers' needs to create new business model.

(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.

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

March 31, 2019

Year		2017	2018	As of March 31, 2019
Number of employees	Managers	843	913	943
	General employees	9,626	9,832	9,622
	Total	10,469	10,745	10,565
Avg. Age		36.39	36.39	37.34
Average years of services		8.33 years	8.33 years	8.60 years
Highest educational attainment	Doctorate	0.09%	0.16%	0.16%
	Master	17.94%	18.55%	18.66%
	University/college	76.87%	77.15%	77.40%
	High School	5.07%	4.12%	3.76%
	Below High School	0.04%	0.02%	0.02%
Professional certificates held by employees	Proficiency Test for Financial Planning Personnel	1,704	1,689	1,664
	Basic Proficiency Test for Junior Credit Personnel	3,185	3,444	3,446
	Basic Proficiency Test for Bank Internal Controls	6,758	7,106	7,088
	Basic Proficiency Test for Junior Foreign Exchange Personnel	2,730	2,845	2,855
	Qualification Exam for Personal Insurance Representative	6,649	6,795	6,746
	Qualification Exam for Non-Life Insurance Representative	6,545	6,767	6,721
	Proficiency Test for Trust Operations Personnel	6,157	6,460	6,407
	Qualification Exam for Investment-orientated Insurance Product Representative	3,033	3,234	3,230
	Real Estate Appraiser	2	2	2
	Lawyer Qualification	2	4	4
	Certified Public Accountant	8	9	7
	Certified Internal Auditors (CIA)	11	13	13
	Financial Risk Manager (FRM)	29	29	27
	Chartered Financial Analyst (CFA)	22	25	23
	Certified Anti-Money Laundering Specialist (CAMS)	4	21	25
	Certified Financial Service Auditor(CFSA)	6	7	7
	Project Management Professional (PMP)	55	60	58
	Certified Financial Planner (CFP)	46	129	132
	Certified Information Systems Auditor (CISA)	5	5	6

Note: The management refers to officers of manager grade and above.

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 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 2018 is 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\$10,970,000. 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 847 elementary and junior high schools in Yilan County, Miaoli County, Changhua County, Yunlin County, Chiayi County, Hsinchu County and Taitung County to a total of 7,626 beneficiaries. Since the program first started in 2004, more than NT\$156 million in donations have been made to the benefit of nearly 100,000 children. Cathay United Bank Chu Lai Branch, too, had responded to the Program and introduced its own “Elevated Tree Program - Vietnam” since 2008. In 2018, Chu Lai Branch and the foundation jointly donated NT\$ 1 million in scholarship that benefited 1,005 people.

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

Ever Shine Y&F and Ever Shine I&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&F Chairman Johnny Shen and Ever Shine I&F Chairman Sally Yeh had sponsored the “Elevated Tree Program” through action, donating nearly 4,500 winter coats to students in remote locations in 2018.

③ Elevated Tree Program Public Welfare Lectures:

14 lectures were held in Taipei City, Taichung City and Taitung County to an audience size of nearly 3,000 people. Since the Program first began in 2008, more than 160 lecture sessions have been held to an audience size of more

than 20,000 people.

④ Love Without Barriers:

In order to fully preserve the contents of “Elevated Tree Program Public Welfare Lectures,” the Bank published the 6th volume of “Love Without Barriers,” which features a collection of knowledge verbally communicated by experts and scholars of parental education. 12,500 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 87,500 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 an attempt to promote art and charity, Cathay United Art Center invited numerous artists to hold exhibitions and seminars in 2018, and arranged “Elevated Tree Program - Philanthropist Artists Exhibition” in October where non-professional artists were invited to showcase their artworks. The venue was also used to display winning pieces from Cathay Arts Festival - New Century Potential Painting Exhibition. A total of 7 art exhibitions and 4 artist seminars were held during the year. The art center provides the public with a comfortable space to learn about art free of charge.

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

The 2018 “Art Talk Lectures” placed greater emphasis on art history and sharing of practical experiences from real artists, including introduction to artist’s/painter’s ordinary day. Through these lectures, we hope to help the public appreciate art, participate in cultural activities, and find spiritual satisfaction through art.

③ Charity auction of specially designed calendar:

In 2018, Cathay United Art Center created a calendar that comprised artworks of 12 artists including Yin-Hui Chen. Through this calendar, the art center hoped to bring colors and excitement to the public in the coming year, and help people appreciate the wonders of art. The art center also designed publications, albums and calendars in relation to the “Elevated Tree Program - Philanthropist Artists Exhibition,” and auctioned them to raise proceeds for socially disadvantaged students and spread acts of kindness in society.

3. Sponsored events:

The Bank supported Bunun Cultural and Educational Foundation's "Jabuticaba Industrialization" - a fruit farming project that not only provides local indigenous people with the means to become self-sustainable, but also generates income to finance English education for tribal children and teenagers and connect them with the world. In an attempt to support persons with disabilities that prevent them from competing in the job market, the Bank made actual purchases of handmade cookies and merchandises from "Taoyuan Sheltered Workshop - Eden Bakery & Cafe" of "Eden Social Welfare Foundation," "Workshop with Happiness" of "Syin-Lu Social Welfare Foundation" and "Xingfu Shop" of "Taiwan Fund for Children and Families," and distributed them in various events or consigned charity organized by Cathay United Bank Foundation. Apart from the above, the Bank also sponsored: "The 81st Tai Yang Art Exhibition" by Tai Yang Art Society, "The 42nd National Oil Painting Competition and Exhibition" by The Oil Art Society of The Republic of China, "I'm 20" by Down Syndrome Foundation R.O.C., "Fitness Support Program" by Happy Mount, performance of Puzangalan Children's Choir at "The 1st Tokyo International Choir Competition," and co-arranged "Mid-autumn Charity Auction" with UBS Group.

4. Charity events co-sponsored with group affiliates:

The Bank participated in "Cathay Scholarship," "Teach For Taiwan (TFT)," "Cathay Children's Development Camp," "New Immigrant Offspring After-school Care," "Giving Winter Warmth" and "Eden Charity Auction", and was involved in the preparation of Cathay Charity Group annual report. 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	2018	2017	Difference
Number of non-managerial staff	9,832	9,626	206
Average employee benefit expenses	1,431	1,348	83

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 2965-N01.
- (4) Credit card software: IBM Z/OS, CICS TS, VTAM/NCP.
- (5) FX hardware: IBM P770.
- (6) FX software: IBM OS/400 and DB2/400.

2. Open system Windows and Linux platform :

(1) Hardware:

- ① The open system Windows and Linux platform host runs on multi-core servers manufactured by IBM, HP, LENOVO and DELL.
- ② Storage: EMC, IBM and Hitachi Data Systems (HDS) storage.

(2) Software:

- ① OS: Windows Server, Red Hat Linux
- ② Database: MSSQL DB 、 Oracle DB 、 Hadoop

(II) Future development or procurement plans:

1. Host:

- (1) Mainframe zOS and server upgrade.
- (2) IBM RS/6000 server upgrade.
- (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) Wide Area Application Services (WAAS) at branch.

3. Terminals

- (1) Implementation of 2-in-1 printer and scanning device.
- (2) Implement biometric mechanism.
- (3) Upgrade bank computers to Win10.
- (4) Personal information inventory system upgrade.

4. Information security

- (1) Implement Content Disarm and Reconstruction (CDR) system.
- (2) Implement vulnerability audit tracking management system.
- (3) Implement Intranet APT behavior detection protection equipment.

5. IT service and test planning management

- (1) Completed implementation of MyIT - an information service platform for domestic and offshore branches, and adopted centralized processes that enable IT administrators to quickly distinguish the severity of the incidents occurred and handle them at greater efficiency.
- (2) Completed developed of automated test tools and test data management system; adopted automated test tools and assisted the development team with basic function tests. The test data management system increases data re-utilization rate and reduces the workload and time taken for test preparation.

(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. DDoS defense and ISP clean pipe service have also been adopted to protect against malicious attacks. 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 system 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 customers 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 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 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 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 Labor Standards Act. These meetings provide the opportunity to communicate with employees on welfare measures or management systems, or discuss material issues concerning employment and labor regulations. They 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 recruits seminar, regional meeting 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 the 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) 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 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, leave of absence, opinion feedback to sexual harassment prevention and complaint. 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 Taoyuan City Government on March 5, 2018, the Bank exhibited violation against Paragraph 1, Article 24 of Labor Standards Act during the previous labor inspection and for which it was fined NT\$50,000. Remedial measures and rectifications were taken shortly after the decision.
2. 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 dispute. 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 dispute.

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	The Bank Of East Asia, Ltd., Singapore Branch	2018/01/16	To assign performing loan assets in the amount of US\$19,000,000	None
The assignment of performing loan assets	Taichung Commercial Bank	2018/01/30	To assign performing loan assets in the amount of US\$10,000,000	None
The assignment of performing loan assets	Hua Nan Commercial Bank, Ltd., Hong Kong Branch	2018/05/09	To assign performing loan assets in the amount of US\$15,000,000	None
The assignment of performing loan assets	The Tokyo Star Bank, Ltd. ING Bank N.V., Singapore Branch KGI Bank Bank Sinopac	2018/05/25	To assign performing loan assets in the amount of US\$67,500,000	None
The assignment of performing loan assets	China Wealth Growth Fund Iv L.p.	2018/06/20	To assign performing loan assets in the amount of US\$42,500,000	None
The assignment of performing loan assets	China Wealth Growth Fund Iv L.p.	2018/06/21	To assign performing loan assets in the amount of US\$21,875,000	None
The assignment of performing loan assets	Yuanta Commercial Bank Co., Ltd. Taishin International Bank co., Ltd. Bank Sinopac Co., Ltd.	2018/09/21	To assign performing loan assets in the amount of US\$30,000,000	None
The assignment of performing loan assets	Bank Sinopac Co., Ltd. Entie Commercial Bank Taiwan Shin Kong Commercial Bank	2018/12/21	To assign performing loan assets in the amount of US\$20,000,000	None
The assignment of performing loan assets	Siemens Bank GmbH Singapore Branch	2018/12/27	To assign performing loan assets in the amount of US\$11,333,333.33	None
The assignment of performing loan assets	Yuanta Commercial Bank, Co., Ltd	2018/12/27	To assign performing loan assets in the amount of US\$12,566,666.66	None

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

None in 2018.

Six. Financial Status

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

(I) Summary consolidated balance sheet

Unit: NT\$ thousand

Item	Year	Financial information for recent years (Note 1)				
		2018	2017	2016	2015	2014
Cash and cash equivalents, due from the Central Bank and call loans to banks		172,080,779	191,122,312	135,225,335	163,643,976	293,771,857
Financial assets at fair value through profit or loss		250,685,216	311,985,059	199,317,591	254,927,251	151,777,614
Financial assets at fair value through other comprehensive income		200,572,902	-	-	-	-
Investment in debt instruments measured at amortized cost		421,022,506	-	-	-	-
Financial assets available for sale		-	148,480,669	156,153,959	134,023,021	86,472,645
Derivative financial assets for hedging		-	-	-	-	448,745
Securities purchased under agreements to resell		44,612,132	87,483,656	38,139,919	44,508,936	33,059,521
Receivables - net		85,978,726	76,980,817	80,268,406	82,020,776	78,822,672
Income tax assets - current period		-	-	-	-	-
Available-for-sale assets - net		-	-	-	-	-
Discounts and Loans - net		1,595,323,251	1,434,558,167	1,437,530,908	1,127,807,127	1,119,281,103
Held-to-maturity financial assets		-	34,345,085	47,938,864	52,518,777	53,070,618
Investments accounted for using the equity method - net		1,768,874	1,744,047	1,708,349	1,723,177	1,647,167
Assets subject to restriction		-	-	-	-	-
Other financial assets - net		1,271	388,288,869	397,478,381	442,765,488	369,337,391
Property and equipment - net		25,440,564	24,873,298	24,898,412	25,221,503	22,868,752
Investment property - net		1,439,686	1,547,372	1,554,600	1,635,249	4,308,182
Intangible assets - net		8,020,939	7,785,984	7,821,006	7,579,638	7,404,527
Deferred tax assets - net		1,872,542	2,223,266	1,410,010	1,864,066	1,689,912
Other assets		35,061,248	24,285,305	37,222,811	43,137,917	19,997,064
Total assets		2,843,880,636	2,735,703,906	2,566,668,551	2,383,376,902	2,243,957,770
Due to the Central Bank and call loans from banks		81,432,233	90,417,859	77,493,795	41,226,909	58,816,432
Bankers acceptances and funds borrowed		-	-	-	-	1,585,900

Item	Year	Financial information for recent years (Note 1)				
		2018	2017	2016	2015	2014
Financial liabilities at fair value through profit or loss		103,407,778	87,407,651	88,136,984	100,397,997	57,714,826
Derivative financial liabilities for hedging		-	-	-	-	-
RP bill and bond liabilities		55,974,509	109,941,425	56,752,751	54,037,877	59,689,306
Payables		24,912,970	23,457,177	24,001,845	18,313,238	22,148,652
Income tax liabilities - current period		184,817	439,896	294,602	416,788	668,367
Liabilities directly related to assets pending for sale		-	-	-	-	-
Deposits and remittances		2,227,661,690	2,098,367,963	2,032,599,788	1,881,657,210	1,739,023,267
Financial debentures payable		55,600,000	63,350,000	51,900,000	51,900,000	67,613,949
Preferred share liabilities		-	-	-	-	-
Other financial liabilities		76,509,334	66,057,646	61,566,809	67,227,106	79,842,351
Provisions		3,421,427	3,187,664	3,053,964	3,199,030	2,779,298
Deferred tax liabilities		1,657,768	1,712,831	1,611,210	1,936,821	1,501,860
Other liabilities		7,311,083	9,056,227	9,288,867	6,295,131	4,956,119
Total liabilities	Before distribution	2,638,073,609	2,553,396,339	2,406,700,615	2,226,608,107	2,096,340,327
	After distribution	(Note 3)	2,553,396,339	2,417,515,587	2,237,030,047	2,106,407,241
Total equity attributable to the owner of parent company		201,765,546	178,463,478	156,090,779	153,007,894	143,944,230
Capital stock	Before distribution	91,197,623	78,604,060	72,099,815	69,479,605	67,112,762
	After distribution	(Note 3)	91,197,623	73,247,631	72,099,815	69,479,605
Capital surplus		33,610,983	33,610,983	23,969,412	23,969,412	23,969,412
Retained earnings	Before distribution	75,580,519	67,103,367	59,763,752	55,594,202	49,415,492
	After distribution	(Note 3)	54,509,804	47,800,964	42,552,052	36,981,734
Other equity		1,376,421	(854,932)	257,800	3,964,675	3,446,564
Treasury stock		-	-	-	-	-
Non-controlling interests		4,041,481	3,844,089	3,877,157	3,760,901	3,673,213
Total equity	Before distribution	205,807,027	182,307,567	159,967,936	156,768,795	147,617,443
	After distribution	(Note 3)	182,307,567	149,152,964	146,346,855	137,550,529

Note 1: Data from 2014 to 2018 have been audited and certified by the independent auditors.

Note 2: 2018 and 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
Audit opinions: 2018, 2017 and 2016 - unqualified; 2015 and 2014 - modified unqualified.

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

Note 4: As of the publication date of this annual report, no financial information of 2019 had been audited or reviewed by CPAs.

(II) Summary consolidated statement of comprehensive income

Unit: NT\$ thousand

Item \ Year	Financial information for recent years (Note 1)				
	2018	2017	2016	2015	2014
Interest income	53,787,868	46,240,981	40,722,609	42,472,485	40,752,408
Less: Interest expenses	(20,390,612)	(16,540,184)	(14,812,568)	(15,743,917)	(14,973,288)
Net interest income	33,397,256	29,700,797	25,910,041	26,728,568	25,779,120
Net income other than interest	27,457,788	25,520,973	25,244,080	21,323,232	20,195,606
Net income	60,855,044	55,221,770	51,154,121	48,051,800	45,974,726
Bad debt expenses and provisions for commitment and guarantee liability	(5,031,541)	(3,494,144)	(4,455,361)	(1,921,512)	(2,470,709)
Operating expenses	(31,340,148)	(29,301,447)	(26,958,742)	(24,850,807)	(22,804,421)
Profit before income tax from continuing operations	24,483,355	22,426,179	19,740,018	21,279,481	20,699,596
Income tax (expense) benefit	(3,230,004)	(2,762,573)	(2,228,758)	(2,512,583)	(2,885,102)
Net profit this term of the units in continued business operations	21,253,351	19,663,606	17,511,260	18,766,898	17,814,494
Profit (loss) of the unit discontinued from business operations	-	-	-	-	-
Net profit (net loss) this term	21,253,351	19,663,606	17,511,260	18,766,898	17,814,494
Other comprehensive income(loss) this term (net amount after tax)	(671,291)	(1,283,203)	(3,793,150)	664,574	3,047,009
Total consolidated income current period	20,582,060	18,380,403	13,718,110	19,431,472	20,861,503
Net profit attributable to the owner of parent company	21,020,332	19,302,403	17,211,700	18,598,294	17,627,841
Net profit attributable to non-controlled equity	233,019	361,203	299,560	168,604	186,653
Net profit from total consolidated income attributable to the owner of parent	20,103,126	18,189,671	13,504,825	19,130,578	20,462,065
Total amount of comprehensive profit(loss) belonging to non-controlled equity	478,934	190,732	213,285	300,894	399,438
Earnings Per Share	2.30	2.17	2.35	2.58	2.54

Note 1: Data from 2014 to 2018 have been audited and certified by the independent auditors.

Note 2: 2018 and 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

Audit opinions: 2018, 2017 and 2016 - unqualified; 2015 and 2014 - modified unqualified.

Note 3: As of the publication date of this annual report, no financial information of 2019 had been audited or reviewed by CPAs.

(III) Summary standalone balance sheet

Unit: NT\$ thousand

Item	Year	Financial information for recent years (Note 1)				
		2018	2017	2016	2015	2014
Cash and cash equivalents, due from the Central Bank and call loans to banks		169,358,457	180,202,438	124,793,752	152,914,704	284,105,189
Financial assets at fair value through profit or loss		246,407,565	309,972,777	196,166,871	254,226,830	151,712,443
Financial assets at fair value through other comprehensive income		180,253,805	-	-	-	-
Investment in debt instrument measured at amortized cost		419,828,413	-	-	-	-
Financial assets available for sale		-	142,212,975	151,932,723	130,557,629	84,008,468
Derivative financial assets for hedging		-	-	-	-	448,745
Securities purchased under agreements to resell		40,462,461	85,388,175	36,466,540	44,508,936	33,059,521
Receivables - net		85,277,180	76,953,234	79,273,844	81,027,553	78,809,457
Income tax assets - current period		-	-	-	-	-
Available-for-sale assets - net		-	-	-	-	-
Discounts and Loans - net		1,533,747,366	1,399,567,004	1,403,835,506	1,101,512,688	1,096,487,685
Held-to-maturity financial assets		-	31,853,543	42,894,957	49,612,107	51,147,071
Investments accounted for using the equity method - net		25,501,114	9,017,435	7,877,956	7,783,391	7,427,895
Assets subject to restriction		-	-	-	-	-
Other financial assets - net		1,271	388,288,869	397,478,381	442,765,488	369,337,391
Property and equipment - net		24,755,100	24,262,267	24,208,305	24,485,549	22,190,496
Investment property - net		1,439,686	1,547,372	1,554,600	1,635,249	4,308,182
Intangible assets - net		7,509,044	7,398,865	7,413,407	7,161,759	7,050,372
Deferred tax assets - net		1,861,573	2,223,266	1,410,010	1,864,066	1,689,912
Other assets		34,418,482	23,704,316	36,538,491	42,545,783	19,393,789
Total assets		2,770,821,517	2,682,592,536	2,511,845,343	2,342,601,732	2,211,176,616
Due to the Central Bank and call loans from banks		67,728,200	84,375,047	67,298,569	38,639,771	57,797,121
Bankers acceptances and funds borrowed		-	-	-	-	1,585,900
Financial liabilities at fair value through profit or loss		102,960,537	87,305,126	88,060,416	100,397,997	57,705,513
Derivative financial liabilities for hedging		-	-	-	-	-
RP bill and bond liabilities		55,974,509	109,941,425	56,752,751	54,037,877	59,689,306
Payables		23,816,109	22,794,360	22,183,733	17,848,009	21,438,383

Item	Year	Financial information for recent years (Note 1)				
		2018	2017	2016	2015	2014
Income tax liabilities - current period		87,061	408,947	269,766	415,211	473,221
Liabilities directly related to assets pending for sale		-	-	-	-	-
Deposits and remittances		2,174,157,863	2,056,168,811	1,993,999,765	1,847,919,684	1,711,904,075
Financial debentures payable		55,600,000	63,350,000	51,900,000	51,900,000	67,613,949
Preferred share liabilities		-	-	-	-	-
Other financial liabilities		76,509,334	66,057,646	61,566,809	67,227,106	79,842,351
Provisions		3,389,976	3,187,664	3,053,964	3,199,030	2,769,349
Deferred tax liabilities		1,645,038	1,580,152	1,552,030	1,919,645	1,457,439
Other liabilities		7,187,344	8,959,880	9,116,761	6,089,508	4,955,779
Total liabilities	Before distribution	2,569,055,971	2,504,129,058	2,355,754,564	2,189,593,838	2,067,232,386
	After distribution	(Note 3)	2,504,129,058	2,366,569,536	2,200,015,778	2,077,299,300
Capital stock	Before distribution	91,197,623	78,604,060	72,099,815	69,479,605	67,112,762
	After distribution	(Note 3)	91,197,623	73,247,631	72,099,815	69,479,605
Capital surplus		33,610,983	33,610,983	23,969,412	23,969,412	23,969,412
Retained earnings	Before distribution	75,580,519	67,103,367	59,763,752	55,594,202	49,415,492
	After distribution	(Note 3)	54,509,804	47,800,964	42,552,052	36,981,735
Other equity		1,376,421	(854,932)	257,800	3,964,675	3,446,564
Treasury stock		-	-	-	-	-
Total equity	Before distribution	201,765,546	178,463,478	156,090,779	153,007,894	143,944,230
	After distribution	(Note 3)	178,463,478	145,275,807	142,585,954	133,877,316

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Audit opinions: 2018, 2017 and 2016 - unqualified; 2015 and 2014 - modified unqualified.

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

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(IV) Summary standalone statement of comprehensive income

Unit: NT\$ thousand

Item \ Year	Financial information for recent years (Note 1)				
	2018	2017	2016	2015	2014
Interest income	49,156,871	42,724,485	37,666,600	40,186,848	38,679,541
Less: Interest expenses	(18,330,503)	(15,037,732)	(13,558,911)	(14,743,422)	(13,944,268)
Net interest income	30,826,368	27,686,753	24,107,689	25,443,426	24,735,273
Net income other than interest	27,659,677	25,268,099	25,395,260	21,306,628	20,141,418
Net income	58,486,045	52,954,852	49,502,949	46,750,054	44,876,691
Bad debt expenses and provisions for commitment and guarantee liability	(4,341,281)	(2,729,328)	(4,069,204)	(1,656,210)	(2,324,557)
Operating expenses	(30,118,732)	(28,399,121)	(26,166,045)	(24,079,250)	(22,147,951)
Profit before income tax from continuing operations	24,026,032	21,826,403	19,267,700	21,014,594	20,404,183
Income tax (expense) benefit	(3,005,700)	(2,524,000)	(2,056,000)	(2,416,300)	(2,776,342)
Net profit this term of the units in continued business operations	21,020,332	19,302,403	17,211,700	18,598,294	17,627,841
Profit (loss) of the unit discontinued from business operations	-	-	-	-	-
Net profit (net loss) this term	21,020,332	19,302,403	17,211,700	18,598,294	17,627,841
Other comprehensive income(loss) this term (net amount after tax)	(917,206)	(1,112,732)	(3,706,875)	532,284	2,834,224
Total consolidated income current period	20,103,126	18,189,671	13,504,825	196,130,578	20,462,065
Earnings Per Share	2.30	2.17	2.35	2.58	2.54

Note 1: Data from 2014 to 2018 have been audited and certified by the independent auditors.

Note 2: 2018 and 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
Audit opinions: 2018, 2017 and 2016 - unqualified; 2015 and 2014 - modified unqualified.

Note 3: As of the publication date of this annual report, no financial information of 2019 had been audited or reviewed by CPAs.

II. Financial analysis for the most recent five years

Unit: %, NT\$ thousand

Analysis Item (Note 3)		Year (Note 1)	Financial analysis for the most recent years									
			2018		2017		2016		2015		2014	
			Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Operational ability	Deposit to loan ratio (%)		71.34	70.66	68.42	68.33	70.62	70.63	60.05	54.93	64.34	64.05
	NPL ratio (%)		0.16	0.16	0.21	0.21	0.15	0.15	0.14	0.14	0.29	0.29
	Interest Expense to Average Total Deposits		0.93	0.85	0.79	0.73	0.74	0.70	0.85	0.81	0.88	0.83
	Interest Revenue to Average Total Loans		3.44	3.23	3.12	2.95	3.16	2.99	3.58	3.45	3.51	3.39
	Total assets turnover (times)		2.18	2.14	2.08	2.04	2.07	2.04	2.02	2.00	2.05	2.03
	Average revenues per employee		4,987	5,458	4,738	5,058	4,572	4,925	5,378	5,232	4,885	5,345
	Average earnings per employee		1,742	1,962	1,687	1,844	1,565	1,712	2,100	2,082	1,893	2,100
Profitability	Return on tier 1 capital (%)		12.44	12.76	12.78	12.73	12.10	12.08	13.62	13.76	15.48	15.60
	ROA (%)		0.76	0.77	0.74	0.74	0.71	0.71	0.81	0.82	0.84	0.85
	ROE (%)		10.86	10.96	11.49	11.54	11.06	11.14	12.33	12.53	12.71	12.91
	Net profit margin (%)		34.92	35.94	35.61	36.45	34.23	34.77	39.06	39.78	38.75	39.28
	Earnings Per Share (NT\$)		2.30	2.30	2.53	2.17	2.35	2.35	2.58	2.58	2.54	2.54
Financial structure	Liabilities to assets ratio (%)		92.76	92.72	93.34	93.35	93.77	93.79	93.42	93.47	93.42	93.49
	Ratio of property & equipment to shareholders' equity		12.36	12.27	13.64	13.60	15.56	15.51	16.09	16.00	15.49	15.42
Growth rate (%)	Asset growth rate (%)		3.95	3.29	6.59	6.80	7.69	7.22	6.21	5.94	12.82	12.88
	Profitability growth rate (%)		9.17	10.08	13.61	13.28	-7.23	-8.31	2.80	2.99	22.00	23.48
Cash flows	Cash flow ratio (%)		-16.78	-10.81	25.81	26.01	-13.19	-14.62	-35.5	-36.63	47.37	50.65
	Cash flow adequacy (%)		48.33	95.13	298.83	312.92	31.51	160.61	222.60	397.41	597.29	619.07
	Cash flow coverage ratio (%)		-514.39	134.36	926.46	1,054.54	-544.13	-547.34	(Note)	(Note)	(Note)	(Note)

Analysis Item (Note 3)		Year (Note 1)	Financial analysis for the most recent years									
			2018		2017		2016		2015		2014	
			Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Liquid Reserves Ratio			34.22	34.22	31.88	31.88	38.39	38.39	39.54	39.54	34.36	34.36
Loans to Related Parties			7,374,185	7,374,185	6,975,529	6,975,529	6,604,829	6,604,829	5,216,607	5,216,607	4,933,226	4,933,226
Loans to Related Parties Ratio			0.47	0.47	0.49	0.49	0.46	0.46	0.45	0.45	0.43	0.43
Scale of operation	Market share of asset (%)		4.43	4.32	4.43	4.34	4.32	4.22	4.12	4.05	4.03	3.97
	Market share of net worth (%)		4.83	4.74	4.54	4.45	4.16	4.06	4.30	4.20	4.39	4.28
	Market share of deposits		5.33	5.18	5.02	5.04	5.14	5.06	4.92	4.83	4.83	4.76
	Market share of loans		5.85	5.63	5.41	5.57	5.80	5.77	4.71	4.23	4.84	4.74
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												
1. [NPL ratio] decreased: Total loan balance at the end of 2018 was NT\$135.7 billion higher compared to the end of 2017, and although asset quality remained consistent, overall NPL ratio decreased as a result.												
2. [Asset growth rate] decreased: Mainly attributed to a 130% reduction in the growth rate of “Security and derivative investments” at the end of 2018 compared to the end of 2017.												
3. [Profit growth rate] decreased: Mainly attributed to a NT\$1.6-billion increase in loan loss expense and guarantee liability provision at the end of 2018 compared to the end of 2017.												
4. [Cash flow ratio], [cash flow adequacy] and [cash flow coverage ratio] decreased: Due to decreased net cash flow from operating activities in 2018.												
Consolidated:												
1. [NPL ratio] decreased: Total loan balance at the end of 2018 was NT\$135.7 billion higher compared to the end of 2017, and as asset quality remained consistent, overall NPL ratio decreased as a result.												
2. [Asset growth rate] decreased: Mainly attributed to a 113% reduction in the growth rate of “Security and derivative investments” at the end of 2018 compared to the end of 2017.												
3. [Profit growth rate] decreased: Mainly attributed to a NT\$1.6-billion increase in loan loss expense and guarantee liability provision at the end of 2018 compared to the end of 2017.												
4. [Cash flow ratio], [cash flow adequacy] and [cash flow coverage ratio] decreased: Due to decreased net cash flow from operating activities in 2018.												

(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 2014 to 2018 have been audited and certified by the independent auditors.

Note 2: 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, plant and 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 3: Total liabilities are net of provisions for guarantees and accidental losses.

Note 4: 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 5: 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 6: Revenue refers to the sum of interest and non-interest revenues.

Note 7: 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

Title			Year	Capital adequacy ratio for the most recent year									
				2018		2017		2016		2015		2014	
				Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Capital	Common share equity		173,805,139	166,969,563	151,860,690	149,392,107	145,012,403	142,855,418	139,878,041	137,882,930	131,625,085	129,668,042	
	Tier 1 non-common share equity		34,304,206	28,371,343	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		64,789,659	51,801,638	68,268,776	64,210,868	55,891,566	52,872,412	60,968,543	57,726,827	63,187,802	60,342,558	
	Capital		272,899,004	247,142,544	253,819,539	245,474,892	221,328,589	214,610,255	221,725,787	214,974,118	214,818,322	208,576,229	
Risk weighted assets	Credit Risk	Standardized approach	1,525,409,836	1,445,220,093	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	
		Internal ratings based approach	-	-	-	-	-	-	-	-	-	-	
		Asset securitization	20,415,153	20,415,153	10,723,549	10,723,549	14,450,816	14,450,816	9,457,049	9,457,049	8,411,866	8,411,866	
	Operation Risk	Basic indicator approach	-	-	-	-	-	-	-	-	-	-	
		Standardized approach/ alternative standardized approach	90,566,602	86,475,368	83,373,850	80,117,028	80,755,109	78,301,308	75,650,146	73,462,830	68,447,299	66,358,360	
		Advanced measurement approach	-	-	-	-	-	-	-	-	-	-	
	Market Risk	Standardized approach	104,686,276	96,881,010	140,437,191	138,476,930	89,365,378	86,019,841	94,072,547	92,982,057	76,842,920	76,228,396	
		Internal model approach	-	-	-	-	-	-	-	-	-	-	
	Total risk weighted assets		1,741,077,867	1,648,991,624	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	
Capital adequacy ratio			15.67%	14.99%	15.78%	15.89%	14.05%	14.19%	16.29%	16.39%	16.18%	16.19%	
Tier 1 capital as a % of risky assets			11.95%	11.85%	11.54%	11.74%	10.50%	10.70%	11.81%	11.99%	11.42%	11.51%	
Common share equity as a % of risky assets			9.98%	10.13%	9.44%	9.67%	9.21%	9.45%	10.27%	10.51%	9.92%	10.07%	
Leverage ratio (Note 5)			6.81%	6.59%	6.27%	6.25%	5.99%	5.99%	6.19%	6.17%	5.17%	5.13%	
Reasons for changes in capital adequacy in the last 2 years. (Analysis is not required for changes of less than 20%)													
Standalone and Consolidated													
[Securitized assets] increased: Securitized assets were NT\$13.5 billion higher in 2018 compared to 2017. [Standardized approach] increased: Interest rate, exchange rate, and equity risk exposures decreased compared to the previous year, with equity risk exposure representing the highest decrease.													

1. All financial information from 2014 to 2018 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 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 till 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 2018 business report, consolidated financial statements (including standalone financial statements), and earnings appropriation proposal (for the period January 1 to December 31, 2018) 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 readers' reference.

For

Cathay United Bank Co., Ltd.

Resident Supervisor: Yiao-Chiun Lai

Dated: March 21, 2019

Supervisors' Review Report

We have reviewed the Bank's 2018 business report, consolidated financial statements (including standalone financial statements), and earnings appropriation proposal (for the period January 1 to December 31, 2018) 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 readers' reference.

For

Cathay United Bank Co., Ltd.

Supervisor: Liang-Lin Chien

Dated: March 21, 2019

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	2018	2017	Difference	
			Amount	Percentage (%)
Total assets	2,843,880,636	2,735,703,906	108,176,730	3.95%
Total liabilities	2,638,073,609	2,553,396,339	84,677,270	3.32%
Total shareholders' equity	205,807,027	182,307,567	23,499,460	12.89%

II. Analysis of Financial Performance

Unit: NT\$ thousand

Item \ Year	2018	2017	Change in amount	Variation (%)
Interest income	\$ 53,787,868	\$ 46,240,981	7,546,887	16.32%
Interest expenses	(20,390,612)	(16,540,184)	(3,850,428)	23.28%
Net interest income	33,397,256	29,700,797	3,696,459	12.45%
Net income other than interest	27,457,788	25,520,973	1,936,815	7.59%
Net income	60,855,044	55,221,770	5,633,274	10.20%
Bad debt expense	(5,031,541)	(3,494,144)	(1,537,397)	44.00%
Operating expenses	(31,340,148)	(29,301,447)	(2,038,701)	6.96%
Profit before income tax from continuing operations	24,483,355	22,426,179	2,057,176	9.17%
Income tax expense	(3,230,004)	(2,762,573)	(467,431)	16.92%
Net profit after tax from continuing operations	21,253,351	19,663,606	1,589,745	8.08%
Net profit this term	\$ 21,253,351	\$ 19,663,606	\$ 1,589,745	8.08%

III. Cash flows

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

Item \ Year	2018	2017	Increase/ decrease
Cash flow ratio (%)	-16.78%	25.81%	-42.59%
Cash flow adequacy (%)	48.33%	298.83%	-250.50%
Cash flow coverage ratio (%)	-514.39%	926.46%	-1,440.85%

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
154,927,374	39,747,981	(5,786,876)	200,462,231	-	-

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 in accordance with Article 74 of the Banking Act with the authority's approval, both out of business requirement and in support of the government's economic development plans. All investments into new businesses are assessed and licensed or approved according to internal or external procedures before proceeding.

Compliance, policy, and planning of investment 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, fixed income and business growth, the Bank will continue monitoring performance and financial position and exercise proper supervision and management over its invested businesses.

