O-Bank and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

O-BANK

March 22, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

We have audited the accompanying consolidated financial statements of O-Bank and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Public Bills Finance Companies and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants and 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2018 are as follows:

Allowance for Credit Losses of Loans

Concerning the accounting policy on the allowance for credit losses, refer to Note 4.6. to the accompanying financial statements; for the critical accounting judgments, estimates and appropriateness of assumptions of loan impairment, refer to Note 5.a. to the accompanying financial statements; and for the allowance for credit losses, refer to Note 13 to the accompanying financial statements.

Management performs assessments for the expected credit losses of loans to establish and recognize allowances for credit losses. Management uses judgment in making assumptions about risk of default and expected loss rates based on past history, existing market conditions as well as forward-looking estimates, and it estimates the amount of 12-month or lifetime expected credit losses based on whether loans have increased significantly since initial recognition. Management also refers to the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” to calculate the minimum allowance for credit losses. The aforementioned risk of default and expected loss rates involve estimations and judgments, which affect the adequacy of the allowance for credit losses; therefore, we consider the allowance for credit losses to be a key audit matter.

In response to this key audit matter, we:

- Understood and tested management’s internal control design and execution for the allowance for credit losses.

- Assessed the rationality of the main assumption for the evaluation model of expected credit losses of loans.

- Assessed the rationality of the amount of expected credit losses from selected samples of loans.

- Verified whether the classifications of loans are in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” and performed our own calculations for the allowances for credit losses to verify whether the allowances met the legal standards.

Assessment of Reserve for Guarantee Liabilities

Concerning the accounting policy on the reserve for guarantee liabilities, refer to Note 4.6. to the accompanying consolidated financial statements; for the significant accounting judgments, estimations and uncertainty of assumptions of the reserve for guarantee liabilities, refer to Note 5.a. to the accompanying consolidated financial statements; and the reserve for guarantee liabilities is detailed in Note 13 to the accompanying consolidated financial statements.

The reserves set aside for the guarantee liabilities of China Bills Finance Corporation are in accordance with both the International Financial Reporting Standard 9 “Financial Instruments”, whereby the expected losses of guarantee obligations generated by financial guarantee agreements are evaluated, and the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” (referred to as the “Regulations for Evaluating Bad Debts”), whereby the reserves for guarantee liabilities are classified and made.

The probability of guarantee obligations and the evaluation of expected losses generated by the aforementioned financial guarantee agreements are related to management's objective judgment, material estimation assumptions (i.e. the risk of default and expected loss rates), and the classification of and provision for credit assets which are in accordance with the Regulations for Evaluating Bad Debts and which will influence the amount of the reserve for guarantee liabilities; therefore, we consider the impairment assessment of guarantee agreements to be a key audit matter.

In response to this key audit matter, we:

- Understood the internal controls, which were determined by the management and relate to the evaluated impairment of the reserve for guarantee liabilities generated by financial guarantee agreements, and tested the operating effectiveness of the internal controls.

- Tested the accuracy of the credit asset expected losses tables.

- Tested whether the classification of and provision for credit assets are accordance with the regulations of the competent authority.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2019

Notice to Readers

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

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 44)	$ 9,227,068	2	$ 6,625,973	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	22,607,002	4	11,506,456	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 44)	151,512,614	27	154,136,983	29
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 44 and 48)	149,952,752	27	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 44 and 48)	499,939	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 10)	991,363	-	5,682,864	1
RECEIVABLES, NET (Notes 11 and 13)	20,829,951	4	21,202,093	4
CURRENT TAX ASSETS	381,082	-	301,362	-
DISCOUNTS AND LOANS, NET (Notes 12, 13 and 44)	197,338,050	35	180,086,186	33
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 14 and 44)	-	-	149,145,722	28
HELD-TO-MATURITY FINANCIAL ASSETS (Note 44)	-	-	499,821	-
OTHER FINANCIAL ASSETS (Notes 18 and 44)	1,329,918	-	1,283,434	-
PROPERTY AND EQUIPMENT, NET (Note 19)	2,951,660	1	3,084,952	1
INTANGIBLE ASSETS, NET (Note 20)	2,457,300	-	2,403,367	-
DEFERRED TAX ASSETS (Note 40)	672,656	-	582,334	-
OTHER ASSETS (Note 21)	1,090,219	-	4,030,474	1
TOTAL	$ 561,841,574	100	$ 540,572,021	100
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the Central Bank and banks (Note 22)	$ 55,529,376	10	$ 53,032,639	10
Financial liabilities at fair value through profit or loss (Note 8)	793,272	-	791,018	-
Notes and bonds issued under repurchase agreement (Note 23)	151,446,900	27	189,821,968	35
Payables (Note 24)	5,636,437	1	5,022,681	1
Current tax liabilities	17,857	-	136,269	-
Deposits and remittances (Notes 25 and 43)	261,803,321	47	198,286,700	37
Bank notes payable (Note 26)	17,850,000	3	20,400,000	4
Other financial liabilities (Note 27)	15,034,414	3	22,337,877	4
Provisions (Notes 13, 28 and 29)	1,869,428	-	1,874,368	-
Deferred income tax liabilities (Note 40)	341,015	-	216,007	-
Other liabilities (Note 30)	2,400,842	-	2,477,851	-
Total liabilities	512,722,862	91	494,397,378	91
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital				
Common stock	24,130,063	4	24,130,063	5
Preferred stock	3,000,000	1	-	-
Total capital	27,130,063	5	24,130,063	5
Capital surplus	8,503	-	7,730	-
Retained earnings				
Legal reserve	3,184,667	1	2,880,297	1
Special reserve	1,215,831	-	1,229,536	-
Unappropriated earnings	610,045	-	1,014,567	-
Total retained earnings	5,010,543	1	5,124,400	1
Other equity interest	(159,981)	-	20,400	-
Total equity attributable to owners of the Bank	31,989,128	6	29,282,593	6
NON-CONTROLLING INTERESTS	17,129,584	3	16,892,050	3
Total equity (Note 31)	49,118,712	9	46,174,643	9
TOTAL	$ 561,841,574	100	$ 540,572,021	100

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

O-BANK AND SUBSIDIARIES

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

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INTEREST INCOME (Note 32)	$ 9,183,853	117	$ 7,614,208	96	21
INTEREST EXPENSE (Notes 32 and 43)	(4,959,744)	(63)	(3,584,088)	(45)	38
NET INTEREST REVENUE	4,224,109	54	4,030,120	51	5
NET REVENUE OTHER THAN INTEREST INCOME					
Net service fee revenue (Notes 33 and 43)	1,778,590	23	1,860,135	24	(4)
Gains on financial assets or liabilities measured at fair value through profit or loss (Note 34)	2,139,349	27	195,846	2	992
Realized gain on financial assets at fair value through other comprehensive income (Note 35)	146,471	2	-	-	-
Realized gain on available-for-sale financial assets (Note 36)	-	-	406,909	5	(100)
Foreign exchange gain (loss), net	(625,764)	(8)	1,227,205	16	(151)
Gains on financial assets at amortized cost (Note 18)	-	-	25,685	-	(100)
Other net revenue other than interest income (Note 43)	159,158	2	168,154	2	(5)
Total net revenue other than interest	3,597,804	46	3,883,934	49	(7)
NET REVENUE	7,821,913	100	7,914,054	100	(1)
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 13)	(547,214)	(7)	(894,250)	(11)	(39)

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O-BANK AND SUBSIDIARIES

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

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
OPERATING EXPENSES					
Employee benefits expenses (Notes 29, 37 and 43)	$ 2,651,824	34	$ 2,577,443	33	3
Depreciation and amortization expenses (Note 38)	425,014	5	313,764	4	35
Other general and administrative expenses (Notes 39 and 43)	1,527,383	20	1,284,407	16	19
Total operating expenses	4,604,221	59	4,175,614	53	10
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	2,670,478	34	2,844,190	36	(6)
INCOME TAX EXPENSE (Note 40)	730,948	9	732,303	9	-
INCOME FROM CONTINUING OPERATIONS	1,939,530	25	2,111,887	27	(8)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 15)	2,823	-	(52,986)	(1)	105
NET PROFIT FOR THE YEAR	1,942,353	25	2,058,901	26	(6)
OTHER COMPREHENSIVE INCOME (LOSS)					
Components of other comprehensive income that will not be reclassified to profit or loss:					
Gains (losses) on remeasurements of defined benefit plans	3,378	-	(3,467)	-	197
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	(132,947)	(2)	-	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 40)	1,583	-	-	-	-

(Continued)

O-BANK AND SUBSIDIARIES

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

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Components of other comprehensive income that will be reclassified to profit or loss:					
Exchange differences on translation	$ 153,406	2	$ (507,607)	(7)	130
Unrealized gains on valuation of available-for-sale financial assets	-	-	393,310	5	(100)
Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note 17)	-	-	6,892	-	(100)
Revaluation losses on investments in debt instruments measured at fair value through other comprehensive income	(403,755)	(5)	-	-	-
Reversal of Impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(8,429)	-	-	-	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 40)	4,977	-	68,948	1	(93)
Other comprehensive loss for the year, net of income tax	(381,787)	(5)	(41,924)	(1)	811
TOTAL COMPREHENSIVE INCOME	$ 1,560,566	20	$ 2,016,977	25	(23)
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	$ 954,659	12	$ 1,072,080	14	(11)
Non-controlling interests	987,694	13	986,821	12	-
	$ 1,942,353	25	$ 2,058,901	26	(6)

(Continued)

O-BANK AND SUBSIDIARIES

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

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 730,675	9	$ 799,316	10	(9)
Non-controlling interests	829,891	11	1,217,661	15	(32)
	$ 1,560,566	20	$ 2,016,977	25	(23)
EARNINGS PER SHARE (Note 41)					
From continuing and discontinued operations					
Basic	$0.40		$0.45		
Diluted	$0.40		$0.45		
From continuing operations					
Basic	$0.40		$0.47		
Diluted	$0.40		$0.47		

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

O-BANK AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank (Note 31)													
	Capital Stock				Retained Earnings				Other Equity (Note 31)					
	Common Stock (Thousands)	Preferred Stocks (Thousands)	Total	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Foreign Financial Statements	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measures at Fair Value Through Other Comprehensive	Owner of the Bank	Non-controlling Interests (Note 31)	Total Equity
BALANCE AT JANUARY 1, 2017	$ 23,905,063	$ -	$ 23,905,063	$ 3,193	$ 2,390,828	$ 1,173,293	$ 1,631,566	$ 5,195,687	$ 190,990	$ 93,725	$ -	$ 29,388,658	$ 16,482,451	$ 45,871,109
Appropriation of 2016 earnings														
Legal reserve	-	-	-	-	489,469	-	(489,469)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	56,243	(56,243)	-	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	-	(1,085,854)	(1,085,854)	-	-	-	(1,085,854)	-	(1,085,854)
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	1,072,080	1,072,080	-	-	-	1,072,080	986,821	2,058,901
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	(8,449)	(8,449)	(407,256)	142,941	-	(272,764)	230,840	(41,924)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	-	1,063,631	1,063,631	(407,256)	142,941	-	799,316	1,217,661	2,016,977
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(808,062)	(808,062)
Issue of shares	225,000	-	225,000	4,537	-	-	(49,064)	(49,064)	-	-	-	180,473	-	180,473
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536	1,014,567	5,124,400	(216,266)	236,666	-	29,282,593	16,892,050	46,174,643
Effect of retrospective application	-	-	-	-	-	-	(208,457)	(208,457)	-	(236,666)	144,112	(301,011)	90,927	(210,084)
BALANCE AT JANUARY 1, 2018	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536	806,110	4,915,943	(216,266)	-	144,112	28,981,582	16,982,977	45,964,559
Appropriation of 2017 earnings														
Legal reserve	-	-	-	-	304,370	-	(304,370)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(13,705)	13,705	-	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	-	(723,902)	(723,902)	-	-	-	(723,902)	-	(723,902)
Unclaimed dividends	-	-	-	308	-	-	-	-	-	-	-	308	1,174	1,482
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	465	-	-	-	-	-	-	-	465	-	465
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(683,005)	(683,005)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	954,659	954,659	-	-	-	954,659	987,694	1,942,353
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	2,405	2,405	123,460	-	(349,849)	(223,984)	(157,803)	(381,787)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	957,064	957,064	123,460	-	(349,849)	730,675	829,891	1,560,566
Issue of shares	-	3,000,000	3,000,000	-	-	-	-	-	-	-	-	3,000,000	-	3,000,000
Capital reduction of subsidiaries for cash received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,453)	(1,453)
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(138,562)	(138,562)	-	-	138,562	-	-	-
BALANCE AT DECEMBER 31, 2018	$ 24,130,063	$ 3,000,000	$ 27,130,063	$ 8,503	$ 3,184,667	$ 1,215,831	$ 610,045	$ 5,010,543	$ (92,806)	$ -	$ (67,175)	$ 31,989,128	$ 17,129,584	$ 49,118,712

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

O-BANK AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	$ 2,670,478	$ 2,844,190
Profit (loss) from discontinued operations before tax	2,877	(48,091)
Adjustments to reconcile profit (loss):		
Depreciation expense	191,971	179,342
Amortization expense	233,493	135,700
Expect credit losses/recognition of provisions	538,605	894,250
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(292,991)	380,579
Interest expense	4,959,744	3,584,095
Interest income	(9,195,625)	(8,179,557)
Dividends income	(101,079)	(86,143)
Share-based payments	-	4,537
Share of profit of associates and joint ventures accounted for using equity method	(4,944)	(16,630)
Gain on disposal of property and equipment	(2,363)	(409)
Impairment loss on financial assets	-	28,199
Gain on disposal of investments	-	(346,451)
Changes in operating assets and liabilities:		
Increase in due from the Central Bank and call loans to banks	(1,663,780)	(2,187,491)
Decrease (increase) in financial assets at fair value through profit or loss	3,141,016	(7,153,224)
Decrease in financial assets at fair value through other comprehensive income	137,299	-
Increase in receivables	(455,667)	(2,460,732)
Increase in discounts and loans	(17,830,922)	(18,020,166)
Increase (decrease) in deposits from the Central Bank and banks	2,496,737	(3,665,292)
Increase (decrease) in financial liabilities at fair value through profit or loss	2,254	(1,586,854)
(Decrease) increase in notes and bonds issued under repurchase agreement	(38,375,068)	26,517,187
Increase in payable	449,604	1,095,951
Increase in deposits and remittances	63,516,621	13,699,089
Net change in provisions	(9,468)	12,695
Cash inflow generated from operations	10,408,792	5,624,774
Interest received	9,445,925	8,678,749
Interest paid	(4,793,645)	(3,410,461)
Dividends received	101,079	248,094
Income taxes paid	(814,143)	(767,226)
Net cash flows from operating activities	14,348,008	10,373,930

(Continued)

O-BANK AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss designated as such at initial recognition	$ -	$ (2,411,318)
Proceeds from disposal of financial assets at fair value through profit or loss designated as such at initial recognition	-	2,718,595
Acquisition of available-for-sale financial assets	-	(217,514,203)
Proceeds from disposal of available-for-sale financial assets	-	194,554,138
Proceeds from repayments of held-to-maturity financial assets	-	5,045,000
Acquisition of financial assets at cost	-	(17,712)
Proceeds from disposal of financial assets at cost	-	87,197
Proceeds from capital reduction of financial assets at cost	-	27,289
Proceeds from disposal of investments accounted for using equity method	4,944	11,839
Acquisition of property and equipment	(300,091)	(497,640)
Proceeds from disposal of property and equipment	59,656	4,689
Decrease (increase) in refundable deposits	2,851,478	(322,450)
Acquisition of intangible assets	(183,566)	(184,682)
Increase in other financial assets	(1,219,825)	-
Decrease in other assets	88,777	265,136
Net cash flows from (used in) investing activities	1,301,373	(18,234,122)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(1,330,691)	(694,995)
Increase (decrease) in commercial papers	(2,299,676)	499,733
Proceeds from issue bank debentures	1,750,000	3,750,000
Repayments of bank debentures	(4,300,000)	(800,000)
Proceeds from (repayments of) long-term borrowings	(1,996,605)	3,711,920
Decrease in other financial liabilities	(1,676,491)	(10,423)
(Decrease) increase in other liabilities	(71,251)	589,364
Dividends paid to ownership of the Bank	(723,902)	(1,085,854)
Proceeds from issuing shares	3,000,000	175,936
Dividends paid to non-controlling interest	(683,005)	(808,062)
Net cash flows (used in) from financing activities	(8,331,621)	5,327,619
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	28,600	853,326
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,346,360	(1,679,247)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	17,606,425	19,285,672
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 24,952,785	$ 17,606,425

(Continued)

O-BANK AND SUBSIDIARIES

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

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2018 and 2017:

	December 31	
	2018	**2017**
Cash and cash equivalents reported in the statement of financial position	$ 9,227,068	$ 6,625,973
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	14,734,354	5,297,588
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	991,363	5,682,864
Cash and cash equivalents at end of the year	$ 24,952,785	$ 17,606,425

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

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Industrial Bank of Taiwan started its preparation for incorporation on March 2, 1998, was authorized for incorporation by the Ministry of Finance on July 27, 1999, and began its business operations on September 2, 1999.

To be in coordination with the government's financial liberation policy and to increase the operating efficiency, on August 14, 2015, the Industrial Bank of Taiwan's board of directors (the "Board") approved of the application for a change of registration to a commercial bank and for a change of name to "O-Bank Commercial Bank Corp. Ltd." ("O-Bank" or the "Bank"). The Financial Supervisory Commission (the "FSC") accepted the application on December 15, 2016 and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. On January 1, 2017, the Banking Bureau approved and issued the operating license for the Bank to operate a commercial banking business. The Bank's name was changed from "Industrial Bank of Taiwan" to "O-Bank Commercial Bank Corp. Ltd." on January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank notes; (c) providing loans, discounts, and acceptance business; (d) providing domestic and foreign exchange and guarantee business; (e) issuing letters of credit at home and abroad; (f) making receipts and payments by agents; (g) investing in and underwriting offering of securities; (h) dealing in government bonds; (i) factoring; (j) providing financial advisory services to financing and non-financing business; (k) wealth management business; (l) providing personal insurance and property insurance agent business; (m) dealing with credit card business; (n) providing foreign exchange services for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (o) overseeing trust business under the Trust Business Law and regulations; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

As of December 31, 2018, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and Digital Wealth Management Department. It also has six domestic branches - Taipei VieShow Branch, Zhongxiao Dunhua Branch, Hsinchu Branch, Taichung Branch and Kaohsiung Branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin Representative Office.

The Bank's stocks were listed on the Emerging Stock Market of the Taipei Exchange ("TPEx") starting in August 2004. And the Taiwan Stock Exchange approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEx to the TWSE on May 5, 2017.

The consolidated financial statements are presented in the Bank's functional currency, the New Taiwan dollar.

As of December 31, 2018 and 2017, the Bank had 1,458 and 1,464 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board and authorized for issue on March 22, 2019.

