O-Bank and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2018 and 2017 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
O-Bank

Introduction

We have reviewed the accompanying consolidated financial statements of O-Bank and its subsidiaries (the Group) as of March 31, 2018 and 2017 and the consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. 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 Publicly Held Bills Finance Companies, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Notes 16 and 17 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2018 and 2017, combined total assets of these non-significant subsidiaries were NT$706,479 thousand and NT$14,369,900 thousand, respectively, representing 0.13% and 2.94%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT$103,663 thousand and NT$11,975,085 thousand, respectively, representing 0.02% and 2.71%, respectively, of the consolidated total liabilities; for the three-month periods ended March 31, 2018 and 2017, the amounts of combined comprehensive income of these subsidiaries were NT$(18,821) thousand and NT$60,876 thousand, respectively, representing (9.35%) and 12.40%, respectively, of the consolidated total comprehensive income.

As of March 31, 2017, the investments accounted for using equity method were zero. For the three months ended March 31, 2017, the amount of share of the other comprehensive income of associates was NT$11,683 thousand.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the financial position of the Group as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 27, 2018

Notice to Readers

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

For the convenience of readers, the independent auditors’ review 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’ review report and consolidated financial statements shall prevail.

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2018 (Reviewed) Amount	%	December 31, 2017 (Audited) Amount	%	March 31, 2017 (Reviewed) Amount	%
CASH AND CASH EQUIVALENTS (Notes 6 and 43)	$ 7,517,968	1	$ 6,725,916	1	$ 7,295,537	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 6 and 7)	31,884,580	6	11,506,456	2	14,101,688	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 43)	146,072,870	27	154,136,983	29	142,413,961	29
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Note 9)	148,219,316	27	-	-	-	-
FINANCIAL ASSETS AT AMORTIZED COST - DEBT INSTRUMENT	499,850	-	-	-	-	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Note 10)	5,711,661	1	5,682,864	1	1,298,392	-
RECEIVABLES, NET (Notes 11 and 13)	19,069,879	4	21,202,093	4	18,338,536	4
CURRENT TAX ASSETS	323,562	-	301,362	-	202,941	-
DISCOUNTS AND LOANS, NET (Notes 12, 13 and 43)	181,553,851	33	180,086,186	33	159,122,077	33
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 14 and 43)	-	-	149,145,722	28	132,126,879	27
HELD-TO-MATURITY FINANCIAL ASSETS (Note 43)	-	-	499,821	-	899,732	-
OTHER FINANCIAL ASSETS (Note 18)	291,258	-	1,183,491	-	1,452,406	-
PROPERTY AND EQUIPMENT, NET (Note 19)	2,997,417	1	3,084,952	1	3,911,374	1
INTANGIBLE ASSETS, NET (Note 20)	2,416,215	-	2,403,367	-	1,422,682	-
DEFERRED TAX ASSETS (Note 40)	713,739	-	582,334	-	654,898	-
OTHER ASSETS (Notes 21 and 43)	901,903	-	4,030,474	1	4,744,679	1
TOTAL	$ 548,174,069	100	$ 540,572,021	100	$ 487,985,782	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the central bank and banks (Note 22)	$ 66,902,873	12	$ 53,032,639	10	$ 50,484,360	10
Financial liabilities at fair value through profit or loss (Note 8)	1,030,483	-	791,018	-	2,028,307	1
Securities sold under agreement to repurchase (Note 23)	171,560,818	31	189,821,968	35	160,874,496	33
Accounts payable (Note 24)	5,053,877	1	5,022,681	1	3,638,046	1
Current tax liabilities	180,808	-	136,269	-	186,068	-
Deposits and remittances (Notes 25 and 42)	212,405,023	39	198,286,700	37	181,762,067	37
Bank debentures (Note 26)	20,400,000	4	20,400,000	4	17,450,000	4
Other financial liabilities (Note 27)	20,055,990	4	22,337,877	4	21,331,923	4
Provisions (Notes 13, 28 and 29)	1,990,984	-	1,874,368	-	1,810,024	-
Deferred tax liabilities (Note 40)	268,243	-	216,007	-	192,270	-
Other liabilities (Notes 30 and 44)	2,159,018	1	2,477,851	-	1,866,170	-
Total liabilities	502,008,117	92	494,397,378	91	441,623,731	90
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Capital stock	24,130,063	4	24,130,063	5	23,905,063	5
Capital surplus	7,730	-	7,730	-	3,193	-
Retained earnings						
Legal reserve	2,880,297	1	2,880,297	1	2,390,828	1
Special reserve	1,229,536	-	1,229,536	-	1,173,293	-
Unappropriated earnings	950,786	-	1,014,567	-	2,091,173	-
Total retained earnings	5,060,619	1	5,124,400	1	5,655,294	1
Other equity	(181,033)	-	20,400	-	26,803	-
Total equity attributable to owners of the Bank	29,017,379	5	29,282,593	6	29,590,353	6
NON-CONTROLLING INTERESTS	17,148,573	3	16,892,050	3	16,771,698	4
Total equity (Note 31)	46,165,952	8	46,174,643	9	46,362,051	10
TOTAL	$ 548,174,069	100	$ 540,572,021	100	$ 487,985,782	100