VI. Risk management

(I) 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

2018

Item	Details
1. Credit risk strategies, goals, policies and procedures	◎ 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. ◎ Goals: Measure and control credit risks associated with business activities, and aim to maximize risk-adjusted profit and shareholders' value under tolerable risks. ◎ 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. ◎ Procedures: The Bank complies with business-related regulations and implementation rules, and implements levels of approval authority to assess

Item	Details
	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.
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 profile 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, 2018

Unit: NT\$ thousands

Type of Risk Exposure	Risk Exposure after Risk Mitigation	Accrued capital charge (Note)
Sovereigns	633,251,648	400,453
Non Central -Government Public Sector Entities	33,002,790	528,045
Banks (Multilateral Development Banks included)	235,133,300	7,995,887
Corporates(Securities firms and insurance companies included)	531,586,092	40,901,794
Retailed credit	642,256,396	44,418,395
Residential Property	364,586,911	16,258,937
Equity-securities investment	213,799	17,104
Other assets	73,875,624	4,299,318
Total	2,513,906,560	114,819,933

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

2018

Item	Details
1. Management strategies and procedures relating to asset securitization	(1) The Bank invests into securitized assets, but does not serve as originator of any securitized asset. (2) The Bank has “Fund Operation Authorization Guidelines, Cathay United Bank” in place to regulate application and authorization of investment limits for securitized assets. (3) The Bank also has “Market Risk Limits Management Rules, Cathay United Bank” in place to monitor securitized asset investments and manage market risks.
2. Management framework and organization for securitized instruments	The Bank currently does not serve as originator; risks associated with securitized asset investments are managed by the parties and under the framework described below: (1) Board of directors (Managing Directors): Approves and supervises investment policies within the Bank. (2) Sales units: Responsible for execution of securitized asset transactions and post-investment management. (3) Market Risk Management Department: Consolidates information and monitors securitized asset investments throughout the Bank, and presents reports regularly to senior managers.
3. Scope and features of asset securitization risk reports and assessment system	The Market Risk Management Department makes daily reports to senior managers on changes such as holding position, valuation and limits. Reports are also made to the Risk Management Committee and board of directors on a regular basis.
4. Risk avoidance or mitigation policies relating to asset securitization, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	The Bank currently does not serve as originator for any securitized asset, and does not hedge its securitized asset exposures.
5. Methods for calculating capital requirements	Standardized approach

Updates on asset securitization:

December 31, 2018

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

Risk exposure and capital requirements relating to asset securitization - by transaction type
December 31, 2018

Unit: NT\$ thousands

Exposure category Book category Bank's role		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	39,405,187			39,405,187	1,252,984	-	-	39,405,187	1,252,984	
		Commercial mortgage-backed securities (CMBS)	10,788,291			10,788,291	345,225	-	-	10,788,291	345,225	
		Leases and accounts receivable	875,067			875,067	35,003			875,067	35,003	
	Trading book	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	
	Subtotal	-	51,068,546			51,068,546	1,633,212			51,068,546	1,633,212	
Originating bank	Banking book	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
	Trading book	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-	-	-	-
Total		-	51,068,546			51,068,546	1,633,212			51,068,546	1,633,212	-

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, 2018

Unit: NT\$ thousands

Item (Note 1)	Account	Original cost	Cumulative gain/loss on valuation	Cumulative impairments	Book value
(1) RMBS	Financial assets at fair value through other comprehensive income	474,965	24,108	-10	499,063
(2) CMO	Financial assets at fair value through other comprehensive income	2,605,815	86,796	-126	2,692,485
(3) CMO	Investment in debt instruments measured at amortized cost	49,384,559	-2,286,456	-2,463	47,095,640
(4) CBO	Investment in debt instruments measured at amortized cost	873,975	1,092	-333	874,734

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

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 rate	Credit 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_2016_151_IO	AC	USD	SPV(USA)	2016/10/31	2058/06/16	1.07%	AAA	Monthly interest payment and monthly prepayment according to schedule	1,567,785	n.a.	-	1,567,785	n.a.	Prime Mortgage
GNR_2016_133_IO	AC	USD	SPV(USA)	2016/10/31	2057/12/16	1.06%	AAA	Same as above	1,194,679	n.a.	-	1,194,679	n.a.	Prime Mortgage
FNR_2018_1_CZ	AC	USD	SPV(USA)	2018/1/16	2048/02/25	3.50%	AAA	Same as above	891,454	n.a.	-	891,454	n.a.	Prime Mortgage
GNR_2016_166_IO	AC	USD	SPV(USA)	2016/12/1	2058/04/16	1.08%	AAA	Same as above	856,778	n.a.	-	856,778	n.a.	Prime Mortgage
FNR_2016_50_ZB	AC	USD	SPV(USA)	2016/6/21	2046/08/25	3.00%	AAA	Same as above	797,904	n.a.	-	797,904	n.a.	Prime Mortgage
FNR_2018_5_Z	AC	USD	SPV(USA)	2018/1/16	2048/01/25	3.50%	AAA	Same as above	756,544	n.a.	-	756,544	n.a.	Prime Mortgage
FHR_4753_ZW	AC	USD	SPV(USA)	2018/1/18	2048/02/15	3.50%	AAA	Same as above	751,499	n.a.	-	751,499	n.a.	Prime Mortgage
FNR_2018_83_ZL	AC	USD	SPV(USA)	2018/10/17	2048/11/25	4.50%	AAA	Same as above	703,413	n.a.	-	703,413	n.a.	Prime Mortgage
GNR_2018_122_KZ	AC	USD	SPV(USA)	2018/9/14	2048/09/20	4.50%	AAA	Same as above	703,149	n.a.	-	703,149	n.a.	Prime Mortgage
FHR_4852_CZ	AC	USD	SPV(USA)	2018/11/8	2048/12/15	4.50%	AAA	Same as above	660,743	n.a.	-	660,743	n.a.	Prime Mortgage
GNR_2017_3_IO	AC	USD	SPV(USA)	2017/1/17	2058/09/16	0.91%	AAA	Same as above	658,165	n.a.	-	658,165	n.a.	Prime Mortgage
GNR_2017_41_IO	AC	USD	SPV(USA)	2017/3/16	2058/07/16	0.79%	AAA	Same as above	655,614	n.a.	-	655,614	n.a.	Prime Mortgage
FNR_2016_55_Z	AC	USD	SPV(USA)	2016/7/7	2046/08/25	3.00%	AAA	Same as above	654,678	n.a.	-	654,678	n.a.	Prime Mortgage
FNR_2016_74_Z	AC	USD	SPV(USA)	2016/9/13	2046/10/25	3.00%	AAA	Same as above	635,401	n.a.	-	635,401	n.a.	Prime Mortgage
GNR_2016_131_IO	AC	USD	SPV(USA)	2016/9/20	2058/08/16	0.99%	AAA	Same as above	625,076	n.a.	-	625,076	n.a.	Prime Mortgage
GNR_2018_13_CZ	AC	USD	SPV(USA)	2018/1/16	2048/01/20	3.50%	AAA	Same as above	618,698	n.a.	-	618,698	n.a.	Prime Mortgage
FNR_2017_101_Z	AC	USD	SPV(USA)	2017/12/7	2047/12/25	3.50%	AAA	Same as above	617,731	n.a.	-	617,731	n.a.	Prime Mortgage

Name of security (Note 2)	Account	Currency	Issuer and location	Date of purchase	Expiration date	Coupon rate	Credit 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_2018_9_ZA	AC	USD	SPV(USA)	2018/1/16	2048/02/25	3.50%	AAA	Same as above	606,035	n.a.	-	606,035	n.a.	Prime Mortgage
FNR_2018_38_ZA	AC	USD	SPV(USA)	2018/4/27	2048/06/25	4.00%	AAA	Same as above	586,399	n.a.	-	586,399	n.a.	Prime Mortgage
FHR_4840_BZ	AC	USD	SPV(USA)	2018/9/28	2048/10/15	4.50%	AAA	Same as above	581,495	n.a.	-	581,495	n.a.	Prime Mortgage
FHR_4812_Z	AC	USD	SPV(USA)	2018/6/11	2048/06/15	4.00%	AAA	Same as above	577,192	n.a.	-	577,192	n.a.	Prime Mortgage
FNR_2016_66_PZ	AC	USD	SPV(USA)	2016/8/8	2046/09/25	3.00%	AAA	Same as above	558,992	n.a.	-	558,992	n.a.	Prime Mortgage
GNR_2013_72_IO	AC	USD	SPV(USA)	2016/10/21	2047/11/16	0.50%	AAA	Same as above	558,983	n.a.	-	558,983	n.a.	Prime Mortgage
FHR_4830_ZJ	AC	USD	SPV(USA)	2018/9/12	2048/10/15	4.00%	AAA	Same as above	558,040	n.a.	-	558,040	n.a.	Prime Mortgage
GNR_2017_152_IO	AC	USD	SPV(USA)	2017/10/24	2059/11/16	0.85%	AAA	Same as above	550,996	n.a.	-	550,996	n.a.	Prime Mortgage
FNR_2018_65_ZA	AC	USD	SPV(USA)	2018/9/5	2048/09/25	3.50%	AAA	Same as above	535,352	n.a.	-	535,352	n.a.	Prime Mortgage
FNR_2018_59_ZC	AC	USD	SPV(USA)	2018/7/12	2048/08/25	4.00%	AAA	Same as above	504,349	n.a.	-	504,349	n.a.	Prime Mortgage
FNR_2016_53_KZ	AC	USD	SPV(USA)	2046/8/25	2046/08/25	3.00%	AAA	Same as above	499,634	n.a.	-	499,634	n.a.	Prime Mortgage
FNR_2016_53_ZA	AC	USD	SPV(USA)	2016/6/21	2046/08/25	3.00%	AAA	Same as above	498,944	n.a.	-	498,944	n.a.	Prime Mortgage
FNR_2016_54_Z	AC	USD	SPV(USA)	2016/7/13	2046/07/25	3.00%	AAA	Same as above	487,507	n.a.	-	487,507	n.a.	Prime Mortgage
GNR_2018_18_UZ	AC	USD	SPV(USA)	2018/2/1	2048/02/20	3.50%	AAA	Same as above	486,215	n.a.	-	486,215	n.a.	Prime Mortgage
FNR_2018_11_ZQ	AC	USD	SPV(USA)	2018/3/5	2048/03/25	4.00%	AAA	Same as above	461,171	n.a.	-	461,171	n.a.	Prime Mortgage
GNR_2016_157_IO	AC	USD	SPV(USA)	2016/11/14	2057/11/16	0.95%	AAA	Same as above	452,783	n.a.	-	452,783	n.a.	Prime Mortgage
GNR_2016_177_IO	AC	USD	SPV(USA)	2016/12/16	2057/01/16	0.78%	AAA	Same as above	441,450	n.a.	-	441,450	n.a.	Prime Mortgage
FNR_2016_52_ZM	AC	USD	SPV(USA)	2016/6/30	2046/08/25	3.00%	AAA	Same as above	436,423	n.a.	-	436,423	n.a.	Prime Mortgage
FHR_4830_ZL	AC	USD	SPV(USA)	2018/9/11	2048/10/15	4.00%	AAA	Same as above	432,810	n.a.	-	432,810	n.a.	Prime Mortgage
FNR_2018_84_CZ	AC	USD	SPV(USA)	2018/10/9	2048/11/25	4.50%	AAA	Same as above	430,536	n.a.	-	430,536	n.a.	Prime Mortgage
GNR_2017_8_IO	AC	USD	SPV(USA)	2017/1/13	2058/08/16	0.78%	AAA	Same as above	423,940	n.a.	-	423,940	n.a.	Prime Mortgage

Name of security (Note 2)	Account	Currency	Issuer and location	Date of purchase	Expiration date	Coupon rate	Credit 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_71_ZN	AC	USD	SPV(USA)	2016/8/19	2046/10/25	3.00%	AAA	Same as above	420,461	n.a.	-	420,461	n.a.	Prime Mortgage
FNR_2018_2_ZJ	AC	USD	SPV(USA)	2017/12/22	2048/02/25	3.50%	AAA	Same as above	405,265	n.a.	-	405,265	n.a.	Prime Mortgage
GNR_2016_142_IO	AC	USD	SPV(USA)	2016/10/18	2058/09/16	0.98%	AAA	Same as above	389,043	n.a.	-	389,043	n.a.	Prime Mortgage
GNR_2017_126_IO	AC	USD	SPV(USA)	2017/10/26	2059/08/16	0.80%	AAA	Same as above	384,537	n.a.	-	384,537	n.a.	Prime Mortgage
FNR_2016_69_ZA	AC	USD	SPV(USA)	2016/9/14	2046/10/25	3.00%	AAA	Same as above	383,630	n.a.	-	383,630	n.a.	Prime Mortgage
GNR_2018_90_JZ	AC	USD	SPV(USA)	2018/6/25	2048/06/20	4.50%	AAA	Same as above	378,870	n.a.	-	378,870	n.a.	Prime Mortgage
GNR_2017_7_IO	AC	USD	SPV(USA)	2017/1/12	2058/12/16	0.97%	AAA	Same as above	371,972	n.a.	-	371,972	n.a.	Prime Mortgage
FNR_2016_48_ZA	AC	USD	SPV(USA)	2017/1/12	2046/08/25	3.00%	AAA	Same as above	362,495	n.a.	-	362,495	n.a.	Prime Mortgage
FNR_2017_105_KZ	AC	USD	SPV(USA)	2017/11/27	2048/01/25	3.50%	AAA	Same as above	361,823	n.a.	-	361,823	n.a.	Prime Mortgage
FNR_2018_29_Z	AC	USD	SPV(USA)	2018/4/20	2048/05/25	4.00%	AAA	Same as above	359,271	n.a.	-	359,271	n.a.	Prime Mortgage
GNR_2018_139_PZ	AC	USD	SPV(USA)	2018/10/3	2048/10/20	4.50%	AAA	Same as above	355,791	n.a.	-	355,791	n.a.	Prime Mortgage
FHR_4843_UZ	AC	USD	SPV(USA)	2018/10/4	2048/11/15	4.50%	AAA	Same as above	353,302	n.a.	-	353,302	n.a.	Prime Mortgage
GNR_2013_35_IO	AC	USD	SPV(USA)	2016/9/26	2053/01/16	0.48%	AAA	Same as above	346,104	n.a.	-	346,104	n.a.	Prime Mortgage
FHR_4774_EZ	AC	USD	SPV(USA)	2018/3/9	2048/02/15	3.50%	AAA	Same as above	345,931	n.a.	-	345,931	n.a.	Prime Mortgage
FHR_4840_ZA	AC	USD	SPV(USA)	2018/10/3	2048/11/15	4.50%	AAA	Same as above	343,366	n.a.	-	343,366	n.a.	Prime Mortgage
GNR_2018_8_GZ	AC	USD	SPV(USA)	2018/1/16	2048/01/20	3.50%	AAA	Same as above	332,967	n.a.	-	332,967	n.a.	Prime Mortgage
FHR_4599_Z	AC	USD	SPV(USA)	2016/6/28	2046/07/15	3.00%	AAA	Same as above	331,790	n.a.	-	331,790	n.a.	Prime Mortgage
GNR_2018_18_ZB	AC	USD	SPV(USA)	2018/2/7	2048/02/20	3.50%	AAA	Same as above	330,236	n.a.	-	330,236	n.a.	Prime Mortgage
FHR_4821_ZL	AC	USD	SPV(USA)	2018/8/6	2048/06/15	4.00%	AAA	Same as above	330,055	n.a.	-	330,055	n.a.	Prime Mortgage
FNR_2016_80_ZD	AC	USD	SPV(USA)	2016/10/6	2046/11/25	3.00%	AAA	Same as above	320,472	n.a.	-	320,472	n.a.	Prime Mortgage
FNR_2018_86_ZJ	AC	USD	SPV(USA)	2018/10/17	2048/12/25	4.50%	AAA	Same as above	317,664	n.a.	-	317,664	n.a.	Prime Mortgage

Name of security (Note 2)	Account	Currency	Issuer and location	Date of purchase	Expiration date	Coupon rate	Credit 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_48_YZ	AC	USD	SPV(USA)	2016/6/30	2046/08/25	3.00%	AAA	Same as above	317,146	n.a.	-	317,146	n.a.	Prime Mortgage
GNR_2016_132_IO	AC	USD	SPV(USA)	2016/9/23	2056/07/16	1.00%	AAA	Same as above	314,728	n.a.	-	314,728	n.a.	Prime Mortgage
FNR_2018_4_EZ	AC	USD	SPV(USA)	2018/1/16	2048/01/25	3.50%	AAA	Same as above	314,179	n.a.	-	314,179	n.a.	Prime Mortgage
FHR_3752_JZ	FVOCI	USD	SPV(USA)	2011/10/12	2040/11/15	4.50%	AAA	Same as above	312,363	n.a.	-	312,363	n.a.	Prime Mortgage
GNR_2018_93_DZ	FVOCI	USD	SPV(USA)	2018/9/11	2048/07/20	4.00%	AAA	Same as above	310,901	n.a.	-	310,901	n.a.	Prime Mortgage
GNR_2018_121_YZ	AC	USD	SPV(USA)	2018/9/20	2048/09/20	4.25%	AAA	Same as above	309,384	n.a.	-	309,384	n.a.	Prime Mortgage
FHR_4848_ZT	AC	USD	SPV(USA)	2018/11/2	2048/11/15	4.50%	AAA	Same as above	303,274	n.a.	-	303,274	n.a.	Prime Mortgage
EIRLES_0_081546_CBA	AC	USD	SPV(Ireland)	2016/8/5	2046/8/15	0%	A+	Zero Callable Bullet Bond	1,536,208	n.a.		1,536,208	n.a.	US Treasuries
EIRLES_0_081546_NAB	AC	USD	SPV(Ireland)	2016/8/5	2046/8/15	0%	A+	Zero Callable Bullet Bond	1,536,208	n.a.		1,536,208	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

2018

Item	Details
1. Operational risk management strategy and procedures	The Bank has effective operational risk management framework and systems in place to manage banking operations, improve efficiency, reduce risk exposure, and secure assets. Apart from converting operational risk strategies into feasible policies and procedures, the Bank also conducts operational risk self-assessment, reports operational risk incidents, and uses key risk indicators to help identify, assess, and monitor risks: (1) Operational risk self-assessment: To identify risks associated with operational activities as well as the underlying cause, control methods and risk exposure, and thereby enable response plans. (2) Operational risk incident reporting: The reporting process is triggered whenever an operational risk incident occurs, so that the underlying cause can be identified, assessed, and discussed for improvement. (3) Key risk indicators: Develop indicators for the potential risks identified to facilitate evaluation of changes in exposure.
2. Operational risk management framework and organization	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.
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-

Item	Details
	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 avoidance and 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 exposure 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 review on 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, 2018

Unit:NT\$ thousands

Year	Gross Profit	Accrued capital charge
2016	45,386,079	
2017	48,963,302	
2018	56,253,822	
Total	150,603,203	6,918,029

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

2018

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 Market Risk Management Department or market risk limit controller within overseas branches are responsible for the identification, evaluation and control of market risk within the Bank, as well as executing routine management practices and ensuring the correctness and rationality of valuation principles, tools, methods and market information used in the assessment.
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.
5. Methods for calculating capital requirements	(1) Foreign currency options: Delta-Plus approach (2) Others: Standardized approach

Market risk capital requirement

December 31, 2018

Unit: NT\$ thousands

Type of Risk	Accrued capital charge
Interest rate risk	5,714,982
Equity risk	1,067,015
Foreign exchange risk	968,484
Commodity risk	0
Total	7,750,481

5. (1) Maturity analysis of NTD capital:

Maturity analysis of NTD capital for the Bank

December 31, 2018

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	\$2,718,291,477	539,138,622	289,490,379	304,254,308	240,773,167	326,519,393	1,018,115,608
Primary funds outflow upon maturity	3,200,692,054	175,442,094	257,319,919	516,766,947	538,442,232	536,045,170	1,176,675,692
Gap	(482,400,577)	363,696,528	32,170,460	(212,512,639)	(297,669,065)	(209,525,777)	(158,560,084)

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, 2018

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	\$63,719,960	\$19,395,558	\$12,804,626	\$10,573,356	\$11,043,349	\$9,903,071
Primary funds outflow upon maturity	70,142,653	18,987,216	15,884,692	12,103,998	14,955,130	8,211,617
Gap	(6,422,693)	408,342	(3,080,066)	(1,530,642)	(3,911,781)	1,691,454

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

- (3) Liquidity risk: Refers to the risk of being unable to obtain capital within reasonable time and price to finance additional assets or repay liabilities when due, and therefore giving rise to financial losses or default.

Liquidity risk management system

2018

Item	Details
1. Liquidity risk management strategies and procedures	(1) The Bank manages liquidity risk by placing stability at the top priority. For this reason, capital estimates are made conservatively and the Bank focuses on developing diversity and stability in its funding sources. Furthermore, uses of capital are balanced between safety and profitability, with steps taken to diversity liquidity risks. (2) Both the Market Risk Management Department and Finance and Accounting Department are informed immediately of any material changes in liquidity position, whether actual or anticipated, which are subsequently reported to the board of directors. (3) The Bank has liquidity risk tolerance limits and alert indicators in place to manage liquidity risks. Factors that have an adverse effect on liquidity are analyzed with measures taken immediately to mitigate liquidity risk impacts upon occurrence of an unexpected event.
2. Liquidity risk management organization and framework	(1) The Bank has an Asset and Liability Management Committee responsible for the strategic planning and supervision of liquidity risks. Routine execution is

Item	Details
	carried out by the Treasury Department. (2) The Bank has a set of “Liquidity Risk Management Guidelines” available to manage liquidity position and liquidity risks, and support business risk management by maintaining solvency.
3. Scope and features of the liquidity risk reporting and assessment system	(1) Some of the liquidity risk controls adopted by the Bank include: loan-to-deposit ratio, deposit diversity measure, investment diversity measure, and funding diversity measure. (2) The Bank manages liquidity risk by preparing “Liquidity Reserve Requirement Report,” “Maturity Analysis Report,” “Liquidity Gap Analysis Report,” and “Liquidity Coverage Ratio Report” on a regular basis. These reports are used to monitor liquidity indicators and ensure that figures are within limit. (3) In addition to monitoring liquidity risk through monthly reports, the Bank also conducts quarterly liquidity stress tests as means to assess its debt servicing capabilities. Outcomes are reported to the board of directors every six months.
4. Capital strategies, including policies on source and maturity diversification, and whether a centralized or delegated capital management approach is adopted	(1) Deposit concentration is examined regularly whereas “NTD Maturity Analysis Report” is prepared on a monthly basis to monitor the percentage of negative gaps accumulated in each maturity interval relative to the Bank's current net worth, and therefore determine the level and extent of risk. A “Foreign Currency Liquidity Gap Analysis” is prepared for any foreign currency that accounts for more than 5% of total liability. This report monitors negative gap in foreign currency assets and liabilities relative to total foreign currency assets, and provides decision makers with an indication of how to diversify capital source and maturity. (2) Overseas branches are required to devise capital plans based on asset/liability allocation and outcomes of liquidity and interest rate sensitivity analysis. Sourcing and use of capital shall comply with rules of the local authority and take into account factors such as safety and revenue potentials. Any mismatch in the maturity of assets and liabilities also have to be properly managed. Branches are required to discuss capital plans with the Head Office so that funding can be arranged on a bank-

Item	Details
	wide basis. Any change in asset/liability allocation that requires an adjustment to the capital plan will have to be discussed with the Head Office before proceeding.
5. Liquidity risk avoidance or mitigation policies, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	(1) The Bank has implemented “Business Crisis Response Measures and Management Guidelines” to prevent solvency and liquidity crises that may arise in relation to occurrences such as abnormal deposit withdrawal, substantial loss of capital or liquidity shortage. The Guidelines not only ensure timely and effective crisis handling, but also mitigate impact from major or sudden occurrences to the protection of deposit holders, investors, traders and market discipline. (2) The Asset and Liability Management Committee convened meetings to devise responses whenever liquidity reserve falls below a certain level.
6. Explanation to execution of stress testing	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, and thereby measure and manage liquidity risks. 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.
7. Summary of emergency liquidity response plan	(1) Source adequate cash support. (2) Balance sheet adjustment: recover funds or explore alternative sources of capital or funding channel. (3) Issue official statements to clarify facts. (4) Maintain order in the business lobby. (5) Prevent peers from over-drawing deposits, and contact foreign banking partners to secure existing credit facilities. (6) Take necessary legal actions against offenders for crises that arise as a result of fraud.

- (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:

Through its compliance system, the Bank continues to improve and optimize response to legal changes. A "risk-based approach" has been adopted to manage such impacts when performing various financial services.

The following is a summary of key compliance-related actions undertaken during the year:

1. Assessment and management of compliance risks

The Bank has adopted a compliance risk management and supervision framework, and will assess compliance risks on all business activities of the Bank with succeeding actions commencing.

2. Availability of a whistleblower system

The Bank has implemented "Whistle-blowing System Guidelines, Cathay United Bank" to support a corporate culture of integrity and transparency as well as sound business practices. These Guidelines are current in effect.

3. Implementation of information security unit and training

The Bank has created a dedicated information security unit that is adequately staffed and equipped to perform duties independently. The unit adopts information security roadmap of the parent company - Cathay Financial Holdings as guiding principles and implements information security protections throughout the Bank in accordance with laws and self-governing rules as part of its internal control environment. The unit is also responsible for maintaining certification with global information security standards (such as ISO 27001 and PCIDS). Furthermore, the Bank engages external consultants and white hat hackers to perform security assessments and tests on a yearly basis, so that improvements can be made as necessary to enhance information security protection.

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

1. Considering how technology-inspired mobile solutions have become an integral part of consumers' lifestyle, the Bank continues to collaborate with new businesses from different industries to introduce mobile services that are convenient and relevant to customers' lifestyle, and thereby deliver the ultimate digital banking and payment experience. By analyzing the transaction data gathered, the Bank is able to analyze customers' requirements at greater precision, and incorporate financial service into

various lifestyle scenarios to realize its vision of lifestyle banking.

2. The ongoing mobility trend has inspired the Bank to research Fintech and related applications, and develop a multitude of online services by gathering and analyzing customers' information through big data. Today, customers are able to submit requests for a broad range of services online such as travel insurance, annuity insurance to property insurance all without the constraint of time or space. The mobility enhancement also enables financial advisors to sell insurance using tablets (MI), which not only appealed to young policyholders but also affirmed the Bank's commitment to the paperless movement and environmental protection issues.
3. 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.
4. 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.
5. The Bank has invested actively into the development of corporate mobile banking systems to accommodate customers' mobile transformation.

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

1. Change of social responsibilities, image and other major events:
 - (1) “Cathay United Bank Branding Campaign” was launched to promote: “Cathay United Bank as the visionary and a bank that cares.” A series of advertisements were released to convey the Bank's goal of supporting people's imagination about the future and accompanying them in every step along the way.
 - (2) Ranked 1st place in the 14th (2018) Global Vision CSR Award - Best Employer Division.
Through release of videos and printed advertising on the “Cathay Baby Steps Program,” the Bank successfully demonstrated its friendly work environment and improved overall brand image.
 - (3) Ranked 1st place in the 14th (2018) Global Vision CSR Award - Environment Friendliness Division.

Through release of videos and printed advertising on “Green Banking for A Brighter Future,” the Bank conveyed its commitment to support and rally the society's support for solar power and offshore wind power businesses.

- (4) Sponsored National Geographic Channel and became a partner of 2018 Earth Day Run, during which it advocated and mobilized employees to support the reduction of plastic materials for a sustainable environment.
- (5) Received approval for the extension of 2018 Taiwan iSport certification from Sports Administration, Ministry of Education, which certifies the Bank as a healthy and exercise-friendly workplace.
- (6) Received 2018 Health Promotion Label from Taipei City Government Department of Health, which serves as a testament to the Bank's efforts in promoting a healthy workplace.
- (7) Received 2017 Certificate for Top Nursery Facility from Taipei City Government Department of Health, which demonstrates the Bank's attention to the needs of female employees.

2. Awards:

- Won Regional best service in Asia Pacific (by Euromoney)
- Won Domestic best service in Taiwan (by Euromoney)
- Won Domestic best trade finance providers in Taiwan (by Euromoney)
- Won Highly Commended by Retail Banker International: Best App for Customer Experience From Retail Banker International Asia Trailblazer 2018
- Won The Best Banks In Taiwan From Global Finance (by Global Finance)
- Won Best bank for CSR from Asiamoney
- Won House of the Year, Taiwan (by Asia Risk)
- Won The Best Trade Finance Bank in Taiwan (by The Asian Banker)
- Won The Best Trade Finance Bank in Taiwan (by The Asian Banker)
- Won The Regional Energy/Renewable Energy Deal of the Year (by The Asset)
- Won The Indonesian Renewable Energy Deal of the Year (by The Asset)
- Won Best Rates Derivatives House (by The Asset)
- Won Best Structured Investment Product Award - Equity (by The Asset)
- Won Best Structured Investment Product Award - Rates (by The Asset)
- Won Best Private Bank - Highly Commended (by The Asset)
- Won Top Investment House “Asian G3 Bond Benchmark Review 2018” (RANK: Bank1) (by The Asset)

- Won Top Investment House “Asian Local Currency Bond Benchmark Review 2018” (RANK:Bank2) (by The Asset)
- Won Triple A Country Awards 2018 Best syndicated loan (by The Asset)
- Won Triple A Country Awards 2018 Best acquisition financing (by The Asset)
- Won Domestic Cash Management Bank Of The Year – Taiwan (by Asian Banking & Finance)
- Won Domestic Trade Finance Bank Of The Year – Taiwan (by Asian Banking & Finance)
- Won Best syndicated loan of the year-Taiwan (by Asian Banking & Finance)
- Won Best Transaction Bank in Asia-Pacific 2018 (by The Banker)
- Won Red Hat Innovation Awards APAC 2018 (RED HAT)
- Won Revolutionizing Customer Value through a Data-Driven Strategy From Financial Insights Innovation Awards (FIIA) 2018 (by IDC)
- Named “Omni-Experience Innovator” in IDC DX Awards
- Named “Digital Transformer” in IDC DX Awards
- Won Asia-Pacific Renewable Deal of the Year (by PFI Awards (Project Finance International))
- Won “Best Risk Management - Outstanding” during the Best Practice Awards organized by Taiwan Academy of Banking and Finance
- Won “Best Talent Development - Outstanding” during the Best Practice Awards organized by Taiwan Academy of Banking and Finance
- Won “Best Green Project Financing - Outstanding” during the Best Practice Awards organized by Taiwan Academy of Banking and Finance
- Won “Best Wealth Management - Excellent” during the Best Practice Awards organized by Taiwan Academy of Banking and Finance
- Won “Best Trust Service - Excellent” during the Best Practice Awards organized by Taiwan Academy of Banking and Finance
- Won “Excellent Financial Service” during the 5th Top Solar System Award organized by Ministry of Economic Affairs
- Named “Potential Winner” of “2018 National Talent Development Awards” organized by the Ministry of Labor
- Won Award of Excellence in the Social Inclusion Division during the Taipei Golden Eagle Micro-movie Festival organized by Taiwan Institute for Sustainable Energy
- Won Global Vision Magazine's Outstanding Project Award - Environment Friendliness Division for: Cathy Green Banking Project
- Won Global Vision Magazine's Outstanding Project Award - Best Company Division for: Cathy Baby Steps Project
- Won “TCSA Growth through Innovation Awards” during the Taiwan

Corporate Sustainability Awards organized by Taiwan Institute for Sustainable Energy

- Won “TCSA People Development Awards” during the Taiwan Corporate Sustainability Awards organized by Taiwan Institute for Sustainable Energy
- Won Top Service Awards organized by Next Magazine
- Won the 2nd “Buying Power - Social Innovative Product and Service Procurement Incentive” scheme organized by the Small and Medium Enterprise Administration, Ministry of Economic Affairs
- Won “Futures Diamond Award - Bank Division” organized by Taiwan Futures Corporation
- Named “2017 Top Performer” by FSC in “Trust of Senior Citizens and Persons with Disabilities”
- Awarded the “27th ROC Enterprises Environmental Protection Award - Bronze Prize” by the Environmental Protection Administration
- Won Gold Award in “The Reader's Digest Trusted Brand Survey (Credit Card Issuer)” (by Reader's Digest)
- Won Gold Award in “The Reader's Digest Trusted Brand Survey (Online Banking Service Provider)” (by Reader's Digest)
- Won Best Wealth Management in Wealth Magazine's 2018 Wealth Management Award
- Won Best Service in Wealth Magazine's 2018 Wealth Management Award
- Won Best Online Wealth Management in Wealth Magazine's 2018 Wealth Management Award
- Won Best Printed Marketing in Wealth Magazine's 2018 Wealth Management Award
- Won Best Banking Product - Award of Excellence in Wealth Magazine's 2018 Taiwan Financial Award
- Won Best Local Bank Image in Wealth Magazine's 2018 Taiwan Financial Award
- Won Best Banking Service in Wealth Magazine's 2018 Taiwan Financial Award
- Won Business Next Magazine's Best Innovative Experience Award - Bronze
- Won Best Wealth Management Bank - Outstanding from Business Today
- Won Best Digital Innovation - 1st Place from Business Today
- Won Best Customer Satisfaction - 2nd Place from Business Today
- Won Best Trust Service - 2nd Place from Business Today
- Won Best Digital Platform Experience - 2nd Place from Business Today

- Won Best Financial Advisory Team - 3rd Place from Business Today
- Won Best Wealth Accumulation - 3rd Place from Business Today

(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
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. In terms of concentration monitoring, the Bank has adopted systematic practices to alert limit breach on a daily basis. Limit monitoring reports are presented to the Risk Management Committee on a regular basis to facilitate management of concentration risks. 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 2018.

(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 2018.

(X) Litigation and non-contentious cases:

As of December 31, 2018, the Bank had the following unresolved major litigation that arose in relation to normal business activities: The case of “Embezzlement Involving Former Lee and Li Employee Wei-Chieh Liu” (L&L) occurred in October 2003, which L&L argued to have been attributed to the Bank's negligence and have made claims of NT\$991,002,000 against the Bank. The case was brought to the court since July 2007, and the Bank won favorable decisions in both first instance and second instances. At present, the original second-instance judgment was reversed by the Supreme Court. Now the case is remanded to the Taiwan High Court for further review. The Bank and its attorney expect no material adverse impact on the Bank's financial position due to the above litigation.

(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 abovementioned 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
- (4) Enhance facility safety maintenance and inspection
- (5) 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:

A “Business Continuity Plan” has been implemented to serve as a guideline for business recovery, and therefore ensure that the Bank is 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

If business operation is disrupted due to occurrence of a risk event, the Bank will initiate its critical service/process recovery plan and strive to recover operation in the shortest time possible given the limited resources, and thereby minimize damage and impact of such an incident.

(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.

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

The Bank has a “Business Continuity Plan for Strike” and a strike response team in place to coordinate internal departments for the resolution of such an incident. The team is responsible for making decisions and conducting analysis on any sudden occurrence that may affect the Bank, 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. Borrow against deposits: the Bank may 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 lending: Interbank lending maturing on that day (and lending that has yet to mature, given the circumstances) will be recovered to cover the 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 securities and assets: The Bank currently holds securities including government bonds, corporate bonds, bank debentures, shares, commercial papers and treasury bills that can be sold at any time to cover liquidity gaps (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 policy 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.

None.

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 board of directors passed a decision to reappoint accounting firm and CPAs for the Bank during the meeting held on November 2, 2018. For details, please refer to “Three. Corporate Governance Report/6. Change of CPA starting from 2019.”

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	16F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
Credit Operations Department	16F., 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	3F., No. 35, Guangfu S. Rd., Songshan Dist., Taipei City 10563, Taiwan (R.O.C.)	(02)2171-2288
Credit Card Operations Department	1 & 2F., No. 35, Guangfu S. Rd., Songshan Dist., Taipei City 10563, Taiwan (R.O.C.)	(02)2171-1788
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	18F., No.7, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)	(02)8722-6666
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
Changping Branch	No. 36-1, Sec. 2, Changping Rd., Beitun Dist., Taichung City 40673, Taiwan (R.O.C.)	(04)2205-0867
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, Ziyu 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. 219, Chaofu Rd., Xitun Dist., Taichung City 40757, Taiwan (R.O.C.)	(04)2371-6663
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. 46, 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 Township, 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	10/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong	852-2877-5488

Unit name	Address	Telephone
Chu Lai Branch	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
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
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 2018 shareholder meeting (executed on behalf by the board of directors):

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

- ◎ Passed removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo for involvement in competing businesses.

(2) 8th meeting of the 15th board of directors on April 26, 2018

- ◎ Report on the Bank's "2017 Business Report," "2017 Employee, Director and Supervisor Remuneration," "2017 Supervisor Review Report," and "2017 Private Cash Issue."
- ◎ Acknowledged the Bank's "2017 Business Report," "2017 Consolidated and Standalone Financial Statements," and "2017 Earnings Appropriation."
- ◎ Passed the Bank's 2017 cash issue and capital-raising draft plans.
- ◎ Amendments to the Bank's "Articles of Incorporation."
- ◎ Passed removal of restrictions imposed against Independent Director Feng-Chiang Miao for involvement in competing businesses.

(3) 9th meeting of the 15th board of directors on August 16, 2018

- ◎ Passed removal of restrictions imposed against Independent Director Tsing-Yuan Hwang, Independent Director Edward Yung Do Way, and Director Chung-Yi Teng for involvement in competing businesses.

(4) 10th meeting of the 15th board of directors on November 2, 2018

- ◎ Amended the Bank's "Articles of Incorporation" and "Asset Acquisition and Disposal Procedures."
- ◎ Passed removal of restrictions imposed against the Bank's Director Wei-Hua Chou for involving in competing businesses.

(5) 11th interim meeting of the 15th board of directors on January 30, 2019

- ◎ Removed restrictions imposed against Director Han-Kuo Chen for involving in competing businesses.

(6) 11th meeting of the 15th board of directors on March 21, 2019

- ⊙ Passed amendments to the Bank “Asset Acquisition and Disposal Procedures.”

2. Major board of directors resolutions in 2018:

(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.”
- ⊙ Passed removal of restrictions imposed against Chairman Andrew Ming-Jian Kuo for involvement in competing businesses.
- ⊙ Passed allocation of 2017 year-end bonus, special incentive and long-term incentive for Chairman and Vice Chairman.
- ⊙ Passed “re-organization” and “personnel changes.”
- ⊙ Participation in the primary market offering or underwriting of offshore bonds for Rizal Commercial Bank (RCNC) and branches, subsidiaries and affiliated enterprises

(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,” “2018 Market Risk Limit Applications” and “Establishment of Singapore Branch and Issuance of Certificate of Deposit for US\$3 Billion (or Equivalent Foreign Currency).”
- ⊙ Set the Bank's “2018 Operational Risk Tolerance,” “2018 Key Operational Risk Indicators,” “Minimum Capital Adequacy Ratio, Tier 1 Capital Ratio and Common Share Equity Ratio Given 2018 Target Risk Appetite.”
- ⊙ 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, Non-accrual Loan 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. Tanzi and Xitun Branches will continue operating in their existing names, whereas Guoguang Branch will continue under the new name - Changping Branch.
- ◎ Passed “re-organization” and “personnel changes.”

(3) 8th meeting of the 15th board of directors on April 26, 2018

- ◎ Passed the Bank's “2017 New Capital Proposal and New Capital Draft Plan,” “2018 Q1 Financial Statements,” “2017 Compliance with Supervisory Review Principles and Reporting,” “Risk-adjusted Return on Capital (RAROC) Calculation” and “Derivatives Service Risk Assessment and Impact on Eligible Capital.”
- ◎ Passed the decision to apply for “Launch of Financial Service Station” and “Concurrent Bond Underwriting and Proprietary Trading” with the authority.
- ◎ Established the Bank's “Board of Directors and Functional Committee Performance Evaluation Policy,” “Professional Client and Professional Investor Eligibility Principles,” and “Risk-driven Internal Audit Plan Rules.”
- ◎ Amended the Bank's “Articles of Incorporation,” “Risk-driven Internal Audit Implementation Procedures,” “Corporate Governance Guidelines,” “Country Limit Management Guidelines,” “Corporate

Banking Credit Authorization Guidelines,” “SME Credit Authorization Guidelines,” and “Private Banking Credit Authorization Guidelines.”

- ◎ Passed change of office address for the Bank's Taichung and Dunbei Branches.
- ◎ Passed removal of restrictions imposed against Independent Director Feng-Chiang Miao for involvement in competing businesses.
- ◎ Passed “re-organization” and “personnel changes.”