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Bank's accounting policies:

- IFRS 9 "Financial Instruments" and related amendments

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

Classification, measurement and impairment of financial assets

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

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

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Derivatives	Held‐for‐trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	$ 695,625	$ 695,625	1)
Equity securities	Held‐for‐trading	Mandatorily at FVTPL	446,684	446,684	1)
	Available‐for‐sale	Mandatorily at FVTPL	75,801	75,801	1)
	Available‐for‐sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	3,557,736	3,548,181	2)
	Measured at cost	Mandatorily at FVTPL	119,464	126,081	1)
	Measured at cost	FVTOCI - equity instruments	1,053,877	1,231,374	2)
Mutual funds	Held‐for‐trading	Mandatorily at FVTPL	150,387	150,387	1)
	Available‐for‐sale	Mandatorily at FVTPL	21,774	21,774	1)
Debt securities	Held‐for‐trading	Mandatorily at FVTPL	499,600	499,600	1)
	Available‐for‐sale	FVTOCI - debt instruments	145,490,411	145,490,411	2)
	Held-to-maturity	At amortized cost	499,821	499,821	3)
Bills securities	Held‐for‐trading	Mandatorily at FVTPL	102,220,610	102,220,610	1)
Fixed-rate commercial bonds	Held‐for‐trading	Mandatorily at FVTPL	25,876	25,876	1)
Negotiable certificates of deposit	Held‐for‐trading	Mandatorily at FVTPL	42,102,749	42,102,749	1)
Structured debt	Designated as at fair value through profit or loss	Mandatorily at FVTPL	590,880	590,880	1)
Convertible bonds	Designated as at fair value through profit or loss	Mandatorily at FVTPL	7,439,200	7,439,200	1)
Discounts and loans	Loans and receivables	At amortized cost	180,086,186	179,928,289	4)
Notes receivable, accounts receivable and other receivables	Loans and receivables	At amortized cost	21,202,093	20,976,008	5)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Financial assets at fair value through profit or loss	$ 154,136,983	$ -	$ -	$ 154,136,983	$ -	$ -	
Add: From available for sale (IAS 39)	-	97,575	-	97,575	(4,372)	4,372	1)
Remeasurement of financial assets measured at cost (IAS 39)	-	119,464	6,617	126,081	6,617	-	1)
	154,136,983	217,039	6,617	154,360,639	2,245	4,372	
FVTOCI							
Debt instruments							
Add: From available for sale (IAS 39)	-	145,490,411	-	145,490,411	(44,061)	44,061	2)
Equity instruments							
Add: From available for sale (IAS 39)	-	3,557,736	(9,555)	3,548,181	5,118	(14,673)	2)
Add: Financial assets measured at cost (IAS 39)	-	1,053,877	177,497	1,231,374	235,154	(57,657)	2)
	-	150,102,024	167,942	150,269,966	196,211	(28,269)	
Amortized cost							
Add: From held to maturity (IAS 39)	-	499,821	-	499,821	-	-	3)
	154,136,983	150,818,884	174,559	305,130,426	198,456	(23,897)	
Discounts and loans, net	180,086,186	-	(157,897)	179,928,289	(157,897)	-	4)
Receivables, net	21,202,093	-	(226,085)	20,976,008	(226,085)	-	5)
Deferred tax assets	582,334	-	80,305	662,639	80,305	-	4), 5)
Provisions	1,874,368	-	80,966	1,955,334	(80,966)	-	6)
Non-controlling interests	16,892,050	-	90,927	16,982,977	(22,270)	(68,657)	
	$ 374,774,014	$ 150,818,884	$ 42,775	$ 525,635,673	$ (208,457)	$ (92,554)	

1) Mutual funds, previously classified as available-for-sale under IAS 39, were classified mandatorily as at FVTPL under IFRS 9 because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. On January 1, 2018, the retrospective adjustment resulted in a decrease of $11,025 thousand in retained earnings and an increase of $11,025 thousand in other equity - unrealized gains (losses) on valuation of available-for-sale financial assets.

   Stock investments that were previously classified as available-for-sale under IAS 39 were classified as at FVTPL under IFRS 9. The other equity - unrealized gain (loss) of $6,653 thousand on available-for-sale financial assets was reclassified to retained earnings.

   Stock investments in unlisted stocks, previously measured at cost under IAS 39, were classified as at FVTPL under IFRS 9 and were remeasured at fair value. Consequently, on January 1, 2018, an increase of $6,617 thousand was recognized in both financial assets at FVTPL and retained earnings.

2) The Group elected to designated all of its investment in debt instruments, previously classified as available-for-sale under IAS 39, as at FVTOCI with an assessment of expected credit losses under IFRS 9 because the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

   According to the occurrence of events and circumstances on January 1, 2018, the Group evaluated that the objective of the business model is achieved by collecting both the contractual cash flows and the selling of financial assets. As a result, on January 1, 2018, the retrospective adjustment resulted in a decrease of $44,061 thousand in retained earnings and an increase of $44,061 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI.

   The Group elected to designated all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9 with a remeasurement to fair value; as a result, on January 1, 2018, a decrease of $9,555 thousand was respectively recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI.

   The Group recognized impairment loss on certain investments in equity securities, previously classified as available-for-sale under IAS 39, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, on January 1, 2018, an adjustment was made that resulted in an increase of $5,118 thousand in retained earnings and a decrease of $5,118 thousand in the carrying amount of the other equity - unrealized gain (loss) on financial assets at FVTOCI.

Investments in unlisted stocks, previously measured at cost under IAS 39, have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, on January 1, 2018 an increase of $177,497 thousand was respectively recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI.

The Group recognized impairment loss on certain investments in equity securities measured at cost under IAS 39, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, on January 1, 2018, an adjustment was made that resulted in an increase of $235,154 thousand in retained earnings and a decrease of $235,154 thousand in the carrying amount of the other equity - unrealized gain (loss) on financial assets at FVTOCI.

3) Debt instruments, previously classified as held-to-maturity financial assets and as at amortized cost under IAS 39, were classified as at amortized cost with an assessment of expected credit losses under IFRS 9. On January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

4) Discounts and loans that were previously classified as loans and receivables under IAS 39 were classified as financial assets measured at cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, on January 1, 2018, the adjustments comprised an increase of $157,897 thousand in loss allowance, an increase of $23,700 thousand in deferred tax assets, and a decrease of $134,197 thousand in retained earnings.

5) Notes receivable, trade receivables, and other receivables that were previously classified as loans and receivables under IAS 39 were classified as financial assets at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, on January 1, 2018, the adjustments comprised an increase of $226,085 thousand in the loss allowance, an increase of $56,605 thousand in deferred tax assets, and a decrease of $169,480 thousand in retained earnings.

6) Provisions were assessed for expected credit losses under IFRS 9. As a result of retrospective application, on January 1, 2018, the adjustments comprised an increase of $80,966 thousand in the loss allowance and a decrease of $80,966 thousand in retained earnings.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

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

1) IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Group expects to apply the following practical expedients:

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. All right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 532,655	$ 532,655
Total effect on assets	$ -	$ 532,655	$ 532,655
Lease liabilities	$ -	$ 532,655	$ 532,655
Total effect on liabilities	$ -	$ 532,655	$ 532,655

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Bank should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

3) Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

4) Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"

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

Except for the above impact, as of the date the financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Bank shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e. the Group's share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group's interest as an unrelated investor in the associate or joint venture, i.e. the Group's share of the gain or loss is eliminated.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

2) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Public Bills Finance Firms, and IFRSs as endorsed and issue into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Since the operating cycle in the banking industry cannot be clearly identified, accounts included in the consolidated financial statements of the Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 48 for the maturity analysis of assets and liabilities.

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 16, Tables 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Foreign Currencies

In preparing the Group's consolidated financial statements, transactions in currencies other than the Group's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of consolidated financial statements, the functional currencies of the Group (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Bank) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investment in Associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but does not control or joint control such policies.

The Group uses the equity method to account for its investments in its associate. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Bank's share of the equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.
Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

<u>Financial assets</u>

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Measurement category

<u>2018</u>

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

1) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 47.

2) Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, and trade receivables are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

b) Financial assets that are not initially credit-impaired or not credit-impaired when purchased but subsequently become credit-impaired, for which the interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

3) Investments in debt instruments at FVTOCI

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

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

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

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

4) Investments in equity instruments at FVTOCI

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

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

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

2017

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

1) Financial assets at fair value through profit or loss

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

A financial asset is classified as held-for-trading if:

a) It has been acquired principally for the purpose of selling it in the near future; or

b) On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or

c) It is a derivative that is not designated and effective as a hedging instrument.

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

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

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

c) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets cannot be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity other than those that the entity, upon initial recognition, designates as at fair value through profit or loss or designates as available-for-sale or meet the definition of loans and receivables. Foreign corporate and bank notes payable that the Group has positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3) Available-for-sale financial assets

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

Available-for-sale financial assets measured at fair value, changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method, and dividends on available-for-sale equity investments are all recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss that was previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets cannot be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loans, trade receivables, cash and cash equivalent and overdue receivables) are measured at amortized cost using the effective interest method less any impairment. However, in accordance with Article 10, paragraphs 7 and 10 of the Regulations Governing the Preparation of Financial Reports by Public Banks, the effect of discounting can't be the amount of the original measure.

b. Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including discounts and loans and receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Group's policy is to always recognize lifetime expected credit losses (i.e. ECLs) on trade receivables and lease receivables. For all other financial instruments, the Group will recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank will measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the authorities, the Group should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as noteworthy, substandard, having highly doubtful collectability and uncollectable, on the basis of the customers' financial position, a valuation of the respective collateral and the length of time in which the principal repayments or interest payments have become overdue.

The Bank made minimum provisions of 100%, 50%, 10%, 2% and 1% for credit assets deemed to be uncollectable, to have highly doubtful collectability, to be substandard, to be noteworthy and to have sound credit (excluding assets that represent claims against an ROC government agency), respectively.

Furthermore, under Rule No. 10300329440 issued by the FSC that banks should make at least 1.5% provisions for loans for house purchases, renovations and constructions, respectively.

The Group shall determine the unrecoverable claims and write them off after reporting them to the Board for approval.

2017

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

For certain categories of financial assets, such as loans and receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

Loans and receivables are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

a. Significant financial difficulty of the debtor;
b. Account receivables becoming overdue; or
c. It becoming probable that the debtor will enter bankruptcy or financial re-organization.

Loans and receivables that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank's past experience in the collection of payments, an increase in the number of delayed payments as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of its estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the loans and receivables' original effective interest rate.

The carrying amount of loans and receivables is reduced through the use of an allowance account. When loans and receivables are considered uncollectable, they are written off against the allowance account. Recoveries of amounts previously written off are credited to a bad debts account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

According to the policies mentioned above, the classification of loan assets is divided into the following categories: Normal credits, credits under observation, credits that are likely to be received in full, credits that will be difficult to receive in full, and credits that will not be received in full. The minimum allowance for credit losses and the reserve for losses on guarantees for the aforementioned classes should be 1% (0.5% for 2013), 2%, 10%, 50% and 100% of outstanding credits, respectively. Rule No. 10300329440 issued by the FSC, stipulates that the minimum allowance for mortgage and improvement loans should be 1.5% as of December 31, 2016.

Credits deemed uncollectable are eligible to be written off upon approval by the Board of Directors.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

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

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

When there is objective evidence that financial assets carried at cost when an impairment loss has occurred, the amount of the loss is recognized under the heading of impairment losses on assets. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by its impairment loss directly for all financial assets with the exception of loan and receivables, where the carrying amount is reduced through the use of an allowance account. When loans and receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of a bad debt are recognized in profit or loss.

c. Derecognition of financial assets

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

Equity instruments

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

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

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

Financial liabilities

a. Subsequent measurement

   Except for the following situation, all financial liabilities are measured at amortized cost using the effective interest method less any impairment (refer above to the subsection within this note entitled "Held-to-maturity investments" for the definition of effective interest method):

   1) Financial liabilities at FVTPL

      Financial liabilities are classified as at FVTPL when such financial liabilities are either held-for-trading or designated as at FVTPL.

      A financial liability is classified as held-for-trading if:

      a) It has been acquired principally for the purpose of repurchasing it in the near future; or

      b) On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or

      c) It is a derivative that is not designated and effective as a hedging instrument.

      A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

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

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

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

      Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. The fair value is determined in the manner described in Note 47.

b. Financial guarantee contracts

   2018

   Financial guarantee contracts issued by the Group are subsequently measured at the higher of:

   1) The amount of the loss allowance reflecting expected credit losses of IFRS 9 endorsed by the FSC; and

   2) Where appropriate, the amount initially recognized less the cumulative amount, which of IFRS 15 endorsed by the FSC, of income recognized in accordance with the revenue recognition policies.

Besides the above, according to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt" issued by the authorities, the reserve for losses is subsequently measured at the higher of the above.

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit losses; and the amount initially recognized less the cumulative amortization.

2017

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

c. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, are cancelled or expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

Non-performing Loans

Under the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans issued by the competent authority, loans and other credits (including accrued interests) that remain unpaid as they fall due are transferred to non-performing loans, if the transfer is approved by the Board of Directors.

Non-performing loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

Securities purchased under agreements to resell them and securities sold under agreements to repurchase them are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized as interest income or interest expenses over the life of each agreement.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Freehold land is not depreciated.

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

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

Intangible Assets

a. Intangible assets acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the assets' estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

b. Derecognition of intangible assets

   An intangible asset is derecognized on disposal or when no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from derecognition of an intangible asset, which is measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is any indication that the asset may be impaired.

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

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

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

<u>Onerous contracts</u>

Onerous contracts are those in which the Group’s unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

Employee Benefits

a. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans.

Taxation

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

a. Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

c. Current and deferred tax for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Interest and Service Revenue Recognition

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as non-performing loans. The interest revenue on those loans and credits is recognized upon collection. Dues from storm and billing agreements that extend interest income, in accordance with the provisions of the Ministry of Finance, are recognized as interest income upon collection.

Revenue from brokering is recognized when the earnings process has been completed.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of financial assets and financial guarantee contract - 2018

The impairment of loans and receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs of the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Guarantee provisions assessment - 2017

In addition to the assets appraisal loss reserves stipulated for bills finance companies and the treatment of bad debt from overdue credit collections, when the Group decides whether the reserve provided for its guarantee liabilities is appropriate, it mainly judges whether the guarantee liabilities are likely to occur and whether cash inflows may be generated after the guarantee obligation arises. Evidence used in making such judgments may include observable information indicating adverse changes in the debtor's payment status or industry information related to debt arrears. The Group regularly reviews the assumptions used in making the judgment in order to reduce the difference between the estimated and actual losses.

c. Estimated impairment of loans and receivables - 2017

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand and petty cash	$ 153,719	$ 58,709
Checking for clearing	1,159,621	297,376
Due from banks	7,913,728	6,269,888
	$ 9,227,068	$ 6,625,973

Refer to Note 44 for information relating to due from banks pledged.

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2018	2017
Reserves for deposits - Type A	$ 1,560,003	$ 2,431,670
Reserves for deposits - Type B	4,808,616	3,567,242
Reserves for deposits - Financial	1,500,954	200,104
Call loans	14,734,354	5,297,588
Others	3,075	9,852
	$ 22,607,002	$ 11,506,456

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
Financial assets mandatorily classified as at FVTPL		
Convertible bonds - domestic	$ 6,894,527	$ -
Convertible bonds - overseas	308,774	-
Structured debt	610,614	-
	7,813,915	-
Derivative financial assets		
Foreign exchange forward contracts	740,592	-
Forward contracts	28,342	-
Interest rate swap contracts	39,083	-
Cross-currency swap contracts	29,827	-
	837,844	-
Non-derivative financial assets		
Short-term instruments	90,661,572	-
Negotiable certificates of deposit	51,739,597	-
Stocks and beneficiary certificates	359,716	-
Government bonds	99,970	-
	142,860,855	-
	$ 151,512,614	$ -
Financial assets designated as at fair value through profit or loss		
Convertible bonds - domestic	$ -	$ 7,015,753
Convertible bonds - overseas	-	423,447
Structured debt	-	590,880
	-	8,030,080
Financial assets held-for-trading		
Derivative financial instruments		
Foreign exchange swap contracts	-	483,678
Forward contracts	-	23,273
Interest rate swap contracts	-	35,278
Asset swap contracts	-	153,396
	-	695,625
Non-derivative financial assets		
Short-term instruments	-	102,246,486
Negotiable certificates of deposit	-	42,102,749
Stocks and beneficiary certificates	-	597,071
Corporate bonds	-	15,369
When-issued bonds	-	449,603
	-	145,411,278
	$ -	$ 154,136,983

(Continued)

	December 31	
	2018	2017
Financial liabilities designated as at fair value through profit or loss		
Financial liabilities held-for-trading		
Derivative financial instruments		
Foreign exchange swap contracts	$ 619,881	$ 539,449
Forward contracts	39,163	108,647
Interest rate swap contracts	128,343	134,299
Others	961	1,378
	788,348	783,773
Non-derivative financial liabilities		
Commercial paper contracts	4,924	7,245
	$ 793,272	$ 791,018

(Concluded)

The Group engages in derivative transactions, including forward contracts, cross-currency swap contracts and foreign currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As the engagement in interest rate swap contracts and cross-currency swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Group strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2018 and 2017 were follows:

	December 31	
	2018	2017
Interest rate swap contracts	$ 23,279,433	$ 27,273,572
Foreign exchange swap contracts	84,155,536	102,324,144
Cross-currency swap contracts	1,079,651	-
Forward contracts	6,239,093	4,144,156
Purchase commitments	700,000	500,000

As of December 31, 2018 and 2017, financial instruments at fair value through profit and loss in the amount of $62,414,535 thousand and $74,676,800 thousand were under agreement to repurchase.

Refer to Note 44 for information relating to financial instruments at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Current	
Investments in equity instruments at FVTOCI	$ 2,954,899
Investments in debt instruments at FVTOCI	
Domestic government bonds	49,458,259
Bank notes payable	33,449,576
Corporate bonds	60,676,073
Overseas government bonds	1,400,934
American mortgage-backed securities	2,013,011
	$ 149,952,752

a. Investments in equity instruments at FVTOCI

These investments in listed, unlisted, and emerging stocks are not held-for-trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 14, and 18 for information relating to their reclassification and comparative information for 2017.

The Group disposed stock classified as at FVTOCI for invested management purpose. The fair value of stocks classified as at FVTOCI that were disposed of was $4,878,622 thousand and the accumulated loss related to the sold assets of $138,562 thousand, was transferred from equity to retained earnings.

Refer to Note 44 for information relating to investments in equity instruments at FVTOCI pledged as security.

b. Investments in debt instruments at FVTOCI

1) The bonds were classified as available-for-sale financial assets under IAS 39. Refer to Notes 3 and 14 for information relating to their reclassification and comparative information for 2017.

2) Refer to Note 44 for information relating to investments in debt instruments at FVTOCI pledged as security.

3) Refer to Note 48 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.

4) On December 31, 2018, the Group sold its investments in debt instruments at FVTOCI on the condition of buying them back in the amount of $84,563,136 thousand.

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

The Group purchased under resale agreements and bond investments are all government bonds. As of December 31, 2018 and 2017, bonds purchased were under agreements to resell in the amount of $991,720 thousand and $5,684,543 thousand, respectively. As of December 31, 2018 and 2017, bonds purchased under agreements to resell were sold under agreement to repurchase in the amount of $990,000 thousand and $5,680,000 thousand, respectively.

11. RECEIVABLES, NET

	December 31	
	2018	**2017**
Lease payments receivable	$ 12,399,120	$ 12,765,418
Investment settlements receivable	459,188	345,750
Interest receivable	1,890,250	1,869,330
Factored receivables	4,714,725	4,592,967
Acceptances	225,582	248,592
Settlements receivable - trusteeship	84,729	6,179
Accounts receivable	1,213,552	1,974,917
Others	1,188,591	895,352
	22,175,737	22,698,505
Less: Allowance for possible losses	611,254	645,358
Unrealized interest revenue	734,532	851,054
Receivables, net	$ 20,829.951	$ 21,202, 093

Rental equipment is held as collateral for the lease payment receivable. The Group is not allowed to sell or re-pledge the collateral if the lessee has no arrears.

The Group provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 13 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 48 for the impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

	December 31	
	2018	**2017**
Short-term	$ 67,402,492	$ 63,392,465
Medium-term	119,135,400	110,257,040
Long-term	13,151,025	8,169,281
Export bill negotiated	50,167	175,106
Accounts receivables financing	508,098	358,704
Secured overdrafts	15,660	-
Overdue receivables reclassified from loan	27,337	415,442
	200,290,179	182,768,038
Less: Allowance for credit losses	2,952,129	2,681,852
	$ 197,338,050	$ 180,086,186

As of December 31, 2018 and 2017, the unrecognized interest revenue on the above loans amounted to $511 thousand and $5,716 thousand for the years ended December 31, 2018 and 2017. For the years ended December 31, 2018 and 2017, the Group wrote off credits only upon completing the required legal procedures.

Refer to Note 44 for information relating to discounts and loan assets pledged as security.

The Group provide an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 13 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 48 for the impairment loss analysis of discounts and loans.