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
NET INTEREST				
Interest revenue (Note 32)	$ 2,208,129	123	$ 1,941,945	104
Interest expenses (Notes 32 and 42)	(1,060,213)	(59)	(821,967)	(44)
Net interest	1,147,916	64	1,119,978	60
NET REVENUE OTHER THAN INTEREST				
Commissions and fee revenue, net (Notes 33 and 42)	415,002	23	456,577	25
Gain on financial assets and liabilities at fair value through profit or loss (Note 34)	(222,396)	(12)	(749,517)	(40)
Gain on financial assets and liabilities at fair value through other comprehensive income (Note 35)	24,004	1	-	-
Realized income from available-for-sale financial assets (Note 36)	-	-	84,265	4
Foreign exchange gain (loss), net	411,133	23	908,771	49
Investment income (loss) recognized under equity method (Note 17)	-	-	3,782	-
Other non-interest net gains (Note 42)	26,454	1	36,501	2
Net revenue other than interest	654,197	36	740,379	40
TOTAL NET REVENUE	1,802,113	100	1,860,357	100
PROVISIONS (Note 13)	(134,122)	(7)	(101,113)	(6)
OPERATING EXPENSES				
Personnel expenses (Notes 37 and 41)	640,726	36	635,114	34
Depreciation and amortization (Note 38)	101,040	6	54,820	3
Others (Notes 39 and 42)	331,421	18	257,150	14
Total operating expenses	1,073,187	60	947,084	51
INCOME BEFORE INCOME TAX	594,804	33	812,160	43
INCOME TAX EXPENSE (Note 40)	167,273	10	130,962	7
PROFIT FROM CONTINUING OPERATIONS	427,531	23	681,198	36
NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (Note 15)	(2,830)	-	860	-
NET PROFIT FOR THE YEAR	424,701	23	682,058	36

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that are not reclassified subsequently to profit or loss:				
Unrealized gain or loss on equity instrument investment at fair value through other comprehensive income	$ 129,550	7	$ -	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(148,003)	(8)	(481,987)	(26)
Unrealized gain (loss) on available-for-sale financial assets	-	-	221,416	12
Gain or loss on debt instrument at fair value through other comprehensive income (Note 35)	(261,855)	(14)	-	-
Share of the other comprehensive income of associates and joint ventures (Note 17)	-	-	6,892	1
Income tax relating to the components of other comprehensive income (Note 40)	57,000	3	62,563	3
Other comprehensive income (loss) for the year, net of income tax	(223,308)	(12)	(191,116)	(10)
TOTAL COMPREHENSIVE INCOME	$ 201,393	11	$ 490,942	26
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Bank	$ 178,517	10	$ 459,607	25
Non-controlling interests	246,184	14	222,451	12
	$ 424,701	24	$ 682,058	37
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Bank	$ 35,797	2	$ 201,695	11
Non-controlling interests	165,596	9	289,247	15
	$ 201,393	11	$ 490,942	26

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2018		2017	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 41)				
From continuing and discontinued operations				
Basic	$0.07		$0.19	
Diluted	$0.07		$0.19	
From continuing operations				
Basic	$0.07		$0.19	
Diluted	$0.07		$0.19	