(4) 9th interim meeting of the 15th board of directors on June 8, 2018

- ◎ Passed the decision to sign a memorandum of understanding with Kanbawza Bank (Myanmar).
- ◎ Established the Bank's “Notes on AML/CTF for Insurance Agency Service” and “Director and Supervisor Performance Evaluation Guidelines.”
- ◎ Amended the Bank's “Manager Compensation and Payment Guidelines.”
- ◎ Passed “re-organization” and “personnel changes.”

(5) 9th meeting of the 15th board of directors on August 16, 2018

- ◎ Passed “2018 First Half Financial Statements” and “2017 Board of Directors and Functional Committee Internal Performance Evaluation Outcome.”
- ◎ Passed the decision to submit “Outsourcing of Customer Data Processing and Analysis to Offshore Cloud Platform” and “Declaration of Money Laundering and Counter Terrorism Risk Appetite” to the authority.
- ◎ Establishment of the Bank's “Money Laundering and Counter Terrorism Risk Appetite Management Guidelines,” “Whistleblower System,” “Compliance On-job Training Policy,” and “Foreign Operations Compliance Officer Eligibility Policy.”
- ◎ Amended the Bank's “Compliance System Enforcement Guidelines,” “Policy Management Guidelines,” “Fair Customer Treatment Policy,” “Information Security Policy,” “Anti-money Laundering and Counter

Terrorism Financing Policy,” “Notes on Anti-money Laundering and Counter Terrorism Financing,” “Corporate Governance Guidelines,” “Overdue Loan, Non-accrual Loan and NPL Guidelines,” “Stakeholder Credit and Transaction Management Guidelines,” “Internal Policy on Credit and Non-credit Transactions with Stakeholders,” “Self-discipline Guidelines for Transactions with Watchlisted Counterparties,” “Bank Debenture Issuance Guidelines,” “Offshore Banking Unit Derivative Service Guidelines,” “Corporate Banking Credit Authorization Guidelines,” “SME Credit Authorization Guidelines,” “Private Banking Credit Authorization Guidelines,” “Corporate Banking Credit Review Guidelines,” “Industry Limit Management Guidelines,” “2018 Industry Limit Allocation,” “Credit Information Inquiry Control Guidelines,” “Consumer Banking Credit Authorization Guidelines,” “Consumer Banking Credit Review Guidelines,” “Treasury Limit Authorization Guidelines,” “Derivatives Service Guidelines” and “Financial Asset Impairment Assessment Indicators and Control Procedures.”

- ◎ Passed the decision to sign a shareholder agreement with Vietinbank, the Vietnamese joint venture partner.
- ◎ 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 removal of restrictions imposed against Independent Director Tsing-Yuan Hwang, Independent Director Edward Yung Do Way, and Director Chung-Yi Teng for involvement in competing businesses.
- ◎ Passed “re-organization” and “personnel changes.”

(6) 10th interim meeting of the 15th board of directors on September 17, 2018

- ◎ Amended the Bank's “Manager Performance Management and Development Guidelines,” “Sales Personnel Performance Evaluation and Compensation Guidelines” and “Notes on AML/CTF for Insurance Agency Service.”
- ◎ Passed “re-organization” and “personnel changes.”

(7) 10th meeting of the 15th board of directors on November 2, 2018

- ◎ Passed the Bank's "2018 3-quarter Financial Statements," "2019 Reappointment of Accounting Firm and Financial Statement Auditor," "2019 Audit Plan as Bank and Securities Firm" and "decision to apply for a new identification system for digital savings account opening with the authority."
- ◎ Established the Bank's "Capital Management Policy," "Treasury Limit Authorization Guidelines," and "Person-in-charge Appointment and Compliance Guidelines."
- ◎ Amended the Bank's "Derivatives Service Guidelines," "Capital Authorization Guidelines," "Articles of Incorporation," "Board of Directors Conference Rules," "Asset Acquisition and Disposal Procedures," "Money Laundering and Counter Terrorism Risk Appetite Management Guidelines," "Declaration of Money Laundering and Counter Terrorism Risk Appetite," "Self-discipline Guidelines for Transactions with Watchlisted Counterparties," "Stakeholder Credit and Transaction Management Guidelines," "Internal Policy on Credit and Non-credit Transactions with Stakeholders," "Policy Management Guidelines," "Banking Book Interest Rate Risk Management Guidelines," "Professional Client and Professional Investor Eligibility Principles," "Operational Risk Management Guidelines," "Singapore Branch Internal Control Policy" and "Self-audit Guidelines."
- ◎ Passed decisions to establish a new branch in Linkou District, New Taipei City, relocate and upgrade Wenhua Mini Branch to an ordinary branch, and relocate Danfeng and Nangang Branches.
- ◎ Passed removal of restrictions imposed against Director Wei-Hua Chou for involvement in competing businesses.
- ◎ Passed "re-organization" and "personnel changes."

3. Significant shareholder meeting resolutions (executed on behalf by board of directors) in 2019 up till publication of annual report:

11th interim meeting of the 15th board of directors on January 30, 2019

- ◎ Passed removal of restrictions imposed against Director Han-Kuo

Chen for involvement in competing businesses.

4. Major board of directors resolutions made in 2019 up till the publication date of annual report:

(1) 11th interim meeting of the 15th board of directors on January 30, 2019

- ◎ Passed the decision to introduce new services including “structured foreign currency deposit with foreign currency trust swap/swap options/options (principal-protected and non-principal protected)” and “structured foreign currency deposits with foreign currency swap/forward exchange (principal-protected).”
- ◎ Passed allocation of 2018 year-end bonus, special incentive and long-term incentive for Chairman and Vice Chairman, and invested into the equity of the listed company in Thailand.
- ◎ Passed removal of restrictions imposed against Senior Executive Vice Presidents Chung-Yi Teng and Wei-Hua Chou for involving in competing businesses.
- ◎ Passed removal of restrictions imposed against Director Han-Kuo Chen for involvement in competing businesses.
- ◎ Passed “re-organization” and “personnel changes.”

(2) 11th meeting of the 15th board of directors on March 21, 2019

- ◎ Passed the Bank's “2018 Business Report,” “2018 Employee/Director/Supervisor Remuneration,” “2018 Year-end Accounts,” “2018 Earnings Appropriation,” “2018 New Capital Proposal and New Capital Draft Plan,” “2018 Declaration of Internal Control System,” “2018 Declaration of AML/CTF Internal Control System,” “2018 Declaration of AML/CTF Special Audit,” “2018 Board of Directors Internal Performance Evaluation Outcome,” enforcement of “Fair Customer Treatment Evaluation for Financial Service Providers” in 2018, “2019 Operating Strategies,” “2019 Key Business and Financial Goals,” “2019 Audit Plan” amendment, “2019 Market Risk Limits” and “Signing of Cross-border Cash Flow Agreement.”
- ◎ Set the Bank's “2019 Risk Tolerance,” “2019 Key Risk Indicators” and “Minimum Capital Adequacy Ratio, Tier 1 Capital Ratio and

Common Share Equity Ratio Given 2019 Target Risk Appetite.”

- ◎ Amended the Bank's “IFRS Accounting Policy,” “Capital Adequacy Appetite Management Guidelines,” “Asset Acquisition and Disposal Procedures,” “Internal Control System,” “Risk Management Policy,” “Loan Pricing Guidelines,” “Special Real Estate Lending Concentration Guidelines,” “Compliance System Enforcement Guidelines,” “Stakeholder Credit and Transaction Management Guidelines,” “Internal Policy on Credit and Non-credit Transactions with Stakeholders,” “Self-discipline Guidelines for Transactions with Watchlisted Counterparties,” “Compliance On-job Training Policy,” “Anti-money Laundering and Counter Terrorism Financing Policy,” “Notes on Anti-money Laundering and Counter Terrorism Financing,” “Notes on AML/CTF for Insurance Agency Service,” “Interbank Transaction Limit Authorization Guidelines,” “Collateral Guidelines,” “Corporate Banking Credit Authorization Guidelines,” “SME Credit Authorization Guidelines,” “Private Banking Credit Authorization Guidelines,” “Liquidity Risk Management Guidelines” and “Manager Performance Management and Development Guidelines.”
- ◎ Passed relocation of Fengbei Branch and Zhangtai Branch.
- ◎ Passed removal of restrictions imposed against Executive Vice Presidents Mr. Yo-Chin Cheng and Madam Su-Chu Li for involving in competing businesses.
- ◎ Passed appointment of chief internal auditor for the Bank's concurrent roles as bank and securities firm.
- ◎ Passed appointment of the Bank's Corporate Governance Officer.

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 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
Supervisor	Peggy Wang	(43,000)	—	Senior Vice President	Pi-Wei Hsu	1,000	—
Director (concurrent role as Senior Executive Vice President)	Wei-Hua Chou	1,000	—	Senior Vice President	Chun-Hsiang Hsu	12,000	—
Director (concurrent role as Senior Executive Vice President)	Chung-Yi Teng	191	—	Senior Vice President	Yi-Chung Hsiao	(98,000)	—
Senior Vice President	Hui-Ting Li	(2,000)	—	—			

Change of common share equity up till March 31, 2019 (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
Supervisor	Peggy Wang	(43,000)	—	Senior Vice President	Li-Meng Lin	5,000	—
Director (concurrent role as Senior Executive Vice President)	Wei-Hua Chou	2,000	—	Senior Vice President	Pi-Wei Hsu	6,000	—
Director (concurrent role as Senior Executive Vice President)	Chung-Yi Teng	191	—	Senior Vice President	Chun-Hsiang Hsu	12,000	—
Senior Vice President	Chun-Huan Chiang	54,000	—	Senior Vice President	Lung-San Fu	2,000	—
Senior Vice President	Shu-Yu Tu	(2,000)	—	Senior Vice President	Yi-Chung Hsiao	(98,000)	—
Senior Vice President	Hui-Ting Li	(2,000)	—	—			

Change of Class-A preferred share equity in 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	Mao-Chang Ho	(5,000)	—	Senior Vice President	Wen-Feng Chen	(1,000)	—
Senior Vice President	Shu-Yu Tu	(6,000)	—	Senior Vice President	Chih-Hung Chen	(10,000)	—
Senior Vice President	Hsiu-Chen Wu	(4,000)	—	Senior Vice President	Wen-Chi Chen	(5,000)	—
Senior Vice President	Kung-Pin Li	(4,000)	—	Senior Vice President	Jui-Pin Tseng	(5,000)	—
Senior Vice President	Wen-Kan Lin	(10,478)	—	Senior Vice President	Sheng-Yu Huang	(5,000)	—
Senior Vice President	Hsiu-Hao Wu	(1,000)	—	Senior Vice President	Ming-Chih Tsai	(24,000)	—

Change of Class-A preferred share equity up till March 31, 2019 (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	Mao-Chang Ho	(5,000)	—	Senior Vice President	Wen-Feng Chen	(1,000)	—
Senior Vice President	Shu-Yu Tu	(6,000)	—	Senior Vice President	Chih-Hung Chen	(10,000)	—
Senior Vice President	Hsiu-Chen Wu	(4,000)	—	Senior Vice President	Wen-Chi Chen	(5,000)	—
Senior Vice President	Kung-Pin Li	(4,000)	—	Senior Vice President	Jui-Pin Tseng	(5,000)	—
Senior Vice President	Wen-Kan Lin	(10,478)	—	Senior Vice President	Sheng-Yu Huang	(5,000)	—
Senior Vice President	Hsiu-Hao Wu	(1,000)	—	Senior Vice President	Ming-Chih Tsai	(24,000)	—

Change of Class-B preferred share equity in 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
Vice Chairman	Tzung-Han Tsai	20,556	—	Senior Vice President	Chen-Te Kuo	3,000	—
President	Alan Lee	15,000	—	Senior Vice President	Chen-Chen Kuo	3,000	—
Director (concurrent role as Senior Executive Vice President)	Jian-Hsing Wu	15,000	—	Senior Vice President	Wen-Kai Chen	3,000	—
Director (concurrent role as Senior Executive Vice President)	Wei-Hua Chou	15,000	—	Senior Vice President	Wen-Feng Chen	3,000	—
Director	Chang-Ken Lee	15,000	—	Senior Vice President	Shih-Cheng Chen	3,000	—
Director	Tsung-Hsien Tsai	15,000	—	Senior Vice President	Kuang-Chung Chen	1,000	—
Director	Po-Tsang Hsieh	24,134	—	Senior Vice President	Sung-Hsing Chen	6,261	—
Managing Director (concurrent role as Senior Executive Vice President)	Chun-Wei Yang	5,000	—	Senior Vice President	Wen-Chi Chen	3,000	—
Executive Vice president	Shu-Ying Wu	4,000	—	Senior Vice President	Chun-Yi Chen	2,000	—
Executive Vice president	Su-Chu Li	4,000	—	Senior Vice President	Hsin-Chi Chen	2,000	—
Executive Vice president	Xu-Jie Yao	3,000	—	Senior Vice President	Chien-Yu Chen	3,000	—
Executive Vice president	Chien-Hui Hung	3,000	—	Senior Vice President	Chien-Ming Chen	3,000	—
Executive Vice president	Chen-Tung Chang	4,000	—	Senior Vice President	Chao-Sen Chen	3,743	—
Executive Vice president	Hsiu-Chu Chuang	4,000	—	Senior Vice President	Mei-Ling Chen	3,000	—
Executive Vice president	Chao-Kuei Kuo	4,721	—	Senior Vice President	Kuei-Chu Chen	3,654	—
Executive Vice president	Francis Peng	3,000	—	Senior Vice President	Su-Mei Chen	618	—
Executive Vice president	Tsung-Meng Huang	4,000	—	Senior Vice President	Shu-Ling Chen	3,861	—
Executive Vice president	Hsiang-Hsin Tsai	4,000	—	Senior Vice President	Min-Hui Chen	3,000	—
Senior Vice President	Mei-Ling Ting	3,000	—	Senior Vice President	Hui-Fang Chen	3,413	—
Senior Vice President	Yung-Sung Ku	3,476	—	Senior Vice President	Tsung-Chih Chen	3,000	—
Senior Vice President	Chun-Huan Chiang	3,167	—	Senior Vice President	Pao-Chu Chen	6,045	—
Senior Vice President	Hui-Ying Chiang	3,000	—	Senior Vice President	Lung-San Fu	58	—
Senior Vice President	Sheng-Hsieh Ho,	3,000	—	Senior Vice President	Chien-Chang Tseng	1,000	—
Senior Vice President	Mao-Chang Ho	3,000	—	Senior Vice President	Chao-Chun Tseng	3,000	—

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	Hsiu-Chen Wu	3,000	—	Senior Vice President	Jui-Pin Tseng	3,209	—
Senior Vice President	Jung-Chin Wu	3,000	—	Senior Vice President	Yu-Chi Yu	3,000	—
Senior Vice President	Shih-Lin Sung	3,273	—	Senior Vice President	Chi-Chen E	3,000	—
Senior Vice President	Wen-Yuan Li	3,000	—	Senior Vice President	Tao-Chin Huang	3,046	—
Senior Vice President	Wen-Hung Li	3,000	—	Senior Vice President	Wen-Neng Huang	11,000	—
Senior Vice President	Pai-Shun Li	2,000	—	Senior Vice President	Li Huang	3,726	—
Senior Vice President	Tung-Fa Li	3,945	—	Senior Vice President	Chin-Ting Huang	246	—
Senior Vice President	Mei-Ju Li	3,000	—	Senior Vice President	Sheng-Yu Huang	3,000	—
Senior Vice President	Hsin-Chun Li	3,000	—	Senior Vice President	Li-Fen Huang	3,000	—
Senior Vice President	Ming-Chi Li	3,000	—	Senior Vice President	Yao-Yi Huang	3,000	—
Senior Vice President	Hsing-Ming Li	4,480	—	Senior Vice President	Tsui-Chuan Yang	167	—
Senior Vice President	Hui-Ting Li	3,000	—	Senior Vice President	Hung-Chang Yang	4,000	—
Senior Vice President	Yu Juan	3,000	—	Senior Vice President	Li-Ling Yang	3,000	—
Senior Vice President	Hsiao-Hua Cho	3,000	—	Senior Vice President	Fei-Hsiang Yeh	3,000	—
Senior Vice President	Chien-Cheng Tsung	3,000	—	Senior Vice President	Chan-Hao Yeh	3,000	—
Senior Vice President	Wen-Chang Lin	3,000	—	Senior Vice President	Hsueh-Fen Yeh	3,000	—
Senior Vice President	Chih-Ming Lin	426	—	Senior Vice President	Yu-Wei Yeh	2,000	—
Senior Vice President	Chun-Ting Lin	3,000	—	Senior Vice President	Mei-Ching Chan	3,000	—
Senior Vice President	Chien-Min Lin	3,000	—	Senior Vice President	Yi-Hsiung Liu	3,421	—
Senior Vice President	Ping-Hui Lin	1,000	—	Senior Vice President	Ching-Sung Liu	3,140	—
Senior Vice President	Sheng-Yi Lin	3,000	—	Senior Vice President	Chun-Ming Liu	3,000	—
Senior Vice President	Feng-Chu Lin	3,000	—	Senior Vice President	Yi-Man Liu	3,000	—
Senior Vice President	Hsing-Chu Chiu	3,000	—	Senior Vice President	Man-Ying Liu	3,000	—
Senior Vice President	Lung-Hao Ko	3,286	—	Senior Vice President	Te-Ching Ou	1,245	—
Senior Vice President	Chiu-Ling Hung	3,311	—	Senior Vice President	Yung-Chin Tsai	4,132	—
Senior Vice President	Ya-Hui Chi	3,657	—	Senior Vice President	Ming-Chih Tsai	3,000	—
Senior Vice President	Kuo-Yu Hu	3,000	—	Senior Vice President	Ming-Nan Tsai	195	—
Senior Vice President	Ling-Ching Chang	2,000	—	Senior Vice President	Chih-Cheng Cheng	2,000	—

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-Chen Tsao	3,000	—	Senior Vice President	Chi-Hao Cheng	3,000	—
Senior Vice President	Ming-Chiao Liang	3,000	—	Senior Vice President	Chi-Wei Lu	3,000	—
Senior Vice President	Shu-Chun Chuang	3,000	—	Senior Vice President	Yi-Chung Hsiao	4,117	—
Senior Vice President	Chao-Chi Hsu	3,000	—	Senior Vice President	Yi-Huei Chien	3,000	—
Senior Vice President	Jung-Sung Hsu	3,000	—	Senior Vice President	Ya-Hui Lan	3,000	—
Senior Vice President	Li-Ping Hsu	3,699	—	Senior Vice President	Min-Hsiu Yen	3,000	—
Senior Vice President	Kuan-Ling Kuo	3,897	—	Senior Vice President	Hui-Fang Lo	3,046	—
Senior Vice President	Mei-E Kuo	3,285	—	—			

Change of Class-B preferred share equity up till March 31, 2019 (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
Vice Chairman	Tzung-Han Tsai	20,556	—	Senior Vice President	Mei-E Kuo	3,285	—
President	Alan Lee	15,000	—	Senior Vice President	Chen-Te Kuo	3,000	—
Director (concurrent role as Senior Executive Vice President)	Jian-Hsing Wu	15,000	—	Senior Vice President	Chen-Chen Kuo	3,000	—
Director (concurrent role as Senior Executive Vice President)	Wei-Hua Chou	15,000	—	Senior Vice President	Wen-Kai Chen	3,000	—
Director	Chang-Ken Lee	15,000	—	Senior Vice President	Wen-Feng Chen	3,000	—
Director	Tsung-Hsien Tsai	15,000	—	Senior Vice President	Shih-Cheng Chen	3,000	—
Director	Po-Tsang Hsieh	24,134	—	Senior Vice President	Kuang-Chung Chen	1,000	—
Managing Director (concurrent role as Senior Executive Vice President)	Chun-Wei Yang	5,000	—	Senior Vice President	Sung-Hsing Chen	6,261	—
Executive Vice president	Shu-Ying Wu	4,000	—	Senior Vice President	Wen-Chi Chen	3,000	—
Executive Vice president	Su-Chu Li	4,000	—	Senior Vice President	Chun-Yi Chen	2,000	—
Executive Vice president	Xu-Jie Yao	3,000	—	Senior Vice President	Hsin-Chi Chen	2,000	—
Executive Vice president	Chien-Hui Hung	3,000	—	Senior Vice President	Chien-Yu Chen	3,000	—
Executive Vice president	Chen-Tung Chang	4,000	—	Senior Vice President	Chien-Ming Chen	3,000	—
Executive Vice president	Hsiu-Chu Chuang	4,000	—	Senior Vice President	Chao-Sen Chen	3,743	—
Executive Vice president	Chao-Kuei Kuo	4,721	—	Senior Vice President	Mei-Ling Chen	3,000	—
Executive Vice president	Francis Peng	3,000	—	Senior Vice President	Kuei-Chu Chen	3,654	—
Executive Vice president	Tsung-Meng Huang	4,000	—	Senior Vice President	Su-Mei Chen	618	—
Executive Vice president	Hsiang-Hsin Tsai	4,000	—	Senior Vice President	Shu-Ling Chen	3,861	—
Senior Vice President	Mei-Ling Ting	3,000	—	Senior Vice President	Min-Hui Chen	3,000	—
Senior Vice President	Yung-Sung Ku	3,476	—	Senior Vice President	Tsung-Chih Chen	3,000	—
Senior Vice President	Chun-Huan Chiang	3,167	—	Senior Vice President	Pao-Chu Chen	6,045	—
Senior Vice President	Hui-Ying Chiang	3,000	—	Senior Vice President	Lung-San Fu	58	—
Senior Vice President	Sheng-Hsieh Ho,	3,000	—	Senior Vice President	Chien-Chang Tseng	1,000	—
Senior Vice President	Mao-Chang Ho	3,000	—	Senior Vice President	Chao-Chun Tseng	3,000	—

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	Hsiu-Chen Wu	3,000	—	Senior Vice President	Jui-Pin Tseng	3,209	—
Senior Vice President	Jung-Chin Wu	3,000	—	Senior Vice President	Yu-Chi Yu	3,000	—
Senior Vice President	Shih-Lin Sung	3,273	—	Senior Vice President	Chi-Chen E	3,000	—
Senior Vice President	Wen-Yuan Li	3,000	—	Senior Vice President	Tao-Chin Huang	3,046	—
Senior Vice President	Wen-Hung Li	3,000	—	Senior Vice President	Wen-Neng Huang	11,000	—
Senior Vice President	Pai-Shun Li	2,000	—	Senior Vice President	Li Huang	3,726	—
Senior Vice President	Tung-Fa Li	3,945	—	Senior Vice President	Chin-Ting Huang	246	—
Senior Vice President	Mei-Ju Li	3,000	—	Senior Vice President	Sheng-Yu Huang	3,000	—
Senior Vice President	Hsin-Chun Li	3,000	—	Senior Vice President	Li-Fen Huang	3,000	—
Senior Vice President	Ming-Chi Li	3,000	—	Senior Vice President	Yao-Yi Huang	3,000	—
Senior Vice President	Hsing-Ming Li	4,480	—	Senior Vice President	Tsui-Chuan Yang	167	—
Senior Vice President	Hui-Ting Li	3,000	—	Senior Vice President	Hung-Chang Yang	4,000	—
Senior Vice President	Yu Juan	3,000	—	Senior Vice President	Li-Ling Yang	3,000	—
Senior Vice President	Hsiao-Hua Cho	3,000	—	Senior Vice President	Fei-Hsiang Yeh	3,000	—
Senior Vice President	Chien-Cheng Tsung	3,000	—	Senior Vice President	Chan-Hao Yeh	3,000	—
Senior Vice President	Wen-Chang Lin	3,000	—	Senior Vice President	Hsueh-Fen Yeh	3,000	—
Senior Vice President	Chih-Ming Lin	426	—	Senior Vice President	Yu-Wei Yeh	2,000	—
Senior Vice President	Chun-Ting Lin	3,000	—	Senior Vice President	Mei-Ching Chan	3,000	—
Senior Vice President	Chien-Min Lin	3,000	—	Senior Vice President	Yi-Hsiung Liu	3,421	—
Senior Vice President	Ping-Hui Lin	1,000	—	Senior Vice President	Ching-Sung Liu	3,140	—
Senior Vice President	Sheng-Yi Lin	3,000	—	Senior Vice President	Chun-Ming Liu	3,000	—
Senior Vice President	Feng-Chu Lin	3,000	—	Senior Vice President	Yi-Man Liu	3,000	—
Senior Vice President	Hsing-Chu Chiu	3,000	—	Senior Vice President	Man-Ying Liu	3,000	—
Senior Vice President	Lung-Hao Ko	3,286	—	Senior Vice President	Te-Ching Ou	1,245	—
Senior Vice President	Chiu-Ling Hung	3,311	—	Senior Vice President	Yung-Chin Tsai	4,132	—
Senior Vice President	Ya-Hui Chi	3,657	—	Senior Vice President	Ming-Chih Tsai	3,000	—
Senior Vice President	Kuo-Yu Hu	3,000	—	Senior Vice President	Ming-Nan Tsai	195	—
Senior Vice President	Ling-Ching Chang	2,000	—	Senior Vice President	Chih-Cheng Cheng	2,000	—

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-Chen Tsao	3,000	—	Senior Vice President	Chi-Hao Cheng	3,000	—
Senior Vice President	Ming-Chiao Liang	3,000	—	Senior Vice President	Chi-Wei Lu	3,000	—
Senior Vice President	Shu-Chun Chuang	3,000	—	Senior Vice President	Yi-Chung Hsiao	4,117	—
Senior Vice President	Chao-Chi Hsu	3,000	—	Senior Vice President	Yi-Huei Chien	3,000	—
Senior Vice President	Jung-Sung Hsu	3,000	—	Senior Vice President	Ya-Hui Lan	3,000	—
Senior Vice President	Li-Ping Hsu	3,699	—	Senior Vice President	Min-Hsiu Yen	3,000	—
Senior Vice President	Kuan-Ling Kuo	3,897	—	Senior Vice President	Hui-Fang Lo	3,046	—

Note 1: Shareholding refers to shares of Cathay FHC

Appendix IV

Cathay United Bank Co., Ltd. and Subsidiaries
Consolidated Financial Statements
For The Years Ended
31 December 2018 and 2017
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 2018 and 31 December 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including the summary of significant accounting policies.

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 2018 and 2017, and their consolidated financial performance and cash flows for the years ended December 31, 2018 and 2017 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 and became effective by Financial Supervisory Commission of the Republic of China ("FSC").

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

Independent Auditors' Report (continued)

English Translation of a Report Originally Issued in Chinese

Key Audit Matters (continued)

Loan loss provision

In accordance with International Financial Reporting Standard 9, the Bank and its subsidiaries developed their own systems to perform both individual and collective assessments of bad debts on loans. The systems assess the bad debts based on external and internal historical experience and parameters from forecast data or estimated future recoverable cash flows. The assessment included determining whether credit risk increases significantly, and that credit has impaired, as well as expected credit loss model and the related expected credit loss parameters. Therefore, we determined the loan loss provision as a key audit matter.

Our audit procedures included (but not limited to) assessing and testing the internal controls relating to the underlying loan loss provision, including assessing the source of the bad debt and the bad debt assessment system, and reviewing whether the allowance for bad debt assessment approach has been approved by management. For loan loss provisions calculated on a collective basis, we 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 on a sampling basis, such as expected lifetime, EAD, probability of default, recovery rates and loss given default. For loan loss provisions calculated on an individual basis, we tested the assumptions which were used to identify and quantify the impairments, on a sampling basis, including estimates of future cash flows, valuation of guarantee and estimates of recovery on default. We reviewed the classification of loans and the provision of allowance for loans comply to ensure that management complied with the related regulations issued by the authorities of the Republic of China.

Please refer to Note 4, 5.(2), 6.(7) and 12.(7) for information about the Bank and its subsidiaries' the provision of allowance for loans.

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.

Independent Auditors' Report (continued)

English Translation of a Report Originally Issued in Chinese

Key Audit Matters (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 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.

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.(14) for information about the Bank and its subsidiaries' goodwill impairment assessment.

Independent Auditors' Report (continued)

English Translation of a Report Originally Issued in Chinese

Emphasis of Matter – Application of New Accounting Standards

As described in Note 3 of the consolidated financial statements, the Bank and its subsidiaries applied the International Financial Reporting Standard 9, “Financial Instruments” and 15, “Revenue from Contracts with Customers” on 1 January, 2018, and elected not to restate the consolidated financial statement for prior periods. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the “Regulations Governing the Preparation of Financial Reports by Public Banks”, the “Regulation 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 and became effective by Financial Supervisory Commission of the Republic of China (“FSC”) 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.

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 audit committee or supervisors, are responsible for overseeing the financial reporting process of the Bank and its subsidiaries.

Independent Auditors' Report (continued)

English Translation of a Report Originally Issued in Chinese

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.

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.

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)

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 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 audits.

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 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 for the year ended 31 December 2018 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 emphasis of matter and unqualified opinion on the parent company only financial statements of the Bank as of and for the years ended 31 December 2018 and 2017, respectively.

/s/ Chang, Cheng-Tao

/s/ Huang, Chien-Che

Ernst & Young
Taipei, Taiwan
The Republic of China
21 March 2019

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 2018 and 31 December 2017
(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	2018.12.31	2017.12.31
Cash and cash equivalents	4, 6, 7	\$67,857,464	\$65,958,532
Due from the Central Bank and call loans to banks	6, 7	104,223,315	125,163,780
Financial assets at fair value through profit or loss	4, 5, 6	250,685,216	311,985,059
Financial assets at fair value through other comprehensive income	4, 5, 6	200,572,902	-
Debt instrument investment measured at amortized cost	4, 5, 6	421,022,506	-
Securities purchased under agreements to resell	4, 6	44,612,132	87,483,656
Receivables - net	4, 5, 6, 7	85,978,726	76,980,817
Discounts and loans - net	4, 5, 6, 7	1,595,323,251	1,434,558,167
Available-for-sale financial assets - net	4, 5, 6	-	148,480,669
Held-to-maturity financial assets - net	4, 5, 6	-	34,345,085
Investments accounted for using the equity method - net	4, 6	1,768,874	1,744,047
Other financial assets - net	4, 5	1,271	1,276
Investments in debt securities with no active market - net	4, 5, 6	-	388,287,593
Property and equipment - net	4, 6, 7	25,440,564	24,873,298
Investment properties - net	4, 5, 6	1,439,686	1,547,372
Intangible assets - net	4, 5, 6	8,020,939	7,785,984
Deferred tax assets	4, 5, 6	1,872,542	2,223,266
Other assets - net	4, 6, 7	35,061,248	24,285,305
Total assets		<u>\$2,843,880,636</u>	<u>\$2,735,703,906</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

Consolidated balance sheets (continued)

31 December 2018 and 31 December 2017

(Expressed in thousands of New Taiwan Dollars)

Liabilities and equity	Notes	2018.12.31	2017.12.31
Liabilities			
Due to the Central Bank and call loans from banks	6, 7	\$81,432,233	\$90,417,859
Financial liabilities at fair value through profit or loss	4, 5, 6	103,407,778	87,407,651
Securities sold under agreements to repurchase	4, 6	55,974,509	109,941,425
Payables	6, 7	24,912,970	23,457,177
Current tax liabilities	4, 5	184,817	439,896
Deposits and remittances	6, 7	2,227,661,690	2,098,367,963
Financial debentures payable	4, 6	55,600,000	63,350,000
Other financial liabilities	6	76,509,334	66,057,646
Provisions	4, 5, 6	3,421,427	3,187,664
Deferred tax liabilities	4, 5, 6	1,657,768	1,712,831
Other liabilities	6, 7	7,311,083	9,056,227
Total liabilities		2,638,073,609	2,553,396,339
Equity			
Equity attribute to equity holders of parent			
Capital stock	6		
Common stock		91,197,623	78,604,060
Capital surplus	6	33,610,983	33,610,983
Retained earnings	6		
Legal reserves		51,631,140	45,823,601
Special reserves		2,933,808	1,977,363
Undistributed earnings		21,015,571	19,302,403
Other equity	6	1,376,421	(854,932)
Subtotal		201,765,546	178,463,478
Non-controlling interests	6	4,041,481	3,844,089
Total equity		205,807,027	182,307,567
Total liabilities and equity		\$2,843,880,636	\$2,735,703,906

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

English Translation of Financial Statements Originally Issued in Chinese
Cathay United Bank
Consolidated statements of comprehensive income
For the years ended 31 December 2018 and 2017
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

Items	Notes	2018.01.01- 2018.12.31	2017.01.01- 2017.12.31
Interest income	4, 6, 7	\$53,787,868	\$46,240,981
Interest expense	6, 7	(20,390,612)	(16,540,184)
Net interest income		<u>33,397,256</u>	<u>29,700,797</u>
Non-interest income			
Net fee income	4, 6, 7	16,678,178	14,862,355
Gains on financial assets and liabilities at fair value through profit or loss	6, 7	5,892,981	6,611,611
Realized gains on available-for-sale financial assets		-	2,098,316
Realized gains from financial assets at fair value through other comprehensive income	6	2,663,486	-
Realized gains on held-to-maturity financial asset		-	189,886
Gains on foreign currency exchange	4	1,512,717	459,492
Losses on impairment of assets	4, 6, 12	(305,704)	(31,318)
Share of profit of associates and joint ventures accounted for using the equity method		98,384	114,195
Net other non-interest income	4, 6, 7	<u>917,746</u>	<u>1,216,436</u>
Total net non-interest income		<u>27,457,788</u>	<u>25,520,973</u>
Net operating income		<u>60,855,044</u>	<u>55,221,770</u>
Bad debt expenses, commitments and losses on guarantees	6	(5,031,541)	(3,494,144)
Operating expenses			
Employee benefits expenses	4, 5, 6	(16,057,085)	(14,609,255)
Depreciation and amortization expenses	6	(1,526,862)	(1,256,631)
Other general and administrative expenses	4, 6, 7	(13,756,201)	(13,435,561)
Total operating expenses		<u>(31,340,148)</u>	<u>(29,301,447)</u>
Profit before income tax from continuing operations		<u>24,483,355</u>	<u>22,426,179</u>
Income tax expense	4, 6	(3,230,004)	(2,762,573)
Net income		<u>21,253,351</u>	<u>19,663,606</u>
Other comprehensive income			
Not to be reclassified to profit or loss in subsequent periods			
Remeasurements of defined benefit plans	6	(96,202)	(314,377)
Revaluation surplus	6	-	73,162
Valuation gains on equity instrument at fair value through other comprehensive income	6	(892,775)	-
Changes of designated financial liabilities at fair value through profit or loss resulting from credit risk	6	2,402,577	(1,579,937)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	6	-	(739)
Income tax relating to the components not to be reclassified to profit or loss in subsequent periods	6	(196,484)	328,080
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of a foreign operation	6	(511,263)	(1,571,498)
Unrealized gains on available-for-sale financial assets	6	-	1,473,577
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	6	-	29,377
Losses on debt instrument at fair value through other comprehensive income	6	(1,525,090)	-
Income tax relating to the components to be reclassified to profit or loss in subsequent periods	6	147,946	279,152
Other comprehensive income, net of tax		<u>(671,291)</u>	<u>(1,283,203)</u>
Total comprehensive income		<u>\$20,582,060</u>	<u>\$18,380,403</u>
Net income attributable to:			
Owners of the parent		\$21,020,332	\$19,302,403
Non-controlling interests		<u>233,019</u>	<u>361,203</u>
		<u>\$21,253,351</u>	<u>\$19,663,606</u>
Total comprehensive income attributable to:			
Owners of the parent		\$20,103,126	\$18,189,671
Non-controlling interests		<u>478,934</u>	<u>190,732</u>
		<u>\$20,582,060</u>	<u>\$18,380,403</u>
Earnings per share (In dollars)			
Net income from continuing operations	6	<u>\$2.30</u>	<u>\$2.17</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

Consolidated statements of changes in equity

For the years ended 31 December 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

Items	Equity attributable to owners of the parent														Non-controlling interests	Total Equity
	Stock		Retained earnings			Equity adjustment										
	Capital stock	Capital surplus	Legal reserves	Special reserves	Undistributed earnings	Exchange differences resulting from translating the financial statements of a foreign operation	Unrealized financial assets at fair value through other comprehensive income	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	Total				
Balance, 1 January 2017	\$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	\$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)	-	(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	-	-	-	-	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		
Effect on retrospective application and restatement	-	-	-	-	(492,615)	-	5,598,353	(1,906,796)	-	-	-	3,198,942	-	3,198,942		
Balance, 1 January 2018	78,604,060	33,610,983	45,823,601	1,977,363	18,809,788	(532,567)	5,598,353	-	(1,191,026)	(1,340,811)	302,676	181,662,420	3,844,089	185,506,509		
Appropriation and distribution for 2017																
Legal Reserves	-	-	5,807,539	-	(5,807,539)	-	-	-	-	-	-	-	-	-		
Special Reserves	-	-	-	951,443	(951,443)	-	-	-	-	-	-	-	-	-		
Stock Dividends	12,593,563	-	-	-	(12,593,563)	-	-	-	-	-	-	-	-	-		
Net income for the year ended 31 December 2018	-	-	-	-	21,020,332	-	-	-	-	-	-	21,020,332	233,019	21,253,351		
Other comprehensive income for the year ended 31 December 2018	-	-	-	-	-	(476,168)	(2,379,818)	-	1,965,110	(28,617)	2,287	(917,206)	245,915	(671,291)		
Total comprehensive income for the year ended 31 December 2018	-	-	-	951,443	21,020,332	(476,168)	(2,379,818)	-	1,965,110	(28,617)	2,287	20,103,126	478,934	20,582,060		
-																
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(281,542)	(281,542)		
Disposal of equity instrument at fair value through other comprehensive income	-	-	-	-	487,854	-	(487,854)	-	-	-	-	-	-	-		
Other	-	-	-	5,002	50,142	-	-	-	-	-	(55,144)	-	-	-		
Balance, 31 December 2018	\$91,197,623	\$33,610,983	\$51,631,140	\$2,933,808	\$21,015,571	\$(1,008,735)	\$2,730,681	\$-	\$774,084	\$(1,369,428)	\$249,819	\$201,765,546	\$4,041,481	\$205,807,027		

Note 1: Compensation to directors and supervisors were \$7,000 thousand and compensation to employee were \$10,922 thousand had been deducted from consolidated statements of comprehensive income in 2017.