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The allowance for impairment loss and provisions as of January 1, 2018 and December 31, 2018, grouped by credit ratings, are reconciled as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 257,337	$ 51,027	$ 293,133	$ 601,497	$ 43,861	$ 645,358
Adjustment on initial application of IFRS 9	615	199,964	25,506	226,085	-	226,085
Balance at January 1, 2018 per IFRS 9	257,952	250,991	318,639	827,582	43,861	871,443
Transfers						
To 12-month ECLs	7,092	(6,665)	(427)	-	-	-
To lifetime ECLs	(11,550)	11,550	-	-	-	-
To credit-impaired financial assets	(52)	(63,839)	63,891	-	-	-
New financial assets purchased	5,047	90,162	314,881	410,090	-	410,090
Derecognition of financial assets	(35,654)	(166,181)	(2,124)	(203,959)	-	(203,959)
Change in model or risk parameters	(3)	(3)	9	3	-	3
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	8,558	8,558
Write-offs	-	-	(482,140)	(482,140)	-	(482,140)
Withdrawal after write-offs	-	-	17,711	17,711	-	17,711
Exchange rate or other changes	(3,979)	(4,084)	(2,531)	(10,594)	142	(10,452)
Balance at December 31, 2018	$ 218,853	$ 111,931	$ 227,909	$ 558,693	$ 52,561	$ 611,254

Allowance for Discounts and Loans, Net	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 511,729	$ 98,492	$ 539,987	$ 1,150,208	$ 1,531,644	$ 2,681,852
Adjustment on initial application of IFRS 9	71,417	10,864	75,616	157,897	-	157,897
Balance at January 1, 2018 per IFRS 9	583,146	109,356	615,603	1,308,105	1,531,644	2,839,749
Transfers						
To 12-month ECLs	4,980	(4,980)	-	-	-	-
To lifetime ECLs	(3,071)	3,071	-	-	-	-
To credit-impaired financial assets	(541)	-	541	-	-	-
New financial assets purchased	108,555	21,996	154,255	284,806	-	284,806
Derecognition of financial assets	(294,128)	(35,732)	(93,617)	(423,477)	-	(423,477)
Change in model or risk parameters	(197,732)	(44,991)	(12,875)	(255,598)	-	(255,598)

(Continued)

Allowance for Discounts and Loans, Net	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	$ -	$ -	$ -	$ -	$ 815,432	$ 815,432
Write-offs	(1,308)	(220)	(353,701)	(355,229)	-	(355,229)
Withdrawal after write-offs	-	-	17,756	17,756	-	17,756
Exchange rate or other changes	3,294	1,120	6,799	11,213	17,477	28,690
Balance at December 31, 2018	$ 203,195	$ 49,620	$ 344,761	$ 587,576	$ 2,364,553	$ 2,952,129

(Concluded)

Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 72,391	$ 3,134	$ -	$ 75,525	$ 1,494,026	$ 1,569,551
Adjustment on initial application of IFRS 9	61,822	19,144	-	80,966	-	80,966
Balance at January 1, 2018 per IFRS 9	134,213	22,278	-	156,491	1,494,026	1,650,517
Transfers						
To 12-month ECLs	278	(278)	-	-	-	-
New financial assets purchased	53,023	6,950	-	59,973	-	59,973
Derecognition of financial assets	(60,762)	(16,752)	-	(77,514)	-	(77,514)
Change in model or risk parameters	(28,667)	(1,119)	-	(29,786)	-	(29,786)
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	(41,314)	(41,314)
Withdrawal after write-offs	-	-	-	-	12,203	12,203
Exchange rate or other changes	128	19	-	147	1,557	1,704
Balance at December 31, 2018	$ 98,213	$ 11,098	$ -	$ 109,311	$ 1,466,472	$ 1,575,783

The movements of allowance for bad debts and provisions for the years ended December 31, 2017 are summarized as follows:

	For the Year Ended December 31, 2017			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2017	$ 517,921	$ 2,452,080	$ 1,511,876	$ 4,481,877
Allowance for bad debts (Note)	403,316	498,996	60,630	962,942
Write-offs	(267,756)	(182,694)	-	(450,450)
Effects of exchange rate changes	(8,123)	(86,530)	(2,955)	(97,608)
Balance at December 31, 2017	$ 645,358	$ 2,681,852	$ 1,569,551	$ 4,896,761

Note: Allowance for bad debts does not include the recovery from written-off credits. As of December 31, 2017, the recovery from written-off credits amounted to $68,692 thousand.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic government bonds	$ 49,286,274
Bank debentures	34,465,318
Corporate bonds	58,516,809
Stock and beneficiary securities	3,655,311
Overseas government bonds	988,259
American mortgage-backed securities	2,233,751
	$ 149,145,722

As of December 31, 2017, available-for-sale financial assets were sold under agreement to repurchase in the amount of $104,407,677 thousand.

Refer to Note 44 for information relating to available-for-sale financial assets pledged as security.

15. DISCONTINUED OPERATIONS

Chun Teng New Century Co., Ltd. (the former IBTS) decided to transfer operating rights and property of brokerage of securities to SinoPac Securities Corp. Ltd. approved by the temporary stockholders' meeting on May 25, 2016. Total price of transfer was $390,000 thousand, and set the business transfer date on September 26, 2016.

The subsidiary ended the securities business on September 23, 2016, and was dissolved and liquidated on November 11, 2016 approved by the board of directors' meeting on October 17, 2016.

From September 30, 2016, the self-operating and new financial assets business of the operating department of the subsidiary has ended and conformed to the discontinued operations definition of IFRS 5. Hence, the consolidated financial report regarded the operating department above as discontinued operations.

The details and cash flows information of discontinued operations are exhibited below:

	2018	2017
Interest income	$ 10,105	$ 7,580
Interest expenses	-	(7)
Net interest revenue	10,105	7,573
Net revenues other than interest income		
Net service fee revenue	84	145
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	5,806	(14,370)
Foreign exchange gain (loss), net	5,305	(11,126)
Share of profit of associates and joint ventures accounted for using equity method	-	1,009
Other net revenue other than interest income	8,735	(935)
Net revenue other than interest income	19,930	(25,277)
Net revenue	30,035	(17,704)

(Continued)

	2018	2017
Operating expenses		
Employee benefits expenses	$ 7,600	$ 12,655
Depreciation and amortization expense	450	1,278
Others general and administrative expenses	11,658	13,332
Total operating expenses	19,708	27,265
Income tax expense	54	4,895
Income (loss) from discontinued operations before write-off	10,273	(49,864)
Write-offs from transactions with related parties	(7,450)	(3,122)
Income (loss) from discontinued operations	$ 2,823	$ (52,986)
Income (loss) from discontinued operations attributable to:		
Owners of the Bank	$ 2,816	$ (52,853)
Non-controlling interests	7	(133)
	$ 2,823	$ (52,986)
Cash inflow from:		
Operating activities	$ 158,004	$ 123,994
Investing activities	(1,362)	877
Financing activities	(574,358)	-
Effects of exchange rate changes on cash and cash equivalents	(10,529)	(10,645)
Net cash inflow (outflow)	$ (428,245)	$ 114,226

(Concluded)

16. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership December 31, 2018	% of Ownership December 31, 2017	Remark	Audit by CPA
The Bank	China Bills Finance Corporation (CBF)	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	Founded in 1978	Yes
	IBTH	Holding company	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing	Leasing	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	Founded in 2000	Yes
	Chun Teng New Century Co., Ltd. (former IBTS)	Investment (former Security Firm)	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016 and still recognized using the equity method)	Yes
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	Founded in 2011 in mainland China	Yes
	IBT Tianjin International Leasing Corp.	Leasing	100.00	100.00	Founded in 2013 in mainland China (commonly held with IBT VII)	Yes
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	Founded in 2014	Yes
Chun Teng New Century Co., Ltd (former IBTS)	IBTSH	Holding company	100.00	100.00	Founded in 2003 in the British Virgin Islands	Yes
IBTSH	IBTS HK	Investment	100.00	100.00	Founded in 2003 in Hong Kong	Yes
	IBTS Asia	Securities and investment	100.00	100.00	Founded in 2004 in Hong Kong	Yes
IBTH	EverTrust Bank	Banking	91.78	91.78	Founded in 1994 in California	Yes

To improve the development of China leasing business, the board of directors approved, that IBT International Leasing Corp. merges IBT Tianjin International Leasing Corp., and the date of merge will be January 1, 2019. The board of directors meeting date was September 26, 2018.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2018	2017
CBF	Taipei	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	December 31 2018	2017
CBF		
Equity attributable to:		
Owners of CBF	$ 6,609,502	$ 6,531,896
Non-controlling interests of CBF	16,688,991	16,493,036
	$ 23,298,493	$ 23,024,932

	For the Year Ended December 31 2018	2017
Net interest revenue	$ 342,608	$ 459,614
Net profit from continuing operations	$ 1,335,419	$ 1,351,064
Other comprehensive income (loss) for the period	(236,507)	364,896
Total comprehensive income for the period	$ 1,098,912	$ 1,715,960
Profit attributable to:		
Owners of CBF	$ 378,842	$ 383,281
Non-controlling interests of CBF	956,577	967,783
	$ 1,335,419	$ 1,351,064
Total comprehensive income attributable to:		
Owners of CBF	$ 311,748	$ 486,797
Non-controlling interests of CBF	787,164	1,229,163
	$ 1,098,912	$ 1,715,960
Net cash inflow (outflow) from:		
Operating activities	$ (4,995,237)	$ (1,955,034)
Investing activities	(3,714)	(1,781,899)
Financing activities	4,953,282	2,686,844
Net cash outflow	$ (45,669)	$ (1,050,089)
Dividends paid to non-controlling interests of CBF	$ 683,005	$ 808,062

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

IBT II Venture Capital Co., Ltd. began dissolution and liquidation on March 31, 2017.

	For the Year Ended December 31	
	2018	**2017**
Equity investment benefits recognized using the equity method	$ -	$ 3,782
Disposition of benefits using the equity method	4,994	11,839
	$ 4,994	$ 15,621
The Bank's share of:		
Profit from continuing and discontinued operations	$ -	$ 4,791
Other comprehensive income	-	6,892
Total comprehensive income for the period	$ -	$ 11,683

The share of profit or loss and the other comprehensive income of associates and joint ventures are recognized and disclosed in accordance with financial statements which were audited by accountants in 2017.

18. OTHER FINANCIAL ASSETS

	December 31	
	2018	**2017**
Time deposits with original maturities more than 3 months	$ 113,913	$ 10,150
Pledged deposits	527,500	34,834
Reserve Account	49,598	65,109
Dismantling securities companies	614,919	-
Others	23,988	-
Financial assets measured at cost		
Domestic stocks	-	513,720
Foreign stocks	-	659,621
	$ 1,329,918	$ 1,283,434

Because the fair value of financial assets measured at cost could not be reliably measured, the Group did not evaluate the fair value on the balance sheet date. The Group disposed of certain financial assets measured at cost with carrying amounts of $84,794 thousand for the year ended December 31, 2017, recognizing a disposal gain of $2,403 thousand.

Refer to Note 44 for information relating to due from banks pledged.

19. PROPERTY AND EQUIPMENT

	December 31	
	2018	2017
Carrying amounts of each class of		
Land	$ 781,970	$ 800,184
Buildings	1,369,375	1,438,531
Machinery and computer equipment	338,826	375,739
Transportation equipment	36,715	35,326
Office and other equipment	103,446	77,793
Lease improvement	233,827	216,467
Construction in progress and prepayments for equipment	87,501	140,912
	$ 2,951,660	$ 3,084,952

The movements of property and equipment for the years ended December 31, 2018 and 2017 are summarized as follows:

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2018	$ 848,222	$ 1,944,911	$ 732,062	$ 82,406	$ 241,495	$ 358,067	$ 140,912	$ 4,348,075
Additions	-	-	23,917	21,783	14,688	48,564	191,139	300,091
Disposals and scrapped	(66,252)	(46,236)	(4,921)	(20,720)	(5,191)	(34,837)	(16,638)	(194,795)
Reclassification	-	-	(2,811)	-	30,062	10,487	(227,988)	(190,250)
Net exchange differences	-	-	(278)	(6,381)	1,199	2,856	76	(2,528)
Balance at December 31, 2018	$ 781,970	$ 1,898,675	$ 747,969	$ 77,088	$ 282,253	$ 385,137	$ 87,501	$ 4,260,593
Accumulated depreciation								
Balance at January 1, 2018	$ 48,038	$ 506,380	$ 356,323	$ 47,080	$ 163,702	$ 141,600	$ -	$ 1,263,123
Disposals and scrapped	(48,038)	(23,492)	(4,341)	(18,987)	(4,869)	(37,775)	-	(137,502)
Depreciation expense	-	46,412	65,908	12,167	21,369	46,115	-	191,971
Reclassification	-	-	(8,492)	-	(2,319)	(5)	-	(10,816)
Net exchange differences	-	-	(255)	113	924	1,375	-	2,157
Balance at December 31, 2018	$ -	$ 529,300	$ 409,143	$ 40,373	$ 178,807	$ 151,310	$ -	$ 1,308,933
Carrying amounts								
Balance at December 31, 2018	$ 781,970	$ 1,369,375	$ 338,826	$ 36,715	$ 103,446	$ 233,827	$ 87,501	$ 2,951,660
Cost								
Balance at January 1, 2017	$ 848,222	$ 1,912,301	$ 576,009	$ 92,841	$ 214,116	$ 258,188	$ 1,026,389	$ 4,928,066
Additions	-	7,920	26,935	20,704	10,759	40,880	390,442	497,640
Disposals and scrapped	-	-	(66,470)	(23,310)	(6,063)	(2,843)	-	(98,686)
Reclassification	-	24,690	198,609	-	26,033	64,034	(1,274,729)	(961,363)
Net exchange differences	-	-	(3,021)	(7,829)	(3,350)	(2,192)	(1,190)	(17,582)
Balance at December 31, 2017	$ 848,222	$ 1,944,911	$ 732,062	$ 82,406	$ 241,495	$ 358,067	$ 140,912	$ 4,348,075
Accumulated depreciation								
Balance at January 1, 2017	$ 25,506	$ 458,290	$ 364,918	$ 55,591	$ 151,605	$ 100,985	$ -	$ 1,156,895
Disposals and scrapped	-	-	(66,281)	(20,139)	(5,819)	(2,167)	-	(94,406)
Depreciation expense	-	46,871	61,648	12,080	18,799	39,944	-	179,342
Net exchange differences	-	-	(3,962)	(452)	(883)	2,838	-	(2,459)
Impairment loss	22,532	1,219	-	-	-	-	-	23,751
Balance at December 31, 2017	$ 48,038	$ 506,380	$ 356,323	$ 47,080	$ 163,702	$ 141,600	$ -	$ 1,263,123
Carrying amounts								
Balance at December 31, 2017	$ 800,184	$ 1,438,531	$ 375,739	$ 35,326	$ 77,793	$ 216,467	$ 140,912	$ 3,084,952

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	5-55 years
Machinery and computer equipment	3-25 years
Transportation equipment	3-5 years
Office and other equipment	3-15 years
Lease improvement	5-8 years

20. INTANGIBLE ASSETS

	December 31	
	2018	**2017**
Carrying amounts of each class of		
Computer software	$ 1,287,701	$ 1,265,205
Goodwill	1,166,769	1,133,222
Others	2,830	4,940
	$ 2,457,300	$ 2,403,367

The movements of intangible assets for the year ended December 31, 2018 and 2017 are summarized as follows:

	Computer Software	**Goodwill**	**Others**	**Total**
Cost				
Balance at January 1, 2018	$ 1,885,101	$ 1,133,222	$ 7,289	$ 3,025,612
Additions	183,566	-	-	183,566
Reclassification	50,430	-	-	50,430
Effect of foreign currency exchange differences	957	33,547	217	34,721
Balance at December 31, 2018	$ 2,120,054	$ 1,166,769	$ 7,506	$ 3,294,329
Accumulated amortization and impairment loss				
Balance at January 1, 2018	$ 619,896	$ -	$ 2,349	$ 622,245
Amortization	231,278	-	2,215	233,493
Reclassification	(19,645)	-	-	(19,645)
Effect of foreign currency exchange differences	824	-	112	936
Balance at December 31, 2018	$ 832,353	$ -	$ 4,676	$ 837,029
Carrying amounts				
Balance at December 31, 2018	$ 1,287,701	$ 1,166,769	$ 2,830	$ 2,457,300

(Continued)

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2017	$ 756,267	$ 1,224,683	$ 7,882	$ 1,988,832
Additions	184,682	-	-	184,682
Reclassification	948,671	-	-	948,671
Effect of foreign currency exchange differences	(4,519)	(91,461)	(593)	(96,573)
Balance at December 31, 2017	$ 1,885,101	$ 1,133,222	$ 7,289	$ 3,025,612
Accumulated amortization and impairment loss				
Balance at January 1, 2017	$ 489,773	$ -	$ 48	$ 489,821
Amortization	133,287	-	2,413	135,700
Effect of foreign currency exchange differences	(3,164)	-	(112)	(3,276)
Balance at September 30, 2017	$ 619,896	$ -	$ 2,349	$ 622,245
Carrying amounts				
Balance at December 31, 2017	$ 1,265,205	$ 1,133,222	$ 4,940	$ 2,403,367

(Concluded)

The goodwill was recognized from IBT Holding Corp.'s purchase of 100% of the stocks of Ever Trust Bank on March 30, 2007. The investment cost exceeded the fair value of net identifiable assets.

When the Group executes the goodwill impairment test, Ever Trust Bank is used as a cash-generating unit, and the recoverable amount is assessed by the value in use of the cash-generating unit. The key assumptions base the expected future cash flows on the actual profit conditions of the cash-generating units. On the assumption of sustainable operations, the Group discounts the net cash flows from those of the operations of the cash-generating units in the next five years in order to calculate the value in use. Under the estimation of the Group, there is no occurrence of impairment.

The computer software and other intangible assets are amortized on a straight-line basis of 3 and 15 years, respectively.

21. OTHER ASSETS

	December 31	
	2018	2017
Refundable deposits	$ 433,155	$ 3,284,633
Life insurance cash surrender value	344,395	331,481
Prepayments	74,585	83,191
Others	238,083	331,169
	$ 1,090,218	$ 4,030,474

22. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2018	2017
Due to other banks	$ 53,377,161	$ 50,644,279
Call loans from Central Bank	2,152,215	2,388,360
	$ 55,529,376	$ 53,032,639

23. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENT

	December 31	
	2018	2017
Transaction instruments	$ 62,123,793	$ 73,913,268
Government bonds	31,013,011	44,006,703
Corporate bonds	43,415,222	52,474,842
Bank notes payable	14,894,874	19,427,155
	$ 151,446,900	$ 189,821,968
Date of agreements to repurchase	Before June 2019	Before August 2018
Amount of agreements to repurchase	$ 151,544,513	$ 189,938,375

24. PAYABLES

	December 31	
	2018	2017
Factored receivables	$ 1,821,591	$ 1,726,584
Checks clearing payable	1,159,621	297,345
Accrued expenses	941,904	906,054
Accrued interest	894,253	617,723
Acceptances	225,582	248,591
Investment settlements payable	107,965	579,579
Settlement accounts payable - execution of customer orders	84,724	84,006
Collections for others	146,221	151,750
Others	254,576	411,049
	$ 5,636,437	$ 5,022,681

25. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Deposits		
Checking	$ 5,114,611	$ 2,990,647
Demand	35,746,655	29,434,943
Time	211,109,170	161,489,043
Export remittance	6	11,261
Saving deposits	9,832,879	4,360,806
	$ 261,803,321	$ 198,286,700

26. BANK NOTES PAYABLE

	December 31	
	2018	2017
Subordinate debenture bonds first issued in 2011; fixed 2.30% interest rate; maturity: August 26, 2018; interest paid annually and repay the principal at maturity	$ -	$ 950,000
Subordinate debenture bonds second issued in 2011; fixed 2.30% interest rate; maturity: October 28, 2018; interest paid annually and repay the principal at maturity	-	3,350,000
Subordinate debenture bonds first issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repay the principal at maturity	1,650,000	1,650,000
Subordinate debenture bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	2,300,000	2,300,000
Subordinate debenture bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	1,300,000	1,300,000
Subordinate debenture bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
Subordinate debenture bonds forth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000

(Continued)

	December 31	
	2018	2017
Subordinate debenture bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	$ 2,000,000	$ 2,000,000
Subordinate debenture bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000
Subordinate debenture bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	-
Subordinate debenture bonds B second issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	1,050,000	-
	$ 17,850,000	$ 20,400,000

(Concluded)

27. OTHER FINANCIAL LIABILITIES

	December 31	
	2018	2017
Bank loans	$ 9,713,242	$ 13,040,538
Commercial papers payable	999,881	3,299,557
Funds obtained from the government - intended for specific types of loans	4,321,291	5,997,782
	$ 15,034,414	$ 22,337,877

a. Bank loans

	December 31	
	2018	2017
Short-term loans	$ 5,068,874	$ 6,399,565
Long-term loans	4,644,368	6,640,973
	$ 9,713,242	$ 13,040,538
Interest rate interval		
New Taiwan dollars	1.15%-1.50%	1.21%-1.50%
U.S. dollars	3.71%-5.00%	0.98%-5.20%
Renminbi	4.99%-6.18%	3.60%-6.42%

b. Commercial papers payable

	December 31	
	2018	**2017**
Commercial papers payable	$ 1,000,000	$ 3,300,000
Less: Unamortized discount	(119)	(443)
	$ 999,881	$ 3,299,557
Interest rate interval	0.65%-1.23%	0.49%-1.24%

c. Funds obtained from the government - intended for specific types of loans

	December 31	
	2018	**2017**
Funds obtained from the government - intended for specific types of loans	$ 4,321,291	$ 5,997,782

The Lending Fund is a development fund established by the Executive Yuan to promote the development of the financial market economy. The Bank applied for the quota and appointed Mega Bank, Export-Import Bank of the Republic of China, China Trust Commercial Bank, and Taiwan Enterprise Bank to act as the managing bank wherein the loan quota is available for use.