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Bank												
	Capital Stock (Note 31)			Retained Earnings (Note 31)				Other Equity (Note 31)					
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Owners of the Bank	Non-controlling Interests (Note 31)	Total Equity
BALANCE AT JANUARY 1, 2017	2,390,506	$ 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
Net income for the for the three months ended March 31, 2017	-	-	-	-	-	459,607	459,607	-	-	-	459,607	222,451	682,058
Other comprehensive income (loss) for the three months ended March 31, 2017	-	-	-	-	-	-	-	(389,619)	131,707	-	(257,912)	66,796	(191,116)
Total comprehensive income for the three months ended March 31, 2017	-	-	-	-	-	459,607	459,607	(389,619)	131,707	-	201,695	289,247	490,942
BALANCE AT MARCH 31, 2017	2,390,506	$ 23,905,063	$ 3,193	$ 2,390,828	$ 1,173,293	$ 2,091,173	$ 5,655,294	$ (198,629)	$ 225,432	$ -	$ 29,590,353	$ 16,771,698	$ 46,362,051
BALANCE AT DECEMBER 31, 2017	2,413,006	$ 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	2,413,006	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
Net income for the three months ended March 31, 2018	-	-	-	-	-	178,517	178,517	-	-	-	178,517	246,184	424,701
Other comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	-	-	(113,492)	-	(29,228)	(142,720)	(80,588)	(223,308)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	178,517	178,517	(113,492)	-	(29,228)	35,797	165,596	201,393
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(33,841)	(33,841)	-	-	33,841	-	-	-
BALANCE AT MARCH 31, 2018	2,413,006	$ 24,130,063	$ 7,730	$ 2,880,297	$ 1,229,536	$ 950,786	$ 5,060,619	$ (329,758)	$ -	$ 148,725	$ 29,017,379	$ 17,148,573	$ 46,165,952

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2018	**2017**
NET CASH GENERATED FROM OPERATING ACTIVITIES		
Income before income tax	$ 594,804	$ 812,160
Income (loss) before income tax from discontinued operations	(2,776)	860
Adjustments for:		
Depreciation expenses	46,773	39,482
Amortization expenses	54,272	15,346
Expect credit loss/recognition of provisions	134,003	101,113
Net gain on disposal of financial assets at fair value through profit or loss	220,201	757,031
Interest revenue	(2,208,993)	(1,945,283)
Interest expense	1,060,213	821,969
Dividends income	(3,384)	(2,838)
Realized gain on the transactions with associates and joint ventures	-	(4,791)
Loss (gain) on disposal of properties	76	(343)
Gain on disposal of investments	-	(84,675)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank and call loans to banks	(18,870,444)	2,831
Decrease in financial assets at fair value through profit or loss	8,067,568	3,827,318
Decrease in receivables	2,257,522	600,535
Decrease (increase) in discounts and loans	(1,690,743)	3,372,605
Increase (decrease) in deposits from the central bank and banks	13,870,234	(6,213,571)
Increase (decrease) in financial liabilities at fair value through profit or loss	239,465	(349,565)
Decrease in accounts payable	(50,006)	(195,146)
Decrease in securities sold under agreements to repurchase	(18,261,150)	(2,430,285)
Increase (decrease) in deposits	14,118,323	(2,825,544)
Increase in provisions	18,747	455
Cash generated from (used in) operations	(405,295)	(3,700,336)
Interest received	2,404,951	1,633,893
Interest paid	(979,011)	(741,920)
Dividends received	3,384	2,838
Income tax paid	(143,852)	(111,272)
Net cash generated from (used in) operating activities	880,177	(2,916,797)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(66,896,354)	-
Proceeds on financial assets at fair value through other comprehensive income	67,886,171	-

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2018	**2017**
Purchase of financial assets designated as at fair value through profit or loss	$ -	$ (869,871)
Proceeds on sale of financial assets designated as at fair value through profit or loss	-	1,594,625
Refunds of capital deduction of financial assets at fair value through other comprehensive income	41,280	-
Purchase of available-for-sale financial assets financial assets at fair value through other comprehensive income	-	(54,415,315)
Proceeds on available-for-sale financial assets	-	49,144,579
Received principal of held-to-maturity financial assets	-	4,645,000
Proceeds on sale of financial assets carried at cost	-	4,712
Payments for properties	(72,136)	(197,225)
Proceeds from disposal of properties	43,200	6,103
Decrease (increase) in refundable deposits	3,030,260	(530,145)
Payments for intangible assets	(41,007)	(13,830)
Increase in other financial assets	(281,108)	-
Decrease in other assets	93,524	(143,548)
Net cash generated from (used in) investing activities	3,803,830	(774,915)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(652,639)	(1,607,203)
Increase (decrease) in commercial papers	(1,049,785)	2,094,069
Increase (decrease) in long-term borrowings	(15,720)	939,533
Increase (decrease) in other financial liabilities	(563,743)	1,073,881
Decrease in other liabilities	(318,833)	(18,849)
Net cash generated from (used in) financing activities	(2,600,720)	2,481,431
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	245,242	601,680
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,328,529	(608,601)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	17,706,368	19,285,672
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 20,034,897	$ 18,677,071