Note 2: Compensation to directors and supervisors were \$6,300 thousand and compensation to employee were \$12,022 thousand had been deducted from consolidated statements of comprehensive income in 2018.

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

English Translation of Financial Statements Originally Issued in Chinese
Cathay United Bank
Consolidated statements of cash flows
For the years ended 31 December 2018 and 2017
(Expressed in thousands of New Taiwan Dollars)

Items	2018.01.01- 2018.12.31	2017.01.01- 2017.12.31
Cash flows from operating activities		
Profit before income tax from continuing operations	\$24,483,355	\$22,426,179
Adjustment items:		
Income and expense adjustments		
Depreciation expenses	1,180,682	989,617
Amortization expenses	346,180	267,014
Provision for bad debt expense	5,031,541	3,494,144
Interest expense	20,390,612	16,540,184
Interest income	(53,787,868)	(46,240,981)
Dividends income	(1,585,095)	(567,685)
Share of profit of associates and joint ventures accounted for using the equity method	(98,384)	(114,195)
Losses on disposal of property and equipment	39,433	28,046
(Gains) losses on disposal of investment properties	(14,100)	6,095
Losses on impairment of financial assets	305,704	5,393
Losses on impairment of non-financial assets	-	25,925
Losses on valuation of investment properties	21,786	156,008
Foreign currency translation adjustment	48,418	(116,009)
Change in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(4,155,043)	(1,745,444)
Decrease (increase) in financial assets at fair value through profit or loss	82,344,496	(112,904,997)
(Increase) decrease in receivables	(7,714,191)	4,753,783
Increase in discounts and loans	(164,403,763)	(3,106,420)
Increase in financial assets at fair value through other comprehensive income	(25,134,981)	-
Increase in debt instrument investment at amortized cost	(44,893,575)	-
Decrease in available-for-sale financial assets	-	8,887,079
Decrease in held-to-maturity financial assets	-	13,213,329
Decrease in other financial assets	5	2,097
Decrease in investments in debt securities with no active market	-	9,187,415
(Increase) decrease in other assets	(2,338,101)	3,541,508
(Decrease) increase in due to the Central Bank and call loans from banks	(9,178,733)	14,125,626
Increase (decrease) in financial liabilities at fair value through profit or loss	18,400,765	(2,303,513)
(Decrease) increase in securities sold under agreements to repurchase	(53,966,916)	53,188,674
Increase in payables	1,076,695	(1,626,200)
Increase in deposits and remittances	128,064,296	68,671,920
Increase in other financial liabilities	10,453,079	4,490,837
Increase (decrease) in provisions	20,829	(180,677)
Increase (decrease) in other liabilities	160,152	(1,145,366)
Cash (used in) provided by operations	(74,902,722)	53,949,386
Interest received	52,444,000	44,306,953
Cash dividends received	1,585,095	567,685
Interest paid	(19,690,918)	(15,974,871)
Income tax paid	(4,112,514)	(2,381,390)
Net cash (used in) provided by operating activities	(44,677,059)	80,467,763
Cash flows from investing activities		
Disposal of investment for using the equity method	-	46,659
Acquisition of property and equipment	(1,980,515)	(1,398,338)
Disposal of property and equipment	1,146	372
Acquisition of intangible assets	(217,554)	(168,502)
Disposal of investment properties	100,000	197,325
(Increase) decrease in other assets	(8,641,530)	9,947,501
Cash dividends received	73,557	60,475
Net cash (used in) provided by investing activities	(10,664,896)	8,685,492
Cash flows from financing activities		
(Decrease) increase in financial debentures payable	(7,750,000)	11,450,000
(Decrease) increase in other liabilities	(1,855,319)	934,650
Distribution of cash dividends	(291,840)	(11,038,772)
Issuance of common stock for cash	-	14,998,000
Net cash (used in) provided by financing activities	(9,897,159)	16,343,878
Effects of foreign exchange rate changes	(883,756)	(1,834,908)
Net (decrease) increase in cash and cash equivalents	(66,122,870)	103,662,225
Cash and cash equivalents at the beginning of the period	223,601,859	119,948,410
Cash and cash equivalents at the end of the period	\$157,478,989	\$223,610,635
The components of cash and cash equivalents		
Cash and cash equivalents in consolidated balance sheets	\$67,857,464	\$65,958,532
Due from the Central Bank and call loans to banks satisfied the definition of cash and cash equivalents under IAS 7	45,009,393	70,168,447
Securities purchased under agreements to resell satisfied the definition of cash and cash equivalents under IAS 7	44,612,132	87,483,656
Cash and cash equivalents at the end of the periods	\$157,478,989	\$223,610,635

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 2018 and 2017
(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 21 March 2019.

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 recognized by Financial Supervisory Commission (“FSC”) and became effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

A. IFRS 15 “*Revenue from Contracts with Customers*” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

IFRS 15 replaces IAS 11 “*Construction Contracts*”, IAS 18 “*Revenue*” and related Interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group’s principal activities consist of the service fee income. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

For award credits, part of the consideration was received from customers upon using the credit card, then the Group has the obligation to provide the services subsequently. Before 1 January 2018, the Group recognized the consideration received in advance from customers under other current liabilities (deferred income). Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from deferred income to contracts liabilities of the Group as at the date of initial application was \$1,487,838 thousand. In addition, compared with the requirements of IAS 18, deferred income decreased by \$1,382,319 thousand and the contract liabilities increased by \$1,382,319 thousand as at 31 December 2018.

Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

B. IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “*Financial Instruments: Recognition and Measurement*”. In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (1 January 2018). The adoption of IFRS 9 has the following impacts on the Group:

(A) The Group adopted IFRS 9 since 1 January 2018 and it adopted IAS 39 before 1 January 2018. Please refer to Note 4 for more details on accounting policies.

(B) In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at 1 January 2018. The classifications of financial assets and its carrying amounts as at 1 January 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through profit or loss	\$311,985,059	Fair value through profit or loss	\$332,975,371
Fair value through other comprehensive income		Fair value through other comprehensive income	177,551,593
Available-for-sale financial assets-net	148,480,669		
At amortized cost		At amortized cost	
Cash and cash equivalents	47,851,927	Cash and cash equivalents	47,849,426
Due from the Central Bank and call loans to banks	125,163,780	Due from the Central Bank and call loans to banks	125,154,825
Securities purchased under agreements to resell	87,483,656	Debt instrument investment measured at amortized cost	376,053,207
Receivables-net	76,980,817	Securities purchased under agreements to resell	87,477,381
Discounts and loans-net	1,434,558,167	Receivables-net	77,148,805
Held-to-maturity financial assets-net	34,345,085	Discounts and loans-net	1,434,558,167
Other financial assets-net	1,276	Other financial assets	1,276
Investments in debt securities with no active market-net	388,287,593	Other assets-net	18,353,308
Other assets-net	18,354,601		
Subtotal	2,673,492,630	Subtotal	2,677,123,359
Allowance for impairment of off Balance Sheet Items		Allowance for impairment of off Balance Sheet Items	
Reserve for losses on guarantees	(72,897)	Reserve for losses on guarantees	(72,897)
The letters of credit receivables	(5,993)	The letters of credit receivables	(5,993)
Reserve for financing commitments	-	Reserve for financing commitments	(116,847)
Total	\$2,673,413,740	Total	\$2,676,927,622

(C) The transition adjustments from IAS 39 to IFRS 9 for the classifications of financial assets and financial liabilities as at 1 January 2018 are as follow:

IAS 39		IFRS 9			Retained earnings	Other components of equity
Items	Carrying amounts	Items	Carrying amounts	Difference	Adjustment	Adjustment
Financial assets at fair value through profit or loss						
Held-for-trading-net	\$311,667,971	Measured at fair value through profit or loss	\$311,667,830	\$(141)	\$(141)	\$-
		Debt instruments measured at fair value				
	317,088	through other comprehensive income	317,087	(1)	(212)	211
Subtotal	311,985,059					
Available-for-sale financial assets-net	11,491,530		11,491,765	235	(334,673)	334,908
		Measured at fair value through profit or loss				
		Equity instruments measured at fair value				
	14,721,496	through other comprehensive income	16,452,595	1,731,099	40,446	1,690,653
		Debt instruments measured at fair value				
	122,267,643	through other comprehensive income	122,267,643	-	(18,126)	18,126
Subtotal	148,480,669					
Held-to-maturity financial assets-net	9,843,981	Measured at fair value through profit or loss	9,642,970	(201,011)	(201,011)	-
		Debt instruments measured at fair value				
	14,036,543	through other comprehensive income	14,968,529	931,986	(3,295)	935,281
	10,464,561	Debt instrument investment measured at	10,463,454	(1,107)	(1,107)	-
		amortized cost				
Subtotal	34,345,085					
Investments in debt securities with no active market-net	162,817	Measured at fair value through profit or loss	172,806	9,989	9,989	-
		Debt instruments measured at fair value				
	22,522,413	through other comprehensive income	23,545,739	1,023,326	(2,724)	1,026,050
	365,602,363	Debt instrument investment measured at	365,589,753	(12,610)	(12,610)	-
		amortized cost				
Subtotal	388,287,593					
Cash and cash equivalents	47,851,927	Cash and cash equivalents	47,849,426	(2,501)	(2,501)	-
Due from the Central Bank and call loans to banks	125,163,780	Due from the Central Bank and call loans to banks	125,154,825	(8,955)	(8,955)	-
Securities purchased under agreements to resell	87,483,656	Securities purchased under agreements to resell	87,477,381	(6,275)	(6,275)	-
Receivables-net	76,980,817	Receivables-net	77,148,805	167,988	167,988	-
Discounts and loans-net	1,434,558,167	Discounts and loans-net	1,434,558,167	-	-	-
Other financial assets-net	1,276	Other financial assets-net	1,276	-	-	-
Other assets-net	18,354,601	Other assets-net	18,353,308	(1,293)	(1,293)	-
Total financial assets	2,673,492,630	Total financial assets	2,677,123,359	3,630,729	(374,500)	4,005,229
Allowance for impairment of off Balance Sheet Items		Allowance for impairment of off Balance Sheet Items				
Reserve for losses on guarantees	(72,897)	Reserve for losses on guarantees	(72,897)	-	-	-
the letters of credit receivables	(5,993)	the letters of credit receivables	(5,993)	-	-	-
Reserve for financing commitments	-	Reserve for financing commitments	(116,847)	(116,847)	(116,847)	-
Total financial liabilities	(78,890)	Total financial liabilities	(195,737)	(116,847)	(116,847)	-
Total	\$2,673,413,740	Total	\$2,676,927,622	\$3,513,882	\$(491,347)	\$4,005,229

In addition to the effects of changes on financial assets and liabilities in the above table due to the transition from IAS 39 to IFRS 9 as at 1 January 2018, the effects of changes in deferred tax assets, deferred tax liabilities and income taxes are represented by the increase of deferred tax assets by \$4,694 thousand, the increase of deferred tax liabilities by \$319,634 thousand, the decrease of retained earnings by \$1,268 thousand and the decrease of other equity by \$313,672 thousand.

(D) Effects on the date of initial application

In accordance with classification and measurement of financial assets and impairment assessment in IFRS 9, the consolidated companies expect 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). The related descriptions are as follows:

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 at fair value through other comprehensive income and parts of available-for-sale financial assets are reclassified to financial assets 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.

Financial assets at fair value through profit or loss

Financial assets which are classified as held-for-trading in financial assets at fair value through profit or loss (including stocks, short-term bills, beneficiary certificates, bonds and derivative instruments) 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

In accordance with of IAS 39, the Group's available-for-sale financial assets included investments in beneficiary certificates, stocks and bonds. Adjustment details are described as follow:

(a) Beneficiary certificates

As the cash flow characteristics for beneficiary certificates are not solely payments of principal and interest on the principal amount outstanding, so beneficiary certificates are classified as financial assets mandatorily 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 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 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 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 are not solely payments of principal and interest on the principal amount outstanding should be classified as financial assets 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 on 1 January 2018, 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 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 at fair value through profit or loss.

Other effects

The Group applies to the classification and measurement requirements in IFRS 9, and increases the deferred tax assets and liabilities accordingly.

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.

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.

(E) A reconciliation of the allowance for impairment balance recognized by incurred loss model in IAS 39 *“Financial Instruments: Recognition and Measurement”* to the allowance for impairment balance under the expected credit loss model in IFRS 9 *“Financial Instruments”* as at 1 January 2018 are as follows:

Accounting item and measurement type	Allowance for impairment balance under			Allowance for impairment balance under IFRS 9
	IAS 39	reclassification	remeasurement	
Receivables	\$2,431,464	\$-	\$(167,805)	\$2,263,659
Due from the Central Bank and call loans to banks	-	-	8,955	8,955
Financial assets at fair value through profit or loss(IAS39)				
Classified as financial assets at fair value through other comprehensive income (IFRS 9)	-	-	37	37
Available-for sale financial instruments (IAS 39)				
Classified as financial assets at fair value through other comprehensive income (IFRS 9)	146,379	(146,379)	18,126	18,126
Investments in debt securities with no active market (IAS 39)				
Classified as financial assets at fair value through other comprehensive income (IFRS 9)	-	-	2,724	2,724
Classified as investments in debt instrument measured at amortized cost (IFRS 9)	-	-	13,745	13,745
Held-to-maturity financial assets (IAS 39)				
Classified as financial assets at fair value through other comprehensive income (IFRS 9)	-	-	3,295	3,295
Classified as financial assets measured at amortized cost (IFRS 9)	-	-	1,107	1,107
Financing commitments	-	-	116,847	116,847
Others (Note 1)	13	-	10,069	10,082
Total	<u>\$2,577,856</u>	<u>\$(146,379)</u>	<u>\$7,100</u>	<u>\$2,438,577</u>

Note1: Others contained cash and cash equivalents, securities purchased under agreement to resell, other financial assets and other assets.

Notes: As the Group compares the allowance for doubtful accounts provided in the classification assessment of credit assets with the allowance for losses calculated under the expected credit loss model in IFRS 9 and sets aside the higher one as required by local competent authorities, there is no impact on the balance of allowance for losses provided for the discounts and loans, guarantee receivables and the letters of credit receivables as at 1 January 2018.

(F) Please refer to note 4, 5, 6 and 12 for further details on disclosures under IFRS 7 "Financial Instruments: Disclosures" and IFRS 9 "Financial Instruments".

C. 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 has been issued by IASB (effective for annual periods beginning on or after 1 January 2019), but has not yet been endorsed by FSC. However, for the Q&As issued by FSC on 12 December 2017, the Group considers them to be necessary for adoption, so the Group has early applied them on 1 January 2018. The Group does not expect the adoption of such standards will have significant impact on the consolidated companies.

D. Disclosure initiative (IAS 7 The correction of the statement of cash flow)

For the financing activities about the bank's liabilities; the information of the reconciliation increasing the year beginning balance to the year end balance, please refer to note 12.

(2) Newly issued, revised or amended standards or interpretations, which have been issued by IASB and endorsed by FSC, but have not yet been adopted by the Group, are listed below:

Item No.	Newly issued/revised/amended standards or interpretations	Effective date issued by IASB
1	IFRS 16 "Leases"	1 January 2019
2	IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019
3	Investments in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
4	Improvements to International Financial Reporting Standards (2015-2017 cycle)	1 January 2019
5	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019

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.

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.

C. 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.

D. *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.

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.

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.

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.

E. 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 above-mentioned standards and interpretations issued by IASB and endorsed by FSC. The Bank elected to apply this interpretation prospectively on 1 January 2019. Apart from item A. explained below, this change in accounting principle did not significantly impact the Bank's recognition and measurement.

A. IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS 16 on the Group are summarized as follows:

- a. For the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS 16. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Group expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 January 2019 and; the Group chooses, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (A) Its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on 1 January 2019; or
- (B) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

The Group expects the right-of-use asset will increase by 4,347,260 thousand, the other prepayments decrease 17,660 thousand, the lease liability will increase by 4,354,604 thousand and the other payables will decrease 25,004 thousand on 1 January 2019.

B. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

- (3) Newly issued, revised or amended standards or interpretations, which have been issued by IASB but have not yet been endorsed by FSC, and have not yet been adopted by the Group as at the date of issuance of the Group’s financial report, are listed below:

Item No.	Newly issued/revised/amended standards or interpretations	Effective date issued by IASB
1	Amendments to IFRS 10 “Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
2	IFRS 17“Insurance Contracts”	1 January, 2021
3	Definition of a Business (Amendments to IFRS 3)	1 January, 2020
4	Definition of Material (Amendments to IAS 1 and 8)	1 January, 2020

A. Amendments to IFRS 10 “Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the inconsistency between the requirements in IFRS 10 *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.

B. 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

Carrying amount of a group of insurance contracts as at the end of each reporting period represents the sum of the liability for remaining coverage and the liability for incurred compensation.

In addition to general model, the standard provides:

- (A) a specific application approach for contracts with discretionary participation features (the variable fee approach).
- (B) a simplified approach for short-term contracts (the premium allocation approach).

C. Definition of a Business (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. IFRS 3 continues to adopt a market participant’s perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

D. Definition of a Material (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The above-mentioned 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 2018 and 2017 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 and became effective 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

Control is achieved when the Bank 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 Bank 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 Bank 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 Bank'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 (%)	
			2018.12.31	2017.12.31
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%
The Bank	Cathay United Bank (China) Limited (“CUBCN Bank”) CUBCN Bank was incorporated in China on 3 September 2018. (Note)	Wholesale banking	100%	-

Note : The Bank was authorized by the authorities to merge Cathay United Bank-Shanghai Branch, Cathay United Bank-Qingdao Branch, and Cathay United Bank-Shenzhen Branch’s working capital into Cathay United Bank (China) Ltd.

(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 28 "*Investments in Associates and Joint Ventures*" (before 1 January 2018: 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. IFRS 9 "*Financial Instruments*" (Before 1 January 2018: 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 instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 “*Financial Instruments*” (Before 1 January 2018: IAS 39 “*Financial Instruments: Recognition and Measurement*”) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial assets: Recognition and Measurement

The accounting policies from 1 January 2018 as follow:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (A) the Group’s business model for managing the financial assets and
- (B) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (A) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- (B) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

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

- (A) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (B) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (A) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (B) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (A) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (B) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (C) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - a. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - b. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for the equity instruments within the scope of application in IFRS 9 but neither held for trading nor applicable to the contingent consideration recognized by the acquirer in IFRS 3 “Business Combinations”, an irrevocable election can be made at initial recognition to recognize subsequent changes in fair value in other comprehensive income. The amount recognized in other comprehensive income should not be subsequently transferred to profit or loss (the accumulated amount included in the other equity items should be transferred to retained earnings directly upon the disposal of such equity instruments), but should be presented as financial assets at fair value through other comprehensive income in the balance sheet. Dividends on investments are recognized in profit or loss unless the dividends clearly represent a recovery of part of the investment costs.

Financial assets at fair value through profit or loss

All financial assets are measured at fair value through profit or loss except that the aforementioned one that meet specific criterias are measured at amortized cost or at fair value through other comprehensive income, and presented as financial assets at fair value through profit or loss in the balance sheet.

Financial assets at fair value through profit or loss are measured at fair value. Gain or loss from the remeasurement are recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss.

The accounting policies before 1 January 2018 as follow:

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).

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 performances 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.

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.

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.

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.

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.

B. Impairment of financial assets

The accounting policies from 1 January 2018 as follow:

The Group recognizes and measures the allowance for losses of the debt instrument investments measured at fair value through other comprehensive income, the debt instrument investments measured at amortized cost and off-balance sheet debt instruments on the basis of expected credit losses. The debt instrument investments measured at fair value through other comprehensive income recognizes the allowance for losses in other comprehensive income without reducing the carrying amount of such investments. In addition to be recognized and measured on the basis of expected credit losses, loans and receivables and off-balance sheet credit assets are also recognized and measured in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. The higher values are used to make appropriate provisions for the allowance for losses, reserve for losses on guarantees and reserve for financing commitments.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (A) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (B) the time value of money; and
- (C) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- (A) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (B) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (C) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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 a Taiwan 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.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policies before 1 January 2018 as follow:

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 if, and only if, 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 financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly 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.

Other loss events 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 becoming probable that the borrower will enter bankruptcy or other financial reorganisation; 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:

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.

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.

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.

C. Derecognition of 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 the asset and substantially all the risks and rewards of the asset have been transferred
- (C) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but 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.

D. Financial liabilities and equity instruments

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

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

The transaction cost is allocated to the liabilities and equities on the base of the proportion that convertible bonds allocated to the liabilities and equities at the initial recognition.

When the holders of convertible bonds require to act the conversion rights before the due dates of the convertible bonds, adjust the book values of liabilities elements to the book values that should be at the time point of converting, as the basis of recoding the issuing of common share.

Financial liabilities

Financial liabilities within the scope of IFRS 9 “Financial Instruments” (before 1 January 2018: IAS 39 “*Financial Instruments: Recognition and Measurement*”) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

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

A financial liability 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 liability at fair value through profit or loss; or a financial liability 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.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Before 1 January 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables and loans that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized and amortized through the effective interest rate method.

Amortized cost is calculated by discount or premium happened in acquisition and transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

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 (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. 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.

(11) Derivative instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as assets or liabilities at fair value through profit or loss except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

Before 1 January 2018, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are separated from the host contract and accounted for as a derivative. The aforementioned policy are applicable to host contracts as financial liabilities or non-financial assets since 1 January 2018.

(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 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) 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.

(14) 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.

(15) 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.

(16) 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 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”.

(17) 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.

(18) 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.

(19) 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:

Category	Useful lives	Amortization method
Computer software	3 - 8 years	Straight-line method
Other intangible assets	4 years	Straight-line method

(20) 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 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.

(21) 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.

(22)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.

(23) 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.

(24) Service fee income and award credits deferred income

The revenues from contracts between the Group and customers mainly include the service fee and award credits deferred income.

The Group earns service fee from a diverse range of services it provides to its customers.

The award credits deferred income represents the award credits granted to the credit card holders by the Group. The accounting treatments are described respectively as follows:

The accounting policies from 1 January 2018 are as follows:

The Group earns service fee and award credits and deferred income from services provided at a specific time point, over a period of time or from transaction services provided then recognizes revenue. A contract asset is recognized when it has transferred services to customers but has not yet obtained the right to receive the consideration unconditionally. While, in some cases, the Group has received part of consideration from customers when signing contracts, the Group shall bear the obligation to provide services subsequently, then contract liability is recognized.

Generally, the aforementioned contract liability of the Group should be transferred into income within one year, so there is no significant financial component resulted.

The accounting policies before 1 January 2018 are as follows:

The Group earns service fee from services provided at a specific time point, over a period of time or from transaction services provided then recognizes revenue. Award credits deferred income is recognized as deferred income at its fair value. The related part of redeemed or expired award credits in deferred income are recognized as revenue when the award credits are redeemed or expired.

(25) 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 Group has entered into commercial property leases on its investment property portfolio. The Group 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 accounting policies from 1 January 2018 are as follows:

The estimate of impairment losses on loans and receivables of the Group is measured by the amount of expected credit losses during the remaining term to maturity. Under the contract, the present value of the difference between the contractual cash flow (carrying amount) and the expected cash flow (assessment of prospective information) is credit loss, which is measured by the undiscounted difference in case that the impact from discounting of short-term loans and receivables is insignificant. When the future actual cash flow is less than expectation, it may result in significant impairment loss. Please refer to note 12 for further details.

The accounting policies before 1 January 2018 as follow:

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 deferred income

The accounting policies from 1 January 2018 are as follows:

As to customer loyalty program, the bank recognizes the fair values of all the relative consideration received and receivable, and also evaluates the cost and the liabilities might derive from award credits and other consideration. The revenue belongs to award credits would be deferred and recognized as contract liabilities. It would be recognized as revenue only when the obligation of the bank is fulfilled. As points issued under the program do not expire, such estimates are subject to significant uncertainty.

The accounting policies before 1 January 2018 as follow:

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.(13) for more details.

6. Breakdown of Significant Accounts

(1) Cash and cash equivalents

	2018.12.31	2017.12.31
Cash on hand	\$17,003,482	\$18,106,605
Checks for clearance	7,060,146	7,025,587
Due from commercial banks	43,812,218	40,826,340
Subtotal	67,875,846	65,958,532
Less: allowance for doubtful accounts(Note)	(18,382)	-
Net balance	<u>\$67,857,464</u>	<u>\$65,958,532</u>

The components of cash and cash equivalents in statement of cash flows are listed below.

	2018.12.31	2017.12.31
Cash and cash equivalents in consolidated balance sheets	\$67,857,464	\$65,958,532
Due from the Central Bank and call loans to banks satisfied the definition of cash and cash equivalents under IAS7	45,009,393	70,168,447
Securities purchased under agreements to resell satisfied the definition of cash and cash equivalents under IAS7	44,612,132	87,483,656
Cash and cash equivalents at end of the periods in consolidated statements of cash flows	<u>\$157,478,989</u>	<u>\$223,610,635</u>

Notes: The Group has adopted IFRS 9 from 1 January 2018, and assessed the expected credit losses of the components of cash and cash equivalents in the cash flow statement in accordance with IFRS 9. The allowances as at 31 December 2018 and 1 January 2018 were \$23,076 thousand and \$8,776 thousand respectively.

As of 31 December 2018, certain securities purchased under agreements to resell were sold under repurchase agreement with notional amounts of \$1,505,917 thousand. Such repurchase agreements amounting to \$1,390,165 thousand were posted to the “Securities sold under agreements to repurchase” account on the balance sheets. Repurchase agreements entered prior to 31 December 2018 were settled at \$1,394,432 thousand prior to 30 April 2018.

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

	2018.12.31	2017.12.31
Call loans to banks	\$16,518,198	\$30,687,790
Due from the Central Bank - Statutory reserve on deposits	59,260,782	54,995,333
Due from the Central Bank - General deposits	28,491,195	39,480,657
Subtotal	104,270,175	125,163,780
Less: allowance for doubtful accounts	(46,860)	-
Net balance	<u>\$104,223,315</u>	<u>\$125,163,780</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 \$53,222,764 thousand and \$51,180,284 thousand as of 31 December 2018 and 31 December 2017, 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 2018, 31 December 2017, the balances of foreign-currency deposit reserves were \$1,683,601 thousand and \$1,531,299 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 \$705,341 thousand and \$1,112,223 thousand as of 31 December 2018 and 31 December 2017, 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 \$1,437,362 thousand and \$1,171,527 thousand as of 31 December 2018 and 31 December 2017, respectively.

D. CUBCN Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the People's Bank of China were \$2,211,714 thousands as of 31 December 2018.

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

	2018.12.31	2017.12.31 (Note)
Financial assets at fair value through profit or loss		
Stocks	\$3,657	
Short-term bills	162,478,515	
Mutual funds and beneficiary securities	96,786	
Bonds	38,630,552	
Derivative financial instruments	49,475,706	
Total	<u>\$250,685,216</u>	

	2018.12.31 (Note)	2017.12.31
Financial assets held for trading:		
Stocks		\$4,779,697
Short-term bills		170,563,632
Mutual funds and beneficiary securities		49,939
Bonds		103,419,235
Derivative financial instruments		33,172,556
Total		<u>\$311,985,059</u>

Notes: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

A. As of 31 December 2018, 31 December 2017, 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):

	2018.12.31	2017.12.31
Currency forward contracts	\$89,265,988	\$76,351,206
Interest rate swap	93,366,752	51,136,885
Cross currency swap	1,461,149	3,657,069
Options	5,275,165	3,206,295
Futures	1,731,998	1,970,671

B. As of 31 December 2018, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of \$583,927 thousand. Such repurchase agreements amounting to \$523,342 thousand, which were posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreement entered prior to 31 December 2018 were settled at \$523,725 thousand prior to 31 January 2019.

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 were 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 thousand prior to 28 February 2018.

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

	2018.12.31	2017.12.31 (Note)
Debt instrument investment at fair value through other comprehensive income		
Corporate bonds	\$42,711,025	
Government bonds	66,677,444	
Financial bonds	75,905,600	
Asset-based bonds	3,191,683	
Subtotal	<u>188,485,752</u>	
Equity instrument investment at fair value through other comprehensive income		
Stocks	<u>12,087,150</u>	
Total	<u><u>\$200,572,902</u></u>	

Notes: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

A. Dividend income recognized related to the equity instrument investments in financial assets at fair value through other comprehensive income held by the Group was \$1,529,632 thousand in the nine-month period ended 31 December of 2018, of which \$602,727 thousand were related to the investment held till the balance sheet date, and the rest were related to the investment derecognized in the year ended 31 December 2018.

In view of investment strategy, the Group sold the equity investments in financial assets at fair value through other comprehensive income in the year ended 31 December of 2018 (the fair value at the time of sale was \$32,175,518 thousand) and transferred the accumulated unrealized valuation profit of \$487,854 thousand upon disposal from other equity to retained earnings.

B. As at 31 December 2018, certain financial assets at fair value through other comprehensive income were sold under repurchase agreement with notional amounts of \$46,355,590 thousand. Such repurchase agreement amounting to \$42,613,744 thousand was posted to the “Securities sold under agreements to repurchase” account. Repurchase agreements entered prior to 31 December 2018 were settled at \$42,764,361 thousand prior to 31 March 2019.

C. As at 31 December 2018, \$14,353 thousand of certain financial assets at fair value through other comprehensive income were pledged to other parties as collateral for business reserves and guarantees.

D. Please refer to note 6.(36) for further details on the related information of impairment losses on investments in debt instruments measured at fair value through other comprehensive income.

(5) Debt instrument investment measured at amortized cost

	2018.12.31	2017.12.31 (Note)
Short-term bills	\$348,485,689	
Bonds	72,568,004	
Subtotal	421,053,693	
Less: accumulated depreciation	(31,187)	
Net balance	<u>\$421,022,506</u>	

Notes: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

A. As at 31 December 2018, certain financial assets measured at amortized cost were sold under repurchase agreements with notional amounts of \$19,718,692 thousand. Such repurchase agreements amounting to \$11,447,258 thousand, which were posted to the “Securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreement entered prior to 31 December 2018 were settled at \$11,477,549 thousand prior to 30 March 2019.

B. As at 31 December 2018, \$64,423,052 thousand of certain financial assets measured at amortized cost were pledged to other parties as collateral for business reserves and guarantees.

C. The Group classified certain financial assets as investments in debt instruments measured at amortized cost. Please refer to note 6.(36) for further details on the related information of impairment losses on.

(6) Receivables-net

	2018.12.31	2017.12.31
Accounts receivable	\$71,956,558	\$65,308,138
Interest receivable	9,480,747	7,630,282
Acceptance	1,591,399	785,112
Factoring receivable	2,607,455	2,248,622
Others	2,413,981	3,450,428
Subtotal	88,050,140	79,422,582
Adjustment for discounts and premiums	(9,465)	(10,301)
Less: allowance for doubtful accounts	(2,061,949)	(2,431,464)
Net balance	<u>\$85,978,726</u>	<u>\$76,980,817</u>

A. The Group adopted IFRS 9 for impairment assessment since 1 January 2018. Please refer to Note 12 for more details on movement of gross carrying amount of receivables and loss allowance of receivables.

B. Information on allowance for doubtful accounts is as follows:

	2017.01.01-2017.12.31		
	Individually impaired	Collectively impaired	Total
Balance, beginning of the period	\$208,096	\$3,628,263	\$3,836,359
(Reversion)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	<u>\$149,161</u>	<u>\$2,282,303</u>	<u>\$2,431,464</u>

C. Impairment assessment of receivables – the Group

Item		Receivables
		2017.12.31
With objective evidence of impairment	Individual assessment	\$34,688
	Collective assessment	191,529
Without objective evidence of impairment	Collective assessment	79,196,365

Item		Allowance for doubtful accounts
		2017.12.31
With objective evidence of impairment	Individual assessment	\$11,165
	Collective assessment	137,996
Without objective evidence of impairment	Collective assessment	2,282,303

Notes: receivables shall refer to amounts originated excluded allowance for doubtful accounts and discount or premium.

(7) Discounts and loans - net

	2018.12.31	2017.12.31
Outward documentary bills	\$1,722,435	\$1,339,549
Overdrafts	2,031,672	2,191,344
Short-term loans	447,675,391	384,290,373
Medium-term loans	374,265,198	342,713,958
Long-term loans	792,542,874	724,090,995
Delinquent accounts	2,307,439	2,782,300
Subtotal	1,620,545,009	1,457,408,519
Adjustment for discounts and premiums	205,483	389,580
Less: allowance for doubtful accounts	(25,427,241)	(23,239,932)
Net balance	<u>\$1,595,323,251</u>	<u>\$1,434,558,167</u>

A. Please refer to Note 12.(7) for details on loans by industries and geographic regions.

B. The Group adopted IFRS 9 for impairment assessment since 1 January 2018. Please refer to Note 12 for more details on movement of gross amount of loans and loss allowance of receivables.

C. Information on allowance for doubtful accounts is as follows:

	2017.01.01-2017.12.31		
	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>

D. Impairment assessment of discounts and loans — the Group

Item		Discounts and loans
		2017.12.31
With objective evidence of impairment	Individual assessment	\$11,086,752
	Collective assessment	7,948,737
Without objective evidence of impairment	Collective assessment	1,438,373,030

Item		Allowance for doubtful account
		2017.12.31
With objective evidence of impairment	Individual assessment	\$3,155,218
	Collective assessment	1,548,753
Without objective evidence of impairment	Collective assessment	18,535,961

Note: Discounts and loans shall refer to amounts originated excluding allowance for doubtful accounts and discount or premium.

(8) Available-for-sale financial assets - net

	2018.12.31	2017.12.31
	(Note)	
Stocks		\$15,833,022
Mutual funds and beneficiary securities		541,355
Bonds		132,106,292
Total		<u>\$148,480,669</u>

Notes: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

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.

C. Available-for-sale financial assets of \$57,613 thousand as of 31 December 2017 was pledged to other parties as collateral for business reserves and guarantees.

(9) Held-to-maturity financial assets - net

	2018.12.31 (Note)	2017.12.31
Short-term bills		\$5,221,668
Bonds		29,123,417
Total		<u>\$34,345,085</u>

Notes: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

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.

B. Held-to-maturity financial assets of \$595,043 thousand as of 31 December 2017 was pledged to other parties as collateral of business reserves and guarantees.

(10) Investments accounted for using the equity method – net

	2018.12.31		2017.12.31	
	Carrying value	% of ownership	Carrying value	% of ownership
Investment in associates				
Taiwan Real-estate Management Corp.	\$103,185	30.15	\$101,936	30.15
Taiwan Finance Corp.	1,665,689	24.57	1,642,111	24.57
Total	<u>\$1,768,874</u>		<u>\$1,744,047</u>	

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 \$1,768,874 thousand and \$1,744,047 thousand, as of 31 December 2018 and 31 December 2017, respectively. The aggregate financial information of the Bank's investment in the associates is as follows:

	2018	2017
Profit from continuing operations	\$98,384	\$105,821
Other comprehensive income (post-tax)	-	28,638
Total comprehensive income	98,384	134,459

No investment in the associates had contingent liabilities or capital commitments and were pledged as of 31 December 2018 and 31 December 2017.

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.

(11) Investments in debt securities with no active market – net

	2018.12.31 (Note)	2017.12.31
Short-term bills		\$318,625,000
Bonds		69,662,593
Total		<u>\$388,287,593</u>

Notes: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

A. 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 were 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.

B. \$63,800,000 thousand of certificates of deposit as of 31 December 2017, were pledged to other parties as collateral for business reserves and guarantees.

(12) Property and equipment - net

	Land	Buildings	Office equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress and prepayment for equipment	Total
Cost:								
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 surplus	55,981	17,181	-	-	-	-	-	73,162
Depreciation (Note 1)	(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	<u>\$15,377,939</u>	<u>\$10,303,217</u>	<u>\$4,234,054</u>	<u>\$108,381</u>	<u>\$59,762</u>	<u>\$7,707,438</u>	<u>\$532,452</u>	<u>\$38,323,243</u>
2018.01.01	\$15,377,939	\$10,303,217	\$4,234,054	\$108,381	\$59,762	\$7,707,438	\$532,452	\$38,323,243
Additions	-	-	1,062,104	3,003	4,752	260,739	652,317	1,982,915
Transfers	-	(1,675)	134,234	-	580	430,886	(698,338)	(134,313)
Disposals	-	-	(562,089)	(4,617)	(3,861)	(696,600)	-	(1,267,167)
Others (Note 2)	(2,400)	-	-	-	-	-	-	(2,400)
Exchange differences	3,837	9,822	7,520	3,106	1,816	9,567	2,574	38,242
2018.12.31	<u>\$15,379,376</u>	<u>\$10,311,364</u>	<u>\$4,875,823</u>	<u>\$109,873</u>	<u>\$63,049</u>	<u>\$7,712,030</u>	<u>\$489,005</u>	<u>\$38,940,520</u>
Depreciations and impairments:								
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	<u>\$-</u>	<u>\$4,137,330</u>	<u>\$3,118,151</u>	<u>\$75,243</u>	<u>\$20,180</u>	<u>\$6,099,041</u>	<u>\$-</u>	<u>\$13,449,945</u>
2018.01.01	\$-	\$4,137,330	\$3,118,151	\$75,243	\$20,180	\$6,099,041	\$-	\$13,449,945
Depreciation	-	215,366	460,080	7,733	8,356	489,147	-	1,180,682
Transfers	-	(551)	-	-	-	(182)	-	(733)
Disposals	-	-	(561,432)	(4,196)	(3,861)	(657,099)	-	(1,226,588)
Exchange differences	-	3,036	86,665	2,293	753	3,903	-	96,650
2018.12.31	<u>\$-</u>	<u>\$4,355,181</u>	<u>\$3,103,464</u>	<u>\$81,073</u>	<u>\$25,428</u>	<u>\$5,934,810</u>	<u>\$-</u>	<u>\$13,499,956</u>
Net carrying amount:								
2018.12.31	<u>\$15,379,376</u>	<u>\$5,956,183</u>	<u>\$1,772,359</u>	<u>\$28,800</u>	<u>\$37,621</u>	<u>\$1,777,220</u>	<u>\$489,005</u>	<u>\$25,440,564</u>
2017.12.31	<u>\$15,377,939</u>	<u>\$6,165,887</u>	<u>\$1,115,903</u>	<u>\$33,138</u>	<u>\$39,582</u>	<u>\$1,608,397</u>	<u>\$532,452</u>	<u>\$24,873,298</u>

Note 1: The properties and equipment reclassified to impression of investment properties.