28. PROVISIONS

	December 31	
	2018	**2017**
Provisions for employee benefits	$ 293,645	$ 295,725
Reserve for losses on guarantees	1,497,762	1,569,551
Reserve for claims outstanding	-	9,092
Reserve for financing limits	78,021	-
	$ 1,869,428	$ 1,874,368

29. RETIREMENT BENEFITS PLANS

Draw Plan

The pension system under the "Labor Pensions Ordinance" applicable to the Bank and its subsidiaries is the required retirement plan stipulated by the government, except for Ever Trust Bank, which is not more than 10% of the annual salary of the respective employees. A pension of 6% of an employee's monthly salary is paid to the Labor Insurance Bureau under each individual’s account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the year ended December 31, 2018 and 2017 was recognized in the consolidated statements of comprehensive income in the total amounts of $49,505 thousand, and $49,432 thousand, respectively.

Welfare Plan

The defined benefit plans adopted by the Bank in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contribution amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Bank has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Bank's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 565,026	$ 574,324
Fair value of plan assets	(271,381)	(278,599)
Net defined benefit liability	$ 293,645	$ 295,725

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2017	$ 549,227	$ (269,151)	$ 280,076
Service cost			
Current service cost	18,950	-	18,950
Net interest expense (income)	5,389	(298)	5,091
Recognized in profit or loss	24,339	(298)	24,041
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,725)	(1,725)
Actuarial loss - changes in demographic assumptions	4,924	-	4,924
Actuarial gain - changes in financial assumptions	(4,099)	-	(4,099)
Actuarial loss - experience adjustments	4,662	-	4,662
Others	-	(295)	(295)
Recognized in other comprehensive income	5,487	(2,020)	3,467
Employer contributions	-	(9,478)	(9,478)
Benefits paid	(2,348)	2,348	-
Liabilities extinguished on settlement	(2,381)	-	(2,381)
Balance at December 31, 2017	$ 574,324	$ (278,599)	$ 295,725

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2018	$ 574,324	$ (278,599)	$ 295,725
Service cost			
Current service cost	30,894	-	30,894
Net interest expense (income)	5,263	(3,019)	2,244
Recognized in profit or loss	36,157	(3,019)	33,138
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,720)	(7,720)
Actuarial loss - changes in demographic assumptions	2,802	-	2,802
Actuarial loss - changes in financial assumptions	5,324	-	5,324
Actuarial gain - experience adjustments	(3,784)	-	(3,784)
Recognized in other comprehensive income	4,342	(7,720)	(3,378)
Employer contributions	-	(12,657)	(12,657)
Benefits paid	(30,614)	30,614	-
Actual payment	(19,183)	-	(19,183)
Balance at December 31, 2018	$ 565,026	$ (271,381)	$ 293,645

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Bank is exposed to the following risks:

a. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate(s)	1.00%	1.125%
Expected rate(s) of salary increase	2.50%	2.50%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2018
Discount rate(s)	
0.25% increase	$ (10,611)
0.25% decrease	$ 10,988
Expected rate(s) of salary increase	
0.25% increase	$ 10,654
0.25% decrease	$ (10,334)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	2017
Expected contributions to the plans for the next year	$ 14,368	$ 10,151
Average duration of the defined benefit obligation	9.6-10 years	9.7-10 years

30. OTHER LIABILITIES

	December 31	
	2018	2017
Guarantee deposits received	$ 1,981,734	$ 1,923,253
Advance revenue	119,378	108,800
Others	299,730	445,798
	$ 2,400,842	$ 2,477,851

31. EQUITY

a. Capital stock

	December 31	
	2018	2017
Number of stock authorized (in thousands)	3,500,000	3,000,000
Amount of capital stock authorized	$ 35,000,000	$ 30,000,000
Number of stocks issued and fully paid (in thousands)		
Common stock	2,413,006	2,413,006
Preferred stock	300,000	-
Amount of stocks issued	$ 27,130,063	$ 24,130,063

Fully paid common stocks, which have a par value of $10, carry one vote per stock and carry a right to dividends.

The Bank is required to comply with the future operating plan and the Rules of Initial Public Offerings. The Board decided in its meeting on April 19, 2016 and the stockholders' decided in their meeting on June 3, 2016 to issue 22,500 thousand new stocks for cash increase, and those stocks have a par value of $10 and sold at $7 to $9.3 per share. The total selling price was $175,938 thousand. The difference debited to retained earnings was $49,062 thousand. The total capital stock after the issuance was $24,130,063 thousand. The base date was May 3, 2017. The Bank finished the registration on July 4, 2017.

According to the Company Law, the Bank retains 10% of the above-mentioned publicly issued stock for cash capital increase to be subscribed for by employees. In March 2017, the Bank decided on the number of stocks for subscription and their price. These were recognized as a compensation cost on the grant date in accordance with the International Accounting Standard 2 "Share-based payments".

The Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of $10 on June 27, 2018. The subscription date was November 11, 2018. And finished the registration on December 21, 2018. The rights and obligations of Series A preferred stockholders are as follows:

1) Series A preferred stock at 0.94375% plus 3.30625% (total 4.25%) per annum are a 5-year - calculation pursuant to the Interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years hereafter. Series A preferred stock are declared once per year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board may set a record date for the distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.

2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.

3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but capping at the value of issuance.

4) Series A preferred stockholders have no voting rights at the annual stockholders' meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders' meeting and also at the stockholders' meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders' meeting.

5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stock are converted into common stock, their rights and obligations are the same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the

special year of distribution but may participate in the distribution of common stock surplus and additional paid in capital.

6) When the Bank conducts rights for cash issuance, Series A preferred stockholders have the same subscription rights as the common stockholders.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)		
Treasury stock transactions	$ 3,193	$ 3,193
Stock-based payments	4,537	4,537
Must be used to offset a deficit		
Unclaimed dividends	308	-
May not be used for any purpose		
Share of changes in capital surplus of associates or joint ventures	465	-
	$ 8,503	$ 7,730

Note: Such capital surplus may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital stock (limited to a certain percentage of the Bank's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, except the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Board as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. Legal reserve shall be appropriated until it has reached the Bank's capital surplus. When the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be distributed in cash. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 37.

The Bank's Articles of Incorporation also stipulate a dividend policy that the issuance of a stock dividend takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 20% of total dividends distributed. The distribution method is stipulated by standard, so the Bank may make adjustment approved by the stockholders' meeting when the Board asks for it.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's capital surplus. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash.

Under the Company Law, legal reserve shall be appropriated until it has reached the Bank's capital surplus. This reserve may be used to offset deficit. When the Bank has no loss and the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490, and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserved by the Bank.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016 a public issuing bank shall make a special surplus in the range of 0.5% to 1% of net profit after tax in 2016 to 2018. Since 2017, the staff of financial technology development arising from the transfer or placement of the same amount of spending opened a special reserve balance within the scope of the rotary when the deduction of other equity was reversed, and the reversed part could be distributed in cash.

The appropriations of earnings for 2017 and 2016 were approved in stockholders' meetings on June 14, 2018 and June 14, 2017, respectively. The appropriations and dividends per share were as follows:

	2017		2016	
	Appropriation of Earnings	**Dividend Per Share (NT$)**	**Appropriation of Earnings**	**Dividend Per Share (NT$)**
Legal reserve	$ 304,370		$ 489,469	
Special reserve appropriated (reversed)	(13,705)		56,243	
Cash dividends - common stock	723,902	$0.3	1,085,854	$0.45

The appropriation of earnings for 2018 had been proposed by the Bank's board of directors on February 27, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings
Legal reserve	$ 183,014
Special reserve	415,504
Cash dividends - preferred stock	11,527

The appropriation of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 14, 2019.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (216,266)	$ 190,990
Exchange differences arising on translating the financial statements of foreign operations	149,013	(467,600)
Income tax related to gains or losses arising on translating the financial statements of foreign operations	(25,553)	60,344
Balance at December 31	$ (92,806)	$ (216,266)

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 236,666	$ 93,725
Unrealized gain arising on revaluation of available-for-sale financial assets	-	380,775
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	-	(344,886)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	-	97,502
Effect of IFRS 9 retrospective application	(236,666)	-
Balance at December 31	$ -	$ 236,666

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Effect of IFRS 9 retrospective application	144,112
Balance at January 1 per IFRS 9	144,112
Recognized during the period	
Unrealized loss - debt instruments	(190,443)
Unrealized loss - equity instruments	(159,627)
Loss allowance of debt instruments	221
Other comprehensive income recognized in the period	(349,849)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	138,562
Balance at December 31,	$ (67,175)

e. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 16,892,050	$ 16,482,451
Effect of IFRS 9 retrospective application	90,927	-
Balance at January 1 per IFRS 9	16,982,977	16,482,451
Attribute to non-controlling interests		
Share of profit for the year	987,694	986,821
Unclaimed dividends	1,174	-
Exchange differences arising on translation of foreign entities	12,435	(31,202)
Unrealized loss on financial assets at FVTOCI	(173,591)	-
Actuarial gains on defined benefit plans	3,353	3,874
Unrealized gains and losses on available-for-sale financial assets	-	258,168
Subsidiaries refund capital	(1,453)	-
Subsidiaries dividends paid	(683,005)	(808,062)
Ending balance	$ 17,129,584	$ 16,892,050

32. NET INTEREST

	For the Year Ended December 31	
	2018	2017
Interest income		
Discounts and loans	$ 5,752,124	$ 4,470,228
Investments in marketable securities	1,995,635	1,832,738
Installment sales and lease	1,155,164	1,086,683
Due from the Central Bank and call loans to banks	161,238	89,676
Others	119,692	134,883
	9,183,853	7,614,208
Interest expense		
Deposits	2,484,211	1,492,364
Due to the central bank and banks	709,706	524,579
Bank notes payable	423,673	353,864
Securities sold under agreements to repurchase	868,193	757,332
Others	473,961	455,949
	4,959,744	3,584,088
	$ 4,224,109	$ 4,030,120

33. NET SERVICE FEE REVENUE (CHARGE)

	For the Year Ended December 31	
	2018	2017
Service fee		
Guarantee business	$ 731,130	$ 634,232
Loan business	152,153	244,292
Underwrite business	245,511	276,127
Trust business	13,004	7,556
Lease business	278,226	257,448
Credit examine business	357,738	339,722
Import and export business	38,740	32,889
Factoring business	83,733	56,650
Others	75,411	107,820
	1,975,646	1,956,736
Service charge		
Others	197,056	96,601
	$ 1,778,590	$ 1,860,135

34. GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH OR PROFIT LOSS

	For the Year Ended December 31	
	2018	2017
Realized gain profit or loss		
Bills	$ 71,338	$ 129,755
Stocks	(6,148)	158,000
Bonds	4,146	(2,680)
Derivatives	880,664	(688,351)
	950,000	(403,276)
Gains (losses) on valuation		
Bills	17,338	(31,674)
Stocks	71	22,304
Bonds	3,448	(5,341)
Derivatives	273,174	(251,648)
Others	1,848	(18,160)
	295,879	(284,519)
Interest revenue	893,470	883,641
	$ 2,139,349	$ 195,846

35. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	For the Year Ended December 31, 2018
Realized income - debt instruments	$ 45,392
Dividend revenue	101,079
	$ 146,471

36. REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	For the Year Ended December 31, 2018
Net profit on disposal - stocks	$ 316,045
Net profit on disposal - bonds	28,003
Dividend revenue	62,861
	$ 406,909

37. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits		
Salaries and wages	$ 2,214,942	$ 2,146,031
Directors' remuneration and fees	74,553	78,246
Labor insurance and national health insurance	153,180	138,723
Others	126,506	128,667
Post-employment benefits		
Pension	82,643	81,239
Stock-based payment		
Equity delivery	-	4,537
	$ 2,651,824	$ 2,577,443

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

The amounts and accrual rates of employees' compensation and remuneration of directors for the year ended December 31, 2018 and 2017 were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Year Ended December 31	
	2018	2017
Employees' compensation	$ 14,632	$ 15,919
Remuneration of directors	$ 29,265	$ 31,838

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate by next year.

The employees' compensation and remuneration of directors for 2017 and 2016, which were approved by the Board on February 27, 2018 and February 22, 2017, respectively, were as follows:

	2017		2016	
	Cash	Stock	Cash	Stock
Bonuses for employees	$ 15,919	$ -	$ 24,111	$ -
Bonuses for directors	31,838	-	48,223	-

There are no differences between the 2017 and 2016 actual amounts of employees' compensation and remuneration of directors and supervisors paid and the 2017 and 2016 amount recognized in the annual financial statements.

Information for 2018 and 2017 on the bonuses for employees, directors and supervisors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

38. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2018	2017
Property and equipment	$ 191,521	$ 178,064
Intangible assets	233,493	135,700
	$ 425,014	$ 313,764

39. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Year Ended December 31	
	2018	2017
Taxation	$ 229,009	$ 183,358
Rental	226,161	208,665
Management fee	46,645	43,712
Computer operating and consulting fees	233,571	125,479
Entertainment	66,256	59,367
Professional services	117,330	113,161
Advertisement	169,819	139,040
Others	438,592	411,625
	$ 1,527,383	$ 1,284,407

40. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current period	$ 607,227	$ 724,534
Income tax on unappropriated earnings	-	5,934
In respect of prior periods	6,940	(17,179)
	614,167	713,289
Deferred tax		
In respect of the current period	119,408	19,014
Effect of tax rate change	(2,627)	-
	116,781	19,014
Income tax expense recognized in profit or loss	$ 730,948	$ 732,303

The reconciliation of the income based on income before income tax at the statutory rate and income tax expense was as follows:

	For the Year Ended December 31	
	2018	**2017**
Profit before tax from continuing operations	$ 2,670,478	$ 2,844,190
Income tax expense calculated at the statutory rate	$ 819,548	$ 829,590
Realized loss on investment in equity instruments measured at fair value through other comprehensive	(27,533)	-
Nondeductible expenses and tax-exempt income in determining taxable income	(143,433)	(228,623)
Unrecognized loss carryforwards	4,704	11,537
Unrecognized temporary difference	4,187	(36,257)
Deductible loss carryforwards	(9,199)	(386)
Deductible tax amount of overseas income tax	(12,296)	(10,348)
Additional income tax under the Alternative Minimum Tax Act	682	76,940
Income tax on unappropriated earnings	-	6,271
Overseas tax	89,975	100,758
Effect of tax rate changes	(2,627)	-
Adjustments for prior years' tax	6,940	(17,179)
Income tax expense recognized in profit or loss	$ 730,948	$ 732,303

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Recognized in other comprehensive income		
Translation of foreign operations	$ 22,262	$ 69,149
Unrealized gain (loss) on financial assets at FVTOCI	(19,999)	-
Fair value remeasurement of available-for-sale financial assets	-	907
Actuarial gains (loss) on defined benefit plans	460	(1,108)
Effect of tax rate changes	(9,283)	-
Income tax recognized in other comprehensive income	$ (6,560)	$ 68,948

c. Deferred tax assets and liabilities

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Retroactive Adjustment	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference						
FVTPL financial assets	$ 39,726	$ -	$ 2,221	$ -	$ 144	$ 42,091
Property and equipment	8,093	-	(995)	-	227	7,365
Exchange difference on foreign operations	35,205	-	-	(6,772)	-	28,433
AFS financial assets	15,826	-	-	(15,826)	-	-
FVTOCI financial assets	-	-	-	39,649	(1,303)	38,346
Defined benefit plans	41,574	-	4,557	2,381	737	49,249
Doubtful debts	326,042	80,305	(691)	-	(2,438)	403,218
Provisions	74,799	-	(19,870)	-	-	54,929
Asset impairment	12,447	-	(6,456)	-	55	6,046
Other	28,622	-	16,557	-	(2,200)	42,979
	$ 582,334	$ 80,305	$ (4,637)	$ 19,432	$ (4,778)	$ 672,656

Deferred Tax Liabilities	Opening Balance	Retroactive Adjustment	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference						
FVTPL financial assets	$ -	$ -	$ 4,805	$ -	$ -	$ 4,805
FVTOCI financial assets	-	-	-	2,132	(8)	2,124
Associates	216,007	-	107,339	-	-	323,346
Exchange difference on foreign operations	-	-	-	10,740	-	10,740
	$ 216,007	$ -	$ 112,144	$ 12,872	$ (8)	$ 341,015

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	$ -	$ 39,684	$ -	$ 42	$ 39,726
Property and equipment	9,260	(550)	-	(617)	8,093
Exchange difference on foreign operations	15,496	-	19,709	-	35,205
AFS financial assets	23,401	(14,820)	907	6,338	15,826
Defined benefit plans	17,208	27,125	(1,108)	(1,651)	41,574
Doubtful debts	276,193	15,983	-	33,866	326,042
Provisions	79,806	(5,007)	-	-	74,799
Asset impairment	9,857	2,709	-	(119)	12,447
Other	134,042	(99,200)	-	(6,220)	28,622
	$ 565,263	$ (34,076)	$ 19,508	$ 31,639	$ 582,334

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	$ 19,711	$ (19,711)	$ -	$ -	$ -
Associates	179,719	36,288	-	-	216,007
Exchange difference on foreign operations	49,440	-	(49,440)	-	-
	$ 248,870	$ 16,577	$ (49,440)	$ -	$ 216,007

d. Assessment of the income tax returns

The income tax returns of the Bank through 2016 have been assessed by the tax authorities. The income tax returns of the Bank's subsidiary IBTM through 2017 have been assessed. The income tax returns of other subsidiaries through 2016 have been assessed by the tax authorities, except the Bank's subsidiary CBF for 2015. The Bank disagreed with the tax authorities' assessment of its 2016 tax return and plan to re-examine.

41. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share		
From continuing operations	$ 0.40	$ 0.47
From discontinued operations	-	(0.02)
Total basic earnings per share	$ 0.40	$ 0.45
Diluted earnings per share		
From continuing operations	$ 0.40	$ 0.47
From discontinued operations	-	(0.02)
Total diluted earnings per share	$ 0.40	$ 0.45

Earnings used in calculating earnings per share and weighted average number of common stocks are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2018	2017
Earnings used in the computation of basic and diluted earnings per share		
From continuing operations	$ 951,843	$ 1,124,933
From discontinued operations	2,816	(52,853)
	$ 954,659	$ 1,072,080

Stock (In Thousand Shares)

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of common stocks in computation of basic earnings per share	2,413,006	2,405,362
Effect of potentially dilutive common stocks:		
Employees' compensation or bonuses	2,107	2,190
Employees' stock option	-	110
	2,107	2,300
Weighted average number of common stocks used in the computation of diluted earnings per share	2,415,113	2,407,662

If the Bank offered to settle compensation or bonuses paid to employees in cash or stocks, then the Bank will assume the entire amount of the compensation or bonuses will be settled in stocks and the dilutive effect of the resulting potential stocks will be included in the weighted average number of stocks outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential stocks will be included in the computation of diluted earnings per share until the number of stocks to be distributed to employees is resolved in the following year.

42. STOCK-BASED PAYMENT AGREEMENTS

The Board in April 2016 and the stockholders in June 2016 resolved in their respective meetings to publicly issue 22,500 thousand common stock for which the payment would be in cash for the purpose of initial public offering, and 10% of such new stocks were reserved for employees' subscription. Consequently, an increase of $4,537 thousand was recognized in both employee benefits expense and capital surplus in 2017.

43. RELATED PARTY TRANSACTIONS

The transactions, account balances, income and loss of the Bank and its subsidiaries (which are the related parties of the Bank) are all eliminated upon consolidation, so they are not disclosed in this note. Except for other transactions disclosed in other notes, the transactions between the Group and other related parties are as follows:

a. The related parties and their relationships with the Bank are summarized as follows:

Related Party	Relationship with The Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture) (dissolved March 31, 2017)	Associates
IBT Education Foundation (IBTEF)	The Group is the major donor of the foundation
Taiwan Cement Corporation	The Group's legal director
Yi Chang Investment Co., Ltd.	The Group's legal director
Ming Shan Investment Co., Ltd.	The Group's legal director
Others	The Group's management and their other relatives

b. The significant transactions and balances with the related parties are summarized as follows:

1) Deposits

	Ending Balance	Interest Expense	Rate (%)
For the year ended December 31, 2018			
Associates	$ 265	$ 4	0.40
Others	2,680,948	47,430	0.00-6.56
	$ 2,681,213	$ 47,434	
For the year ended December 31, 2017			
Associates	$ 2,763	$ 46	0.25
Others	1,164,690	19,511	0.00-6.56
	$ 1,167,453	$ 19,557	

2) Loan

	Ending Balance	Interest Expense	Rate (%)
December 31, 2018	$ 430,000	$ 2,699	1.443

3) Directors acting as the guarantor of a loan balance

	Ending Balance	Rate (%)
December 31, 2017	$ 475,000	1.436

4) Service fee

	For the Year Ended December 31	
	2018	2017
Associates	$ -	$ 6
Others	28	8
	$ 28	$ 14

Service fee income is earned by providing authentication, custody and fund purchase services.