Note 2: 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.

(13) Investment properties - net

	Land	Buildings	Total
<u>Carrying Value:</u>			
2017.01.01	\$1,466,409	\$88,191	\$1,554,600
Transfer of fixed assets	302,241	49,959	352,200
Loss arising from changes in the fair value	(157,780)	1,772	(156,008)
Disposal	(196,394)	(7,026)	(203,420)
2017.12.31	<u>\$1,414,476</u>	<u>\$132,896</u>	<u>\$1,547,372</u>
2018.01.01	\$1,414,476	\$132,896	\$1,547,372
Loss arising from changes in the fair value	(16,791)	(4,995)	(21,786)
Disposal	(85,900)	-	(85,900)
2018.12.31	<u>\$1,311,785</u>	<u>\$127,901</u>	<u>\$1,439,686</u>
		2018	2017
Rental income from investment property		\$-	\$-
Less: Direct operating expenses from investment property not generating rental income		(5,841)	(3,777)
Total		<u>\$(5,841)</u>	<u>\$(3,777)</u>

A. As of 31 December 2018 and 31 December 2017, 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, You-Xiang Cai) to evaluate the fair value of investment property at 31 December 2018 and 31 December 2017, respectively.

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:

	2018.12.31	2017.12.31
Direct capitalization rate	1.98%-5.73%	2.03%-5.83%
Overall capital interest rate	0.76%-2.89%	0.76%-2.89%

- (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.

	2018.12.31	2017.12.31
Rate of return	15%	15% - 20%
Overall capital interest rate	2.11%	1.63% - 2.11%

(14) Intangible assets - net

	Goodwill	Computer software	Others	Total
Cost:				
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
2018.01.01	\$6,988,589	\$1,996,800	\$20,043	\$9,005,432
Additions-acquired separately	-	216,018	1,536	217,554
Disposals	-	(128,096)	-	(128,096)
Transfers	-	352,850	-	352,850
Exchange differences	9,355	(3,195)	591	6,751
2018.12.31	\$6,997,944	\$2,434,377	\$22,170	\$9,454,491

	Goodwill	Computer software	Others	Total
Amortization and impairment:				
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	<u>\$-</u>	<u>\$1,219,448</u>	<u>\$-</u>	<u>\$1,219,448</u>
2018.01.01	\$-	\$1,219,448	\$-	\$1,219,448
Amortization	-	346,180	-	346,180
Disposals	-	(128,096)	-	(128,096)
Exchange differences	-	(3,980)	-	(3,980)
2018.12.31	<u>\$-</u>	<u>\$1,433,552</u>	<u>\$-</u>	<u>\$1,433,552</u>
Net carrying amount:				
2018.12.31	<u>\$6,997,944</u>	<u>\$1,000,825</u>	<u>\$22,170</u>	<u>\$8,020,939</u>
2017.12.31	<u>\$6,988,589</u>	<u>\$777,352</u>	<u>\$20,043</u>	<u>\$7,785,984</u>

Impairment testing of goodwill:

A. Key assumptions used in recoverable amount calculations of the cash-generating unit:

The recoverable amount of the cash-generating unit has been determined based on value in use, 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 cash-generating 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.

(15) Other assets - net

	2018.12.31	2017.12.31
Prepayment	\$1,290,579	\$1,323,144
Temporary payments	262,216	228,550
Interbank settlement fund	6,388,757	4,285,737
Refundable deposits, net	26,380,549	17,633,953
Operating deposits, net	647,932	720,648
Others	91,215	93,273
Total	<u>\$35,061,248</u>	<u>\$24,285,305</u>

As of 31 December 2018 and 31 December 2017, the amounts of land use rights of \$462,056 thousand and \$448,910 thousand were recognized under prepayment, respectively.

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

	2018.12.31	2017.12.31
Due to commercial banks	\$24,588,464	\$14,296,722
Due to Post Co., Ltd.	18,044,685	18,719,644
Overdrafts from banks	250,092	591,665
Call loans from banks	38,548,992	56,809,828
Total	<u>\$81,432,233</u>	<u>\$90,417,859</u>

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

	2018.12.31	2017.12.31
Financial liabilities designated at fair value through profit or loss:		
Bonds	\$51,441,482	\$53,639,010
Financial liabilities held for trading:		
Bonds	-	49,945
Derivative financial instruments	51,966,296	33,718,696
Total	<u>\$103,407,778</u>	<u>\$87,407,651</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%.

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 2018 and 2017 were net losses \$2,290,940 thousand and \$93,496 thousand, respectively.

(18) Payables

	2018.12.31	2017.12.31
Accounts payable	\$7,412,232	\$7,374,046
Interest payable	4,625,435	3,665,969
Accrued expenses	7,615,684	7,556,732
Acceptance	1,600,282	796,185
Tax payable	417,174	370,384
Receipts under custody	424,823	506,995
Others	2,817,340	3,186,866
Total	<u>\$24,912,970</u>	<u>\$23,457,177</u>

(19) Deposits and remittances

	2018.12.31	2017.12.31
Check deposits	\$16,283,818	\$15,337,920
Demand deposits	532,446,775	483,481,732
Demand savings deposits	847,465,305	805,442,387
Time deposits	457,517,789	420,512,537
Negotiable certificates of deposit	4,313,300	3,310,000
Time savings deposits	367,920,662	368,394,533
Outward remittances	279,345	890,569
Remittances payable	1,434,696	998,285
Total	<u>\$2,227,661,690</u>	<u>\$2,098,367,963</u>

(20) Financial debentures payable

	2018.12.31	2017.12.31
Subordinated financial debentures	<u>\$55,600,000</u>	<u>\$63,350,000</u>

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 had redeemed all these debentures in March 2018.

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 had redeemed all these debentures in June 2018.

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 2017, 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 2017, 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.

(21) Other financial liabilities

	2018.12.31	2017.12.31
Principal received from the sale of structured products	<u>\$76,509,334</u>	<u>\$66,057,646</u>

(22) Provisions

	2018.12.31	2017.12.31
Reserve for employee benefits — Defined benefits plan	\$2,401,044	\$2,507,030
Reserve for employee benefits — Preferential interest rate deposits	595,751	579,063
Reserve for losses on guarantees	163,715	72,897
Finance commitment reserve	233,938	-
Other operating reserve	26,979	28,674
Total	<u>\$3,421,427</u>	<u>\$3,187,664</u>

	2018.01.01	Addition (Reversal)	2018.12.31
Reserve for employee benefits — Defined benefits plan	\$2,507,030	\$(105,986)	\$2,401,044
Reserve for employee benefits — Preferential interest rate deposits	579,063	16,688	595,751
Reserve for losses on guarantees	72,897	90,818	163,715
Finance commitment reserve	116,847	117,091	233,938
Other operating reserve	28,674	(1,695)	26,979
Total	<u>\$3,304,511</u>	<u>\$116,916</u>	<u>\$3,421,427</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>

(23) 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 2018 and 2017 were \$381,983 thousand and \$331,604 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 \$196,937 thousand to its defined benefit plan during the 12 months beginning after 31 December 2018.

As of 31 December 2018 and 2017, 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 2018 and 2017:

	2018	2017
Current period service costs	\$152,137	\$146,608
Early period service costs	440	-
Interest expense from net defined benefit liability	25,965	32,374
Total	<u>\$178,542</u>	<u>\$178,982</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	2018.12.31	2017.12.31
Defined benefit obligation	\$5,296,875	\$5,234,640
Plan assets at fair value	(2,895,831)	(2,727,610)
Other non-current liabilities — Accrued pension liabilities recognized on the consolidated balance sheets	<u>\$2,401,044</u>	<u>\$2,507,030</u>

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
2017.1.1	\$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)
Exchange difference	(25)	-	(25)

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
2017.12.31	5,234,640	(2,727,610)	2,507,030
Defined benefit cost recognized in profit or loss			
Current period service costs	152,137	-	152,137
Early period service costs	440	-	440
Net interest expense (income)	56,704	(30,739)	25,965
Subtotal	209,281	(30,739)	178,542
Defined benefit cost — recognized in other comprehensive income			
Actuarial gains and losses arising from changes in financial assumptions	75,454	-	75,454
Experience adjustments	551	-	551
Return on plan assets	-	(63,595)	(63,595)
Subtotal	76,005	(63,595)	12,410
Payments from the plan	(223,039)	223,039	-
Contributions by employer	-	(296,926)	(296,926)
Exchange difference	(12)	-	(12)
2018.12.31	\$5,296,875	\$ (2,895,831)	\$2,401,044

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%) as at	
	2018.12.31	2017.12.31
Cash	32.10%	35.00%
Equity instruments	46.30%	41.00%
Debt instruments	9.00%	9.10%
Others	12.60%	14.90%

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	2018.12.31	2017.12.31
Discount rate	0.97%	1.10%
Expected rate of salary increases	2.00%	2.00%

A sensitivity analysis for significant assumption as at 31 December 2018 and 2017 are, as shown below:

	Effect on the defined benefit obligation			
	2018		2017	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$-	\$280,685	\$-	\$287,877
Discount rate decrease by 0.5%	301,869	-	314,047	-
Future salary increase by 0.5%	291,277	-	303,579	-
Future salary decrease by 0.5%	-	275,390	-	282,643

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 \$283,966 thousand and \$271,804 thousand were recognized for the years ended 31 December 2018 and 2017, respectively, and recorded as "Employee benefits expenses".

Pension costs recognized in profit or loss for the years ended 31 December 2018 and 2017:

	2018	2017
Current period service costs	\$-	\$-
Interest expense from net defined benefit liability	21,449	21,363
Total	<u>\$21,449</u>	<u>\$21,363</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	2018.12.31	2017.12.31
Defined benefit obligation	\$(595,751)	\$(579,063)
Plan assets at fair value	-	-
Other non-current liabilities — Accrued pension liabilities recognized on the consolidated balance sheets	<u>\$(595,751)</u>	<u>\$(579,063)</u>

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation
2017.1.1	\$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	579,063
Defined benefit cost recognized in profit or loss	
Net interest expense	21,449
Subtotal	<u>21,449</u>
Defined benefit cost — recognized in other comprehensive income	
Experience adjustments	83,789
Subtotal	<u>83,789</u>
Payments from the plan	<u>(88,550)</u>
2018.12.31	<u>\$595,751</u>

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	2018.12.31	2017.12.31
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 2018 and 2017 is, as shown below:

	Effect on the defined benefit obligation			
	2018		2017	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	\$-	\$29,192	\$-	\$28,374
Discount rate decrease by 0.5%	31,575	-	31,269	-
Death rate adjusted to 105%	-	5,958	-	5,791
Death rate adjusted to 95%	5,958	-	5,791	-
Interest rate of premium deposit increase by 0.5%	139,406	-	135,501	-
Interest rate of premium deposit decrease by 0.5%	-	139,406	-	135,501

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.

(24) Other liabilities

	2018.12.31	2017.12.31
Unearned receipts	\$592,919	\$558,868
Temporary receipts	1,917,586	1,768,412
Guarantee deposits received	3,418,257	5,226,119
Contract liabilities	1,382,319	-
Deferred income	-	1,487,838
Others	2	14,990
Total	<u>\$7,311,083</u>	<u>\$9,056,227</u>

(25) Capital stock

As of 31 December 2018 and 31 December 2017, the Bank had issued outstanding capital stock of \$91,197,623 thousand and \$78,604,060 thousand divided into 9,119,762 thousand and 7,860,406 thousand common shares, respectively, with par value \$10 per share.

Issuance 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 recapitalization was approved by the FSC 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 \$12,593,563 thousand divided into 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 26 April 2018. The recapitalization was approved by the Financial Supervisory commission and the recapitalization record date was 2 July 2018. The authorized share capital amounted to \$91,197,623 thousand after recapitalization.

(26) Capital surplus

	2018.12.31	2017.12.31
Capital surplus from the merger Bank	\$10,949,303	\$10,949,303
Additional paid-in capital	22,648,873	22,648,873
Others	12,807	12,807
Total	<u>\$33,610,983</u>	<u>\$33,610,983</u>

(27) 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 2018 and 2017 as results of the use, disposal or reclassification of related assets in the amounts set out below:

	Investment properties	Others	Total
2017.01.01	\$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	<u>\$1,620,294</u>	<u>\$357,069</u>	<u>\$1,977,363</u>
2018.01.01	\$1,620,294	\$357,069	\$1,977,363
Appropriation of special reserve	-	951,443	951,443
Others	5,002	-	5,002
2018.12.31	<u>\$1,625,296</u>	<u>\$1,308,512</u>	<u>\$2,933,808</u>

D. On 21 March 2019 and 26 April 2018, the following are appropriations and distribution will be approved by the Bank's board of directors and 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:

	2018		2017	
	Amount	Dividend per share	Amount	Dividend per share
Appropriation of legal reserves	\$6,304,671	\$-	\$5,807,539	\$-
(Reversal) appropriation of special reserves	(749,830)	-	951,443	-
Distribution of cash dividends	10,000,000	1.1	-	-
Distribution of stock dividends	5,460,730	0.6	12,593,563	1.60

Please refer to Note 6.(37) for further details on employees' compensation and remuneration to directors and supervisors.

(28) Unrealized financial assets at fair value through other comprehensive income

	2018	2017 (Note)
2018.01.01	\$5,598,353	
Unrealized financial assets at fair value through other comprehensive income	(2,555,771)	
Unrealized financial assets at fair value through other comprehensive income associated with income tax	175,953	
Disposal of equity instrument at fair value through other comprehensive income	(487,854)	
2018.12.31	<u>\$2,730,681</u>	

Notes: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

(29) Unrealized gains (losses) on available-for-sale financial assets

	2018 (Note)	2017
Beginning balance		\$468,952
Unrealized gains on available-for-sale financial assets		1,217,946
Income tax of unrealized losses on available-for-sale financial assets		62,706
Share of unrealized gains on available-for-sale financial assets of associates accounted for using the equity method		157,192
Ending balance		<u>\$1,906,796</u>

Notes: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

(30) Remeasurements of defined benefit plans

	2018	2017
Beginning balance	\$(1,340,811)	\$(1,079,139)
Remeasurements of defined benefit plans	(96,202)	(314,377)
Income tax of remeasurements of defined benefit plans	67,585	53,444
Share of remeasurements of defined benefit plans of associates accounted for using the equity method	-	(739)
Ending balance	<u>\$(1,369,428)</u>	<u>\$(1,340,811)</u>

(31) Non-controlling interests

	2018	2017
Beginning balance	\$3,844,089	\$3,877,157
Net income attributable to non-controlling interests	233,019	361,203
Other comprehensive income attributable to non-controlling interests		
Exchange differences resulting from translating the financial statements of a foreign operation	108,009	(298,287)
Debt instrument investment at fair value through other comprehensive income	137,906	-
Unrealized gains on available-for-sale financial assets	-	127,816
Change in non-control interests	<u>(281,542)</u>	<u>(223,800)</u>
Ending balance	<u>\$4,041,481</u>	<u>\$3,844,089</u>

(32) Net interest income

	2018	2017
Interest income		
Discounts and loans	\$38,215,733	\$32,328,058
Due from banks and call loans to banks	2,665,875	1,470,179
Securities	9,746,521	9,773,802
Credit cards	2,259,144	2,146,400
Others	900,595	522,542
Subtotal	<u>53,787,868</u>	<u>46,240,981</u>
Interest expense		
Deposits	13,461,527	11,540,398
Due to Central Bank and other banks	534,931	253,359
Funds borrowed from the Central Bank and banks	1,184,377	866,673
Bonds liabilities to repurchase	1,768,001	1,062,246
Structured products	2,353,289	1,704,813
Financial debentures	1,031,899	1,073,667
Others	56,588	39,028
Subtotal	<u>20,390,612</u>	<u>16,540,184</u>
Net interest income	<u>\$33,397,256</u>	<u>\$29,700,797</u>

(33) Net fee income

	2018	2017
Fee income:		
Trust business	\$3,095,725	\$2,952,344
Cross-selling marketing	6,042,027	5,837,945
Credit card business	7,261,710	6,404,811
Loan business	1,287,529	1,070,593
Others	2,235,840	1,870,252
Subtotal	19,922,831	18,135,945
Fee expense:		
Credit card business	2,126,709	2,298,213
Others	1,117,944	975,377
Subtotal	3,244,653	3,273,590
Net fee income	\$16,678,178	\$14,862,355

The bank also has business for online pay service, service fee revenue were \$636 thousand and \$378 thousand, and fructus or others income which used payment were both \$0 thousand for the years ended 31 December 2018 and 2017, respectively.

Contract liabilities

	2018.01.01	2018.12.31	Difference
Contract liabilities	\$1,487,838	\$1,382,319	\$(105,519)

The Group transferred \$2,652,889 thousand from contract liability to income because the performance obligation was acted in the year ended 31 December 2018.

(34) Gains (losses) on financial assets and liabilities at fair value through profit or loss

	2018	2017
Stocks	\$136,708	\$239,824
Short-term bills	1,141,235	736,178
Funds	(73,208)	(714)
Bonds	(1,012,594)	823,657
Derivative financial instruments	5,700,840	4,812,666
Total	\$5,892,981	\$6,611,611

Realized gains or losses on financial assets and liabilities at fair value through profit or loss include interest income \$2,898,969 thousand, \$2,586,019 thousand, interest expense \$55,463 thousand, \$20,426 thousand, and interest expense \$1,792,011 thousand, \$1,657,452 thousand, and gains or losses on disposal of financial assets were gain \$3,034,239 thousand and gain \$3,823,707 thousand and gains on evaluation of financial assets were \$1,696,321 thousand and \$1,838,911 thousand ; net gains were \$5,892,981 thousand and \$6,611,611 thousand ,for the years ended 31 December 2018 and 2017, respectively.

(35) Net other non-interest income

	2018	2017
Income from Securities underwriting	\$75,834	\$83,454
Rental income from operating assets	241,646	252,710
Investment in debt securities with no active market	-	395,193
Gain on disposal of property and equipment	675	337
Loss from retirement of properties and equipment	(40,108)	(28,383)
Loss on valuation of investment properties	(21,786)	(156,008)
Gain (Loss) on valuation of investment properties	14,100	(6,095)
Others	647,385	675,228
Total	<u>\$917,746</u>	<u>\$1,216,436</u>

(36) Reserves for impairment loss of assets, bad debt expenses, commitments and losses on guarantees

	2018	2017
Debt instrument investment at fair value through other comprehensive income		
impairment losses	\$289,971	(Note)
Debt instrument investment at amortized cost impairment loss	15,733	(Note)
Impairment on Available-for-sale financial assets	(Note)	\$5,393
Impairment on property	-	25,925
Subtotal	<u>305,704</u>	<u>31,318</u>
Bad debt expenses for loans	4,609,309	3,550,270
Bad debt expenses for receivables	209,691	(55,821)
Provision (Reversal) of reserve for losses on guarantees	78,414	(284)
Provision of reserve for financing commitments	115,267	-
Other bad debt expenses	18,860	(21)
Subtotal	<u>5,031,541</u>	<u>3,494,144</u>
Total	<u>\$5,337,245</u>	<u>\$3,525,462</u>

Notes: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

Please refer to Note 12 for further details on credit risk.

(37) Employee benefits expenses

	2018	2017
Salary	\$14,206,894	\$12,914,088
Insurance	952,882	910,526
Post-employment benefit	595,572	564,357
Director's remuneration	10,574	11,332
Others	291,163	208,952
Total	<u>\$16,057,085</u>	<u>\$14,609,255</u>

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 2018 to be 0.05 % and doesn't exceed 0.1% of profit of current period, and recognized employee benefits and remuneration of directors were 12,022 thousand and 6,300 thousand. The estimation of employee bonus for the year ended 31 December 2017 was \$10,922 thousand and \$7,000 thousand based on profitability of the current period 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 15 March 2018 to distribute \$10,922 thousand and \$7,000 thousand in cash as employees' compensation and supervisor's compensation. No material differences existed between the estimated amount and the actual distribution of the employee's compensation and supervisor's compensation for the year ended 31 December 2017.

A resolution was passed at a Board of Directors meeting held on 8 March 2017 to distribute \$9,639 thousand in cash as employees' compensation. No material differences existed between the estimated amount and the actual distribution of the employee bonuses for the year ended 31 December 2016.

The average number of the Group's employees for the years ended 2018 and 2017 were 12,078 and 11,306, respectively. Among them, the number of directors who were not concurrently employees were 16 and 14 , respectively.

As of 31 December 2018 and 2017, the Bank and subsidiaries employed 12,203 and 11,661 employees, respectively.

(38) Depreciation and amortization expenses

	2018	2017
Depreciation expenses - property and equipment	\$1,180,682	\$989,617
Amortization expenses - intangible assets	346,180	267,014
Total	<u>\$1,526,862</u>	<u>\$1,256,631</u>

(39) Other general and administrative expenses

	2018	2017
Rental expenses	\$2,254,483	\$2,135,511
Product promotion expenses	3,626,395	3,251,032
Insurance expenses	697,168	665,658
Tax expenses	2,231,266	2,149,111
Others	4,946,889	5,234,249
Total	<u>\$13,756,201</u>	<u>\$13,435,561</u>

(40) Components of other comprehensive income

2018.01.01-2018.12.31

	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	\$(96,202)	\$-	\$(96,202)	\$67,585	\$(28,617)
Revaluation surplus	-	-	-	2,287	2,287
Valuation gains(losses) on equity instrument investment at fair value through other comprehensive income	(459,049)	(433,726)	(892,775)	171,111	(721,664)
Change of designated financial liabilities at fair value through profit or loss resulting from credit risk	2,402,577	-	2,402,577	(437,467)	1,965,110
To be classified to profit or loss:					
Exchange differences resulting from translating the financial statement of a foreign operation	(511,263)	-	(511,263)	143,104	(368,159)
Gains(losses) on debt instrument investment at fair value through other comprehensive income	(391,235)	(1,133,855)	(1,525,090)	4,842	(1,520,248)
Total	<u>\$944,828</u>	<u>\$(1,567,581)</u>	<u>\$(622,753)</u>	<u>\$(48,538)</u>	<u>\$(671,291)</u>

2017.01.01-2017.12.31

	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 associates and joint ventures accounted for using the equity method	(739)	-	(739)	-	(739)
To be classified to profit or 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>

The Group reclassified \$1,138,855 thousand from accumulated other comprehensive income to profit and loss while derecognizing the debt instrument investments at fair value through other comprehensive income.

The Group reclassified \$487,854 thousand from accumulated other comprehensive income to retain earnings while derecognizing the equity instrument investments at fair value through other comprehensive income.

(41) 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 amendments to the Income Tax Act was promulgated on 7 February 2018. The amendments raised the corporate income tax rate for the Company from 17% to 20%, and changed the corporation income tax rate for undistributed earnings from 10% to 5% since 2018.

C. The major components of income tax expense are as follows:

Income tax (expense) income recognized in profit or loss

	2018	2017
Current income tax (expense) income:		
Current income tax charge	\$(2,988,497)	\$(2,459,358)
Adjustments in respect of current income tax of prior periods	21,810	(117,897)
Deferred tax (expense) income:		
Deferred tax (expense) income relating to origination and reversal of temporary differences	(74,517)	53,255
Deferred tax expense relating to changes in tax rate	35,504	-
Income tax of overseas subsidiaries	(224,304)	(238,573)
Income tax expense	<u>\$(3,230,004)</u>	<u>\$(2,762,573)</u>

Income tax relating to components of other comprehensive income

	2018	2017
Deferred tax (expense) income:		
Remeasurements of defined benefit plans	\$67,585	\$53,444
Revaluation surplus	2,287	6,047
Changes of designated financial liabilities at fair value through profit or loss resulting from credit risk	(437,467)	268,589
Exchange differences resulting from translating the financial statements of a foreign operation	143,104	216,446
Valuation gains on equity instrument investment at fair value through other comprehensive income	171,111	-
Gains on debit instrument at fair value through other comprehensive income	4,842	-
Unrealized gains (losses) on available-for-sale financial assets	-	62,706
Income tax relating to components of other comprehensive income	<u>\$(48,538)</u>	<u>\$607,232</u>

D. Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2018	2017
Accounting profit (loss) before tax from continuing operations	<u>\$24,483,355</u>	<u>\$22,426,179</u>
At the Bank's statutory income tax rate of (20%/17%)	\$(4,896,671)	\$(3,812,450)
Tax effect of revenues exempt from taxation	1,594,216	1,380,570
Tax effect of expenses not deductible for tax purposes	(4,772)	(4,570)
Tax effect of deferred tax assets/liabilities	34,633	(424,861)
Income tax of overseas branch	245,084	455,208
Adjustments in respect of current income tax of prior periods	21,810	(117,897)
Income tax of overseas subsidiaries	(224,304)	(238,573)
Total income tax expense recognized in profit or loss	<u>\$(3,230,004)</u>	<u>\$(2,762,573)</u>

E. Deferred tax assets (liabilities) relating to the following:

2018

	2018.1.1	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	2018.12.31
Temporary differences				
Allowance for bad debt	\$558,294	\$242,976	\$-	\$801,270
Revaluations of financial assets at fair value through profit or loss	24,846	(113,532)	(437,467)	(526,153)
Fair value adjustments arising from investment properties	(63,289)	(6,413)	2,287	(67,415)
Valuation gains (losses) on equity instrument investment at fair value through other comprehensive income	(319,909)	-	171,111	(148,798)
Debt instrument at fair value through other comprehensive income	46,191	-	4,842	51,033
Impairment on property and equipment	126,437	28,977	-	155,414
Investments accounted for using the equity method	(217,489)	(93,190)	-	(310,679)
Fair value adjustments arising from business combinations	(565,505)	(148,515)	-	(714,020)
Reserve for land value increment tax	(238,701)	13,084	-	(225,617)
Pensions	426,170	8,221	45,818	480,209
Preferential interest rate deposits	98,441	(1,058)	21,767	119,150
Exchange differences resulting from translating the financial statements of a foreign operation	109,081	-	143,104	252,185
Deferred income on customer loyalty programmes	252,932	23,531	-	276,463
Others	24,251	6,906	-	31,157
Deferred tax expense / (income)		<u>\$(39,013)</u>	<u>\$(48,538)</u>	
Net deferred tax assets/(liabilities)	<u>\$261,750</u>			<u>\$174,199</u>
Net deferred income tax assets / (liabilities) of overseas branches	<u>\$66,424</u>			<u>\$42,336</u>
Net deferred income tax assets / (liabilities) of foreign subsidiaries	<u>\$(132,679)</u>			<u>\$(1,761)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$2,227,960</u>			<u>\$1,872,542</u>
Deferred tax liabilities	<u>\$(2,032,465)</u>			<u>\$(1,657,768)</u>

Notes: The Group has adopted IFRS 9 and IFRS 15 from 1 January 2018.

2017

		Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	
	2017.1.1			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)	<u>\$(83,797)</u>			<u>\$576,690</u>
Net deferred income tax assets / (liabilities) of overseas branches	<u>\$(58,223)</u>			<u>\$66,424</u>
Net deferred income tax assets / (liabilities) of foreign subsidiaries	<u>\$(59,180)</u>			<u>\$(132,679)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$1,410,010</u>			<u>\$2,223,266</u>
Deferred tax liabilities	<u>\$(1,611,210)</u>			<u>\$(1,712,831)</u>

F. Unrecognized deferred tax assets

As of 31 December 2018 and 31 December 2017, deferred tax assets that have not been recognized as they may not be used to offset taxable profits amounted to \$625,070 thousand and \$756,905 thousand, respectively.

G. 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.

H. The assessment of income tax returns

As of 31 December 2018, the assessment of the income tax returns of the Bank is as follows:

The Bank	The assessment of income tax returns
	Assessed and approved up to 2014

In 2011 to 2014, the income tax return had been assessed; however, the Bank has invoked the administrative remedy to cases about employee benefit of that year.

(42) 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.

	2018	2017
Profit attributable ordinary to owners of the parent (in thousands dollars)	<u>\$21,020,332</u>	<u>\$19,302,403</u>
Retroactive adjustment weight-average shares outstanding (in thousands shares)	<u>9,119,762</u>	<u>8,880,557</u>
Earnings per share (in dollar)	<u>\$2.30</u>	<u>\$2.17</u>

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 \$12,593,563 thousand divided into 1,259,365 thousand common stock 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 26 April 2018. The recapitalized was approved by the Financial Supervisory Commission and the recapitalization record date was 2 July 2018. The authorized share capital amounted to \$91,197,623 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	Associate
Taiwan Finance Corp.	Associate
Cathay Life Insurance Co., Ltd.	Other related party
Cathay Century Insurance Co., Ltd.	Other related party
Cathay Securities Co., Ltd.	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
Cathay Dragon Fund etc.	Other related party
Cathay United Bank Culture and Charity Foundation	Other related party
<i>Cathay Life Insurance Employees' Welfare Committee</i>	Other related party
<i>Cathay Real Estate Development Employees' Welfare Committee</i>	Other related party
<i>Cathay Private Equity Co., Ltd.</i>	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
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Neo Cathay Co., Ltd.	Other related party
Liang Ting Industrial Company	Other related party
PSS Co.,Ltd	Other related party
Others	Other related party

Significant transactions with the related parties are summarized as follows:

(1) Loans and Deposits

Accounts/Related parties	2018.12.31		2017.12.31	
	Amount	% of Account	Amount	% of Account
<u>Loans</u>				
Associates				
Taiwan Real-estate Management Corp.	\$30,000	-	\$32,000	-
Other related parties				
Cathay Real Estate Development Co., Ltd.	210,000	0.01%	-	-
Others	1,458,912	0.09%	1,422,061	0.10%
Subtotal	1,668,912	0.10%	1,422,061	0.10%
Total	\$1,698,912	0.10%	\$1,452,061	0.10%
<u>Deposits</u>				
Parent company				
Cathay Financial Holding Co., Ltd.	\$139,920	0.01%	\$137,400	0.01%
Other related parties				
Cathay Life Insurance Co., Ltd.	30,744,095	1.38%	28,472,961	1.36%
Cathay Century Insurance Co., Ltd.	2,724,193	0.12%	1,827,176	0.09%
Cathay Securities Co., Ltd.	2,550,090	0.11%	3,414,826	0.16%
Cathay Securities (Hong Kong) Ltd.	66	-	66	-
Cathay Futures Co., Ltd.	1,345,519	0.06%	1,041,691	0.05%
Cathay Venture Inc.	113,380	-	25,765	-
Cathay Securities Investment Trust Co., Ltd.	149,076	0.01%	179,814	0.01%
Cathay Securities Investment Consulting Co., Ltd.	187,533	0.01%	146,976	0.01%
Cathay Real Estate Development Co., Ltd.	199,127	0.01%	253,682	0.01%
Cathay Hospitality Management Co., Ltd.	16,523	-	9,202	-
Cathay Life Insurance (Vietnam) Co., Ltd.	1,809,689	0.08%	29,124	-
Cathay Insurance (Vietnam) Co., Ltd.	147,705	0.01%	145,661	0.01%
Cathay Dragon Fund etc.	137,823	0.01%	106,497	-
Symphox Information Co., Ltd.	122,139	0.01%	150,870	0.01%
Conning Asia Pacific Ltd.	78,721	-	90,502	-
Cathay Private Equity Co., Ltd.	33,114	-	49,963	-
Cathay United Bank Culture and Charity Foundation	541,888	0.02%	544,588	0.03%
Cathay Life Insurance Employees' Welfare Committee	2,221,665	0.10%	3,065,254	0.15%
Cathay Real Estate Development Employees' Welfare Committee	386,529	0.02%	363,768	0.02%
Neo Cathay Co., Ltd.	137,979	0.01%	308,836	0.01%
Lin Yuan (Shanghai) Real Estate Co., Ltd.	623,035	0.03%	-	-
Others	7,457,000	0.33%	9,013,397	0.42%
Subtotal	51,726,889	2.32%	49,240,619	2.34%
Total	\$51,866,809	2.33%	\$49,378,019	2.35%

Accounts/Related parties	Interest Income	
	2018	2017
<u>Loans</u>		
Associates		
Taiwan Real-estate Management Corp.	\$562	\$613
Other related parties		
Cathay Real Estate Development Co., Ltd.	61	37
Cathay Securities Co., Ltd.	38	11
Liang Ting Industrial Company	-	272
PSS Co.,Ltd	14	-
Others	24,648	21,453
Subtotal	24,761	21,773
Total	\$25,323	\$22,386

Accounts/Related parties	Interest Expense	
	2018	2017
<u>Deposits</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	\$726	\$294
Other related parties		
Cathay Life Insurance Co., Ltd.	50,892	27,653
Cathay Century Insurance Co., Ltd.	7,808	7,110
Cathay Securities Co., Ltd.	4,458	4,652
Cathay Futures Co., Ltd.	7,578	9,198
Cathay Venture Inc.	60	50
Cathay Securities Investment Trust Co., Ltd.	192	249
Cathay Securities Investment Consulting Co., Ltd.	633	565
Cathay Real Estate Development Co., Ltd.	54	45
Cathay Hospitality Management Co., Ltd.	23	22
Cathay Life Insurance (Vietnam) Co., Ltd.	53,554	1,438
Cathay Insurance (Vietnam) Co., Ltd.	6,652	5,638
Cathay Dragon Fund etc.	2	1
Symphox Information Co., Ltd.	668	585
Conning Asia Pacific Ltd.	874	504
Cathay Private Equity Co., Ltd.	18	3
Cathay United Bank Culture and Charity Foundation	5,604	5,666
Cathay Life Insurance Employees' Welfare Committee	22,754	23,450
Cathay Real Estate Development Employees' Welfare Committee	4,082	3,761
Neo Cathay Co., Ltd.	97	459
Lin Yuan (Shanghai) Real Estate Co., Ltd.	8,683	-
Others	63,281	62,043
Subtotal	237,967	153,092
Total	\$238,693	\$153,386

Accounts / Related parties	Account balance	
	2018.12.31	2017.12.31
<u>Due from commercial banks</u>		
Other related parties		
Vietinbank	\$5,309,375	\$5,340,176
<u>Due to commercial banks</u>		
Other related parties		
Vietinbank	5,360,670	5,334,420
Accounts / Related parties	Interest Income (Expense)	
	2018	2017
<u>Due from commercial banks</u>		
Other related parties		
Vietinbank	\$5,228	\$5,242
<u>Due to commercial banks</u>		
Other related parties		
Vietinbank	(5,205)	(5,561)

A. Transactions terms with related parties are similar to those with third parties, expect 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:
Table 11.

(2) Lease

Accounts/Related parties	2018	2017	Payment term
<u>Rental income</u>			
Other related parties			
Cathay Life Insurance Co., Ltd.	\$53,239	\$62,552	Monthly
Cathay Century Insurance Co., Ltd.	9,105	9,004	Monthly
Cathay Securities Co., Ltd.	9,679	9,930	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.	681,206	580,440	Monthly
Cathay Real Estate Development Co., Ltd.	19,706	20,150	Monthly

Accounts/Related parties	2018.12.31	2017.12.31
<u>Refundable deposits</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$189,738	\$164,798
Cathay Real Estate Development Co., Ltd.	4,608	4,549
<u>Guarantee deposit received</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$12,019	\$15,367
Cathay Century Insurance Co., Ltd.	2,247	2,224
Cathay Securities Co., Ltd.	2,610	2,597

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	2018	2017
(3) <u>Commissions and handling fees income</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$7,088,674	\$6,743,403
Cathay Century Insurance Co., Ltd.	160,875	154,446
Cathay Securities Co., Ltd.	67,593	48,216
Cathay Securities Investment Trust Co., Ltd.	43,295	38,319
Cathay Securities Investment Consulting Co., Ltd.	17,710	19,039
Cathay Real Estate Development Co., Ltd.	5,384	4,636
(4) <u>Other operating income</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$2,760	\$18,269
(5) <u>Commissions and handling fees expense</u>		
Other related parties		
Cathay Securities Co., Ltd.	3,408	2,980

Accounts/Related parties	2018	2017
(6) <u>Commissions and handling fees expense</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	\$188,212	\$174,073
Cathay Securities Co., Ltd.	3,335	2,900
Cathay Real Estate Development Co., Ltd.	5,078	5,055
Symphox Information Co., Ltd.	662,504	656,647
Lin Yuan Property Management and Maintenance Co., Ltd.	10,660	10,125
Cathay Healthcare Management Co., Ltd.	22,796	11,524
Seaward Card Co., Ltd	210,023	199,585
Cathay Securities Investment Trust Co., Ltd.	7,200	4,200
(7) <u>Insurance expenses paid</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	51,299	78,392
Cathay Century Insurance Co., Ltd.	178,718	172,376
Accounts/Related parties	2018.12.31	2017.12.31
(8) <u>Related party receivable for allocation of linked tax system</u>		
Parent company		
Cathay Financial Holding Co., Ltd.	\$485,773	\$145,836
(9) <u>Receivables</u>		
Other related parties		
Cathay Securities Investment Trust Co., Ltd.	3,356	6,957
(10) <u>Related party receivables for commission of collecting insurances</u>		
Other related parties		
Cathay Life Insurance Co., Ltd.	89,605	163,342
(11) <u>Refundable deposit</u>		
Other related parties		
Cathay Futures Co., Ltd.	78,095	79,854
(12) <u>Accrued expenses</u>		
Other related parties		
Seaward Card Co., Ltd.	34,034	24,254
(13) <u>Accounts payable</u>		
Other related parties		
Cathay Century Insurance Co., Ltd.	51,461	9,994
Symphox Information Co., Ltd.	19,680	157,938

(14) Securities trading

Related parties	Securities Name	2017.01.01~2017.12.31	
		Trading stocks	Sale price
Others			
Symphox Information Co., Ltd.	Seaward Card Co., Ltd.	3,000,000 stocks	\$46,800

The Bank sold the Seaward Card Co., Ltd. to related party, Symphox Information Co., Ltd., on 21 July 2017. Please refer to Note 6.(10.C) for details on sales.

There were no cases of trading of securities with related parties for the year ended 31 December 2018.

(15) Key management personnel compensation

Accounts/Related parties	2018	2017
Short-term employee benefits	\$283,440	\$248,445
Post-employment benefits	4,984	4,583
Other long-term employee benefits	26	45
Total	\$288,450	\$253,073

The key management personnel of the Group include the Chairman, Vice-Chairman, Directors, Supervisors, President and Vice-President.

(16) Others

A. Trading of shares issued by the Bank and its related parties

Capital Increased by Cash.

Accounts/Related parties	Trading	2018	2017
Parent company			
Cathay Financial Holding Co., Ltd.	Common stock	\$-	\$14,998,000

B. The Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amount of \$15,449 thousand and \$13,552 thousand for the years ended 31 December 2018 and 2017, respectively.

C. The Bank purchased bonus points in exchange for merchandise for the Bank's customer from Symphox Information Co., Ltd. As of 31 December 2018 and 31 December 2017, the unconverted bonus points amounted to \$15,150 thousand and \$16,690 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 2018 and 31 December 2017, 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:

	2018.12.31	2017.12.31
Trust and security held for safekeeping	\$750,988,804	\$684,016,891
Travelers checks for sale	299,765	355,055
Bills for collection	36,044,907	40,718,597
Book-entry for government bonds and depository for short-term marketable securities under management	400,999,309	388,637,503
Entrusted financial management business	21,016,659	8,827,034
Guarantees on duties and contracts	13,534,956	7,167,460
Unused commercial letters of credit	4,217,682	3,765,996
Irrevocable loan commitments	154,605,389	211,222,089
Unused credit card lines commitments	591,612,472	555,478,907
Underwriting securities	1,000,000	230,000

B. As of 31 December 2018, the Bank is subject to major ongoing lawsuits arising due to normal business relations as follows: Lee & Li, Attorneys-at-Law 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 thousand. 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. As of 31 December 2018 and 31 December 2017, 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:

	2018.12.31	2017.12.31
Financial guarantee contracts	\$2,262,842	\$2,587,848
Unused commercial letters of credit	1,017,801	1,629,282

B. As of 31 December 2018 and 31 December 2017. According to the operating leases agreements of Indovina Bank, rentals for lease that should be paid in the future listed are as follows:

	2018.12.31	2017.12.31
Not later than one year	\$35,813	\$31,454
Later than one year and not later than five years	70,604	61,348
Later than five years	9,342	17,045

(3) CUBC Bank

A. Entrusted Item and Guarantees:

	2018.12.31	2017.12.31
Financial guarantee contracts	\$78,161	\$60,673
Irrevocable loan commitments	-	647,417
Credit card line commitments	447,040	403,120

B. As of 31 December 2018 and 31 December 2017, the rentals for lease that should be paid in the future listed are as follows:

	2018.12.31	2017.12.31
Not later than one year	\$2,912	\$14,845
Later than one year and not later than five years	23,114	27,551
Later than five years	49,341	15,443

(4) CUBCN Bank

A. Entrusted Item and Guarantees:

	2018.12.31	2017.12.31
Financial guarantee contracts	\$170,835	\$-
Unused commercial letters of credit	773,078	-
Irrevocable loan commitments	623,837	-

B. As of 31 December 2018 and 31 December 2017, the rentals for lease that should be paid in the future listed are as follows:

	2018.12.31	2017.12.31
Not later than one year	\$114,211	\$-
Later than one year and not later than five years	25,107	-
Later than five years	-	-

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Other

(1) Disclosure of financial instruments information

A. Information of fair value

	2018.12.31	
	Carrying value	Fair value
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$250,685,216	\$250,685,216
Financial assets at fair value through other comprehensive income	200,572,902	200,572,902
Available-for-sale financial assets- net	(Note)	(Note)
Held-to-maturity financial assets- net	(Note)	(Note)
Investment in debt securities with no active market- net	(Note)	(Note)
 Financial assets at amortized cost		
Cash and cash equivalents (exclude cash on hand)	50,853,982	50,853,982
Due from the Central Bank and call loan to banks	104,223,315	104,223,315
Debt instrument investment at amortized cost	421,022,506	417,858,953
Securities purchased under agreements to resell	44,612,132	44,612,132
Receivables - net	85,978,726	85,978,726
Discounts and loans - net	1,595,323,251	1,595,323,251
Other financial assets - net	1,271	1,271
Other assets - net	27,028,481	27,028,481
Subtotal	2,329,043,664	2,325,880,111
Total	\$2,780,301,782	\$2,777,138,229

	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
Financial assets at fair value through other comprehensive income	(Note)	(Note)
Available-for-sale financial assets- net	148,480,669	148,480,669
Held-to-maturity financial assets- net	34,345,085	35,129,018
Investment in debt securities with no active market- net	388,287,593	389,043,125
Financial assets at amortized cost		
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
Debt instrument investment at amortized cost	(Note)	(Note)
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	1,790,394,224	1,790,394,224
Total	\$2,673,492,630	\$2,675,032,095

	2018.12.31	
	Carrying value	Fair value
<u>Financial liabilities</u>		
Financial liabilities at amortized cost:		
Due to the Central Bank and call loans from banks	\$81,432,233	\$81,432,233
Securities sold under agreements to repurchase	55,974,509	55,974,509
Payables	24,912,970	24,912,970
Deposits and remittances	2,227,661,690	2,227,661,690
Financial debentures payable	55,600,000	55,600,000
Other financial liabilities	76,509,334	76,509,334
Other liabilities	3,418,257	3,418,257
Subtotal	2,525,508,993	2,525,508,993
Financial liabilities at fair value through profit or loss		
Held for trading	51,966,296	51,966,296
Designated at fair value through profit or loss	51,441,482	51,441,482
Subtotal	103,407,778	103,407,778
Total	\$2,628,916,771	\$2,628,916,771

	2017.12.31	
	Carrying value	Fair value
<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	2,456,818,189	2,456,818,189
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	87,407,651	87,407,651
Total	\$2,544,225,840	\$2,544,225,840

Notes: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

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 financial assets at fair value through other comprehensive income, available-for-sale financial instruments, debt instrument investment at amortized cost held-to-maturity financial assets, purchase of foreign exchange, debt instrument investment without active market. 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) 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.
- (E) 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.
- (F) 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.
- (G) 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.

The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded at OTC.

The Bank sets estimated LGD at 60 % for most of the counterparties, but may apply other assumptions when risk character and data are available.

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:

1st Level: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

2nd Level: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

3rd 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	2018.12.31			
	1 st Level	2 nd Level	3 rd Level	Total
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatory at fair value through profit or loss				
Stocks	\$3,657	\$-	\$-	\$3,657
Bonds	10,621,146	28,009,406	-	38,630,552
Others	-	162,575,301	-	162,575,301
Financial assets at fair value through other comprehensive income				
Stocks	8,529,100	787	3,557,263	12,087,150
Bonds	80,964,720	107,521,032	-	188,485,752
Investment properties	-	-	1,439,686	1,439,686
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Designated at fair value through profit or loss				
Bonds	-	51,441,482	-	51,441,482
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss	43,421	37,348,068	12,084,217	49,475,706
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	81,433	39,800,646	12,084,217	51,966,296

Item	2018.12.31			
	1 st Level	2 nd Level	3 rd Level	Total
Item	2017.12.31			
	1 st Level	2 nd Level	3 rd Level	Total
<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	-	132,107,292
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

Transfers between 1st Level and 2nd Level during the period

For the year ended 31 December 2018, the Bank had no assets or liabilities transferred from 1st Level to 2nd Level.

For the year ended 31 December 2017, the Bank transferred government bonds designed as at fair value through profit or loss, an asset measured at fair value on a recurring basis, from 1st Level to 2nd Level. A total of \$8,431,930 thousand was transferred as its market price was obtainable.

Reconciliation for fair value measurements in 3rd Level for movements

Reconciliation for fair value measurements in 3rd Level of the fair value hierarchy for movements during the period is as follows:

	Assets			Liabilities
	At fair value			At fair value through profit or loss
	At fair value through profit or loss	through other comprehensive income	Investment	
	Derivative	Stock	Properties	Derivatives
Beginning balances as at 1 January 2018	\$8,720,347	\$3,396,372	\$1,547,372	\$8,822,872
Total gains and losses recognized				
Amount recognized in profit or loss				
Gains or losses on financial assets and liabilities at fair value through profit or loss	5,245,100	-	-	5,141,555
Gains on disposal of investment property	-	-	14,100	-
Losses on valuation of investment properties	-	-	(21,786)	-
Amount recognized in other comprehensive income				
Unrealized gains on financial assets at fair value through other comprehensive income	-	1,780,883	-	-
Acquisition or issues	53,492	211,749	-	53,492
Disposal or settlements	(1,934,722)	(209,538)	(100,000)	(1,934,722)
Transfer	-	(1,622,203)	-	-
Effects of exchange rates changes	-	-	-	1,020
Ending balances as at 31 December 2018	\$12,084,217	\$3,557,263	\$1,439,686	\$12,084,217

	Assets			Liabilities
	At fair value through profit or loss	Available-for-sale	Investment	At fair value through profit or loss
	Derivative	Stock	Properties	Derivatives
	Derivative	Stock	Properties	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				
Gains or losses on financial assets and liabilities at fair value through profit or loss	(8,781,888)	-	-	(8,749,500)
Losses on disposal of investment property	-	-	(6,095)	-
Losses 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

Total gains or losses recognized for the years ended 31 December 2018 and 2017 in the table above contain unrealized gains and losses related to assets on hand as at 31 December 2018 and 2017 in the amount of gains \$5,223,314 thousand and losses \$8,937,896 thousand, respectively.

Total gains or losses recognized for the years ended 31 December 2018 and 2017 in the table above contain unrealized gains and losses related to liabilities on hand as at 31 December 2018 and 2017 in the amount of losses \$5,141,555 thousand and gains \$8,749,500 thousand, respectively.

Information on 3rd Level significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within 3rd Level of the fair value hierarchy is as follows:

2018.12.31

	Valuation techniques	Significant unobservable inputs	Interval (weighted average)	Relationship between inputs and fair value
<u>Financial assets</u>				
At fair value through other comprehensive Income-Stocks	Market company 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	1.98% - 5.73%	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

2017.12.31

	Valuation techniques	Significant unobservable inputs	Interval (weighted average)	Relationship between inputs and fair value
<u>Financial assets</u>				
Available-for-sale -Stocks	Market company 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

Valuation process used for fair value measurements categorized within 3rd 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 Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

2018.12.31	1 st Level	2 nd Level	3 rd Level	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Debt instrument investment at amortized cost				
Bonds	\$46,326,059	\$16,947,965	\$6,061,288	\$69,335,312
Others	-	348,523,641	-	348,523,641
2017.12.31	1 st Level	2 nd Level	3 rd 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

(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:

	Transferred	Related	Transferred	Related	
	Financial Assets	Financial	Financial Assets	Financial	
	Carrying Value	Liabilities	Fair Value	Liabilities Fair	Net fair value
2018.12.31	Carrying Value	Carrying value	Fair Value	value	Net fair value
Financial assets at fair value through profit or loss					
Repurchase Agreements	\$583,745	\$523,342	\$581,159	\$523,342	\$57,817
Financial assets at fair value through other comprehensive income					
Repurchase Agreements	45,534,737	42,613,744	44,424,315	42,613,744	1,810,571
Financial assets at amortized cost					
Repurchase Agreements	14,649,885	11,447,258	14,649,885	11,447,258	3,202,627
Securities sold under agreements					
Repurchase Agreements	1,493,132	1,390,165	1,493,132	1,390,165	102,967
	Transferred	Related	Transferred	Related	
	Financial Assets	Financial	Financial Assets	Financial	
	Carrying Value	Liabilities	Fair Value	Liabilities Fair	Net fair value
2017.12.31	Carrying Value	Carrying value	Fair Value	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

(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:

2018.12.31						
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	\$49,475,706	\$-	\$49,475,706	\$49,475,706	\$-	\$-

2018.12.31						
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	\$51,966,013	\$-	\$51,966,013	\$49,475,706	\$2,490,307	\$-

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	\$-

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 β 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.

2018.12.31			
Factors of market risk(Note)	Average balance	Maximum balance	Minimum balance
Interest rate	\$307,882	\$701,219	\$52,816
Foreign exchange	147,353	202,948	104,364
Equity securities price	318,530	424,067	230,176

2017.12.31			
Factors of market risk(Note)	Average balance	Maximum balance	Minimum balance
Interest rate	\$569,756	\$858,800	\$273,155
Foreign exchange	252,124	554,769	115,940
Equity securities price	232,500	303,251	165,345

Note: The information of factors of market risk is defined by risk management policy of the trading book.

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(Note)		
Market/ Product	Scenarios	2018.12.31
Stock Market	Major Stock Exchanges +15%	\$990,610
	Major Stock Exchanges -15%	(935,918)
Interest Rate/Bond Market	Major Interest Rate + 100bp	(417,490)
	Major Interest Rate - 100bp	701,613
Foreign Exchange Market	Major Currencies +3%	245,686
	Major Currencies -3%	(233,535)
Composite	Major Stock Exchanges -15%	(1,107,722)
	Major Interest Rate + 100bp	
	Major Currencies +3%	

Stress Test(Note)		
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	(2,433,910)
	Major Interest Rate - 100bp	2,689,997
Foreign Exchange Market	Major Currencies +3%	(196,649)
	Major Currencies -3%	229,928
Composite	Major Stock Exchanges -15%	(5,298,679)
	Major Interest Rate + 100bp	
	Major Currencies +3%	

Note: The information of stress test is defined by risk management policy of the trading book.

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.

		2018.12.31	
		Sensitivity of profit or loss	Sensitivity of equity
Foreign exchange rate factor sensitivity (FX Delta)			
	USD+1%	\$108,556	\$-
	HKD+1%	(6,980)	-
	JPY+1%	(905)	-
	AUD+1%	(354)	-
	CNY+1%	2,563	-
Interest rate factor sensitivity (PVBP)			
	Yield curves (USD) parallel shift+1bp	1,347	-
	Yield curves (HKD) parallel shift+1bp	183	-
	Yield curves (JPY) parallel shift+1bp	(1)	-
	Yield curves (AUD) parallel shift+1bp	(359)	-
	Yield curves (CNY) parallel shift+1bp	(210)	-
Equity securities price factor sensitivity (Equity Delta)		(1,011)	66,545
		2017.12.31	
		Sensitivity of profit or loss	Sensitivity of equity
Foreign exchange rate factor sensitivity (FX Delta)			
	USD+1%	\$(38,635)	\$-
	HKD+1%	32	-
	JPY+1%	1,488	-
	AUD+1%	4,983	-
	CNY+1%	22,123	-
Interest rate factor sensitivity (PVBP)			
	Yield curves (USD) parallel shift+1bp	(5,645)	-
	Yield curves (HKD) parallel shift+1bp	(11)	-
	Yield curves (JPY) parallel shift+1bp	-	-
	Yield curves (AUD) parallel shift+1bp	(129)	-
	Yield curves (CNY) parallel shift+1bp	(895)	-
Equity securities price factor sensitivity (Equity Delta)		48,183	129,692

Note: The information of equity securities price risk test is defined by risk management policy of the trading book.

(7) Credit risk

Credit risk represents the risk of loss that the Group would incur if counterparty fails to perform its contractual obligations.

The Bank, Indovina Bank and CUBCN Bank

To centralize risk management functions currently handled by different departments, the Bank, Indovina Bank and CUBCN Bank 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, Indovina Bank and CUBCN Bank 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 and Indovina Bank perform periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios.

The Bank, Indovina Bank and CUBCN Bank maintain 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, Indovina Bank and CUBCN 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.

CUBC Bank

The CUBC Bank board of directors resolved that a risk management department would be established to manage the credit risk. The CUBC Bank board of directors sets the counterparty credit limits, which are then implemented by the credit committee.

Loan Committee is the top lending authority within the CUBC bank. It is in charged with approval of all credit in excess of CUBC Bank lending authorities. Certain customers are required to provide appropriate collateral for the related loans, and the CUBC 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:

The judgement of significant increase in credit risk after the initial recognition

The Bank and CUBCN Bank

The Bank and CUBCN Bank assesses the movement in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. To make this assessment, the Group has considered to show the reasonable and corroborative information (including prospective information) on the significant increase in credit risk after the initial recognition. The key indicators for consideration include:

A. Quantitative indicators

(A) Changes on credit rating

When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition and the credit rating has not met the investment grade (i.e. the credit rating is lower than the credit rating Baa3 of Moody's, an international credit rating agency), it is determined that the credit risk has increased significantly since the initial recognition.

(B) Information on the overdue status of the contract

When the contract payment was overdue for more than 30 days as at the reporting date, it is determined that the credit risk has increased significantly since the initial recognition.

B. Qualitative indicators

When the information observed at the reporting date meets the following conditions, it is determined that the credit risk has increased significantly since the initial recognition.

(A) The refund records are reported

(B) Accountants have expressed significant doubt on its ability to continue as a going concern

(C) Other internal or external information on judging the credit quality changes

Indovina Bank

The Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition:

- A. Notch downgrade
A notch downgrade of obligor's internal or external ratings between the current grade and the grade at initial recognition greater than specific threshold would be classified as a significant increase in credit risk since initial recognition.
- B. Low credit risk criteria
An exposure rated below Moody's investment grade at the reporting date would be classified as a significant increase in credit risk since initial recognition.
- C. Past Due Information
The contract payment over 30 days past due would be classified as a significant increase in credit risk since initial recognition.
- D. Internal Credit Assessment Indicators
The indicators with credit quality information that is weaker than upon initial recognition would be classified as a significant increase in credit risk since initial recognition.

CUBC Bank

The CUBC Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition

- A. Past Due Information
The contract payment over 30 days past due would be classified as a significant increase in credit risk since initial recognition.
- B. Loan Classification from NBC
A loan contract with special mention position at reporting date would be classified as a significant increase in credit risk since initial recognition.
- C. Internal Credit Assessment Indicators
The indicators with credit quality information that is weaker than upon initial recognition would be classified as a significant increase in credit risk since initial recognition.

Default and credit impairment of financial asset

The Bank and CUBCN Bank

The Bank and CUBCN Bank definition of default on financial assets is the same with the one of judging the credit impairment of financial assets. Where one or more of the following conditions are met, the Bank determines the financial assets to be subject to default and credit impairment.

A. Quantitative indicator

(A) Changes on credit rating

When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

(B) Information on the overdue status of the contract

When the contract payment was overdue for more than 90 days as at the reporting date, it is determined as credit impairment.

B. Qualitative indicator

When the information observed at the reporting date meets the following conditions, it is determined as credit impairment.

- (A) Bailout, reorganization, individual agreement due to debtor's financial difficulties
- (B) Lawsuit action has been taken
- (C) Debt settlement, debt negotiation
- (D) Issuer or borrower has gone bankrupt or may file for bankruptcy or financial reorganization
- (E) Principal or interest failed to be paid according to the issuing terms
- (F) Other internal or external information on judging the deterioration in credit quality

The aforementioned definition of default and credit impairment applies to all financial assets held by the Bank, and is consistent with the definition applied on the significant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

Indovina Bank

The Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if the credit risk subjected to default:

A. Notch downgrade

An obligor who has failed to pay one or more of its financial obligations or is rated as default at the reporting date is considered to be credit-impaired.

B. Past Due Information

The contract payment over 90 days past due would be classified as a credit-impaired loan.

C. Internal Credit Assessment Indicators

The indicators with credit deterioration information used for internal credit risk management purpose at the reporting date would be recognized as credit-impaired assets.

CUBC Bank

The CUBC Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if the credit risk subjected to default:

A. Past Due Information

The contract payment over 90 days past due would be classified as a credit-impaired loan.

B. Loan Classification from NBC

A loan contract with specific positions, such as substandard, doubtful and loss, at reporting date would be classified as a significant increase in credit risk since initial recognition.

C. Internal Credit Assessment Indicators

The indicators with credit deterioration information used for internal credit risk management purpose at the reporting date would be recognized as credit-impaired assets.

The measurement of expected credit loss

The Bank and CUBCN Bank

For the purpose of assessing the expected credit losses, the Bank and CUBCN Bank classify the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category and so on.

Credit category	Definition
Enterprise loan	Grouped by risk characteristics, enterprise size and internal/external credit rating
Consumer loan	Grouped by product category and internal credit rating
Credit card	Grouped by product category and internal credit rating

When the credit risk of the financial instrument has not increased significantly after the initial recognition (Stage 1), the allowance for losses should be measured at the expected credit losses over 12 months by the Bank and CUBCN Bank. When the credit risk of the financial instrument has increased significantly (Stage 2) or the credit impairment has existed (Stage 3) after the initial recognition, the allowance for losses should be measured at the expected credit losses over the life time by the Bank and CUBCN Bank.

For the measurement of the expected credit losses, the Bank and CUBCN Bank calculate its expected credit losses over 12 months and the life time respectively by multiplying three factors, i.e. probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) of the borrower over the next 12 months and the life time, also considering the effect of the life time value of money.

The PD and LGD applied in the impairment assessment of the credit business of the Bank and CUBCN Bank are adjusted and calculated based on the internal and external information of each group as well as the currently observable data and the forward-looking macroeconomic information (such as economic growth rate, etc.).

The Bank and CUBCN Bank assessed the EAD of loan at the reporting date. According to internal and external information, the Bank considers the portion of the loan commitment that is expected to be drawn on over 12 months after the reporting date and the lifetime, to determine the EAD for calculating the expected credit losses.

The PD used in the impairment assessment of the Bank and CUBCN Bank debt instrument measured at fair value through other comprehensive income and measured at amortized cost, represents the PD of the issuer, guarantee agency or borrower. The LGD represents the loss rate resulted from the default of the issuer, guarantee agency or borrower. The LGD used in the Bank and CUBCN Bank relevant impairment assessment is based on the information regularly published by Moody's, an international credit rating agency; the PD is based on the information regularly published by Taiwan Ratings and Moody's, and calculated after adjusting the historical data based on the currently observable data and the looking-forward macroeconomic information (eg, gross domestic product and economic growth rate, etc.). The EAD is measured at the amortized cost of financial assets and interests receivable.

The valuation techniques or significant assumptions for assessing the expected credit losses have no significant change in 2018.

Indovina Bank

Indovida Bank has grouped their exposures on the basis of shared credit risk characteristic, including product and counterparty types as follows.

Category	Description
Loan portfolio	Grouped by product class, counterparty type and enterprise size, such as large corporate, SME and retail loans.
Bond portfolio	Grouped by product class, external credit rating and payment ranks, such as sovereign and corporate bonds.

A. Loan portfolio

The segmentation of the Indovina bank's loan portfolio is based on its risk characteristics, such as product class, counterparty type and enterprise size. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default and loss given default were built by the bank's historical delinquent information and recovery data and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, the above criteria for a significant increase in credit risk since initial recognition are not hit, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

B. Bond portfolio

The segmentation of the Indovina bank's bond portfolio is based on its product class, external rating and payment rank. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default and loss given default were built by external information with sufficient historical default data and recovery rates and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, the above criteria for a significant increase in credit risk since initial recognition are not hit, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

Cathay United Bank Cambodia (CUBC)

CUBC measures their expected credit losses by the following segments.

Category	Description
Loan	Grouped by product, counterparty types and loan classification by NBC, such as retail annuity and non-retail annuity.
Credit Card	Grouped as a whole by product characteristic

The segmentation of the CUBC's loan portfolio is based on its risk characteristics, such as product class, counterparty type and loan classification by NBC. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default and loss given default were built by the internal and external historical delinquent information, default rates and written-off amounts and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortized cost and interest receivable. At each financial reporting date, the above criteria for a significant increase in credit risk since initial recognition are not hit, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

Write-off policy

If any of the following conditions apply, the Group writes off its non-performing and nonaccrual loans as uncollectible, less the estimated recoverable amount.

The Group can't expect reasonably to collect the financial assets that including the following index:

- A. The recovery activity has stopped.
- B. Assessed the borrower doesn't have sufficient assets or sources of income to pay the overdraft.

Financial assets have been written-off by the Group may still have ongoing recovery activity, and continue to follow the relevant policies to litigation proceedings.

The consideration of forward-looking information

The Bank and CUBCN Bank

The Bank and CUBCN Bank use historical data to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and use the regression model or imputation adjustment method to estimate the impairment parameter after the prospective adjustment. The significant economic factors and their impact on PD and LGD differ depending on the type of financial instruments.

The significant economic factors identified by the Bank and CUBCN Bank in 2018 are as follows:

Credit category	Probability of Default (PD)	Loss Given Default (LGD)
Enterprise loan	GDP% Inflation Index Proportion of investment in GDP(%)	GDP%
Consumer loan	Growth rate of GDP(%) Proportion of savings in GDP(%) Unemployment rate % Implied Purchasing Power Parities(“PPP”) rate	
Credit card	Growth rate of GDP(%) Proportion of government revenue in GDP(%)	

Indovina Bank

Based on the qualitative and quantitative analysis of historical default data and macroeconomic factors, the Indovina bank applies the selected local and global economic factors in different portfolios. Regression models and interpolation adjustment were used to estimate the forward-looking parameters complied with regulatory requirements. The selected economic factors and their effects on PDs and LGDs varied from different types of portfolios.

The macroeconomic factors selected by the bank for the forward-looking adjustments in 2018 are as follows.

Segment	Selected Factors
Loan portfolio	Vietnam GDP growth rate
Bond portfolio	Global GDP growth rate Global inflation index

Cathay United Bank Cambodia (CUBC)

Based on the qualitative and quantitative analysis of historical default data and regional macroeconomic factors, CUBC chooses the local macroeconomic factor for parameter adjustments. The weighted average method and interpolation adjustment were used to estimate the forward-looking parameters complied with regulatory requirements. The selected economic factors and their effects on PDs varied from different groups of products.

The macroeconomic factors selected by CUBC for the forward-looking adjustments in 2018 are as follows.

Segment	Selected Factors
Retail loan	Cambodia GDP growth rate
Non-retail loan	
Credit Card	

Loss allowance

Movement of allowance for doubtful accounts of discounts and loans

The reconciliation from beginning balance to ending balance of allowance for bad debts of discounts and loans for the year ended 31 December 2018 are as follows:

	Stage 1	Stage 2	Stage 3		Subtotal		Difference from impairment charged in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	
	12-month expected credit losses	Lifetime expected credit losses (Collectively assessed)	Lifetime expected credit losses (Individually assessed)	Lifetime losses (Non-purchased or originated credit-impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit-impaired financial assets)	Total of impairment charged in accordance with IFRS 9		Total
Beginning balance	\$3,724,645	\$1,036,509	\$-	\$4,690,540	\$-	\$9,451,694	\$13,788,238	\$23,239,932
Changes due to financial instruments recognized as at 1 January:								
Transfer to lifetime expected credit losses	(99,353)	1,014,519	-	(11,229)	-	903,937	-	903,937
Individual financial assets transferred to credit-impaired financial assets	(31,497)	(46,974)	-	3,067,341	-	2,988,870	-	2,988,870
Transfer to 12-month expected credit losses	105,340	(543,839)	-	(94,806)	-	(533,305)	-	(533,305)
Financial assets that have been derecognized during the period	(1,846,259)	(172,525)	-	(619,678)	-	(2,638,462)	-	(2,638,462)
New financial assets originated or purchased	1,968,981	516,685	-	1,213,006	-	3,698,672	-	3,698,672
Difference from impairment charged in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	-	-	836,288	836,288
Bad Loans Write-offs	-	-	-	(3,070,128)	-	(3,070,128)	-	(3,070,128)
Foreign exchange and other movements	92,592	(137,054)	-	(262,429)	-	(306,891)	308,328	1,437
Ending balance	\$3,914,449	\$1,667,321	\$-	\$4,912,617	\$-	\$10,494,387	\$14,932,854	\$25,427,241

Movement of allowance for doubtful accounts of receivables

The reconciliation from beginning balance to ending balance of allowance for doubtful accounts of receivables for the year ended 31 December 2018 are as follows:

	Stage 1	Stage 2	Stage 3	Subtotal			
						Difference from	
						impairment charged	
						in accordance with	
						“Regulations	
						Governing the	
						Procedures for	
						Banking Institutions	
						to Evaluate Assets	
						and Deal with Non-	
						performing/Non-	
						accrual Loans”	
						Total	
						IFRS 9	
							Total
Beginning balance	\$78,157	\$63,923	\$-	\$2,106,749	\$-	\$2,248,829	\$2,263,659
Changes due to financial							
instruments recognized as at 1							
January:							
Transfer to lifetime expected credit							
losses	(1,861)	64,210	-	(1,634)	-	60,715	60,715
Individual financial assets							
transferred to credit-impaired							
financial assets	(377)	(637)	-	62,160	-	61,146	61,146
Transfer to 12-month expected							
credit losses	1,251	(19,979)	-	(2,667)	-	(21,395)	(21,395)
Financial assets that have been							
derecognized during the period	(53,572)	(37,863)	-	(296,585)	-	(388,020)	(388,020)
New financial assets originated or							
purchased	80,911	54,338	-	287,174	-	422,423	422,423
Difference from impairment charged in							
accordance with “Regulations							
Governing the Procedures for Banking							
Institutions to Evaluate Assets and							
Deal with Non- performing/Non-							
accrual Loans”	-	-	-	-	-	37,522	37,522
Bad Loans Write-offs	-	-	-	(442,217)	-	(442,217)	(442,217)
Foreign exchange and other							
movements	21,513	(7,027)	-	55,512	-	69,998	68,116
Ending balance	\$126,022	\$116,965	\$-	\$1,768,492	\$-	\$2,011,479	\$2,061,949

Movement of impairment loss of financial assets at fair value through other comprehensive income

The reconciliation from beginning balance to ending balance of impairment loss of financial assets at fair value through other comprehensive income for the year ended 31 December 2018 are as follows:

	Stage 1	Stage 2		Stage 3		Total
		Lifetime expected credit losses (Collectively assessed)	Lifetime expected credit losses (Individually assessed)	Lifetime expected credit losses (Non-purchased or originated credit-impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit-impaired financial assets)	Total of impairment charged in accordance with IFRS 9
Beginning balance	\$24,182	\$-	\$-	\$-	\$-	\$24,182
Changes due to financial instruments recognized as at 1 January:						
Transfer to lifetime expected credit losses	-	-	-	-	-	-
Individual financial assets transferred to credit-impaired financial assets	-	-	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-	-	-
Financial assets that have been derecognized during the period	(38,897)	-	-	-	-	(38,897)
New financial assets originated or purchased	327,459	-	-	-	-	327,459
Foreign exchange and other movements	1,889	-	-	-	-	1,889
Ending balance	\$314,633	\$-	\$-	\$-	\$-	\$314,633

Movement of the allowance for impairment debt instrument investments measured at amortized cost

The reconciliation from beginning balance to ending balance of allowance for impairment of the debt instrument investments measured at amortized cost for the year ended 31 December 2018 are as follows:

	Stage 1	Stage 2		Stage 3		Total
		Lifetime expected credit losses (Collectively assessed)	Lifetime expected credit losses (Individually assessed)	Lifetime expected credit losses (Non-purchased or originated credit-impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit-impaired financial assets)	Total of impairment charged in accordance with IFRS 9
Beginning balance	\$14,852	\$-	\$-	\$-	\$-	\$14,852
Changes due to financial instruments recognized as at 1 January:						
Transfer to lifetime expected credit losses	-	-	-	-	-	-
Individual financial assets transferred to credit-impaired financial assets	-	-	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-	-	-
Financial assets that have been derecognized during the period	(32,282)	-	-	-	-	(32,282)
New financial assets originated or purchased	58,290	-	-	-	-	58,290
Foreign exchange and other movements	(9,673)	-	-	-	-	(9,673)
Ending balance	\$31,187	\$-	\$-	\$-	\$-	\$31,187

Movement of Reserve for losses on guarantees, the letters of credit receivables and reserve for financing commitments

The reconciliation from beginning balance to ending balance of the reserve for losses on guarantees, the letters of credit receivables and reserve for financing commitments for the year ended 31 December 2018 are as follows:

	Stage 1	Stage 2	Stage 3		Subtotal			
				Lifetime expected credit losses (Non-purchased or originated credit-impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit-impaired financial assets)	Total of impairment charged in accordance with IFRS 9	Difference from impairment charged in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	Total
Beginning balance	\$114,406	\$21,997	\$-	\$23,394	\$-	\$159,797	\$52,952	\$212,749
Changes due to financial instruments recognized as at 1 January:								
Transfer to lifetime expected credit losses	(434)	19,554	-	(24)	-	19,096	-	19,096
Individual financial assets transferred to credit-impaired financial assets	(24)	(35)	-	8,027	-	7,968	-	7,968
Transfer to 12-month expected credit losses	873	(11,728)	-	(445)	-	(11,300)	-	(11,300)
Financial assets that have been derecognized during the period	(58,795)	(9,046)	-	(19,919)	-	(87,760)	-	(87,760)
New financial assets originated or purchased	174,392	57,160	-	1,606	-	233,158	-	233,158
Difference from impairment charged in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	-	-	18,375	18,375
Foreign exchange and other movements	21,554	(4,366)	-	(7,521)	-	9,667	-	9,667
Ending balance	\$251,972	\$73,536	\$-	\$5,118	\$-	\$330,626	\$71,327	\$401,953

Movement of the allowance for doubtful accounts and impairment of others

The reconciliation from beginning balance to ending balance of allowance for bad debts of the other financial assets for the year ended 31 December 2018 are as follows:

	Stage 1	Stage 2		Stage 3		Subtotal		
				Lifetime expected credit losses (Non-purchased or originated credit-impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit-impaired financial assets)		Difference from impairment charged in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	Total
	12-month expected credit losses	Lifetime expected credit losses (Collectively assessed)	Lifetime expected credit losses (Individually assessed)			Total of impairment charged in accordance with IFRS 9		
Beginning balance	\$19,028	\$-	\$-	\$-	\$-	\$19,028	\$9	\$19,037
Changes due to financial instruments recognized as at 1 January:								
Transfer to lifetime expected credit losses	-	-	-	-	-	-	-	-
Individual financial assets transferred to credit-impaired financial assets	-	-	-	-	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-	-	-	-	-
Financial assets that have been derecognized during the period	(1,581)	-	-	-	-	(1,581)	-	(1,581)
New financial assets originated or purchased	55,191	-	-	-	-	55,191	-	55,191
Difference from impairment charged in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	-	-	-	-
Foreign exchange and other movements	258	-	-	-	-	258	-	258
Ending balance	\$72,896	\$-	\$-	\$-	\$-	\$72,896	\$9	\$72,905

The Group’s other financial assets for assessing the expected credit impairment losses include cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under agreements to resell, refundable deposits and bills purchased.

Movement of the gross carrying amounts of discounts and loans

The movement of the gross carrying amounts of discounts and loans for the year ended 31 December 2018 are as follows:

	Stage1	Stage2		Stage3		
	12-month expected credit losses	Lifetime expected credit losses (Collectively assessed)	Lifetime expected credit losses (Individually assessed)	Lifetime expected credit losses (Non- purchased or originated credit- impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit- impaired financial assets)	Total
Beginning balance	\$1,399,416,842	\$47,973,789	\$-	\$10,407,468	\$-	\$1,457,798,099
Transfer to lifetime expected credit losses	(23,802,859)	23,861,030	-	(58,171)	-	-
Individual financial assets transferred to credit- impaired financial assets	(2,338,666)	(909,935)	-	3,248,601	-	-
Transfer to 12-month expected credit losses	18,817,944	(18,381,206)	-	(436,738)	-	-
Financial assets that have been derecognized during the period	(493,360,455)	(16,171,418)	-	(313,462)	-	(509,845,335)
New financial assets originated or purchased	647,027,046	23,815,923	-	2,167,168	-	673,010,137
Foreign exchange and other movements	3,945,197	(912,449)	-	(133,550)	-	2,899,198
Bad loans write-offs	-	-	-	(3,111,607)	-	(3,111,607)
Ending balance	\$1,549,705,049	\$59,275,734	\$-	\$11,769,709	\$-	\$1,620,750,492

Movement of the gross carrying amounts of receivables

The movement of the gross carrying amounts of receivables for the year ended 31 December 2018 are as follows:

	Stage1	Stage2		Stage3		
	12-month expected credit losses	Lifetime expected credit losses (Collectively assessed)	Lifetime expected credit losses (Individually assessed)	Lifetime expected credit losses (Non- purchased or originated credit- impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit- impaired financial assets)	Total
Beginning balance	\$74,426,480	\$2,070,086	\$-	\$2,915,898	\$-	\$79,412,464
Transfer to lifetime expected credit losses	(639,711)	642,075	-	(2,364)	-	-
Individual financial assets transferred to credit- impaired financial assets	(81,508)	(9,042)	-	90,550	-	--
Transfer to 12-month expected credit losses	280,500	(276,613)	-	(3,887)	-	-
Financial assets that have been derecognized during the period	(68,728,339)	(1,848,225)	-	(594,290)	-	(71,170,854)
New financial assets originated or purchased	79,100,185	1,081,499	-	459,513	-	80,641,197
Foreign exchange and other movements	(400,794)	1,209	-	1,597	-	(397,988)
Bad loans write-offs	-	-	-	(444,144)	-	(444,144)
Ending balance	\$83,956,813	\$1,660,989	\$-	\$2,422,873	\$-	\$88,040,675

Movement of the gross carrying amounts of financial assets at fair value through other comprehensive income

The movement of the gross carrying amounts of financial assets at fair value through other comprehensive income for the year ended 31 December 2018 are as follows:

	Stage1	Stage2		Stage3		
	12-month expected credit losses	Lifetime expected credit losses (Collectively assessed)	Lifetime expected credit losses (Individually assessed)	Lifetime expected credit losses (Non- purchased or originated credit- impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit- impaired financial assets)	Total
Beginning balance	\$159,385,272	\$-	\$-	\$-	\$-	\$159,385,272
Transfer to lifetime expected credit losses	-	-	-	-	-	-
Individual financial assets transferred to credit- impaired financial assets	-	-	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-	-	-
Financial assets that have been derecognized during the period	(58,653,554)	-	-	-	-	(58,653,554)
New financial assets originated or purchased	85,649,879	-	-	-	-	85,649,879
Foreign exchange and other movements	2,201,136	-	-	-	-	2,201,136
Ending balance	\$188,582,733	\$-	\$-	\$-	\$-	\$188,582,733

Movement of the gross carrying amounts of the debt instrument investments measured at amortized cost.