5) Other expenses

	For the Year Ended December 31	
	2018	2017
Others	$ 4,800	$ 4,400

Other expenses are donations.

6) Rental income and others

	For the Year Ended December 31	
	2018	2017
Others	$ 552	$ 782

Rental income received by the department is revenue from leasing contract of providing part of the office and equipment and management service contract.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 445,613	$ 419,238
Post-employment benefits	10,251	5,844
Stock-based payments	-	1,290
	$ 455,864	$ 426,372

The remuneration of directors and other key management personnel is determined by the remuneration committee based on individual performance and market trends.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law Article 32 and 33, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

44. PLEDGED ASSETS

	December 31	
	2018	2017
Due from banks	$ 223,500	$ 228,875
Financial assets at FVTPL	15,059,868	13,393,710
Financial assets at FVTOCI	2,140,376	-
Discounts and loans	9,067,994	8,919,490
Debt instrument investments measured at amortized cost	166,680	-
Available-for-sale financial assets	-	2,254,810
Held-to-maturity financial assets	-	149,946
Pledged time deposits	527,500	34,834
Compensation account for payment	49,598	65,109
	$ 27,235,516	$ 25,046,774

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of due from banks) and negotiable certificates of deposits (part of financial assets at FVTPL, debt instrument investments measured at amortized cost and held-to-maturity financial assets) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above available-for-sale financial assets were bond investments and were mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the United States. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limit with Federal Home Loan Bank of San Francisco. Restricted assets were provided not merely as collateral for short-term loans, commercial paper issued, contract security deposit and administrative reliefs but were also pledged for Central Bank's bond bidding.

45. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Except for other disclosures, as of December 31, 2018 and 2017, the Group had commitments as follows:

	December 31	
	2018	**2017**
Office decorating and contracts of computer software		
Amount of contracts	$ 146,125	$ 159,256
Payments for construction in progress and prepayments for equipment	87,501	140,878

b. The Group as lessee

Due to rental of buildings, the Group have been entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 31, 2028.

As of December 31, 2018 and 2017, refundable deposits paid under operating lease amounted to $33,183 thousand and $35,070 thousand.

The future minimum payments under non-cancellable operating lease are summarized as follows:

	December 31, 2018
Up to 1 years	$ 162,811
Over 1 year to 5 years	325,856
Over 5 years	82,714
	$ 571,381

46. TRUST BUSINESS UNDER THE TRUST LAW

Trust-related items are shown in the following balance sheet and trust property list:

Balance Sheet of Trust Accounts

	December 31	
	2018	**2017**
Trust assets		
Petty cash	$ 100	$ -
Bank deposits	2,799,410	350,848
Financial assets	1,072,854	360,484
Interest receivable	51	-
Prepayments	1,267	-
Real estate	9,165,625	1,957,995
Other assets	32,292	-
Total trust assets	$ 13,071,599	$ 2,669,327
Trust capital and liability		
Payables	$ 1,542	$ -
Unearned receipts	839	-
Taxes payable	4,233	-
Receipts under custody	106	-
Deposits received	76,680	-
Other liabilities	968	-
Trust capital	12,828,013	2,669,327
Provisions and accumulated profit and loss	159,218	-
Trust capital and liability	$ 13,071,599	$ 2,669,327

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2018	**2017**
Trust revenue		
Interest revenue	$ 1,807	$ 400
Rent revenue	57,210	-
Other revenues	48	-
Trust expenses		
Management fees	598	168
Fees	265	184
Tax	6,740	-
Other expenses	6,626	-
Income tax expense	151	22
	$ 44,685	$ 26

Note: The above income accounts of the trust business were not included in the Bank's income statement.

Trust Property List

	December 31	
	2018	2017
Petty cash	$ 100	$ -
Bank deposits	2,799,410	350,848
Stocks	228,378	228,378
Funds	844,477	132,106
Land	8,320,001	1,865,892
Real estate	845,623	92,103
Interest receivable	51	-
Prepayments	1,267	-
Others	32,292	-
	$ 13,071,599	$ 2,669,327

47. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at amortized costs	$ 499,939	$ 501,732	$ -	$ -
Held-to-maturity financial assets	-	-	499,821	505,129
Financial liabilities				
Bank notes payable	17,850,000	17,906,381	20,400,000	20,464,560

2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

Item	December 31, 2018 Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Financial assets at amortized costs	$ 501,732	$ -	$ 501,732	$ -
<u>Financial liabilities</u>				
Bank notes payable	17,906,381	17,906,381	-	-

Item	December 31, 2017 Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-for-maturity financial assets	$ 505,129	$ -	$ 505,129	$ -
<u>Financial liabilities</u>				
Bank debentures	20,464,560	20,464,560	-	-

Refer to quoted market prices for fair value if there are public quotation on amortized cost financial assets, held-to-maturity financial assets, and bank debentures with active market. If quoted market prices are not available, the fair value is determined by using a valuation technique or counterparty quotation.

b. Fair value information - financial instruments measured at fair value on a recurring basis

1) The fair value hierarchy of the financial instruments as of December 31, 2018 and 2017 were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2018 Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Stocks and beneficial certificates	$ 359,716	$ 288,217	$ -	$ 71,499
Bonds	99,970	-	99,970	-
Bills	90,661,572	-	90,661,572	-
Convertible bonds and structured bonds	7,813,915	293,692	1,021,828	6,498,395
Others	51,739,597	-	51,739,597	-
Financial assets at fair value through other comprehensive income				
Equity instruments	2,954,899	1,963,220	135,161	856,518
Debt instruments	146,997,853	-	146,997,853	-

(Continued)

Item	December 31, 2018 Total	Level 1	Level 2	Level 3
Liabilities				
Financial liabilities at fair value through profit or loss	$ 4,924	$ -	$ 4,924	$ -
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	837,844	-	837,844	-
Liabilities				
Financial liabilities at fair value through profit or loss	788,348	-	788,348	-

(Concluded)

Item	December 31, 2017 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 597,071	$ 562,443	$ -	$ 34,628
Bonds	15,369	15,369	-	-
Bills	102,246,486	-	102,246,486	-
Others	42,552,352	-	42,552,352	-
Financial assets designated as fair value through profit or loss at initial recognition	8,030,080	-	1,292,119	6,737,961
Available-for-sale financial assets				
Stocks	3,655,311	3,655,311	-	-
Bonds	145,490,411	-	145,490,411	-
Non-derivative financial instruments				
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	7,245	-	7,245	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	695,625	-	542,229	153,396
Liabilities				
Financial liabilities at fair value through profit or loss	783,773	-	783,773	-

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to achieve by the two sides, in exchange of assets or settle of liabilities, fair value is the amount settled. Financial instruments at fair value through profit or loss, available-for-sale financial assets and financial assets at fair value through other comprehensive refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

i. Ensure the consistency and completeness of market data.

ii. The source of market data should be transparent, easy to access, and should come from independent resources.

iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.

iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with acquirable information generally used by other market participants to price financial instruments.

Fair values of forward contracts used by the Bank and its subsidiaries are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation, using the Murex^{+} information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

i. Level 1 - quoted prices in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.

ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).

iii. Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Valuation in fair value of Level 3 items of financial instruments

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Convertible Bonds	Equity Instruments		
Beginning balance	$ 6,891,357	$ 34,628	$ -	$ 6,925,985
Effect of retrospective application (IFRS 9)	-	38,787	1,072,809	1,111,596
Recognition in profit or loss - financial assets (liabilities) at fair value through profit or loss	7,538	(1,916)	-	5,622
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	(30,714)	(30,714)
Purchases	8,755,000	-	653,257	9,408,257
Disposal	(9,155,500)	-	(838,834)	(9,994,334)
Ending balance	$ 6,498,395	$ 71,499	$ 856,518	$ 7,426,412

For the year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/ Sold	Transfer Out of Level 3	
Non-derivative financial instruments							
Financial assets at fair value through profit or loss							
Held-for-trading financial assets	$ 65,026	$ -	$ -	$ -	$ (30,398)	$ -	$ 34,628
Financial assets designated as fair value through profit or loss at initial recognition	211,644	(58,248)	-	-	-	-	153,396
Derivative financial instruments							
Financial assets at fair value through profit or loss							
Assets	10.390.780	(160,038)	9,996,100	-	(13,808,957)	-	6,737,961

4) Transfers between Level 1 and Level 2

The Group has no significant transfers between Level 1 and Level 2 for years ended December 31, 2018 and 2017.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible corporate bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. In order to calculate the zero coupon yield curve, the Group uses LIBOR rate and U.S. dollar Swap Rate plus Credit Charge. Were there to be a 10% or 1BP change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income in the respective 2018 and 2017 periods would be as follows:

For the year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	$ 918	$ (918)	$ -	$ -
Equity instruments	10%	7,150	(7,150)	92,563	(92,563)

For the year ended December 31, 2017

(In Thousands of New Taiwan Dollars)

	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at fair value through profit or loss				
Derivative financial instruments	$ 1,076	$ (1,076)	$ -	$ -

48. FINANCIAL RISK MANAGEMENT

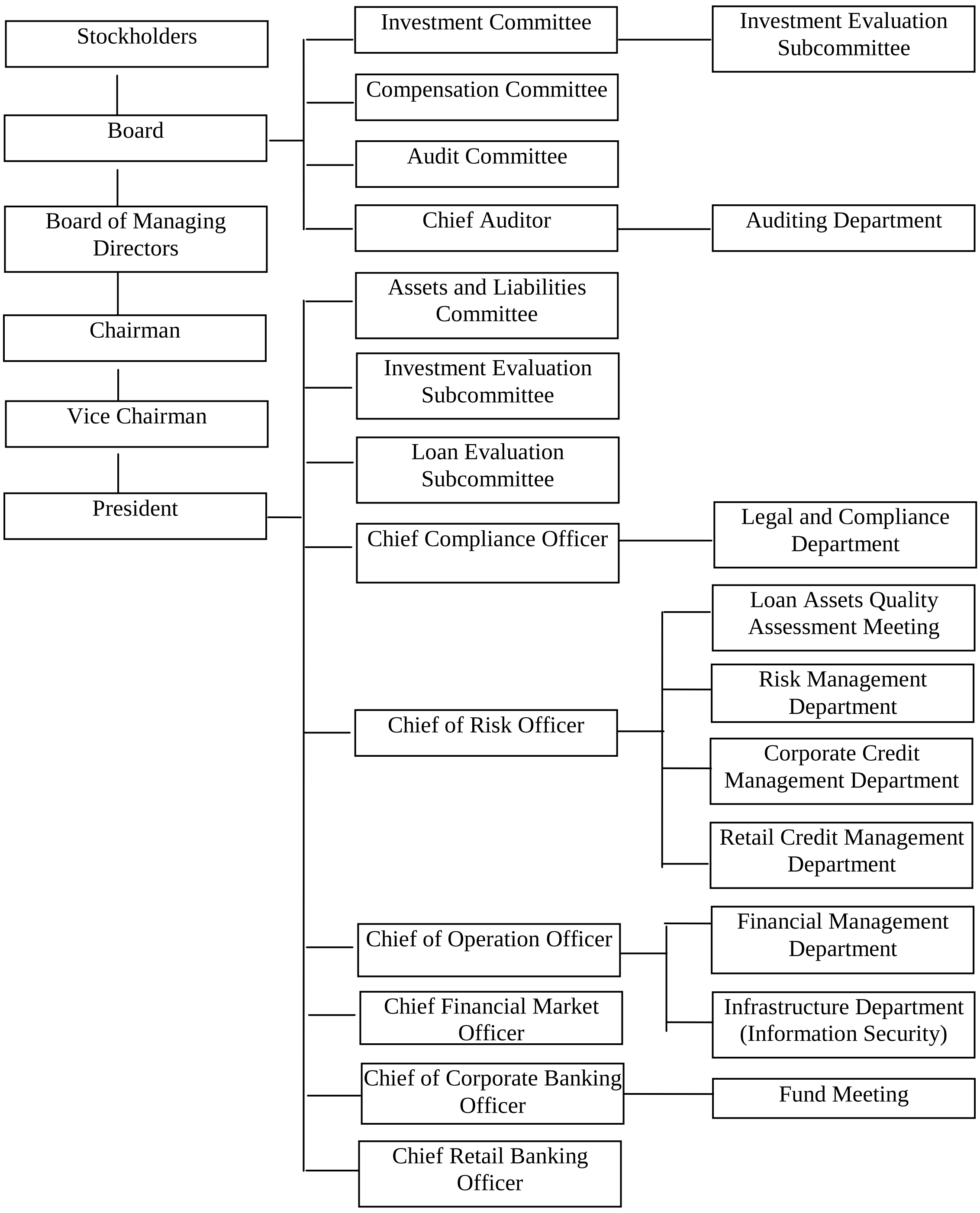
a. Overview

For the potential expected and unexpected risk, the Group establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness to ensure that all operating risks are controlled in the acceptable extent. The Group continues to engage actively in the capital adequacy ratio with the regulators and monitors to meet the III international requirements of the Basel Commission.

b. Risk management framework

Risk management framework of the Bank and its important individual in control are expressed as follows:

Ultimate responsibility for setting the Bank's risk appetite rests with the Board. The Auditing Department, Audit Committee, Investment Committee and Compensation Committee report to the Board. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the President, hold Capital Meetings and Quality Evaluation of Assets Meetings for discussing and considering risk management proposals regularly. The Risk Management Department is responsible for establishing a total scheme of risk management and monitoring the execution of such management.



1) Assets and Liabilities Committee: It has responsibility for oversight and review of significant issues, policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, review the asset and liability allocation and capital adequacy. It held assets and liabilities management meeting once a month.

2) Loan Evaluation Subcommittee: The subcommittee reviews the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department. After passing, the provisions should still be submitted to the level of competence review.

3) Investment Evaluation Subcommittee: Assessing and reviewing the investment cases transferred by the ministry of investment, they shall still be submitted to the "investment review committee" as required and submitted to the standing committee for consideration and approval.

4) Loan and investment assets assessment meetings held for various businesses:

   a) Loan assets quality assessment meeting

      i. Assess the status of credit asset quality and decide/review the strategy and course of action to be taken.

      ii. Assess the probable loss of loan assets and discuss the adequacy of allowance for credit losses, assurance of responsibility to prepare and its recognition.

      iii. Pass cases of credit assets which should be recognize loss, and mark the proposal to the board.

   b) Investment assets quality assessment meeting

      i. Access the status of investment asset quality from Rank 5-8, and choose the action to be taken.

      ii. Authorized the investment assess result provide by evaluation staff. The composition of evaluation result is consisted with period, industries, economic recycle and evaluation method suggested by accounting principal.

      iii. Access the probable loss of investment assets, pass cases of investment loss recognition, and make the proposal to the board.

      iv. Track the status of customers still in operating which were full recognized as loss.

China Bills Finance Corporation's (CBF) Board of Directors has the ultimate responsibility for risk framework decisions unit and oversees the implementation of the risk management. Business risk management which is headed by the president is comprised of Financial Assets and Liabilities Management Committee, Business Committee and the Investment Commission for the joint implementation of market risk, credit risk and operational risk control, and the other set of business and oversight of the audit office, and the business risk control management unit case. To effectively manage the overall risk and risks associated with integration of information, CBF has defined risk assessment methods and has summarized risk positions for the risk management group responsible for implementing the risk management operations.

c. Credit risk

1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligation to pay the Group in accordance with agreed terms. The source of credit risks includes the subjects in the balance sheet and off-balance sheet items.

2) Strategy/objectives/policies and procedures

a) Credit risk management strategy: The Bank are set as the implement the relevant provisions of the principles of credit risk management requirements and establish the Bank's credit risk management mechanism to ensure that the credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.

b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimized potential financial losses and pursue optimal reward.

   Sound risk management systems and control processes, and strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations, the Bank's standards, and serve to maintain high credit standards and asset quality.

c) Credit risk management policy: The Bank establish risk management system to ensure the integrity of the Bank's business risk management and compliance particularly with the Financial Supervisory Commission issued the "financial holding companies and banking internal control and Auditing System Implementation Measures "and "norms for formulating proposals and execution of risk management policies by subsidiaries of banks"; to limit the credit risk of the Bank within the acceptable range, to maintain adequate capital and credit risk strategy to achieve the objectives, and to create maximum risk-adjusted returns.

d) Credit risk management process:

   i. Risk identification

   Credit risk management process begins with the identification of existing and potential risks, including the banking book and the trading book, including balance sheet and off-balance sheet transactions, along with financial innovation; as new credit businesses become increasingly complex, business executives in order do existing and new credit businesses, should be fully aware of the complexity involved in the business of credit risk, re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

   ii. Risk measurement

   i) The Bank manages asset portfolios by the risk rating scale.

   The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk ratings must actually be scaled when the individual credit and investment accounts are approved. The continual change of the market gives rise to the change in credit or investment household. Therefore, risk ratings must be reevaluated and updated often to adjust the risk rating scale when it is verified.

ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope,
- "Concentrative risks" are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.
- It achieves the optimal profits.

iii. Risk communication

i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include: Asset quality, portfolio rating classification status, and all kinds of exception reports.

ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

i) The Bank shall establish monitoring system to assess changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties' credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.

ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.

iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.

iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.

v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.

b) Auditing Department: Directly examines and supervises the operation of the Bank's various control of risk management.

c) Audit Committee: Responsible for the stipulation and amendment stipulations on issues about internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.

d) Compensation Committee: Assists the board of directors in assessing and supervising the Bank's compensation policy and remunerations for directors and management personnel.

e) Investment Committee: Assists the board of directors in evaluating and supervising the quality of investment activities and conducting review of investment proposals.

f) Assets and Liabilities Committee: Holds asset/liability management meeting to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management and in charge of making decisions on policies.

g) Investment Evaluation Subcommittee: Responsible for evaluating and examining the investment proposal provided by the investment department. After the approval, the investment evaluation team passes the proposal to the board of executive directors and the investment committee.

h) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, they are still be submitted to the competent level for review.

i) Investment Assets Quality Assessment Meeting: Responsible for the examination of the quality status of investments on assets, in charge of making strategies and approves the proposal of the evaluation model and evaluates results proposed by the investment department.

j) Loan Assets Quality Evaluation Meeting: In charge of making policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.

k) The Risk Management Department: Independent and in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Bank follows the BASEL's regulation. It is also responsible for the preparation of risk management reports presented to appropriate management, and it plans to establish monitoring tools for credit risk measurement.

l) Corporate Credit Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed of credit and guarantee amount control, proper release and other release matters.

m) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors, manages and resells bad debts, prepares for bad debts presentation, loss assessment and post-loan management.

n) Headquarters Business Management Department: Responsible for the preparation of management policies, process and control activities. It also supervises the work performed by the operation units.

o) Operation Department: Complies with the policies to make sure its operation is accurate and complete.

4) The range and points of credit risk reports and measurement system

For the credit risks implicated in all products and business activities, new products and business, the Bank regularly monitors the credit risk management and is authorized by the Board or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-lending management and collection operations. The risk management units regularly provide various types of credit risk and asset quality in addition to the above operational procedures the analysis report is to manage the indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the Board to grasp the risk-taking situations faced by the state, the Bank, the industry, the same related parties and the related enterprise risks.

To understand the risk appetite and the risk appetite for changes in the financial environment and the impact on capital adequacy, the Bank handled its credit according to the “Regulation on Stress Test Operation for Banks” and “Bank Credit Risk Stress Test Guidelines” issued by the HKMA Risk stress test, as an important basis for credit risk management, and to continue to adjust the direction of business development, credit policy and credit evaluation procedures.