The movement of the gross carrying amounts of the debt instrument investments measured at amortized cost and off-balance sheet debt instruments for the year ended 31 December 2018 are as follows:

	Stage1	Stage2		Stage3		
	12-month expected credit losses	Lifetime expected credit losses (Collectively assessed)	Lifetime expected credit losses (Individually assessed)	Lifetime expected credit losses (Non- purchased or originated credit- impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit- impaired financial assets)	Total
Beginning balance	\$376,068,060	\$-	\$-	\$-	\$-	\$376,068,060
Transfer to lifetime expected credit losses	-	-	-	-	-	-
Individual financial assets transferred to credit- impaired financial assets	-	-	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-	-	-
Financial assets that have been derecognized during the period	(321,363,670)	-	-	-	-	(321,363,670)
New financial assets originated or purchased	329,822,852	-	-	-	-	329,822,852
Foreign exchange and other movements	36,526,451	-	-	-	-	36,526,451
Ending balance	\$421,053,693	\$-	\$-	\$-	\$-	\$421,053,693

Movement of the gross carrying amounts of reserve for losses on guarantees, the letters of credit receivables, reserve for financing commitments and relevant off-balance sheet items.

The movement of the gross carrying amounts of the reserve for losses on guarantees, the letters of credit receivables, reserve for financing commitments and relevant off-balance sheet items for the year ended 31 December 2018 are as follows:

	Stage1	Stage2		Stage3		
	12-month expected credit losses	Lifetime expected credit losses (Collectively assessed)	Lifetime expected credit losses (Individually assessed)	Lifetime expected credit losses (Non- purchased or originated credit- impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit- impaired financial assets)	Total
Beginning balance	\$1,159,174,758	\$20,791,905	\$-	\$2,720,794	\$-	\$1,182,687,457
Transfer to lifetime expected credit losses	(21,702,661)	21,708,781	-	(6,120)	-	-
Individual financial assets transferred to credit- impaired financial assets	(156,808)	(13,707)	-	170,515	-	-
Transfer to 12-month expected credit losses	10,454,858	(10,413,362)	-	(41,496)	-	-
Financial assets that have been derecognized during the period	(310,563,088)	(10,285,353)	-	(551,715)	-	(321,400,156)
New financial assets originated or purchased	358,028,697	22,984,631	-	869,489	-	381,882,817
Foreign exchange and other movements	12,092,772	257,474	-	952	-	12,351,198
Ending balance	\$1,207,328,528	\$45,030,369	\$-	\$3,162,419	\$-	\$1,255,521,316

Movement of the gross carrying amounts of other financial assets

The movement of the gross carrying amounts of other financial asset for the year ended 31 December 2018 are as follows:

	Stage1	Stage2		Stage3		
	12-month expected credit losses	Lifetime expected credit losses (Collectively assessed)	Lifetime expected credit losses (Individually assessed)	Lifetime expected credit losses (Non- purchased or originated credit- impaired financial assets)	Lifetime expected credit losses (Purchased or originated credit- impaired financial assets)	Total
Beginning balance	\$275,151,890	\$-	\$-	\$-	\$-	\$275,151,890
Transfer to lifetime expected credit losses	-	-	-	-	-	-
Individual financial assets transferred to credit- impaired financial assets	-	-	-	-	-	-
Transfer to 12-month expected credit losses	-	-	-	-	-	-
Financial assets that have been derecognized during the period	(80,449,326)	-	-	-	-	(80,449,326)
New financial assets originated or purchased	24,126,618	-	-	-	-	24,126,618
Foreign exchange and other movements	254,825	-	-	-	-	254,825
Ending balance	\$219,084,007	\$-	\$-	\$-	\$-	\$219,084,007

Other financial assets contained cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under agreements to resell, guarantee deposits paid and exchange bills negotiated.

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, average, and bad.

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.

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. Maximum exposures to credit risk

The Group's Discounts and loans

	Stage 1	Stage 2	Stage 3		2018.12.31
				Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	Total
Rating grade	12-month expected credit loss	Lifetime expected credit losses	Lifetime expected credit losses	Purchased or originated credit-impaired financial assets	
Consumer banking					
Excellent	\$566,722,439	\$471,033	\$-	\$-	\$567,193,472
Good	365,880,239	867,356	-	-	366,747,595
General	9,499,671	5,864,797	-	-	15,364,468
Bad	-	-	5,400,428	-	5,400,428
Corporate banking					
Excellent	386,965,775	23,866,950	-	-	410,832,725
Good	198,235,569	21,375,110	-	-	219,610,679
General	22,401,356	6,830,488	-	-	29,231,844
Bad	-	-	6,263,226	-	6,263,226
Credit card					
Excellent	-	-	-	-	-
Good	-	-	-	-	-
General	-	-	-	-	-
Bad	-	-	106,055	-	106,055
Total carrying amount	1,549,705,049	59,275,734	11,769,709	-	1,620,750,492
Less : Allowance impairment	(3,914,449)	(1,667,321)	(4,912,617)	-	(10,494,387)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	(14,932,854)
Total	\$1,545,790,600	\$57,608,413	\$6,857,092	\$-	\$(14,932,854)
					\$1,595,323,251

The Group's receivables

	Stage 1	Stage 2	Stage 3			2018.12.31
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Purchased or originated credit-impaired financial assets	Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	Total
Rating grade						
Consumer banking						
Excellent	\$313,967	\$1,520	\$-	\$-	\$-	\$315,487
Good	374,050	4,774	-	-	-	378,824
General	12,336	13,348	-	-	-	25,684
Bad	-	-	21,714	-	-	21,714
Corporate banking						
Excellent	3,200,148	376,766	-	-	-	3,576,914
Good	2,123,609	80,240	-	-	-	2,203,849
General	101,984	10,680	-	-	-	112,664
Bad	-	-	24,603	-	-	24,603
Credit card						
Excellent	44,617,166	23,730	-	-	-	44,640,896
Good	21,461,738	74,408	-	-	-	21,536,146
General	1,364,878	1,075,523	-	-	-	2,440,401
Bad	-	-	1,705,310	-	-	1,705,310
Others	10,386,937	-	671,246	-	-	11,058,183
Total carrying amount	83,956,813	1,660,989	2,422,873	-	-	88,040,675
Less : Allowance impairment	(126,022)	(116,965)	(1,768,492)	-	-	(2,011,479)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	(50,470)	(50,470)
Total	\$83,830,791	\$1,544,024	\$654,381	\$-	\$(50,470)	\$85,978,726

The amounts of the financial assets maximum exposures to credit risk that the impairment regulations are invalid to the group are as follow:

	2018.12.31	2017.12.31 (Note)
Financial assets at fair value through profit or loss		
— Stocks	\$3,657	
— Short-term bills	162,478,515	
— Mutual funds and beneficiary securities	96,786	
— Bonds	38,630,552	
— Derivative financial instruments	49,475,706	
Financial assets at fair value through other comprehensive income		
— equity instruments	12,087,150	

Notes: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

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	
	2018.12.31	2017.12.31
Irrevocable loan commitments	\$154,605,389	\$211,222,089
Credit card commitments	669,232,204	626,829,201
Unused commercial letters of credit	4,217,682	3,765,996
Guarantees on duties and contracts	13,534,956	7,167,460
Total	\$841,590,231	\$848,984,746

b. Indovina Bank

Off balance sheet items	Maximum exposure to credit risk	
	2018.12.31	2017.12.31
Unused commercial letters of credit	\$1,017,801	\$1,629,282
Financial guarantee contracts	2,262,842	2,587,848
Total	\$3,280,643	\$4,217,130

c. CUBC Bank

Off balance sheet items	Maximum exposure to credit risk	
	2018.12.31	2017.12.31
Irrevocable loan commitments	\$-	\$647,417
Credit card commitments	447,040	403,120
Financial guarantee contracts	78,161	60,673
Total	\$525,201	\$1,111,210

d. CUBCN Bank

Off balance sheet items	Maximum exposure to credit risk	
	2018.12.31	2017.12.31
Irrevocable loan commitments	\$623,837	\$-
Unused commercial letters of credit	773,078	-
Financial guarantee contracts	170,835	-
Total	\$1,567,750	\$-

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	2018.12.31		2017.12.31	
	Amount	%	Amount	%
Industry type				
Manufacturing	\$117,141,000	7.16	\$98,481,993	6.72
Financial institutions and insurance	74,995,593	4.58	67,599,101	4.61
Leasing and real estate	140,808,012	8.60	122,798,794	8.38
Individuals	900,573,664	55.03	822,631,846	56.14
Others	403,005,618	24.63	353,911,306	24.15
Total	<u>\$1,636,523,887</u>	<u>100.00</u>	<u>\$1,465,423,040</u>	<u>100.00</u>

Item	2018.12.31		2017.12.31	
	Amount	%	Amount	%
Geographic Region				
Domestic	\$1,360,278,586	83.12	\$1,223,249,877	83.47
Asia	160,134,030	9.78	130,593,968	8.91
America	31,418,258	1.92	28,077,424	1.92
Others	84,693,013	5.18	83,501,771	5.70
Total	<u>\$1,636,523,887</u>	<u>100.00</u>	<u>\$1,465,423,040</u>	<u>100.00</u>

F. Credit quality analysis of the financial assets

Some of the financial assets held by the Bank, 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

2018.12.31: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

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

(B) The credit quality analysis on neither past due nor impaired discounts and loans of the Bank

2018.12.31: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

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
Total	\$941,240,553	\$413,585,185	\$48,456,790	\$1,403,282,528

(C) Credit quality analysis on securities investment of the Bank

2018.12.31: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

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

(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.

2018.12.31: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

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

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 as of 31 December 2017, due to the existence of objective impairment evidence.

(B) The Group's impairment assessment of discounts and loans and receivables, please refer to Note 6.(6) and Note 6.(7).

H. Impairment analysis of non-financial assets of the Group

Foreclosed properties management policy

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.

The Bank and Indovina Bank and CUBCN Bank have no foreclosed properties. The foreclosed properties in CUBC Bank has no recognized impairment loss for foreclosed properties for the years ended 31 December 2018 and 2017, respectively, due to the existence of objective impairment evidence. The accumulated impairment loss in the amount of \$49,656 thousand and \$53,726 thousand as of 31 December 2018 and 31 December 2017, respectively.

(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 Bank believes it can generate within that period. The management systems and systems includes the measurement of liquidity risk, Interest rate sensitivity analysis, scenario analysis and emergency response plan. And adopt quantitative management to adjust the liquidity gap in order to ensure proper liquidity in response to changes in daily capital flows and market conditions. The strategic planning of the Bank's liquidity management is under the responsibility of the Asset and Liability Management Committee, and the daily operation and execution are the responsibility of the Treasury Marketing Unit Department. 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 or loss, financial assets at fair value through other comprehensive income, debt instrument investment measured at amortized cost, and discounts and loans.

(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.

			181 days -		
2018.12.31	0-30 days	31-180 days	1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	\$33,388,821	\$17,227,043	\$17,187,533	\$147,450	\$67,950,847
Non-derivative financial liabilities at fair value through profit or loss	-	-	610,767	51,992,332	52,603,099
Securities sold under agreements to repurchase	30,140,774	10,582,338	-	15,436,901	56,160,013
Payables	12,118,626	6,512,187	909,069	402,186	19,942,068
Deposits and remittances	353,788,658	872,227,988	834,010,982	116,509,145	2,176,536,773
Financial debentures payable	7,800	727,699	1,537,213	53,900,000	56,172,712
Other capital outflow at maturity	27,116,530	40,057,002	8,599,063	1,251,007	77,023,602

			181 days -		
2017.12.31	0-30 days	31-180 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	50,124,009	50,767,102
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

B. Maturity analysis of derivative financial liabilities

(A) Net settled derivative financial instruments

Net settled derivatives engaged by the Bank include:

- Foreign exchange derivative instruments: foreign exchange options, non-delivery forwards;
- 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:

	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
2018.12.31					
Derivative financial liabilities at fair value through profit or loss					
- Foreign exchange derivative instruments	\$86,688	\$45,095	\$229,800	\$199	\$361,782
- Interest rate derivative instruments	21,092	285,082	543,248	23,522,719	24,372,141
Total	\$107,780	\$330,177	\$773,048	\$23,522,918	\$24,733,923

	0-30 days	31-180 days	181 days - 1 year	Over 1 year	Total
2017.12.31					
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

(B) Maturity analysis of gross settled derivative financial instruments

Gross settled derivatives engaged by the Bank include:

- Foreign exchange derivative instruments: currency futures and swaps;
- Interest rate derivative instruments: cross currency swaps;
- 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:

2018.12.31	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	\$(3,875,082)	\$(4,718,572)	\$(558,507)	\$(296,855)	\$(9,449,016)
-Cash inflow	24,170	17,928	717	-	42,815
- Interest rate derivative instruments					
-Cash outflow	(10,384)	(56,742)	(107,229)	(423,860)	(598,215)
-Cash inflow	-	-	-	-	-
Cash outflow subtotal	(3,885,466)	(4,775,314)	(665,736)	(720,715)	(10,047,231)
Cash inflow subtotal	24,170	17,928	717	-	42,815
Net cash flow	\$(3,861,296)	\$(4,757,386)	\$(665,019)	\$(720,715)	\$(10,004,416)

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)

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:

	Not later than		Later than	
2018.12.31	1 year	1~5 years	5 years	Total
Irrevocable loan commitments	\$109,990,204	\$35,237,143	\$9,378,042	\$154,605,389
Credit card commitments	55,543,412	237,450,848	376,237,944	669,232,204
Financial guarantee contracts	12,492,672	4,793,131	466,835	17,752,638
Leasing commitments				
- Non-cancellable operating lease payments	1,435,798	3,501,147	277,120	5,214,065
Total	<u>\$179,462,086</u>	<u>\$280,982,269</u>	<u>\$386,359,941</u>	<u>\$846,804,296</u>

	Not later than		Later than	
2017.12.31	1 year	1~5 years	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	<u>\$255,565,345</u>	<u>\$308,296,305</u>	<u>\$289,804,542</u>	<u>\$853,666,192</u>

(9) Capital management

A. Overview

(A) The capital management objectives of the Group are as follows:

- a. 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.
- b. 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:
 - a. 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.
 - b. 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:

- a. 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.
- b. 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.
- c. 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.).
- d. 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 2018 and 31 December 2017, the ratio of the Group eligible capital to its consolidated risk-weighted assets were 15.67% and 15.78%, respectively.

(10) Structured entities

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:

Types of structured entity	Nature and purpose	Interests owned
Securitization vehicle	Investment in asset-backed securities to receive returns	Investment in securitization vehicles issued by the entity

B. As of 31 December 2018 and 31 December 2017, the carrying amount of assets recognized by Group relating to its interests in unconsolidated structured entities is disclosed as follows:

	2018.12.31	2017.12.31
Financial assets at fair value through other comprehensive income	\$3,191,683	(Note)
Debt instrument investment measured at amortized cost	47,970,374	(Note)
Available-for-sale financial assets-net	(Note)	\$581,533
Held-to maturity financial assets-net	(Note)	9,843,981
Investments in debt securities with no active market-net	(Note)	27,141,758
Total	<u>\$51,162,057</u>	<u>\$37,567,272</u>

Notes: The Group has adopted IFRS 9 from 1 January 2018, and prefers not to restate comparative periods under the transitional requirements in IFRS 9.

(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	
	2018.12.31	2017.12.31		2018.12.31	2017.12.31
Bank deposits	\$27,484,176	\$10,474,729	Payables	\$267	\$210
Bonds	53,357,390	53,075,477	Tax payable	80	38
Stocks	38,234,682	37,580,235	Custody securities payable	120,626,362	115,412,690
Mutual funds	215,085,447	205,412,786	Other liabilities	409	6
Insurance product	2,854,984	2,837,954	Trust capital	383,385,057	355,232,038
Receivables	4,477	2,492	Accumulated losses		
Real estate			Earnings distribution	(178,337)	(92,145)
Land	45,380,631	44,789,865	Net income	192,056	129,789
Buildings, net	37,127	46,079	Accumulated losses	(130,642)	(168,287)
Construction in progress	829,976	882,032	Net assets		
Custody securities	120,626,362	115,412,690	Capital account	-	-
			Distributable revenue	-	-
			(Accumulated net investment revenue)		
Total	<u>\$503,895,252</u>	<u>\$470,514,339</u>	Total	<u>\$503,895,252</u>	<u>\$470,514,339</u>

Income Statement Based on Trust

Items	2018	2017
Trust revenue		
Interest income	\$30,456	\$32,885
Rent income	3,461	36
Cash dividends income	313,499	116,244
Realized capital income-stocks	6,060	886
Realized capital income-funds	18,844	8,340
Unrealized investment income-stocks	14,314	20,507
Unrealized investment income-funds	1,616	2,177
Subtotal	<u>388,250</u>	<u>181,075</u>
Trust expense		
Management fee	19,377	18,392
Supervisor fee	1,530	1,251
Taxes	1,225	1,317
Processing fee	1,036	1,383
Realized capital loss-funds	11,743	24,382
Unrealized capital loss-stocks	737	508
Unrealized capital loss-funds	1,289	752
Others	159,257	3,301
Subtotal	<u>196,194</u>	<u>51,286</u>
Income equalization		
Net income before tax	192,056	129,789
Tax expenses	-	-
Net income	<u><u>\$192,056</u></u>	<u><u>\$129,789</u></u>

Details of Trust Properties

Items	2018.12.31	2017.12.31
Bank deposits	\$27,484,176	\$10,474,729
Bonds	53,357,390	53,075,477
Stocks	38,234,682	37,580,235
Mutual funds	215,085,447	205,412,786
Insurance product	2,854,984	2,837,954
Receivables	4,477	2,492
Real estate		
Land	45,380,631	44,789,865
Buildings, net	37,127	46,079
Construction in progress	829,976	882,032
Custody securities	<u>120,626,362</u>	<u>115,412,690</u>
Total	<u><u>\$503,895,252</u></u>	<u><u>\$470,514,339</u></u>

B. The Bank conducts trust business by Trust Enterprise Act Article 3. The related trust business information as of 31 December 2018 and 31 December 2017 are as follows:

Items	2018.12.31	2017.12.31
Special trust of money that invest in foreign securities	\$209,007,455	\$205,950,455
Special trust money that invest in domestic securities	58,425,310	51,048,312
Trust of money-custody securities	120,626,362	115,412,690
Trust of real estate	46,202,109	45,424,195
Trust of real estate price	3,939,531	3,083,420
Trust of insurance claims	212,007	209,081
Personal and corporate trust	61,672,064	46,498,114
Trust of business employee's savings	2,175,526	2,151,132
Trust of securities	1,634,888	736,940
Total	<u>\$503,895,252</u>	<u>\$470,514,339</u>

(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:

	2018.12.31		
	Foreign Currency	Exchange Rate	NTD
<u>Financial Assets</u>			
<u>Monetary Items</u>			
USD	\$13,372,308	30.7330	\$410,971,142
CNY	5,166,157	4.4742	23,114,420
HKD	8,325,249	3.9240	32,668,277
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	12,941,117	30.7330	397,719,349
CNY	8,476,523	4.4742	37,925,659
AUD	1,808,396	21.6775	39,201,504

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

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 for the years ended 31 December 2018 and 2017 were gains \$1,512,717 thousand and \$459,492 thousand.

(14) The reconciliation of liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities for the year ended 31 December 2018:

	<u>Financial bond payable</u>
1 January 2018	\$63,350,000
Cash flows	(7,750,000)
Non-cash changes	-
31 December 2018	<u>\$55,600,000</u>

The reconciliation of liabilities arising from financing activities for the year ended 31 December 2017:

Not applied.

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:

- (1) Corporate banking segment - syndication loans, large-sized loans, group loans and general loans, etc.
- (2) 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.
- (3) Offshore banking segment, offshore banking unit, overseas branches and representative office, etc.
- (4) 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.

Segment information

	Corporate Banking Segment	Retail Banking Segment	Offshore Banking Segment	Other Segment	Consolidated
2018.01.01-2018.12.31					
Net interest income					
(from external customer)	\$8,703,277	\$12,846,867	\$6,934,418	\$4,912,694	\$33,397,256
Inter-segment revenues (expense)	\$(3,393,889)	\$11,933,276	\$(251,312)	\$(8,288,075)	\$-
Segment net income	\$4,958,463	\$19,691,327	\$1,586,649	\$(1,753,084)	\$24,483,355
Income tax expense					(3,230,004)
Net income after income taxes					\$21,253,351

2017.01.01-2017.12.31	Corporate Banking Segment	Retail Banking Segment	Offshore Banking Segment	Other Segment	Consolidated
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

Geographic regions information

Income from external customer :

	2018	2017
Taiwan	\$26,462,838	\$23,871,947
Other countries	6,934,418	5,828,850
Total	\$33,397,256	\$29,700,797

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 for the years ended 31 December 2018 and 2017.
- 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

Capital adequacy Ratio

Unit: In Thousands of New Taiwan Dollars, %

Item			Year	December 31,2018	December 31,2017
Eligible capital	Common equity			\$173,805,139	\$151,860,690
	Other Tier 1 capital			34,304,206	33,690,073
	Tier 2 capital			64,789,659	68,268,776
	Eligible capital			272,899,004	253,819,539
Risk-weighted assets	Credit risk	Standardized approach		1,525,409,836	1,373,772,064
		Internal ratings – based approach		-	-
		Securitization		20,415,153	10,723,549
	Operational risk	Basic indicator approach		-	-
		Standardized approach/alternative standardized approach		90,566,602	83,373,850
		Advanced measurement approach		-	-
	Market risk	Standardized approach		104,686,276	140,437,191
		Internal model approach		-	-
	Risk-weighted assets			1,741,077,867	1,608,306,654
Total consolidated capital adequacy ratio				15.67%	15.78%
Common equity Tier 1 ratio				9.98%	9.44%
Tier 1 captial ratio				11.95%	11.54%
Leverage Ratio				6.81%	6.27%

Note 1: Eligible capital and risk-weighted assets are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and “Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks”.

Note 2: The annual financial statement should be filled with BIS ratio for the current period and the previous period.

Exposing the current period and the previous period on the semi-annual financial statements, in addition, increasing BIS ratio at the end of the previous year.

Note 3: Formulas used were as follows:

(1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.

(2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

(3) Capital adequacy ratio = Eligible capital / Risk-weighted assets.

(4) Ratio of the common equity to risk-weighted assets = Common equity / Risk-weighted assets.

(5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) / Risk-weighted assets.

(6) Leverage ratio = Tier 1 capital / Exposure measurement.

Appendix V

Cathay United Bank Co., Ltd.
Parent Company Only Financial Statements
For The Years Ended
31 December 2018 and 2017
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 2018 and 31 December 2017, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2018 and 2017, 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 2018 and 31 December 2017, and their financial performance and cash flows for the years ended 31 December 2018 and 2017 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 the parent company only financial statements for the year ended 31 December 2018. 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)

Loan loss provision

In accordance with International Financial Reporting Standard 9, the Bank developed their own systems to perform both individual and collective assessments of bad debts on loans. The systems assess the bad debts based on external and internal historical experience and parameters from forecast data or estimated future recoverable cash flows. The assessment included determining whether credit risk increases significantly, and that credit has impaired, as well as expected credit loss model and the related expected credit loss parameters. Therefore, we determined the loan loss provision as a key audit matter.

Our audit procedures included (but not limited to) assessing and testing the internal controls relating to the underlying loan loss provision, including assessing the source of the bad debt and the bad debt assessment system, and reviewing whether the allowance for bad debt assessment approach has been approved by management. For loan loss provisions calculated on a collective basis, we 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 on a sampling basis, such as expected lifetime, EAD, probability of default, recovery rates and loss given default. For loan loss provisions calculated on an individual basis, we tested the assumptions which were used to identify and quantify the impairments, on a sampling basis, including estimates of future cash flows, valuation of guarantee and estimates of recovery on default. We reviewed the classification of loans and the provision of allowance for loans comply to ensure that management complied with the related regulations issued by the authorities of the Republic of China.

Please refer to Note 4, 5.(2), 6.(7) and 12.(7) for information about the Bank's provision of allowance for loans.

Valuation of financial instruments

The Bank uses 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)

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 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. Therefore, we determined the assessment of goodwill impairment as a key audit matter.

Our audit procedures included but not limited to assessing the rationality of the Bank 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.(14) for information about the Bank goodwill impairment assessment.

Emphasis of Matter – Application of New Accounting Standards

As described in Note 3 of the parent company only financial statements, the Bank applied the International Financial Reporting Standard 9, "Financial Instruments" and 15, "Revenue from Contracts with Customers" on 1 January, 2018, and elected not to restate the parent company only financial statement for prior periods. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the “Regulations Governing the Preparation of Financial Reports by Public Banks”, “Regulation 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.

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 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.

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)

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.
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 audits.

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.

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)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit for the year ended 31 December 2018 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.

/s/ Chang, Cheng-Tao

/s/ Huang, Chien-Che

Ernst & Young
Taipei, Taiwan
The Republic of China
21 March 2019

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 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 2018 and 31 December 2017

(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	2018.12.31	2017.12.31
Cash and cash equivalents	4, 6, 7	\$66,762,454	\$58,342,595
Due from the Central Bank and call loans to banks	6, 7	102,596,003	121,859,843
Financial assets at fair value through profit or loss	4, 5, 6	246,407,565	309,972,777
Financial assets at fair value through other comprehensive income	4, 5, 6	180,253,805	-
Debt instrument investment measured at amortized cost	4, 5, 6	419,828,413	-
Securities purchased under agreements to resell	4, 6	40,462,461	85,388,175
Receivables - net	4, 5, 6, 7	85,277,180	76,953,234
Discounts and loans - net	4, 5, 6, 7	1,533,747,366	1,399,567,004
Available-for-sale financial assets - net	4, 5, 6	-	142,212,975
Held-to-maturity financial assets - net	4, 5, 6	-	31,853,543
Investments accounted for using the equity method - net	4, 6	25,501,114	9,017,435
Other financial assets - net	4, 5	1,271	1,276
Investments in debt securities with no active market - net	4, 5, 6	-	388,287,593
Property and equipment - net	4, 6, 7	24,755,100	24,262,267
Investment properties - net	4, 5, 6	1,439,686	1,547,372
Intangible assets - net	4, 5, 6	7,509,044	7,398,865
Deferred tax assets	4, 5, 6	1,861,573	2,223,266
Other assets - net	4, 6, 7	34,418,482	23,704,316
Total assets		<u>\$2,770,821,517</u>	<u>\$2,682,592,536</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 2018 and 31 December 2017

(Expressed in thousands of New Taiwan Dollars)

Liabilities and equity	Notes	2018.12.31	2017.12.31
Liabilities			
Due to the Central Bank and call loans from banks	6, 7	\$67,728,200	\$84,375,047
Financial liabilities at fair value through profit or loss	4, 5, 6	102,960,537	87,305,126
Securities sold under agreements to repurchase	4, 6	55,974,509	109,941,425
Payables	6, 7	23,816,109	22,794,360
Current tax liabilities	4, 5	87,061	408,947
Deposits and remittances	6, 7	2,174,157,863	2,056,168,811
Financial debentures payable	4, 6	55,600,000	63,350,000
Other financial liabilities	6	76,509,334	66,057,646
Provisions	4, 5, 6	3,389,976	3,187,664
Deferred tax liabilities	4, 5, 6	1,645,038	1,580,152
Other liabilities	6, 7	7,187,344	8,959,880
Total liabilities		<u>2,569,055,971</u>	<u>2,504,129,058</u>
Equity			
Equity attribute to equity holders of parent			
Capital stock	6		
Common stock		91,197,623	78,604,060
Capital surplus	6	33,610,983	33,610,983
Retained earnings	6		
Legal reserves		51,631,140	45,823,601
Special reserves		2,933,808	1,977,363
Undistributed earnings		21,015,571	19,302,403
Other equity	6	1,376,421	(854,932)
Total equity		<u>201,765,546</u>	<u>178,463,478</u>
Total liabilities and equity		<u>\$2,770,821,517</u>	<u>\$2,682,592,536</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 comprehensive income

For the years ended 31 December 2018 and 2017

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

Items	Notes	2018.01.01- 2018.12.31	2017.01.01- 2017.12.31
Interest income	4, 6, 7	\$49,156,871	\$42,724,485
Interest expense	6, 7	(18,330,503)	(15,037,732)
Net interest income		30,826,368	27,686,753
Non-interest income			
Net fee income	4, 6, 7	16,527,602	14,730,893
Gains on financial assets and liabilities at fair value through profit or loss	6, 7	5,488,759	6,131,848
Realized gains on available-for-sale financial assets		-	1,958,976
Realized gains from financial assets at fair value through other comprehensive income	6	2,645,638	-
Realized gains on held-to-maturity financial asset		-	189,932
Gains on foreign currency exchange	4	1,580,121	538,999
Losses on impairment of assets	4, 6, 12	(23,159)	(31,318)
Share of profit of associates and joint ventures accounted for using the equity method		653,973	593,045
Net other non-interest income	4, 6, 7	786,743	1,155,724
Total net non-interest income		27,659,677	25,268,099
Net operating income		58,486,045	52,954,852
Bad debt expenses, commitments and losses on guarantees	6	(4,341,281)	(2,729,328)
Operating expenses			
Employee benefits expenses	4, 5, 6	(15,377,271)	(14,113,848)
Depreciation and amortization expenses	6	(1,418,016)	(1,172,074)
Other general and administrative expenses	4, 6, 7	(13,323,445)	(13,113,199)
Total operating expenses		(30,118,732)	(28,399,121)
Profit before income tax from continuing operations		24,026,032	21,826,403
Income tax expense	4, 6	(3,005,700)	(2,524,000)
Net income		21,020,332	19,302,403
Other comprehensive income			
Not to be reclassified to profit or loss in subsequent periods			
Remeasurements of defined benefit plans	6	(96,202)	(314,377)
Revaluation surplus	6	-	73,162
Valuation losses on equity instrument at fair value through other comprehensive income	6	(892,775)	-
Changes of designated financial liabilities at fair value through profit or loss resulting from credit risk	6	2,402,577	(1,579,937)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	6	-	(739)
Income tax relating to the components not to be reclassified to profit or loss in subsequent periods	6	(196,484)	328,080
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of a foreign operation	6	(619,272)	(1,273,211)
Unrealized gains on available-for-sale financial assets	6	-	1,217,946
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	6	265,791	157,192
Losses on debt instrument at fair value through other comprehensive income	6	(1,928,787)	-
Income tax relating to the components to be reclassified to profit or loss in subsequent periods	6	147,946	279,152
Other comprehensive income, net of tax		(917,206)	(1,112,732)
Total comprehensive income		\$20,103,126	\$18,189,671
Earnings per share (In dollars)			
Net income from continuing operations	6	\$2.30	\$2.17

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 2018 and 2017
(Expressed in thousands of New Taiwan Dollars)

Items	Equity attributable to owners of the parent												
	Retained earnings						Equity adjustment						
	Capital stock	Capital surplus	Legal reserves	Special reserves	Undistributed earnings	Exchange differences resulting from translating the financial statements of a foreign operation	Unrealized financial assets at fair value through other comprehensive income	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	Subtotal	Total Equity
Balance, 1 January 2017	\$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	-	-	-	-	19,302,403	-	-	-	-	-	-	-	19,302,403
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)	(1,112,732)
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	(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
Effect on retrospective application and restatement	-	-	-	-	(492,615)	-	5,598,353	(1,906,796)	-	-	-	3,691,557	3,198,942
Balance, 1 January 2018	78,604,060	33,610,983	45,823,601	1,977,363	18,809,788	(532,567)	5,598,353	-	(1,191,026)	(1,340,811)	302,676	2,836,625	181,662,420
Appropriation and distribution for 2017													
Legal Reserves	-	-	5,807,539	-	(5,807,539)	-	-	-	-	-	-	-	-
Special Reserves	-	-	-	951,443	(951,443)	-	-	-	-	-	-	-	-
Stock Dividends	12,593,563	-	-	-	(12,593,563)	-	-	-	-	-	-	-	-
Net income for the year ended 31 December 2018	-	-	-	-	21,020,332	-	-	-	-	-	-	-	21,020,332
Other comprehensive income for the year ended 31 December 2018	-	-	-	-	-	(476,168)	(2,379,818)	-	1,965,110	(28,617)	2,287	(917,206)	(917,206)
Total comprehensive income for the year ended 31 December 2018	-	-	-	951,443	21,020,332	(476,168)	(2,379,818)	-	1,965,110	(28,617)	2,287	(917,206)	20,103,126
Disposal of equity instrument at fair value through other comprehensive income	-	-	-	-	487,854	-	(487,854)	-	-	-	-	(487,854)	-
Other	-	-	-	5,002	50,142	-	-	-	-	-	(55,144)	(55,144)	-
Balance, 31 December 2018	\$91,197,623	\$33,610,983	\$51,631,140	\$2,933,808	\$21,015,571	\$(1,008,735)	\$2,730,681	\$-	\$774,084	\$(1,369,428)	\$249,819	\$1,376,421	\$201,765,546

Note 1: Compensation to directors and supervisors were \$7,000 thousand and compensation to employee were \$10,922 thousand and had been deducted from parent company only statements of comprehensive income in 2017.

Note 2: Compensation to directors and supervisors were \$6,300 thousand and compensation to employee were \$12,022 thousand and had been deducted from parent company only statements of comprehensive income in 2018.

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 cash flows
For the years ended 31 December 2018 and 2017
(Expressed in thousands of New Taiwan Dollars)

Items	2018.01.01- 2018.12.31	2017.01.01- 2017.12.31
Cash flows from operating activities		
Profit before income tax from continuing operations	\$24,026,032	\$21,826,403
Adjustment items:		
Income and expense adjustments		
Depreciation expenses	1,100,248	922,616
Amortization expenses	317,768	249,458
Provision for bad debt expense	4,341,281	2,729,328
Interest expense	18,330,503	15,037,732
Interest income	(49,156,871)	(42,724,485)
Dividends income	(1,585,095)	(567,685)
Share of profit of associates and joint ventures accounted for using the equity method	(653,973)	(593,045)
Losses on disposal of property and equipment	39,551	27,472
(Gains) losses on disposal of investment properties	(14,100)	6,095
Losses on impairment of financial assets	23,159	5,393
Losses on impairment of non-financial assets	-	25,925
Losses on valuation of investment properties	21,786	156,008
Foreign currency translation adjustment	48,418	(116,009)
Change in operating assets and liabilities		
Increase in due from the Central Bank and call loans to banks	(2,190,915)	(1,538,736)
Decrease (increase) in financial assets at fair value through profit or loss	83,847,665	(113,805,906)
(Increase) decrease in receivables	(23,975,408)	4,546,538
(Increase) decrease in discounts and loans	(154,215,176)	1,496,876
Increase in financial assets at fair value through other comprehensive income	(28,798,338)	-
Increase in debt instrument investment at amortized cost	(46,267,977)	-
Decrease in available-for-sale financial assets	-	10,932,302
Decrease in held-to-maturity financial assets	-	11,041,414
Decrease in other financial assets	5	2,097
Decrease in investments in debt securities with no active market	-	9,187,415
(Increase) decrease in other assets	(2,412,319)	2,828,974
Increase in due to the Central Bank and call loans from banks	9,380,735	17,076,478
Increase (decrease) in financial liabilities at fair value through profit or loss	18,497,278	(2,335,227)
(Decrease) increase in securities sold under agreements to repurchase	(53,966,916)	53,188,674
Increase (decrease) in payables	15,102,337	(239,997)
Increase in deposits and remittances	122,484,368	62,169,046
Increase in other financial liabilities	10,726,357	4,490,837
Increase (decrease) in provisions	11,127	(180,677)
Increase (decrease) in other liabilities	155,982	(1,082,585)
Cash (used in) provided by operations	(54,782,488)	54,762,729
Interest received	47,593,694	40,755,770
Cash dividends received	1,585,095	567,685
Interest paid	(17,652,081)	(14,585,880)
Income tax paid	(3,879,507)	(2,163,949)
Net cash (used in) provided by operating activities	(27,135,287)	79,336,355
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	(1,790,438)	(1,349,063)
Disposal of property and equipment	555	362
Acquisition of intangible assets	(189,948)	(145,320)
Disposal of investment properties	100,000	197,325
(Increase) decrease in other assets	(8,640,040)	9,947,501
Cash dividends received	584,854	60,475
Other investing activities	(10,260,339)	-
Net cash (used in) provided by investing activities	(20,195,356)	7,523,339
Cash flows from financing activities		
(Decrease) increase in financial debentures payable	(7,750,000)	11,450,000
(Decrease) increase in other liabilities	(1,816,940)	934,650
Distribution of cash dividends	-	(10,814,972)
Issuance of common stock for cash	-	14,998,000
Net cash (used in) provided by financing activities	(9,566,940)	16,567,678
Effects of foreign exchange rate changes	(1,045,297)	(635,787)
Net (decrease) increase in cash and cash equivalents	(57,942,880)	102,791,585
Cash and cash equivalents at the beginning of the period	212,870,254	110,087,445
Cash and cash equivalents at the end of the period	154,927,374	212,879,030
The components of cash and cash equivalents		
Cash and cash equivalents in consolidated balance sheets	66,762,454	58,342,595
Due from the Central Bank and call loans to banks satisfied the definition of cash and cash equivalents under IAS 7	47,702,459	69,148,260
Securities purchased under agreements to resell satisfied the definition of cash and cash equivalents under IAS 7	40,462,461	85,388,175
Cash and cash equivalents at the end of the periods	\$154,927,374	\$212,879,030

The accompanying notes are an integral part of the parent company only financial statements.