5) Mitigation of risks or hedging of credit risk and monitoring the avoided risks

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty’s bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Bank has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Bank uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links levy credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum credit risk exposure amount of financial assets is the book value of the specific asset on the balance sheet date. The analysis of the maximum credit exposure amount (excluding the fair value of collateral) of each off-balance sheet financial instrument held by the Bank and its subsidiaries is as follows:

Off-balance Sheet Item	**Maximum Exposure Amount**	
	December 31, 2018	**December 31, 2017**
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	$ 121,652,586	$ 111,469,765
Maximum exposure amounts	121,652,586	111,469,765
Agreed financing	51,883,120	42,433,043

7) Concentrations of credit risk exposure

Concentrations of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic property to. The emergence of concentrations of credit risk includes the operating activities property of the debtor. The Group does not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On December 31, 2018 and 2017, the Group's significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	**December 31, 2018**		**December 31, 2017**	
	Amount	**%**	**Amount**	**%**
Financial intermediary	$ 69,975,701	23	$ 59,655,064	21
Real estate	58,336,211	19	53,500,098	19
The printed circuit board component manufacturing	37,442,251	12	41,991,831	15

b) By counterparty

Credit Risk Profile by Industry Sector	**December 31, 2018**		**December 31, 2017**	
	Amount	**%**	**Amount**	**%**
Private sector	$ 183,749,738	92	$ 173,620,086	95
Natural person	16,540,441	8	9,147,952	5

c) By geographical area

Credit Risk Profile by Industry Sector	**December 31, 2018**		**December 31, 2017**	
	Amount	**%**	**Amount**	**%**
Domestic	$ 122,863,558	61	$ 115,392,955	63
Other Asia area	35,143,990	18	30,208,123	18
America	34,140,109	17	31,586,509	17

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, financial asset at fair value through profit or loss, repos and debt securities, refundable deposits, guaranty bond and clearing and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

On each reporting date, the Bank and its subsidiaries assesses the change in the default risk of financial assets and considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situations, credit investigation results, announcements of dishonored checks and negotiations of the debts from other financial institutions, or information that the debtor has reorganized or is likely to reorganize, to determine whether the credit risk has increased significantly.

The Bank and its subsidiaries adopts the 12-month ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has not increased significantly since initial recognition and adopts the lifetime ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or which are credit-impaired.

The Bank and its subsidiaries considers both the 12-month and lifetime probability of default ("PD") of the borrower together with the loss given default ("LGD"), multiplied by the exposure at default ("EAD"), and considers the impact of the time value of money in order to calculate the 12-month ECLs and lifetime ECLs, respectively.

The PD refers to the borrower's probability to default, and the LGD refers to losses caused by such default. The Bank applies the PD and LGD for the impairment assessment of the credit business according to each group's historical information (such as credit loss experience) from internal statistical data and adjusts such historical data based on the current observable and forward-looking macroeconomic information. It then calculates the respective impairment by applying the progressive one factor model.

The Group estimates the balance of each account based on the method of amortization and considers the possible survival rate in order to calculate the EAD. In addition, the Bank estimates the 12-month ECLs and lifetime ECLs of loan commitments based on the guidelines issued by the Bank's Association and Basel Accords. The Bank calculates the EAD of expected credit losses by considering the portion of the loan commitments expected to be used within 12 months after the reporting date as compared with the expected lifetime of the loan commitments.

The Group uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days or the credit investigation appears to be abnormal, then the Bank determines that the financial assets have defaulted and are credit-impaired.

Credit assets are classified into five categories. In addition to the first category of credit assets, which are normal credit assets that are classified as sound assets, the remaining credit assets are classified as unsound assets and assessed according to the respective collateral and the length of time in which the respective payments become overdue. Such unsound credit assets are then categorized within the second category if they should only be noted; within the third category if they have substandard expected recovery; within the fourth category if their collectability is highly doubtful; and within the fifth category if they are considered uncollectable. The Group also sets up policies for the management of provisions for doubtful credit assets and the collection and settlement of overdue debts in order to deal with collection problems.

b) Credit risk management for investments in debt instruments - 2018

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group review changes in bond yields and other public information and make an assessment as to whether there has been a significant increase in credit risk since the last period to the current reporting date.

In order to minimize credit risk, the Bank has tasked its credit management committee with developing and maintaining a credit risk grading framework for categorizing exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses. The investments in debt instruments of the Group are at normal credit levels as of December 31, 2018, so the Group opted to recognize the expected credit losses on a 12-month basis. The Group's expected credit loss rate is in the range of 0.0014% to 0.4050%.

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost as of January 1, 2018 and December 31, 2018, grouped by credit rating, is reconciled as follows:

Allowance for Impairment Loss	Credit Rating Performing (12-month ECLs)
Balance at January 1, 2018 per IAS 39	$ -
Adjustment on initial application of IFRS 9	44,061
Balance at January 1, 2018 per IFRS 9	44,061
New financial assets purchased	3,394
Derecognition of financial assets	(11,625)
Change in model or risk parameters	(378)
Exchange rate or other changes	219
Balance at December 31, 2018	$ 35,671

In addition to the above, the credit quality analysis of the remaining financial assets of the Bank is as follows:

a) Credit analysis for receivables and discounts and loans

	December 31, 2018				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Receivables	$ 20,765,683	$ 304,253	$ 371,269	$ -	$ 21,441,205
Allowance for credit losses	(218,853)	(111,931)	(227,909)	-	(558,693)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual loans	-	-	-	(52,561)	(52,561)
Net total	$ 20,546,830	$ 192,322	$ 143,360	$ (52,561)	$ 20,829,951

	December 31, 2018				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Discounts and loans	$ 183,751,973	$ 15,147,609	$ 1,390,597	$ -	$ 200,290,179
Allowance for credit losses	(203,195)	(49,620)	(334,761)	-	(587,576)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual loans	-	-	-	(2,364,553)	(2,364,553)
Net total	$ 183,548,778	$ 15,097,989	$ 1,055,836	$ (2,364,553)	$ 197,338,050

December 31, 2017	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+ (C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Balance sheet items							
Receivables	$ 22,276,814	$ -	$ 421,691	$ 22,698,505	$ 280,181	$ 365,177	$ 22,053,147
Discounts and loans	181,324,546	-	1,443,492	182,768,038	375,969	2,305,883	180,086,186

Note: Receivables means the amount of gross receivables.

b) Credit analysis for marketable securities

	December 31, 2018	
	At FVTOCI - Debt Instruments	At Amortized Cost
Gross carrying amount	$ 146,682,749	$ 499,939
Allowance for impairment loss	(35,671)	-
Amortized cost	146,647,078	$ 499,939
Fair value adjustment	(350,775)	
	$ 146,997,853	

December 31, 2017	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+ (C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Available-for-sale financial assets							
Bonds	$ 145,490,411	$ -	$ -	$ 145,490,411	$ -	$ -	$ 145,490,411
Equity investments	3,640,868	-	19,561	3,660,429	5,118	-	3,655,311
Held-to-maturity financial assets							
Bonds	499,821	-	-	499,821	-	-	499,821
Other financial assets							
Equity investments	971,422	-	953,063	1,924,485	751,144	-	1,173,341

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets which are overdue but not yet impaired.

As of December 31, 2018, the Group had no financial assets which were overdue but not impaired.

10) Analysis of impairment for financial assets

The Bank has assessed whether loans and receivables have objective evident of impairment. Assessed with banks, the Central Bank and other banks had no impairment loss. The assessment on loans and receivables are as follows:

<u>Discounts and loans</u>

Type of Impairment Assessment		December 31, 2017	
		Discounts and Loans	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 1,443,492	$ 375,969
	Collectively assessed for impairment	-	-
With no objective evidence of impairment	Collectively assessed for impairment	181,324,546	2,305,883

Note: The amount of discounts and loans is the original value, which does not minus allowance for credit losses.

<u>Receivables</u>

Type of Impairment Assessment		December 31, 2017	
		Accounts Receivables	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 421,691	$ 280,181
	Collectively assessed for impairment	-	-
With no objective evidence of impairment	Collectively assessed for impairment	22,276,814	365,177

Note: The receivables are those originated by the Group, and not net of the allowance for credit losses and adjustments for discount (premium).

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Group' capacity to realize assets, obtain financing or funds to meet obligations at maturity, including deposits and off-balance sheet guarantees.

Liquidity risk is the risk that the Group is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles of liquidity risk

a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Group's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.

b) Manage current assets to ensure that the Group have enough instantly-realized assets to deal with currency risks.

c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure the Group's liquidity.

d) To establish an appropriate information system to measure, monitor and report liquidity risk.

e) The setting of the measurement systems or models should include important factors which affect the currency risks of the bank fund (including the introduction of new products or services) for managing current risks to help the bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.

f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.

g) In addition to the monitoring of the capital requirements, under normal business conditions, the Group should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.

h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the banking operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2018 and 2017, the liquidity reserve ratio was 45.61% and 37.37%, respectively.

3) The analysis of cash inflow and outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	$ 48,781,709	$ 6,747,667	$ -	$ -	$ -	$ 55,529,376
Financial liabilities at fair value through profit or loss	4,924	-	-	-	-	4,924
Notes and bonds issued under repurchase agreement	125,561,932	24,799,314	980,470	202,797	-	151,544,513
Payables	2,183,750	431,407	2,048,855	933,391	39,034	5,636,437
Deposits and remittances	75,701,417	71,367,790	46,562,669	42,107,083	26,064,362	261,803,321
Bank notes payable	-	-	-	1,650,000	16,200,000	17,850,000
Other financial liabilities	2,154,084	1,762,372	1,079,679	3,110,559	6,927,720	15,034,414
	$ 254,387,816	$ 105,108,550	$ 50,671,673	$ 48,003,830	$ 49,231,116	$ 507,402,985

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	$ 41,967,101	$ 11,065,538	$ -	$ -	$ -	$ 53,032,639
Financial liabilities at fair value through profit or loss	7,245	-	-	-	-	7,245
Notes and bonds issued under repurchase agreement	146,992,716	41,450,703	1,478,851	16,105	-	189,938,375
Payables	1,797,214	251,486	2,144,300	695,469	134,212	5,022,681
Deposits and remittances	39,248,871	78,073,545	33,489,960	23,325,344	24,148,980	198,286,700
Bank notes payable	-	-	-	4,300,000	16,100,000	20,400,000
Other financial liabilities	6,431,043	2,986,062	2,817,986	3,419,422	6,683,364	22,337,877
	$ 236,444,190	$ 133,827,334	$ 39,931,097	$ 31,756,340	$ 47,066,556	$ 489,025,517

4) The Group assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Foreign forward contracts	$ 11,258	$ 1,022	$ 1,669	$ 25,214	$ -	$ 39,163
Foreign currency swap contracts	335,349	55,470	215,891	13,171	-	619,881
Others	961	-	-	-	-	961
	347,568	56,492	217,560	38,385	-	660,005
Non-deliverable						
Interest rate swap contracts	-	1,647	4,000	1,334	121,362	128,343
	$ 347,568	$ 58,139	$ 221,560	$ 39,719	$ 121,362	$ 788,348

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Foreign forward contracts	$ 101,040	$ 701	$ 4,203	$ 2,703	$ -	$ 108,647
Foreign currency swap contracts	251,900	109,499	116,648	61,402	-	539,449
Others	1,378	-	-	-	-	1,378
	354,318	110,200	120,851	64,105	-	649,474
Non-deliverable						
Interest rate swap contracts	-	-	-	11,007	123,292	134,299
	$ 354,318	$ 110,200	$ 120,851	$ 75,112	$ 123,292	$ 783,773

5) The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the balance sheet.

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 604,084	$ 840,096	$ 328,568	$ -	$ 7,389	$ 1,780,137
Other guarantees	41,321,550	65,333,900	7,089,769	5,998,775	128,455	119,872,449
Agreed financing amount	1,613,326	2,311,305	3,467,107	6,934,213	37,557,069	51,883,120
	$ 43,538,960	$ 68,485,401	$ 10,885,444	$ 12,932,988	$ 37,692,913	$ 173,535,706

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 1,191,027	$ 1,013,393	$ 367,946	$ 15,541	$ -	$ 2,587,907
Other guarantees	35,533,002	63,019,079	5,466,081	4,803,363	60,333	108,881,858
Agreed financing amount	1,358,437	1,731,533	2,597,300	5,194,599	31,551,174	42,433,043
	$ 38,082,466	$ 65,764,005	$ 8,431,327	$ 10,013,503	$ 31,611,507	$ 153,902,808

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and process

The Bank manage the market risk with active, careful attitude.

The Bank makes the profit majorly by doing trading business through knowing well correctly how market risk of factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity of the implicit profit is. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussed to the full and stipulated by the president, the trading department and the market risk management department, it is submitted to the Assets and Liabilities Committee and the Board with the plan of stop-loss quotas and product parts quotas to avoid setting up the goal in an impracticable way that leads the dealer to take more risk on operating.

The Bank sets up definite management rules and risk management indicators for different trading business and its risk attribute, and stipulates exposure amount, submission of expiration, authorizing management and ways of disposure. Implement certainly and ensure the trading department to abide by the discipline to control the market risk exposure extent in a safe range.

3) Market risk management organization and framework

a) The Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the Board, are the top stipulation in market risk management.

b) Assets and Liabilities Committee: In charge of stipulating market risk management policy and monitoring the operating of market risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the market risk management policy and the next year proposal of product parts quotas and annual stop-loss of the trading business expected to be submitted to the Board.

c) Risk Management Department: In charge of market risk management. According to the Bank’s regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products’ type (e.g. equity, interest rate, currency exchange rate).

The Bank setup the limit amount of trading and loss, and other index including VaR, MAT, 20-Day average liquidity and FS to enhance the risk control system.

The Bank calculates the risk exposure amount of the trade department and traders based on authorized amount, and submits risk report, monitors the limits and executes the following measures.

The Bank sets up the index of stop loss to control the risk of transaction including bonds, Forex, securities and derivative by building the risk evaluation module, and monitor the loss caused by the fluctuation of stock market, exchange rate and interest rates.

5) Value at risk

The Bank adopts Value at Risk (VaR) to evaluate the market risk of financial instruments related to currency exchange rate, NTD interest rate, and price of listed stock. VaR is the potential loss in market values of financial instruments held by the Bank, which is measured within a set confidence interval for a specified period. The Bank estimated VaR on the basis of Monte Carlo method, with 99% confidence interval. The sample period of currency exchange rate products and stock is past 1 year. The sample period of interest rate products is past 3 years. The Bank simulates 5,000 times with GBM model. The table below presents VaR of financial instruments, which is according to confidence interval, using estimation of potential loss amount in a day to assume possible fluctuation in market during a day under unfavorable changes in interest rates, exchange rates or market price per share. Based on the assumption, the VaRs of the financial instruments may exceed the following values due to the fluctuations of interest rate or currency exchange rate in 1 day out of 100 days. The average VaR, the high and low VaRs were calculated based on daily VaRs in the year. The whole market risk of the Bank was less than the aggregated value of VaRs of fair value, currency exchange rate and price.

The Bank adopts Value at Risk to evaluate trading book products such as rate financial instruments, TWD interest products and market risks of trading assets IPO stocks. When market factors happen negative changes, Value at Risk reveals the potential losses of holding financial instruments during a certain period and in a confidence interval. The bank adopts Monte Carlo method to estimate Value at Risk, the confidence interval is 99%, the sample interval of rate and stock products is the past year, the sample interval of interest products is the past three years, simulation times is 5,000 times, simulation path is GBM.

The following table illustrates the Value at Risk of the bank, this risk value is based on confidence interval, estimated in one day potential losses and assumed unfavorable interest and rate changes can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

O-Bank

	December 31					
	2018			2017		
	Average	**High**	**Low**	**Average**	**High**	**Low**
Currency exchange rate risk	$ 960	$ 7,992	$ 105	$ 2,150	$ 8,317	$ 86
Fair value risk resulting from interest rate	2,551	8,991	-	1,896	13,446	-
Fair value resulting from stock price	7,114	14,004	321	10,439	18,766	4,039

6) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

(Unit: Foreign Currencies and New Taiwan Dollars in Thousands)

	December 31, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 3,655,151	30.7459	$ 112,381,036
JPY	1,384,579	0.2781	385,062
HKD	8,911,525	3.9254	34,981,039
EUR	18,765	35.2119	660,751
AUD	2,318	21.6701	50,231
RMB	2,781,862	4.4700	12,434,883
Financial liabilities			
Monetary item			
USD	3,663,930	30.7459	112,650,950
JPY	1,344,156	0.2781	373,820
HKD	6,513,703	3.9254	25,568,699
EUR	10,228	35.2119	360,147
AUD	8,661	21.6701	187,685
RMB	2,618,361	4.4700	11,704,039

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 2,855,725	29.8545	$ 85,248,871
JPY	1,791,669	0.2649	474,613
HKD	5,730,897	3.8202	21,893,399
EUR	20,744	35.7084	740,735
AUD	2,271	23.2999	52,914
RMB	3,146,864	4.5775	14,405,825
Financial liabilities			
Monetary item			
USD	3,246,195	29.8545	96,907,011
JPY	771,871	0.2649	204,465
HKD	5,235,688	3.8202	20,001,582
EUR	7,651	35.7084	273,205
AUD	7,659	23.2999	178,454
RMB	2,759,353	4.5775	12,631,737

f. Bank book interest risk

1) Source and definition of bank book interest risk

Banking book's interest risk means the probably loss of non-banking book's position within balance sheet and off-balance sheet arise from interest change.

2) Bank book interest risk management strategy and process

The Bank controls this interest risk with a positive and strict attitude. The Bank hopes to pursue the stability and growth of surplus without liquidity flaws.

The Bank set the clear management methods and risk management indicators with different trading, investment and risk, and set the report of risk amount and over limit, approved level and reaction plan. The Bank executes the procedures clearly, establishes a trading discipline that upholds the discipline of investment, and controls the bank book interest risk within the limit.

3) Bank book interest risk management organization and framework

a) The Board of Directors: It is the top bank book interest risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the Board are the top stipulation in bank book interest risk.

b) Assets and Liabilities Committee: In charge of stipulating bank book interest risk management policy and monitoring the operating of bank book interest risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the bank book interest risk management conditions and the result of interest pressure test once a month.

c) Risk Management Department: In charge of bank book interest risk management. According to the Bank's regulation, the department is in charge of every operation related to bank book interest risk management, including planning of bank book interest risk limits, statistics, reporting and monitoring.

4) The extent and characteristics of the bank book interest risk report and evaluation system

The Risk Management Department set the regulation with bank book interest risk as follow, limit of position, Annual stop buying maximum loss limit, FS Sensitivity limit, duration/maturity limit, Individual Investment Target Warning Limits, Individual Investment Target stop buying limit, Earnings View Interest Rate Sensitivity Warning Limit-Rising/falling interest rates by 1bp, Net income interest rate sensitivity warning limit: Interest rate rise/fall 25bps, 50bps, 75bps, 100bps.

In summary, it is intended to enhance the risk control framework of bank book interest risk.

Besides, the Risk Management Department executes the following tests to assess the impact to the Bank's net income in each quarter, including the interest rate pressure test and special situation pressure test, and reports the result to the Assets and Liabilities Committee.

The Risk Management Department calculates the exposure amount of each trading departments and traders and reports the risk reports, monitors over-limits, and performs follow-up actions under the regulations.

g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

O-Bank

	For the Year Ended December 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents - due from banks	$ 1,094,656	2.33	$ 931,686	2.04
Call loans to banks	9,580,197	1.34	6,296,975	1.07
Due from the Central Bank	4,327,135	0.67	3,333,761	0.71
Financial assets at fair value through profit or loss	45,155,273	0.62	39,544,611	0.56
Securities purchased under resell agreements	358,849	0.21	97,225	0.19
Discounts and loans	176,133,124	2.58	151,631,581	2.25
Available-for-sale financial assets	-	-	38,871,246	1.43
Held-to-maturity financial assets	-	-	820,566	0.99
Financial assets at fair value through other comprehensive income	45,677,257	1.57	-	-
Financial assets at amortized costs	499,876	1.15	-	-
Receivables	4,009,381	1.29	3,098,236	1.26
Interest-bearing liabilities				
Deposits from the Central Bank and banks	34,530,412	1.74	38,358,810	1.13
Demand deposits	37,420,897	0.48	23,680,971	0.35
Time deposits	177,495,807	1.17	144,792,924	0.86
Notes and bonds issued under repurchase agreements	5,262,897	0.73	6,965,099	0.55
Bank notes payable	20,373,836	2.08	17,541,918	2.02
Other financial liabilities	4,946,764	-	5,415,837	-

China Bills Finance Corporation (CBF)

	For the Year Ended December 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents (including certificate of deposit)	$ 812,169	0.16	$ 770,267	0.14
Call loans to banks	9,945	0.21	21,112	3.29
Financial assets measured at fair value through profit or loss - bonds and bills	89,719,489	0.58	99,441,408	0.57
Financial asset at fair value through profit or loss - bonds and bills	97,039,689	1.33	-	-
Available-for-sale financial assets-bond investment	-	-	96,414,292	1.32
Financial assets measured at fair value through profit or loss - mix financial assets	6,467,912	1.51	-	-
Financial assets at fair value through profit or loss-bond investment	-	-	8,488,165	1.55
Securities purchased under resell agreements	3,984,373	0.35	2,399,664	0.34
Interest-bearing liabilities				
Due to other banks	17,717,031	0.62	19,435,597	0.46
Bank overdrafts	1,910	1.75	7,345	1.75
Securities sold under repurchase agreements	157,117,047	0.53	163,056,170	0.44
	1,568,219	0.56	2,678,082	0.57

49. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Group's common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis subject to the competent authorities. The calculation of the ratio mentioned above is determined by the competent authority regulations.

b. Capital assessment program

Measures are taken when capital ratio and leverage ratio deteriorates such as regular calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly tracking the target achievement rate in the capital.

c. Capital adequacy ratio

O-Bank

(Unit: In Thousands of New Taiwan Dollars or in %)

Items \ Year			December 31, 2018 Own Capital Adequacy Ratio	December 31, 2018 Consolidated Capital Adequacy Ratio
Eligible capital	Common stocks equity Tier 1		$ 23,857,101	$ 42,039,566
	Other Tier 1 capital		750,999	2,248,225
	Tier 2 capital		4,518,127	7,639,991
	Eligible capital		29,126,227	51,927,782
Risk-weighted assets	Credit risk	Standard	196,614,687	308,063,174
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	8,071,238	9,260,225
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	8,099,200	76,233,338
		Internal model approach	-	-
	Total risk-weighted assets		212,785,125	393,556,737
Capital adequacy ratio			13.69%	13.19%
Ratio of common stockholders' equity to risk-weighted assets			11.21%	10.68%
Ratio of Tier 1 capital to risk-weighted assets			11.56%	11.25%
Leverage ratio			7.16%	6.86%

(Unit: In Thousands of New Taiwan Dollars or in %)

Items \ Year			December 31, 2017 Own Capital Adequacy Ratio	December 31, 2017 Consolidated Capital Adequacy Ratio
Eligible capital	Common stocks equity Tier 1		$ 20,691,448	$ 39,951,052
	Other Tier 1 capital		-	-
	Tier 2 capital		5,160,148	8,193,754
	Eligible capital		25,851,596	48,144,806
Risk-weighted assets	Credit risk	Standard	177,038,851	281,472,735
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	7,422,913	8,580,350
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	4,165,338	69,552,775
		Internal model approach	-	-
	Total risk-weighted assets		188,627,102	359,575,860
Capital adequacy ratio			13.71%	13.39%
Ratio of common stockholders' equity to risk-weighted assets			10.97%	11.11%
Ratio of Tier 1 capital to risk-weighted assets			10.97%	11.11%
Leverage ratio			7.24%	6.70%

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: Formulas used were as follows:

1) Eligible capital = Common stock equity Tier 1 + 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 common stockholders' equity to risk-weighted assets = Common stock equity Tier 1 ÷ Risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Common stocks equity Tier 1 + Other Tier 1 capital) ÷ Risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Exposure amount.

According to the Banking Law and other related regulations, in order to improve the financial foundation of banks, in 2018 and 2017, the Bank and the Bank's capital adequacy ratio shall not be lower than 9.875% and 9.25%, respectively. The ratio of Tier 1 capital shall not be lower than 7.875% and 7.25%, respectively. The ratio of common stockholders' equity shall not be lower than 6.375% and 5.75%, respectively. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

China Bills Finance Corporation

(Unit: In Thousands of New Taiwan Dollars, %)

Items / **Year**		**December 31, 2018**	**December 31, 2017**
Eligible capital	Tier 1 capital	$ 22,793,703	$ 21,908,716
	Tier 2 capital	-	-
	Tier 3 capital	144,775	276,469
	Eligible capital	22,938,478	22,185,185
Risk-weighted assets	Credit risk	114,285,372	105,688,495
	Operational risk	4,145,623	4,008,287
	Market risk	59,619,238	58,540,805
	Total risk-weighted assets	178,050,233	168,237,587
Capital adequacy ratio (Note 1)		12.88%	13.19%
Ratio of Tier 1 capital to risk-weighted assets (Note 1)		12.80%	13.02%
Ratio of Tier 2 capital to risk-weighted assets (Note 1)		-	-
Ratio of Tier 3 capital to risk-weighted assets (Note 1)		0.08%	0.17%
Ratio of common stockholders' equity to total assets (Note 1)		6.73%	6.09%

Note: 1) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

2) The amount of total assets mentioned above is calculated by summarizing all assets on the balance sheet.

3) The capital adequacy ratio (CAR) should be computed at the end of June and December. In quarterly report, the capital adequacy ratio disclosed is the data of related period (the end of June or December).

4) The calculation method of eligible capital and risk-weighted assets should follow the "bills finance company's capital adequacy management approach" and "calculation and description of bills finance capital and risk assets".

50. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND DISCLOSURE OF RELATED INFORMATION OF INDUSTRY REGULATIONS OF MATURITY ANALYSIS OF ASSETS AND LIABILITIES

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 4.

2) Concentration of credit extensions

December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Group (unclassified other financial service)	$ 6,363,353	19.89
2	B Group (unclassified other financial service)	4,536,476	14.18
3	C Group (real estate development)	3,376,930	10.56
4	D Group (short-term accommodation activities)	3,344,736	10.46
5	E Group (ocean transportation)	3,194,081	9.98
6	F Group (LCD and component manufacturing)	2,563,619	8.01
7	G Group (real estate development)	2,538,157	7.93
8	H Group (manufacture of chemical material)	2,417,984	7.56
9	I Group (unclassified other financial service)	2,109,623	6.59
10	J Group (real estate development)	2,045,098	6.39

December 31, 2017

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Group (unclassified other financial service)	$ 6,525,400	22.28
2	E Group (ocean transportation)	3,619,243	12.36
3	F Group (LCD and component manufacturing)	3,525,096	12.04
4	G Group (real estate development)	3,464,541	11.83
5	H Group (manufacture of basic chemical material)	2,592,128	8.85
6	K Group (paper manufacturing)	2,543,725	8.69
7	D Group (short term accommodation activities)	2,405,555	8.21
8	L Group (real estate development)	2,197,560	7.50
9	M Group (financial lease)	2,018,580	6.89
10	N Group (semiconductor packaging and testing)	2,001,342	6.83

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 153,895,676	$ 3,701,113	$ 5,156,795	$ 59,203,989	$ 221,957,573
Interest rate-sensitive liabilities	80,313,253	45,671,299	41,035,656	45,437,973	212,458,181
Interest rate-sensitive gap	73,582,423	(41,970,186)	(35,878,861)	13,766,016	9,499,392
Net worth					29,476,185
Ratio of interest rate-sensitive assets to liabilities					104.47%
Ratio of interest rate sensitivity gap to net worth					32.23%

December 31, 2017

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 132,363,671	$ 16,508,687	$ 12,822,636	$ 32,594,222	$ 194,289,216
Interest rate-sensitive liabilities	86,513,208	38,462,306	25,665,659	37,448,522	188,089,695
Interest rate-sensitive gap	45,850,463	(21,953,619)	(12,843,023)	(4,854,300)	6,199,521
Net worth					27,562,030
Ratio of interest rate-sensitive assets to liabilities					103.30%
Ratio of interest rate sensitivity gap to net worth					22.49%

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank and excluded contingent assets and contingent liabilities items.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
December 31, 2018

(In Thousands of U.S. Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,496,271	$ 15,499	$ 36,800	$ 968,185	$ 2,516,755
Interest rate-sensitive liabilities	1,892,767	520,320	87,390	-	2,500,477
Interest rate-sensitive gap	(396,496)	(504,821)	(50,590)	968,185	16,278
Net worth					64,062
Ratio of interest rate-sensitive assets to liabilities					100.65%
Ratio of interest rate sensitivity gap to net worth					25.41%

December 31, 2017

(In Thousands of U.S. Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,462,640	$ 63,033	$ 13,009	$ 605,581	$ 2,144,263
Interest rate-sensitive liabilities	1,634,854	473,450	60,597	-	2,168,901
Interest rate-sensitive gap	(172,214)	(410,417)	(47,588)	605,581	(24,638)
Net worth					41,244
Ratio of interest rate-sensitive assets to liabilities					98.86%
Ratio of interest rate sensitivity gap to net worth					(59.74%)

Note 1: The above amounts included only U.S. dollar amounts held by the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars).

c. Liquidity risk

1) Profitability

(In %)

Items		For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Return on total assets	Before income tax	0.36	0.44
	After income tax	0.30	0.38
Return on equity	Before income tax	3.68	4.18
	After income tax	3.12	3.65
Net income ratio		20.18	23.79

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets.

Note 2: Return on equity = Income before (after) income tax ÷ Average equity.

Note 3: Net income ratio = Income after income tax ÷ Total net revenue.

Note 4: Income before (after) income tax represents income for the year ended December 31, 2018 and 2017.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2018

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 261,684,702	$ 66,366,860	$ 21,782,255	$ 22,834,590	$ 18,588,439	$ 19,785,994	$ 112,326,564
Main capital outflow on maturity	299,504,646	31,670,930	36,010,964	52,474,249	41,206,123	49,853,927	88,288,453
Gap	(37,819,944)	34,695,930	(14,228,709)	(29,639,659)	(22,617,684)	(30,067,933)	24,038,111

December 31, 2017

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 252,606,042	$ 49,236,605	$ 24,824,432	$ 23,689,243	$ 24,869,925	$ 24,659,688	$ 105,326,149
Main capital outflow on maturity	280,759,592	31,102,800	26,089,592	70,432,107	39,733,662	37,165,578	76,235,853
Gap	(28,153,550)	18,133,805	(1,265,160)	(46,742,864)	(14,863,737)	(12,505,890)	29,090,296

Note: The Bank amounts refer to the total NTD amounts of the overall Group.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,865,995	$ 1,551,474	$ 698,979	$ 509,652	$ 324,982	$ 780,908
Main capital outflow on maturity	4,008,431	1,858,382	1,012,637	522,411	207,076	407,925
Gap	(142,436)	(306,908)	(313,658)	(12,759)	117,906	372,983

December 31, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 4,243,908	$ 1,338,861	$ 832,448	$ 730,436	$ 364,296	$ 977,867
Main capital outflow on maturity	4,607,286	1,832,992	1,255,648	685,934	251,943	580,769
Gap	(363,378)	(494,131)	(423,200)	44,502	112,353	397,098

Note 1: The Bank amounts refer to the total USD amounts of the overall Group.

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)
December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,071,742	$ 487,386	$ 155,816	$ 43,623	$ 20,899	$ 364,018
Main capital outflow on maturity	1,071,400	510,060	289,780	90,435	45,654	135,471
Gap	342	(22,674)	(133,964)	(46,812)	(24,755)	228,547

December 31, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 977,316	$ 368,760	$ 140,038	$ 26,708	$ 54,264	$ 387,546
Main capital outflow on maturity	1,038,812	425,441	351,170	31,952	47,815	182,434
Gap	(61,496)	(56,681)	(211,132)	(5,244)	6,449	205,112

China Bills Finance Corporation

a. Asset quality

(Unit: In Thousands of New Taiwan Dollars, %)

Item / Period	December 31, 2018	December 31, 2017
Balance of guarantees and endorsement credits overdue within 3 months	$ -	$ -
Nonperforming debts (include overdue receivables)	-	-
Credits under observation	-	-
Overdue receivables	-	-
Ratio of nonperforming debts	0.00%	0.00%
Ratio of nonperforming debts and credits under observation	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	1,045,899	1,001,604
Actual provision for credit losses and reserve for losses on guarantees	1,310,077	1,429,477

b. The principal operation

(Unit: In Thousands of New Taiwan Dollars, %)

Item / Period	December 31, 2018	December 31, 2017
Balance of guarantees and endorsement securities	$ 104,434,900	$ 99,741,800
Ratio of guarantees and endorsement securities to net worth (Note)	4.77	4.72
Short-term bills and bonds sold under agreement to repurchase	147,142,872	174,073,575
Ratio of short-term bills and bonds sold under agreement to repurchase to net worth (Note)	6.72	8.24

Note: The net worth mentioned above is the net worth after appropriation in prior year minus the original cost of financial assets carried at cost.

c. The provision policy losses and allowance for doubtful accounts please refer to Note 13.

d. Concentrations of credit extensions

(In Thousands of New Taiwan Dollars, %)

Item \ Period	December 31, 2018		December 31, 2017	
Credit of the common interested party	$ -		$ -	
Credit ratio of the interested party (Credit of the common interested party ÷ Total credit)	-		-	
Credit ratio of pledged stocks (Credit of pledged stocks ÷ Total credit)	19.80		19.05	
Loan concentration by industry (The concentration of listed industries were the Top 3 of all industries)	**Type of Industry**	**%**	**Type of Industry**	**%**
	1) Finance and insurance industry	36.16	1) Finance and insurance industry	31.07
	2) Manufacturing industry	22.25	2) Manufacturing industry	24.61
	3) Real estate industry	22.94	3) Real estate industry	25.58

Note 1: Ratio of credit extensions to common interest parties: Credit to common interest party ÷ Total credit.

Note 2: Ratio of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable.)

e. Interest rate sensitivity information of the balance sheet

December 31, 2018

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 85,776	$ 13,639	$ 5,451	$ 90,728	$ 195,594
Interest rate-sensitive liabilities	172,907	980	203	-	174,090
Interest rate-sensitive gap	(87,131)	12,659	5,248	90,728	21,504
Net worth					23,299
Ratio of interest rate-sensitive assets to liabilities (%)					112.35
Ratio of interest rate sensitivity gap to net worth (%)					92.30

December 31, 2017

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 106,487	$ 12,879	$ 8,817	$ 88,435	$ 216,618
Interest rate-sensitive liabilities	193,618	1,479	16	-	195,113
Interest rate-sensitive gap	(87,131)	11,400	8,801	88,435	21,505
Net worth					23,025
Ratio of interest rate-sensitive assets to liabilities (%)					111.02
Ratio of interest rate sensitivity gap to net worth (%)					93.40

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

f. The use of funding sources table

December 31, 2018

(In Millions of New Taiwan Dollars)

Items \ Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 44,934	$ 36,756	$ 8,820	$ 110	$ -
	Bonds	1,479	1,354	4,819	5,341	90,728
	Due from banks	262	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	991	-	-	-	-
	Total	47,666	38,110	13,639	5,451	90,728
Cash provided by	Borrowing	27,044	-	-	-	-
	Securities sold under agreement to repurchase	121,064	24,799	980	203	-
	Eligible capital	-	-	-	-	23,299
	Total	148,108	24,799	980	203	23,299
Net cash flows		(100,442)	13,311	12,659	5,248	67,429
Accumulated cash flows		(100,442)	(87,131)	(74,472)	(69,224)	(1,795)

December 31, 2017

(In Millions of New Taiwan Dollars)

Items \ Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 49,385	$ 47,488	$ 8,489	$ 1,259	$ -
	Bonds	1,034	2,589	4,390	7,558	88,435
	Due from banks	308	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	4,382	1,301	-	-	-
	Total	55,109	51,378	12,879	8,817	88,435
Cash provided by	Borrowing	21,137	-	-	-	-
	Securities sold under agreement to repurchase	133,441	39,040	1,479	16	-
	Eligible capital	-	-	-	-	23,025
	Total	154,578	39,040	1,479	16	23,025
Net cash flows		(99,469)	12,338	11,400	8,801	65,410
Accumulated cash flows		(99,469)	(87,131)	(75,731)	(66,930)	(1,520)

g. Matters requiring special notation

(In Thousands of New Taiwan Dollars)

Causes	December 31, 2018	December 31, 2017
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT$50 million dollars	None	None
Other	None	None

Note: The term "within the past year" means one year before the balance sheet date.

51. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees and b. Names, locations, and other information of investees over which the Bank exercises significant influence.

1) Financing provided: The Group - not applicable; investees - Table 1 (attached)

2) Endorsement/guarantee provided: The Group - not applicable; investees - Table 2 (attached)

3) Marketable securities held: The Group - not applicable; investees - Table 3 (attached)

4) The amount of buying or selling stocks for joint venture is at least $300 million or 10% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

6) Disposal of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

7) Allowance of service fees to related parties amounting to at least $5 million: None

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: None

9) Sale of nonperforming loans: None

10) Information of applying for authorization of securitized product type according to the "Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization": None

11) Other significant transactions which may affect the decisions of users of financial reports: None

12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Group exercises significant influence.” Table 5 (attached)

13) Derivative instrument transactions: Note 8

c. Investment in mainland China: Table 6 (attached)

52. OPERATING SEGMENT FINANCIAL INFORMATION

The Group provides CODM to assess segment performance, focusing on the nature of business operations, assets and profit and loss. The accounting policies of each operating segment are described in Note 4 the same significant accounting policies. The Group shall be reported to the operating divisions are as follows:

a. Bank: Business ruled in Law of Bank Article 71.

b. Overseas: Overseas banking business.

c. Leasing: Leasing business.

d. Bills: Bills related Business approved by the competent authority.

e. Others: Other non-core businesses.

The following was an analysis of the Group’s revenue and results by reportable segment.

	Bank	Overseas	Leasing	Bills	Others	Adjustments and Eliminations	Consolidated
For the year ended December 31, 2018							
Net interest							
From unaffiliated segment	$ 2,191,721	$ 980,290	$ 719,689	$ 341,365	$ 24	$ (8,980)	$ 4,224,109
From other segment	(10,200)	-	336	1,243	445	8,176	-
	$ 2,181,521	$ 980,290	$ 720,025	$ 342,608	$ 469	$ (804)	$ 4,224,109
Net revenue other than interest							
From unaffiliated segment	$ 2,516,644	$ 42,667	$ 266,344	$ 1,664,667	$ 15,591	$ -	$ 4,505,913
From other segment	31,718	-	-	(30,068)	(925)	(908,834)	(908,109)
	$ 2,548,362	$ 42,667	$ 266,344	$ 1,634,599	$ 14,666	$ (908,834)	$ 3,597,804
Income from continuing operation	$ 954,659	$ 377,280	$ 140,702	$ 1,335,419	$ (510)	$ (868,020)	$ 1,939,530
Identifiable assets	$ 320,219,718	$ 27,310,825	$ 14,408,102	$ 199,531,032	$ 216,392	$ 155,505	$ 561,841,574
Depreciation and amortization	$ 382,934	$ 18,427	$ 15,005	$ 8,426	$ 222	$ -	$ 425,014
Capital expenditure	$ 231,412	$ 54,096	$ 10,784	$ 1,998	$ 3	$ 1,798	$ 300,091

(Continued)

	Bank	Overseas	Leasing	Bills	Others	Adjustments and Eliminations	Consolidated
For the year ended December 31, 2017							
Net interest							
From unaffiliated segment	$ 1,995,285	$ 883,994	$ 691,730	$ 446,151	$ (498)	$ 13,458	$ 4,030,120
From other segment	(19,068)	-	-	13,463	1,320	4,285	-
	$ 1,976,217	$ 883,994	$ 691,730	$ 459,614	$ 822	$ 17,743	$ 4,030,120
Net revenue other than interest							
From unaffiliated segment	$ 2,494,892	$ 64,618	$ 373,089	$ 1,635,332	$ 16,236	$ -	$ 4,587,167
From other segment	35,031	-	-	-	-	(735,264)	(700,233)
	$ 2,529,923	$ 64,618	$ 373,089	$ 1,635,332	$ 16,236	$ (735,264)	$ 3,883,934
Income from continuing operation	$ 1,072,080	$ 232,059	$ 132,434	$ 1,351,064	$ 911	$ (676,661)	$ 2,111,887
Identifiable assets	$ 280,800,446	$ 25,220,623	$ 15,866,347	$ 220,412,404	$ 239,622	$ (1,967,421)	$ 540,572,021
Depreciation and amortization	$ 265,925	$ 17,827	$ 21,127	$ 8,697	$ 188	$ -	$ 313,764
Capital expenditure	$ 446,141	$ 24,914	$ 1,008	$ 4,550	$ 21,001	$ 26	$ 497,640

(Concluded)