Appendix VI

Cathay United Bank Co., Ltd.

Affiliation report

2018

Declaration

The Bank's 2018 Affiliation Report (for the period January 1 to December 31, 2018) 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 21, 2019

Correspondence

Recipient: Cathay United Bank Co., Ltd.

Subject: To express opinions on the rationality of various statements made in the 2018 Affiliation Report prepared by the Bank.

Details: The Bank has issued a declaration stating that its 2018 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 2018.

In our opinion, the declaration made by the Bank’s management with respect to its 2018 Affiliation Report are deemed reasonable in all material aspects.

Ernst & Young

Bob Chang

Certified Public Accountant:

James Huang

Dated: March 21, 2019

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	9,119,762,236 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 Ching-Yuan Huang Alan Lee Chun-Wei Yang Chang-Ken Lee Han-Kuo Chen Chi-Wei Jhong Chung-Yi Teng Po-Tsang Hsieh Tsung-Hsien Tsai Jian-Hsing Wu Wei-Hua Chou Edward Yung-Do Way Feng-Chiang Miao Peggy Wang Liang-Lin Chien

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	2018.1.1 ~ 2018.12.31	Operating lease	Negotiation	Monthly collection	Same as ordinary rental rates	\$9,679	Normal	Guarantee deposits received - \$2,610
As lessor (Cathay Life Insurance)	Office premise and carpark	Taipei City and Taichung City	2018.1.1 ~ 2018.12.31	Operating lease	Negotiation	Monthly collection	Same as ordinary rental rates	53,239	Normal	Guarantee deposits received - \$12,019
As lessor (Cathay Century Insurance)	Office premise and carpark	Taipei City, Taichung City, and Tainan City	2018.1.1 ~ 2018.12.31	Operating lease	Negotiation	Monthly collection	Same as ordinary rental rates	9,105	Normal	Guarantee deposits received - \$2,247
As lessee (Cathay Life Insurance)	Office premise	Nationwide	2018.1.1 ~ 2018.12.31	Operating lease	Negotiation	Monthly payment	Same as ordinary rental rates	681,206	Normal	Guarantee deposits paid - \$189,738
As lessee (Cathay Real Estate)	Office premise, carpark, and corporate vehicles	Taipei City, Taichung City, and Kaohsiung City	2018.1.1 ~ 2018.12.31	Operating lease	Negotiation	Monthly payment	Same as ordinary rental rates	19,706	Normal	Guarantee deposits paid - \$4,608

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	\$139,920	0.001%-0.37%	\$726
	Check deposit	179,593	-	-
Cathay Life Insurance Co., Ltd.	Demand (current) deposit	28,472,758	0.001%-1.1%	48,794
	Check deposit	268,337	-	-
	Time deposit	2,003,000	0.05%-1.115%	2,098
Cathay Century Insurance Co., Ltd.	Demand (current) deposit	1,946,653	0.001%-0.37%	1,378
	Check deposit	154,340	-	-
	Time deposit	623,200	0.15%-1.065%	6,430
Cathay Securities Corporation	Demand (current) deposit	991,220	0.001%-1.1%	1,628
	Check deposit	13,870	-	-
	Time deposit	1,545,000	0.12%-1.05%	2,830
Cathay Venture Inc.	Demand (current) deposit	113,380	0.001%-0.37%	60
Cathay Securities Investment Trust Co., Ltd.	Demand (current) deposit	3,448	0.01%-0.37%	43
	Check deposit	65,328	-	-
	Time deposit	80,300	0.05%-1.02%	149

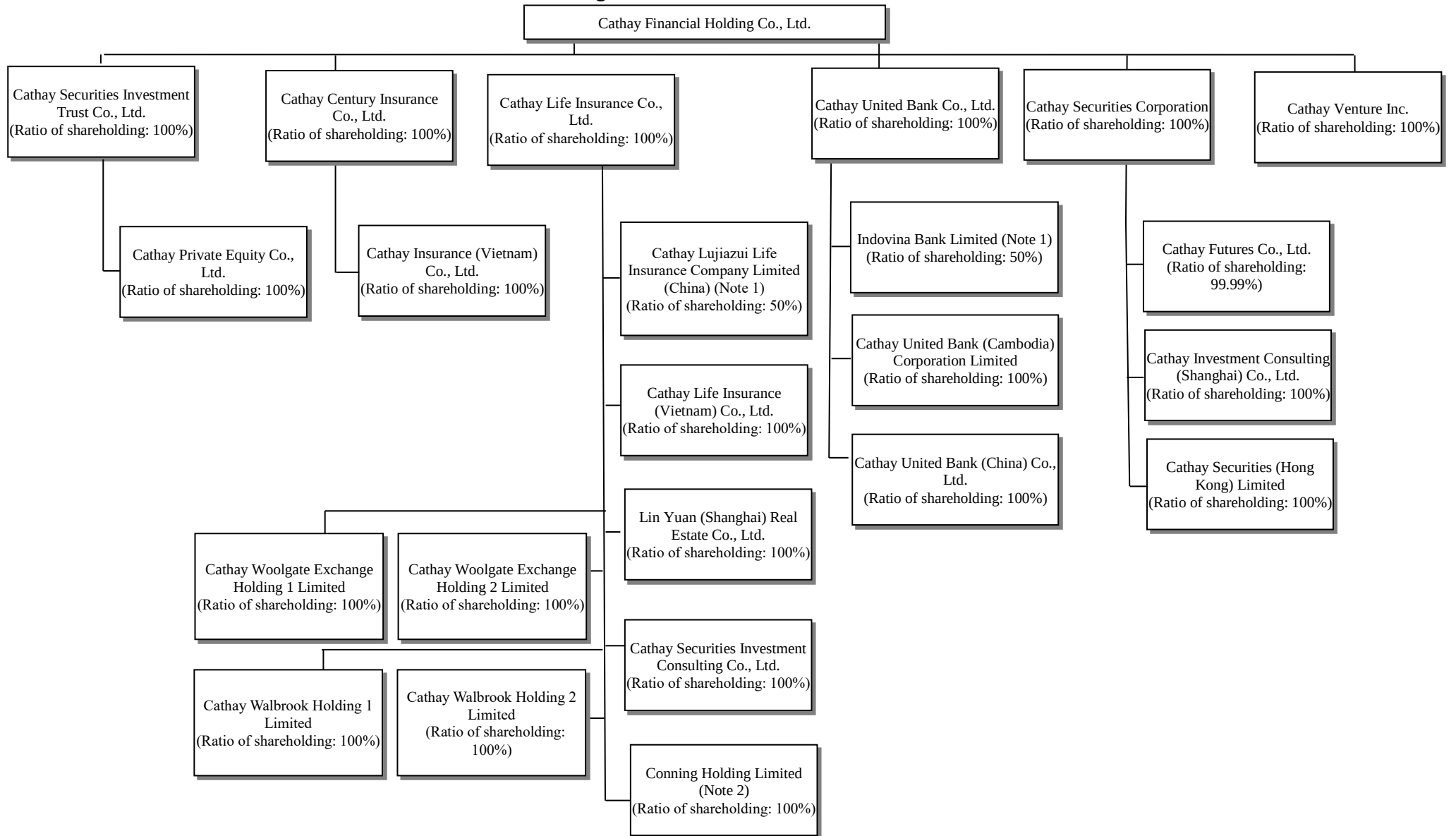
Other important transactions

Item/Name of controlling entity	Unit: NT\$ thousands 2018
(1) <u>Revenue from service charges</u>	
Cathay Life Insurance	\$7,088,674
Cathay Century Insurance	160,875
Cathay Securities Corporation	67,593
Cathay Securities Investment Trust	43,295
(2) <u>Sundry income</u>	
Cathay Life Insurance	2,760
(3) <u>Fee expense</u>	
Cathay Securities Corporation	3,408
(4) <u>Selling expense</u>	
Cathay Life Insurance	188,212
Cathay Securities Corporation	3,335
Cathay Securities Investment Trust	7,200
(5) <u>Insurance premiums paid in the current period</u>	
Cathay Life Insurance	51,299
Cathay Century Insurance	178,718
	<u>December 31, 2018</u>
(6) <u>Consolidated tax receivable</u>	
Cathay Financial Holding Co., Ltd.	\$485,773
(7) <u>Receivable</u>	
Cathay Securities Investment Trust	3,356
(8) <u>Insurance agency commission receivable</u>	
Cathay Life Insurance	89,605
(9) <u>Amount payable</u>	
Cathay Century Insurance	51,461
(10) As of December 31, 2018, the Bank had engaged Cathay Life Insurance in derivative transactions such as forward exchange for a total notional principal of \$115,310,216,000. At the same time, the Bank had engaged Cathay Century Insurance in derivative transactions such as forward exchange for a total notional principal of \$2,752,419,000.	

Appendix VII

Cathay United Bank Co., Ltd. Consolidated business reports 2018

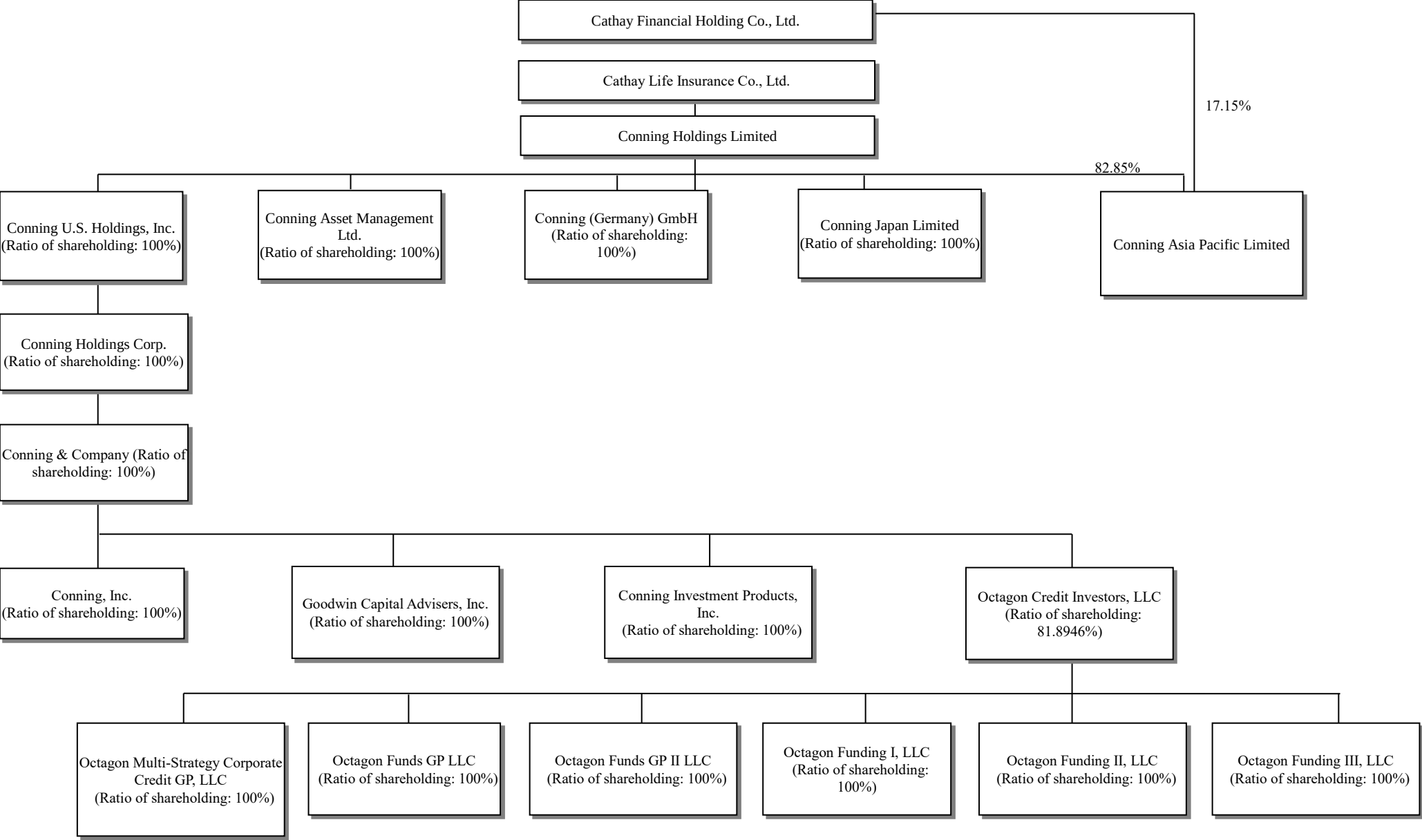
Organizational chart of affiliates



Note 1: A subsidiary other than those referred to in Article 4 of the Financial Holding Company Act.

Note 2: Presented as a consolidated entity; refer to the following Table.

Organizational chart of affiliates (Continued)



Basic information on affiliates

Unit: NT\$ thousand

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.)	\$140,965,102	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.)	57,265,274	Life insurance
Cathay United Bank Co., Ltd.	1975.1.4	No.7, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	91,197,623	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.)	3,057,052	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.)	5,700,086	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.)	3,359,087	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
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	9,090,730	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
Cathay Walbrook Holding 1 Limited	2015.3.31	13 Castle Street, St Helier, Jersey, JE4 5UT	10,189,090	Real estate investment and management

Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
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	15,723,539	Holdings
Conning U.S. Holdings, Inc.	2015.6.10	One Financial Plaza, Hartford, CT, 06103, USA	-	Holdings
Conning Asset Management Ltd.	1998.10.16	24 Monument Street, London, EC3R 8AJ, United Kingdom	191,303	Asset management
Conning (Germany) GmbH	2012.1.10	Augustinerstr. 10, 50667, Cologne, Germany	938	Risk management software
Conning Japan Limited	2015.9.3	10F KN-Ginza Building, 1-15-6, Ginza, Chuo-Ku, Tokyo, Japan	\$-	Asset management
Conning Asia Pacific Limited	2011.7.6	19/F LHT Tower, 31 Queen's Road Central, Hong Kong	577,686	Asset management
Conning Holdings Corp.	2009.6.5	One Financial Plaza, Hartford, CT, 06103, USA	-	Holdings
Conning & Company	1986.7.10	One Financial Plaza, Hartford, CT, 06103, USA	4,485	Holdings
Conning, Inc.	1982.9.13	One Financial Plaza, Hartford, CT, 06103, USA	329	Asset management
Goodwin Capital Advisers, Inc.	1930.3.14	One Financial Plaza, Hartford, CT, 06103, USA	172	Asset management
Conning Investment Products, Inc.	2002.2.13	One Financial Plaza, Hartford, CT, 06103, USA	-	Securities Business
Octagon Credit Investors, LLC	1998.12.29	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Asset management
Octagon Multi-Strategy Corporate Credit GP, LLC	2014.6.13	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund management
Octagon Funds GP LLC	2014.11.13	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund management
Octagon Funds GP II LLC	2016.1.21	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund management
Octagon Funding I, LLC	2017.1.17	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund management
Octagon Funding II, LLC	2017.6.16	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund management

Company name	Date of establishment	Address	Paid-in capital	Scope of business/production
Octagon Funding III, LLC	2017.12.19	250 Park Avenue, 15th Floor, New York, NY 10167, U.S.A.	-	Fund management
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 United Bank (China) Co., Ltd.	2018.9.3	25F AZIA Center, No. 1233 Lujiazui Ring Road, Pudong New Area, Shanghai, China	14,377,562	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	1,108,244	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\$ thousand; 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.	305,705,194	100%	July 19, 1993	No.296, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	3,057,052	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.	570,008,655	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.)	5,700,086	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.	335,908,745	100%	April 10, 2003	7F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	3,359,087	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 Bank'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)	9,119,762,236	100%
	Vice Chairman	Tzung-Han Tsai (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Managing Director/ Independent Director	Tsing-Yuan Hwang (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Managing Director	Alan Lee (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Managing Director	Chun-Wei Yang (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Director	Chang-Keng Li (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Director	Han-Kuo Chen (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Director	Chi-Wei Joong (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Director	Chung-Yi Teng (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Director	Po-Tsang Hsieh (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Director	Tsung-Hsien Tsai (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Director	Jian-Hsing Wu (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Director	Wei-Hua Chou (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Independent Director	Edward Yung Do Way (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Resident Supervisor	Peggy Wang (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	Supervisor	Liang-Lin Chien (Representative of Cathay Financial Holdings)	9,119,762,236	100%
	President	Alan Lee	-	-

Information on directors, supervisors and presidents of the Bank's affiliates (Continued)

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	78,841,875	0.56%
	Vice Chairman	Tsu-Pei Chen (Representative of Cathay Medical Care Corporate)	25,148,985	0.18%
	Director	Cheng-Ta Tsai (Representative of Cathay Medical Care Corporate)	25,148,985	0.18%
	Director	Cheng-Chiu Tsai (Representative of Chen Sheng Industrial Co., Ltd.)	27,915,093	0.20%
	Director	Chi-Wei Joong (Representative of Chia Yi Capital Co., Ltd.)	58,238,282	0.41%
	Director	Andrew Ming-Jian Kuo (Representative of Chia Yi Capital Co., Ltd.)	58,238,282	0.41%
	Director	Tiao-Kuei Huang (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.25%
	Director	Ming-Ho Hsiung (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.25%
	Director	Chang-Ken Lee (Representative of Cathay Life Employees' Welfare Committee)	34,590,372	0.25%
	Independent Director	Tsing-Yuan Hwang	-	-
	Independent Director	Feng-Chiang Miao	-	-
	Independent Director	Edward Yung Do Way	-	-
	President	Chang-Ken Lee	-	-

Information on directors, supervisors and presidents of the Bank's affiliates (Continued)

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)	5,726,527,395	100%
	Vice Chairman	Ming-Ho Hsiung (Representative of Cathay Financial Holdings)	5,726,527,395	100%
	Director	Tzung-Han Tsai (Representative of Cathay Financial Holdings)	5,726,527,395	100%
	Director	Chung-Yan Tsai (Representative of Cathay Financial Holdings)	5,726,527,395	100%
	Director	John Chu (Representative of Cathay Financial Holdings)	5,726,527,395	100%
	Director	Shan-Chi Liu (Representative of Cathay Financial Holdings)	5,726,527,395	100%
	Director	Yi-Tsung Wang (Representative of Cathay Financial Holdings)	5,726,527,395	100%
	Director	Chao-Ting Lin (Representative of Cathay Financial Holdings)	5,726,527,395	100%
	Independent Director	Tsing-Yuan Hwang (Representative of Cathay Financial Holdings)	5,726,527,395	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	5,726,527,395	100%
	Resident Supervisor	Chih-Ying Tsai (Representative of Cathay Financial Holdings)	5,726,527,395	100%
	Supervisor	Tso-Hsing Hsu (Representative of Cathay Financial Holdings)	5,726,527,395	100%
	Supervisor	Chih-Ming Lin (Representative of Cathay Financial Holdings)	5,726,527,395	100%
	President	Shan-Chi Liu	-	-
Cathay Century Insurance Co., Ltd.	Chairman	Cheng-Chiu Tsai (Representative of Cathay Financial Holdings)	305,705,194	100%
	Vice Chairman	Jung-Hsien Hsu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Kuo-Tsai Tsai (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Tsu-Yao Lu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Chih-Yi Yu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Tsung-Hsien Tsai (Representative of Cathay Financial Holdings)	305,705,194	100%
	Director	Wan-Hsiang Chen (Representative of Cathay Financial Holdings)	305,705,194	100%
	Independent Director	Tsing-Yuan Hwang (Representative of Cathay Financial Holdings)	305,705,194	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	305,705,194	100%
	Resident Supervisor	Chin-Hsing Liu (Representative of Cathay Financial Holdings)	305,705,194	100%
	Supervisor	Tso-Hsing Hsu (Representative of Cathay Financial Holdings)	305,705,194	100%
	President	Wan-Hsiang Chen	-	-

Information on directors, supervisors and presidents of the Bank's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Securities Corporation	Chairman	Shun-Yu Chuang (Representative of Cathay Financial Holdings)	570,008,655	100%
	Director	Chang-Keng Li (Representative of Cathay Financial Holdings)	570,008,655	100%
	Director	Chin-Hsing Liu (Representative of Cathay Financial Holdings)	570,008,655	100%
	Director	Kuan-Cheng Chou (Representative of Cathay Financial Holdings)	570,008,655	100%
	Independent Director	Feng-Chiang Miao (Representative of Cathay Financial Holdings)	570,008,655	100%
	Independent Director	Wei-Kang Pan (Representative of Cathay Financial Holdings)	570,008,655	100%
	Supervisor	Wan-Chu Ma (Representative of Cathay Financial Holdings)	570,008,655	100%
	Supervisor	Po-Sheng Fu (Representative of Cathay Financial Holdings)	570,008,655	100%
	President	Kuan-Cheng Chou	-	-
Cathay Venture Inc.	Chairman	Jen-Ho Chang (Representative of Cathay Financial Holdings)	335,908,745	100%
	Director	Sophia Cheng (Representative of Cathay Financial Holdings)	335,908,745	100%
	Director	Shih-Chiao Lin (Representative of Cathay Financial Holdings)	335,908,745	100%
	Director	Yi-Fang Tsai (Representative of Cathay Financial Holdings)	335,908,745	100%
	Director	Chuan-Yen Hu (Representative of Cathay Financial Holdings)	335,908,745	100%
	Supervisor	Shun-Yu Chuang (Representative of Cathay Financial Holdings)	335,908,745	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	Hui-Chun Wu (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	-	-

Information on directors, supervisors and presidents of the Bank's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Cathay Lujiazui Life Insurance Company Limited	Chairman	Tso-Chiang Li (Representative of Shanghai Lujiazui Finance & Trade Zone Development Company Limited)	-	50%
	Director	Hsi Hu (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	-	-
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	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	Jo-Lan Huang	-	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Chairman	Wen-Kai Kuo (Representative of Cathay Life Insurance)	-	100%
	Director	Wei-Chi Li (Representative of Cathay Life Insurance)	-	100%
	Director	Min-Hung Shih (Representative of Cathay Life Insurance)	-	100%
	Supervisor	Hsu-Feng Cheng (Representative of Cathay Life Insurance)	-	100%
	President	-	-	-
Cathay Life Insurance (Vietnam) Co., Ltd.	Chairman	Chin-Shu Lin (Representative of Cathay Life Insurance)	-	100%
	Director	Chung-Yu 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	Executive 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 Bank's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative		Number of shares held	
				Number of shares	Number of shares
Cathay Woolgate Exchange Holding 2 Limited	Executive 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	Executive 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	Executive 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)	2,029,287	100%
	Director	David P. Sun	(Representative of Cathay Life Insurance)	2,029,287	100%
	Director	Tzung-Han Tsai	(Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	John Boneparth	(Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	Meryl D. Hartzband	(Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	Ronald P. Joelson	(Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	David P. Marks	(Representative of Cathay Life Insurance)	2,029,287	100%
	Independent Director	Jason Rotman	(Representative of Cathay Life Insurance)	2,029,287	100%
Conning U.S. Holdings, Inc.	Chairman	Linwood (Woody) E. Bradford	(Representative of Conning Holdings Limited)	218	100%
	Director	Jung W. Lee	(Representative of Conning Holdings Limited)	218	100%
	President	-		-	-

Information on directors, supervisors and presidents of the Bank's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Conning Asset Management Ltd.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning Holdings Limited)	3,734,000	100%
	Director	Russell Busst (Representative of Conning Holdings Limited)	3,734,000	100%
	Director	Simon Hawkins (Representative of Conning Holdings Limited)	3,734,000	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	3,734,000	100%
	Non-Executive Director	Michael Carpenter (Representative of Conning Holdings Limited)	3,734,000	100%
	Non-Executive Director	David P. Marks (Representative of Conning Holdings Limited)	3,734,000	100%
	President	-	-	-
Conning (Germany) GmbH	Chairman	Linwood (Woody) E. Bradford (Representative of Conning Holdings Limited)	25,100	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	25,100	100%
	President	-	-	-
Conning Japan Limited	Director	Bo Rolf Anders Kratz (Representative of Conning Holdings Limited)	1	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	1	100%
	President	-	-	-
Conning Asia Pacific Limited	Chairman	Linwood (Woody) E. Bradford (Representative of Conning Holdings Limited)	272,950,417	100%
	Director	Jung W. Lee (Representative of Conning Holdings Limited)	272,950,417	100%
	Director	Bo Rolf Anders Kratz (Representative of Conning Holdings Limited)	272,950,417	100%
	Director	Siew Mee Yeo (Representative of Conning Holdings Limited)	272,950,417	100%
	President	-	-	-
Conning Holdings Corp.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning U.S. Holdings, Inc.)	1,000	100%
	Director	Jung W. Lee (Representative of Conning U.S. Holdings, Inc.)	1,000	100%
	President	-	-	-
Conning & Company	Chairman	Linwood (Woody) E. Bradford (Representative of Conning Holdings Crop.)	1,000	100%
	Director	Jung W. Lee (Representative of Conning Holdings Crop.)	1,000	100%
	Director	Michael E. Haylon (Representative of Conning Holdings Crop.)	1,000	100%
	President	-	-	-

Information on directors, supervisors and presidents of the Bank's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Conning, Inc.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning & Company)	100	100%
	Director	Jung W. Lee (Representative of Conning & Company)	100	100%
	Director	Michael E. Haylon (Representative of Conning & Company)	100	100%
	President	-	-	-
Goodwin Capital Advisers, Inc.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning & Company)	628,000	100%
	Director	Jung W. Lee (Representative of Conning & Company)	628,000	100%
	Director	Richard Sega (Representative of Conning & Company)	628,000	100%
	Director	Michael E. Haylon (Representative of Conning & Company)	628,000	100%
	President	-	-	-
Conning Investment Products, Inc.	Chairman	Linwood (Woody) E. Bradford (Representative of Conning & Company)	1,000	100%
	Director	Jung W. Lee (Representative of Conning & Company)	1,000	100%
	Director	Michael E. Haylon (Representative of Conning & Company)	1,000	100%
	President	-	-	-
Octagon Credit Investors, LLC	Chairman	Linwood (Woody) E. Bradford (Representative of Conning & Company)	-	81.8946%
	Director	Jung W. Lee (Representative of Conning & Company)	-	81.8946%
	Director	Richard Sega (Representative of Conning & Company)	-	81.8946%
	Director	Andrew D. Gordon (Representative of Conning & Company)	-	81.8946%
	Director	Michael Nechamkin (Representative of Conning & Company)	-	81.8946%
	President	-	-	-
Octagon Multi-Strategy Corporate Credit GP, LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funds GP LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funds GP II LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funding I, LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funding II, LLC	N/A	Octagon Credit Investors, LLC	-	100%
Octagon Funding III, LLC	N/A	Octagon Credit Investors, LLC	-	100%

Information on directors, supervisors and presidents of the Bank's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
Indovina Bank Limited	Chairman	Nguyen Anh Tuan (Representative of Vietinbank)	-	50%
	Vice Chairman	Ming-Hsien Li (Representative of Cathay United Bank)	-	50%
	Director	Chun-Hao Liu (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	Chun-Hao Liu	-	-
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	Ko-Han Kuo (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%
Cathay United Bank (China) Co., Ltd.	President	Wei-Chih Chen	-	-
	Chairman	Andrew Ming-Jian Kuo (Representative of Cathay United Bank)	-	100%
	Director	Alan Lee (Representative of Cathay United Bank)	-	100%
	Director	Chung-Yi Teng (Representative of Cathay United Bank)	-	100%
	Director	Chi-Yuan Chien (Representative of Cathay United Bank)	-	100%
	Director	Shang-Min Lin (Representative of Cathay United Bank)	-	100%
	Independent Director	Wu-Shui Cheng (Representative of Cathay United Bank)	-	100%
	Independent Director	Ching-Cheng Hua (Representative of Cathay United Bank)	-	100%
	Supervisor	Wei-Hua Chou (Representative of Cathay United Bank)	-	100%
Cathay Insurance (Vietnam) Co., Ltd.	President	Shang-Min Lin	-	-
	Chairman	Yi-Min Hu (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	-	-

Information on directors, supervisors and presidents of the Bank's affiliates (Continued)

Unit: shares; %

Company name	Title	Name and Representative	Number of shares held	
			Number of shares	Ratio of shareholding
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	Tao-Ping Wang (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%
	President	Cheng-Hsien Sung	-	-
Cathay Securities (Hong Kong) Limited	Director / President	Yuan-Chung Lu (Representative of Cathay Securities)	-	100%
	Director	Wan-Chin Chen (Representative of Cathay Securities)	-	100%
	Director	Hsiu-Ling Hsu (Representative of Cathay Securities)	-	100%
	President	-	-	-
Cathay Investment Consulting (Shanghai) Co., Ltd.	Chairman	Chun-Wei Yang (Representative of Cathay Securities)	-	100%
	Director	Chien-Chih Lin (Representative of Cathay Securities)	-	100%
	Supervisor	Jui-Ming Huang (Representative of Cathay Securities)	-	100%
	President	-	-	-
Cathay Private Equity Co., Ltd.	Chairman	Shyi Chang (Representative of Cathay Securities Investment Trust)	5,000,000	100%
	Director	Yu-Hsi Yueh (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	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	Shyi Chang	-	-

Operating profile of affiliated companies

Unit: NT\$ thousand

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 (NT\$)
Cathay Financial Holding Co., Ltd.	Taiwan	140,965,102	591,775,258	72,043,928	519,731,330	Note 1	54,167,735	53,061,321	(1,594,078)	51,467,243	3.95
Cathay Life Insurance Co., Ltd.	Taiwan	57,265,274	6,351,416,795	5,994,824,086	356,592,709	799,466,715	26,284,828	27,595,330	2,593,990	30,189,320	5.47
Cathay United Bank Co., Ltd.	Taiwan	91,197,623	2,770,821,517	2,569,055,971	201,765,546	Note 1	58,486,045	24,026,032	(3,005,700)	21,020,332	2.30
Cathay Century Insurance Co., Ltd.	Taiwan	3,057,052	37,527,238	27,502,162	10,025,076	18,370,972	1,884,623	1,858,821	(348,985)	1,509,836	4.94
Cathay Securities Corporation	Taiwan	5,700,086	23,295,450	15,569,461	7,725,989	3,170,391	548,535	562,563	(101,212)	461,351	0.81
Cathay Venture Inc.	Taiwan	3,359,087	3,804,511	68,980	3,735,531	230,565	184,300	173,978	13,329	187,307	0.56
Cathay Securities Investment Trust Co., Ltd.	Taiwan	1,500,000	3,168,709	608,930	2,559,779	2,411,578	861,585	812,929	(171,152)	641,777	4.28
Cathay Lujiazui Life Insurance Company Limited	China	13,497,155	35,837,137	26,054,440	9,782,697	12,027,156	527,569	525,593	(505,910)	19,683	-
Cathay Securities Investment Consulting Co., Ltd.	Taiwan	70,000	357,261	78,481	278,780	372,137	147,086	150,470	(30,084)	120,386	17.20
Lin Yuan (Shanghai) Real Estate Co., Ltd.	China	7,223,435	8,240,637	503,291	7,737,346	393,131	348,785	348,721	(73,040)	275,681	-
Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	9,090,730	12,907,553	3,342,303	9,565,250	1,622,136	(356,831)	(352,932)	(1,016)	(353,948)	-
Cathay Woolgate Exchange Holding 1 Limited	Jersey Island	16,654,013	13,090,127	104,856	12,985,271	(285,888)	(286,616)	(286,616)	(118,505)	(405,121)	-
Cathay Woolgate Exchange Holding 2 Limited	Jersey Island	168,222	132,111	973	131,138	(2,890)	(3,619)	(3,619)	(1,010)	(4,629)	-
Cathay Walbrook Holding 1 Limited	Jersey Island	10,189,090	21,575,250	12,845,829	8,729,421	156,638	(319,345)	(319,345)	(27,985)	(347,330)	-
Cathay Walbrook Holding 2 Limited	Jersey Island	536,268	1,132,738	675,930	456,808	8,244	(17,658)	(17,658)	(1,303)	(18,961)	-
Conning Holdings Limited (Note 2)	UK	15,723,539	20,037,847	4,565,300	15,472,547	6,314,239	230,044	230,044	(101,187)	128,857	-
Conning U.S. Holdings, Inc.	USA	-	16,358,171	5,473,449	10,884,722	5,909,855	346,013	346,013	(43,523)	302,490	-
Conning Asset Management Ltd	UK	191,303	303,551	112,516	191,035	250,052	14,929	14,929	(2,464)	12,465	-
Conning (Germany) GmbH	Germany	938	49,333	29,003	20,330	16,632	3,178	3,178	(983)	2,195	-
Conning Japan Limited	Japan	-	13	-	13	-	-	-	-	-	-
Conning Asia Pacific Limited	Hong Kong	379,221	325,287	132,300	192,987	392,848	(43,632)	(43,632)	-	(43,632)	-
Conning Holdings Corp.	USA	-	10,657,084	2,533,818	8,123,266	5,909,855	470,817	470,817	(76,516)	394,301	-
Conning & Company	USA	4,485	9,875,243	2,567,631	7,307,612	5,905,344	469,178	469,178	(70,182)	398,996	-
Conning, Inc.	USA	329	2,581,457	1,543,782	1,037,675	2,984,556	(205,794)	(205,794)	31,461	(174,333)	-
Goodwin Capital Advisers, Inc.	USA	172	57,996	8,828	49,168	49,459	15,044	15,044	(1,470)	13,574	-
Conning Investment Products, Inc.	USA	-	25,425	1,910	23,515	8,876	(5,654)	(5,654)	1,312	(4,342)	-

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 (NT\$)
Octagon Credit Investors, LLC	USA	-	3,349,611	1,019,049	2,330,562	2,862,321	913,068	913,068	(64,600)	848,468	-
Octagon Multi-Strategy Corporate Credit GP, LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funds GP LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funds GP II LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funding I, LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funding II, LLC	USA	-	-	-	-	-	-	-	-	-	-
Octagon Funding III, LLC	USA	-	-	-	-	-	-	-	-	-	-
Indovina Bank Limited	Vietnam	6,094,911	65,006,709	56,923,747	8,082,962	Note 1	1,864,750	564,957	(98,920)	466,037	-
Cathay United Bank (Cambodia) Corporation Limited	Cambodia	3,020,769	12,449,857	9,164,801	3,285,056	Note 1	579,307	212,588	(50,564)	162,024	1.61
Cathay United Bank (China) Co., Ltd.	China	14,377,562	42,793,093	26,797,924	15,995,169	Note 1	480,531	235,367	(74,821)	160,546	-
Cathay Insurance (Vietnam) Co., Ltd.	Vietnam	845,585	1,047,006	433,182	613,824	236,756	17,218	19,240	(26)	19,214	-
Cathay Futures Co., Ltd.	Taiwan	667,000	8,375,558	7,167,639	1,207,919	317,407	(14,524)	68,113	(7,494)	60,619	0.91
Cathay Securities (Hong Kong) Limited	Hong Kong	1,108,244	1,388,994	691,159	697,835	71,274	(72,369)	(68,764)	-	(68,764)	-
Cathay Investment Consulting (Shanghai) Co., Ltd.	China	38,965	9,360	67	9,293	(9)	(1,151)	(1,498)	-	(1,498)	-
Cathay Private Equity Co., Ltd.	Taiwan	50,000	48,771	611	48,160	-	(2,212)	(2,173)	435	(1,738)	(0.35)

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) Lin Yuan Property (Shanghai) Co., Ltd.: Leasing of proprietary office property.
- (XI) Cathay Life Insurance (Vietnam) Co., Ltd.: Life insurance.
- (XII) Cathay Woolgate Exchange Holding 1 Limited: Real estate investment and management.
- (XIII) Cathay Woolgate Exchange Holding 2 Limited: Real estate investment and management.
- (XIV) Cathay Walbrook Holding 1 Limited: Real estate investment and management.
- (XV) Cathay Walbrook Holding 2 Limited: Real estate investment and management.
- (XVI) Conning Holdings Limited: Holdings company.
- (XVII) Conning U.S. Holdings, Inc.: Holding company.
- (XVIII) Conning Asset Management Ltd: Asset management.
- (XIX) Conning (Germany) GmbH: Risk management software service.
- (XX) Conning Japan Limited: Asset management.
- (XXI) Conning Asia Pacific Limited: Asset management.
- (XXII) Conning Holdings Corp.: Holding company.
- (XXIII) Conning & Company: Holding company.
- (XXIV) Conning, Inc.: Asset management.
- (XXV) Goodwin Capital Advisers, Inc.: Asset management.

(XXVI)	Conning Investment Products, Inc.: Securities service.
(XXVII)	Octagon Credit Investors, LLC: Asset management.
(XXVIII)	Octagon Multi-Strategy Corporate Credit GP, LLC: Fund management.
(XXIX)	Octagon Funds GP LLC: Fund management.
(XXX)	Octagon Funds GP II LLC: Fund management.
(XXXI)	Octagon Funding I, LLC: Fund management.
(XXXII)	Octagon Funding II, LLC: Fund management.
(XXXIII)	Octagon Funding III, LLC: Fund management.
(XXXIV)	Indovina Bank Limited: Banking.
(XXXV)	Cathay United Bank (Cambodia) Corporation Limited: Banking.
(XXXVI)	Cathay United Bank (China) Ltd.: Banking.
(XXXVII)	Cathay Insurance (Vietnam) Co., Ltd.: Non-life insurance.
(XXXVIII)	Cathay Futures Corporation: Futures.
(XXXIX)	Cathay Securities (Hong Kong) Limited: Securities.
(XL)	Cathay Investment Consulting (Shanghai) Co., Ltd.: Investment consulting.
(XLI)	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 FHC, 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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