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Notes 4 and 5)	Note
													Item	Value			
1	IBT Leasing	Lei Xin Construction	Account receivable - short-term accommodations	No	$ 112,960	$ 91,560	$ 91,560	2-8	2	$ -	Working capital turnover	$ 5,648	Real estate	$ 124,389	$ 204,521	$ 818,084	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	23,591	8,601	8,601	2-8	1	30,000	Working capital turnover	125	Real estate	24,288	204,521	2,045,209	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	23,591	8,601	8,601	2-8	2	-	Working capital turnover	125	Real estate	24,288	204,521	818,084	
		General Energy Solutions	Account receivable - short-term accommodations	No	15,730	2,324	2,324	2-8	2	-	Working capital turnover	4	Margin	2,000	204,521	818,084	
		San Rong Fisheries Corp.	Account receivable - short-term accommodations	No	20,952	13,080	13,080	2-8	2	-	Working capital turnover	13,080	Margin	5,000	204,521	818,084	
		Shanyue development Co., Ltd.	Account receivable - short-term accommodations	No	165,000	165,000	165,000	2-8	2	-	Working capital turnover	3,465	Real estate	88,310	204,521	818,084	
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	167,100	167,100	57,100	2-8	2	-	Working capital turnover	1,199	Performance bond	11,000	204,521	818,084	
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	47,506	18,253	18,253	2-8	2	-	Working capital turnover	305	Margin	10,000	204,521	818,084	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	30,000	30,000	-	2-8	2	-	Working capital turnover	-	-	-	204,521	818,084	
		Power Home Construction	Account receivable - short-term accommodations	No	188,100	82,500	82,500	2-8	2	-	Working capital turnover	1,196	Real estate	231,671	204,521	818,084	
		General Energy Solutions	Account receivable - short-term accommodations	No	58,000	43,994	43,994	2-8	1	77,159	Working capital turnover	554	Margin	5,800	204,521	2,045,209	
		Shinex Machinery Engineering Inc.	Account receivable - short-term accommodations	No	30,000	15,668	15,668	2-8	2	-	Working capital turnover	329	-	-	204,521	818,084	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	40,000	29,691	29,691	2-8	2	-	Working capital turnover	344	Margin	6,000	204,521	818,084	
		Advanced Wireless and Antenna INC.	Account receivable - short-term accommodations	No	30,000	28,231	28,231	2-8	2	-	Working capital turnover	823	Margin	10,916	204,521	818,084	
		Sun Shen Construction	Account receivable - short-term accommodations	No	90,000	-	-	2-8	2	-	Working capital turnover	-	-	-	204,521	818,084	
		Jiin Ming Industry Co., Ltd.	Account receivable - short-term accommodations	No	40,000	-	-	2-8	2	-	Working capital turnover	-	-	-	204,521	818,084	
		Teroko Textile Corp.	Account receivable - short-term accommodations	No	46,667	-	-	2-8	2	-	Working capital turnover	-	Stock	-	204,521	818,084	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	33,968	-	-	2-8	1	50,000	Working capital turnover	-	Margin	7,500	204,521	2,045,209	
		Greatland electronics Taiwan Ltd.	Account receivable - short-term accommodations	No	30,000	-	-	2-8	2	-	Working capital turnover	-	Margin	12,000	204,521	818,084	
2	IBT International Leasing Corp.	Qingdao Liansheng Industry Co., Ltd.	Entrusted loans	Yes	179,140	83,897	83,897	6-16	2	-	Working capital turnover	1,804	Real estate	123,472	194,481	777,925	
		San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	Yes	218,717	-	-	6-16	2	-	Working capital turnover	-	-	-	194,481	777,925	
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	66,117	19,774	19,774	6-16	2	-	Working capital turnover	69	Real estate	90,354	194,481	777,925	
		Shanghai Kuang Di Entertainment Co., Ltd.	Entrusted loans	No	54,484	19,484	19,484	6-16	2	-	Working capital turnover	97	Real estate	41,802	194,481	777,925	
		Shanghai Qiaoyou Garment Co., Ltd.	Entrusted loans	No	37,655	12,328	12,328	6-16	2	-	Working capital turnover	62	Real estate	26,016	194,481	777,925	
		Qiangsheng (Shanghai) Multimedia Co., Ltd.	Entrusted loans	No	62,699	47,299	47,299	6-16	2	-	Working capital turnover	192	Real estate and margin	60,805	194,481	777,925	
		Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loans	N0	89,570	62,699	62,699	6-16	2	-	Working capital turnover	313	Real estate	69,135	194,481	777,925	
		Dong Sheng Machine Co., Ltd.	Entrusted loans	No	44,785	41,448	41,448	6-16	2	-	Working capital turnover	207	Real estate	35,407	194,481	777,925	
3	IBT Tianjin International Leasing Corp.	San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	Yes	65,615	-	-	9-11	2	-	Working capital turnover	-	-	-	13,758	55,032	

(Continued)

Note 1: Explanation:

a. Issuing entity: 0.
b. Invested companies were sequentially numbered from No. 1.

Note 2: Loan type: Business “1”; short-term financial intermediation “2”.

Note 3: IBT Leasing, IBT International Leasing Corp. and IBT Tianjin International Leasing Corp. loaned to individual company were limited by 10% net assets.

Note 4: Each issuing entity’s total amount of loans was limited to 40% of IBT Leasing Corp.’s, IBT International Leasing Corp.’s and IBT Tianjin International Leasing Corp.’s net assets. The loan mentioned formerly which belongs to business transactions is limited to 100%.of the Corporation net assets.

(Concluded)

O-BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
1	IBT Leasing	IBT International Leasing Corp.	b	$ 16,361,672	$ 12,831,457	$ 12,096,460	$ 6,622,742	$ -	591.45	$ 24,542,508	Yes	No	Yes
2	IBT Leasing	IBT Tianjin International Leasing Corp.	c	16,361,672	4,528,366	-	-	-	0.00	24,542,508	Yes	No	Yes

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:

a. Trading partner.
b. Directly owns over 50% of the common stocks of the subsidiary.
c. The Bank and subsidiary own over 50% ownership of the investee company.
d. A parent company that own over 50% ownership of the company directly or through a subsidiary.
e. Guaranteed by the Bank according to the construction contract.
f. An investee company, for which the guarantees were provided based on the Bank's proportionate share in the investee company.

Note 2: Based on the Bank's guidelines, the maximum amount of guarantee to IBT International Leasing Corp. is up to eight times of the Bank's net value under direct and indirect holding voting right of stockholders; the maximum amount of guarantee to the Bank is up to twelve times of the Bank's net value.

Note 3: The endorsement belongs to the grandson company from IBT International Leasing Corp.

TABLE 3

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
IBT Holdings	Stocks							
	EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US$ 160,549	91.78	$ 160,549	
IBT Management Corp.	Open type beneficiary certificate							
	Taishin Ta-Chong Money Market Fund	-	Financial asset at FVTPL	750	10,643	-	10,643	
	Uni Money Market Fund	-	Financial asset at FVTPL	803	10,560	-	10,560	
	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	15,319	131,131	-	131,131	
	Stocks							
	Gatetech Technology Co., Ltd.	-	Financial asset at FVTOCI	92	1,067	0.33	1,067	
IBT Leasing Co., Ltd.	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	1,944,811	100.00	1,944,811	
	IBT Tianjin International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	53,656	39.00	53,656	
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	397,015	100.00	397,015	
IBT VII Venture Capital Co., Ltd.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	14,000	119,840	-	119,840	
	Stocks							
	IBT Tianjin International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	92,969	61.00	83,924	
	EirGenix Co., Ltd.	-	Financial asset at FVTPL	722	22,266	0.58	22,266	
	TAIRX Corp.	-	Financial asset at FVTPL	1,842	37,356	2.74	37,356	
	Meridigen Corp.	-	Financial asset at FVTPL	500	11,699	0.56	11,699	
	Femcosteel Tech Co., Ltd.	-	Financial asset at FVTPL	1,498	29,234	3.63	29,234	
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	9,135 (Note)	30,218	0.24	30,218	
	New Applied Materials Co., Ltd.	-	Financial asset at FVTPL	330	10,357	0.59	10,357	
	Polaris Co., Ltd.	-	Financial asset at FVTPL	140	4,207	0.05	4,207	

Note: The holding company is registered in Hong Kong. The registered capital stock and number of stocks are in Hong Kong dollars and Hong Kong stocks.

TABLE 4

O-BANK AND SUBSIDIARIES

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars or in %)

Period			December 31, 2018					December 31, 2017				
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 21,623	$ 85,631,246	0.03	$ 1,036,438	4,793.22	$ 415,307	$ 68,463,348	0.61	$ 814,680	196.16
	Unsecured		-	85,108,167	-	1,480,041	-	-	91,147,921	-	1,520,555	-
Consumer banking	Housing mortgage (Note 4)		-	8,074,049	-	121,111	-	-	5,001,783	-	75,027	-
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans		5,714	3,245,770	0.18	33,214	581.27	135	559,979	0.02	5,627	4,168.15
	Other	Secured	-	-	-	-	-	-	-	-	-	-
		Unsecured	-	-	-	-	-	-	-	-	-	-
Total lending business			27,337	182,059,232	0.02	2,670,804	9,769.92	415,442	165,173,031	0.25	2,415,889	581.52
			Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			-	-	-	-	-	-	-	-	-	-
Factored accounts receivable without recourse (Note 5)			-	4,714,725	-	50,500	-	-	4,592,967	-	51,390	-

	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Account Receivable	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Account Receivable
Exempt amount - due to debt negotiation and performance (Note 6)	$ -	$ -	$ -	$ -
Debt settlement plan and rehabilitative program (Note 7)	-	-	-	-
Total	-	-	-	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower, the spouse or the minor children of the borrowers.

Note 5: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factored accounts receivable without recourse are reported as nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 6: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the "Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association" should include supplemental disclosures of related matters.

Note 7: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 date September 20, 2016 regarding the "Consumer Debt Clearance Regulations" for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters.

O-BANK AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
						Stocks (Thousands)	Pro-forma Share of Ownership	Total		
								Stocks (Thousands)	Percentage of Ownership (%)	
Financial institution										
Investments accounted for using the equity method										
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	$ 6,542,494	$ 378,842	382,532	-	382,532	28.48	
IBT Holdings Corp.	California, America	Holding company	100.00	4,976,750	346,189	10,869	-	10,869	100.00	
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	2,036,163	140,702	264,300	-	264,300	100.00	
IBT Management Corp.	Taipei City, Taiwan	Investment consulting	100.00	211,733	(510)	13,400	-	13,400	100.00	
Non-financial institution										
Investments accounted for using the equity method										
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting	99.75	353,262	10,247	318,281	-	318,281	99.75	
Financial assets at FVTOCI										
Kung Long Batteries Industrial.	Nantou City, Taiwan	Chemical petroleum material manufacturing	0.20	23,200	-	160	-	160	0.20	
Chailease Holding Company Limited.	Taipei City, Taiwan	Other financial and auxiliary industries	0.02	19,380	-	200	-	200	0.02	
Delta electronics Inc.	Taipei City, Taiwan	Other electronic components related industries	0.01	32,375	-	251	-	251	0.01	
Advantech Co., Ltd.	Taipei City, Taiwan	Computer system integration service industry	0.03	43,363	-	206	-	206	0.03	
Taiwan Semiconductor Manufacturing Company, Limited	Hsinchu City, Taiwan	Integrated circuit manufacturing	-	90,200	-	403	-	403	-	
Chunghwa Telecom Co., Ltd.	Taipei City, Taiwan	Telecommunication	0.01	56,500	-	508	-	508	0.01	
Novatek microelectronics Corp.	Hsinchu City, Taiwan	Semiconductor	0.02	21,300	-	150	-	150	0.02	
Taiwan Mobile Co., Ltd.	Taipei City, Taiwan	Telecommunication	0.02	57,084	-	536	-	536	0.02	
Reber Genetics Co., Ltd.	Taipei City, Taiwan	Biotech research and development	4.76	9,812	-	3,481	-	3,481	4.76	
TTBio Corporation Inc.	Taichung City, Taiwan	Medical equipment manufacturing	7.48	48,092	-	1,799	-	1,799	7.48	
Thevax Genetics Vaccine Co., Ltd.	Taipei City, Taiwan	Cancer vaccine development	1.09	3,528	-	1,008	-	1,008	1.09	
Mosa Industrial Corporation	Yunlin County, Taiwan	Equipment manufacturing	0.47	26,946	-	726	-	726	0.47	
TaiRx	Taipei City, Taiwan	Biotech research and development	4.83	65,930	-	3,251	-	3,251	4.83	
Simplo technology Co., Ltd.	Hsinchu City, Taiwan	Battery manufacturing	0.12	45,760	-	220	-	220	0.12	
Progate Group Corporation	Taipei City, Taiwan	Wholesale of electronic materials	4.35	18,761	-	1,444	-	1,444	4.35	
Intumit Inc.	New Taipei City, Taiwan	Information system wholesaler and retailer	6.93	10,748	-	1,385	-	1,385	8.42	
Chipwell Tech Corporation	Hsinchu City, Taiwan	Electronic component manufacturing	2.61	2,936	-	391	-	391	2.61	
Knowledge Freeway Co., Ltd.	Taipei City, Taiwan	Information system wholesaler and retailer	25.02	12,633	-	1,251	-	1,251	25.02	
ADL Engineering Co., Ltd.	Hsinchu County, Taiwan	Electronic component manufacturing	0.09	62	-	11	-	11	0.09	
Echem Solutions Corp.	Taoyuan City, Taiwan	Wholesale of electronic materials	0.28	4,831	-	154	-	154	0.28	
Nisho Image Tech, Inc.	New Taipei City, Taiwan	L.E.D. printer output	0.91	613	-	410	-	410	0.91	
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry	0.50	1,814	-	300	-	300	0.50	
Shihlien China Holding Co., Ltd.	Hong Kong	Chemical Industries	1.21	172,605	-	52,182	-	52,182	1.21	
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	63,484	-	6,997	-	6,997	8.82	
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	63,366	-	244	-	244	2.18	
BioResource International Inc.	America	Agricultural biotechnology industry	5.72	70,860	-	1,105	-	1,105	5.72	
Topping Cuisine International Holdings Limited	Cayman Island	Retail restaurant management	2.17	24,283	-	500	-	500	2.17	
Beauty Essentials International Ltd. (Samoa)	Samoa	Cosmetic products wholesale	2.41	74,296	-	25,974	-	25,974	2.41	

TABLE 6

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(New Taiwan Dollars and U.S. Dollars in Thousands, Unless Stated Otherwise)

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 24,596,745 (US$ 800,000)	Note 1 c.	$ 212,085 (US$ 6,898)	$ -	$ -	$ 212,085 (US$ 6,898)	1.39	$ -	$ 212,085 (US$ 6,898)	$ -
Shinlien Brine Huaian Co.	Production of glass materials	983,870 (US$ 32,000)	Note 1 c.	10,238 (US$ 333)	-	-	10,238 (US$ 333)	1.39	-	10,238 (US$ 333)	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	590,322 (US$ 19,200)	Note 1 c.	61,492 (US$ 2,000)	-	-	61,492 (US$ 2,000)	2.09	-	61,492 (US$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	44,785 (RMB 10,000)	Note 1 c.	15,373 (US$ 500)	-	-	15,373 (US$ 500)	2.09	-	15,373 (US$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	243,185 (RMB 54,300)	Note 1 c.	61,492 (US$ 2,000)	-	-	61,492 (US$ 2,000)	2.175	-	61,492 (US$ 2,000)	-
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	133,130 (US$ 4,330)	Note 1 c.	17,986 (US$ 585)	-	-	17,986 (US$ 585)	2.17	-	17,986 (US$ 585)	-
Topping Cuisine International Holding, Ltd.	Food retailing	159,879 (US$ 5,200)	Note 1 c.	17,986 (US$ 585)	-	-	17,986 (US$ 585)	2.17	-	17,986 (US$ 585)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,149 (US$ 200)	Note 1 c.	123 (US$ 4)	-	-	123 (US$ 4)	2.17	-	123 (US$ 4)	-
Beauty Essential International, Ltd.	Cosmetic retailing	92,238 (US$ 3,000)	Note 1 c.	24,166 (US$ 786)	-	-	24,166 (US$ 786)	2.64	-	24,166 (US$ 786)	-

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$420,941 (US$13,691)	$420,941 (US$13,691)	Note 3

(Continued)

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 1,383,567 (US$ 45,000)	Note 1 d.	$ 922,378 (US$ 30,000)	$ 461,189 (US$ 15,000)	$ -	$ 1,383,567 (US$ 45,000)	100.00	$ 281,949 (Note 2)	$ 1,944,811	$ -
IBT Tianjin International Leasing Corp.	Leasing	614,918 (US$ 20,000)	Note 1 d.	239,818 (US$ 7,800)	-	-	239,818 (US$ 7,800)	100.00 (Note 5)	(37,054) (Note 2)	53,656	-

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,623,385 (US$52,800)	$1,623,385 (US$52,800)	Note 4

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow					
IBT Tianjin International Leasing Corp.	Leasing	$ 614,918 (US$ 20,000)	Note 1 d.	$ 375,100 (US$ 12,200)	$ -	$ -	$ 375,100 (US$ 12,200)	61.00	$ (57,957) (Note 2)	$ 92,969	$ -

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$375,100 (US$12,200)	$375,100 (US$12,200)	$238,209

Note 1: There were five investment approaches stated as follows.

a. Investment in mainland China by remittance via a third country.

b. Indirect investment in mainland China via setting a company in a third country.

c. Indirect investment in mainland China via investing in a current company in a third country. (Via investing Shilien China Holding Co., Limited, Dio Investment, Ltd., Shengzhuang Holding, Ltd., Topping Cusine International Holding, Ltd., and Beauty Essential International, Ltd.)

d. Direct investment in mainland China.

e. Others.

(Continued)

Note 2: Investment gain or loss.

a. No investment gain or loss for the reason of being under preparation.

b. Recognition of investment gain or loss is classified as follows.

1) From financial statements reviewed by international accounting firms in cooperation with accounting firms in the Republic of China.
2) From financial statements reviewed by certified public accountants of parent company in the Republic of China.
3) Others.

Note 3: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2017, so it is not under “the regulation of investing or technology-cooperation in China”.

Note 4: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial Bureau of the Ministry of Economic Affairs in line with the operational headquarters in September 2018, so it is not under “the regulation of investing or technology-cooperation in China”.

Note 5: IBT Leasing Co., Ltd. holds 39% stock of IBT Tianjin International Leasing Corp. directly and 61% indirectly through IBT VII Venture Capital Co., Ltd.

Note 6: The accumulated investment amount, profit or loss recognized during the period and the investment book value at the end of the period of IBT Tianjin International Leasing Corp. are recognized by IBT Leasing Co., Ltd. for 39% equity.

(Concluded)

O-BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
1	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Deposits	$ 226,639	Note 2	0.04
2	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing, IBTVC7 and CBF	a	Interest expense	10,200	Note 2	0.13
3	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited and IBTVC7	a	Payables	411	Note 2	-
4	The Bank	IBTM and CBF	a	Other net revenue other than interest	30,993	-	0.40
5	Chun Teng New Century	The Bank	b	Cash and cash equivalents	32,384	Note 2	0.01
6	Chun Teng New Century	The Bank	b	Accounts receivable	8	Note 2	-
7	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	3,810	-	0.05
8	Chun Teng New Century	IBT Leasing	c	Discontinued operations - operation expenses	726	-	0.01
9	IBTM	The Bank	b	Accounts receivable	8	Note 2	-
10	IBTM	The Bank	b	Cash and cash equivalents	56,212	Note 2	0.01
11	IBTM	The Bank	b	Interest revenue	445	Note 2	0.01
12	IBTM	The Bank	b	Other operating and administrative expenses	925	-	0.01
13	IBTM	IBTVC7	c	Other net revenue other than interest	10,626	Note 2	0.14
14	CBF	The Bank	b	At fair value through profit or loss - Interest revenue	1,243	Note 2	0.02
15	CBF	The Bank	b	Other operation, administrative expenses and employee benefits expenses	30,068	-	0.38

(Continued)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
16	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	$ 14,495	Note 2	-
17	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	76	Note 2	-
18	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	109	Note 2	-
19	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	111,876	Note 2	0.02
20	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	4,256	Note 2	0.05
21	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	318	Note 2	-
22	IBTL	The Bank	b	Cash and cash equivalents	1,136	Note 2	-
23	IBTL	The Bank	b	Interest revenue	108	Note 2	-
24	IBTL	Chun Teng New Century	c	Other net revenue other than interest	726	-	0.01
25	IBTVC7	The Bank	b	Cash and cash equivalents	10,536	Note 2	-
26	IBTVC7	The Bank	b	Interest revenue	229	Note 2	-
27	IBTVC7	The Bank	b	Accounts receivable	1	Note 2	-
28	IBTVC7	IBTM	c	Other operating and administrative expenses	10,626	-	0.14

Note 1: Three types of transactions with related parties were classified as follows:

a. Parent company to subsidiaries.
b. Subsidiaries to parent company.
c. Subsidiaries to subsidiaries.

Note 2: The terms for the transactions between the Bank and related parties are similar to those with unrelated parties.

(Concluded)