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O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

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

	March 31	
	2018	2017
Cash and cash equivalents in consolidated balance sheets	$ 7,517,968	$ 7,295,537
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7	6,805,268	10,083,142
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents in IAS 7	5,711,661	1,298,392
Cash and cash equivalents in consolidated statements of cash flow	$ 20,034,897	$ 18,677,071

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

1. GENERAL INFORMATION

O-Bank (the "Bank") started its preparation for incorporation on March 2, 1998. On July 27, 1999, the Ministry of Finance authorized the incorporation of the Bank. The Bank began its business operations on September 2, 1999. The Bank and its subsidiaries are collectively referred to as the "Company".

To be in coordination with the government's financial liberation policy and to increase the operating efficiency of the Bank, on August 14, 2015, the Bank's board of directors (the Board) approved the Bank to apply for change of registration to commercial bank, and for change of name to "O-Bank". The Financial Supervisory Commission 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 debentures; (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 March 31, 2018, the Bank had 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 had six domestic branches - Taipei VieShow Branch, Zhongxiao Dunhua Branch, Hsinchu Branch, Taichung Branch, Kaohsiung Branch. In addition, it had Offshore Banking Unit, Hong Kong branch, and Tianjin Representative Office.

The Bank's shares have been listed on the Emerging Stock Market of the Taipei Exchange ("TPEx") since August 2004. On April 19, 2016, the Board passed a resolution to apply for stock listing on the Taiwan Stock Exchange ("TWSE"). The TWSE 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 March 31, 2018, December 31, 2017 and March 31, 2017, the Company had 1,441, 1,464 and 1,513, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board and authorized for issue on April 27, 2018.

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 Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

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

- IFRS 9 “Financial Instruments” and related amendment

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

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at 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 amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group’s financial assets and financial liabilities as at 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)	$ 7,433,585	$ 7,433,585	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 instrument	3,557,736	3,548,181	2)
	Measured at cost	Mandatorily at FVTPL	119,464	126,081	1)
	Measured at cost	FVTOCI - equity instrument	1,053,877	1,231,374	2)
Mutual funds	Held-for-trading	Mandatorily at FVTPL	115,759	115,759	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	FVTPL - debt	145,490,411	145,490,411	2)
	Held-to-maturity	Measured at 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 certificate 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	701,240	701,240	1)
Discounts and loans	Loans and receivables	Measured at cost	180,086,186	179,928,289	4)
Notes receivable, accounts receivable and other receivables	Loans and receivables	Measured at cost	21,202,093	21,202,093	5)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	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 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. The retrospective adjustment resulted in a decrease of $11,025 thousand in earnings on January 1, 2018 and an increase of $11,025 thousand in other equity - unrealized gain/(loss) on 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 were reclassified to retained earnings.

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

2) The Group elected to designated all 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 both the collecting of contractual cash flows and the selling of financial assets. As a result, the retrospective adjustment resulted in a decrease in retained earnings of $44,061 thousand and an increase in other equity - unrealized gain/(loss) on financial assets at FVTOCI of $44,061 thousand on January 1, 2018.

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

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

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

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

3) Debt instruments previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is 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, the adjustments comprised an increase in loss allowance of $157,897 thousand, an increase in deferred tax assets of $23,700 thousand and a decrease in retained earnings of $134,197 thousand on January 1, 2018.

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

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

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

The Group does not apply IFRSs issued by the IASB but not yet recognized and issued by the Financial Supervisory Commission. As of the date the consolidated financial statements were authorized for issue, the Financial Supervisory Commission has not issued the effective date of the following, except as noted otherwise:

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

(Concluded)

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: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: 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 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

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

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

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

2) 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 Group 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 entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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.

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, the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC.

Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

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 Company 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 47 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 (i.e. its subsidiaries, including structural entities). 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 date of acquisition and up to the effective date of disposal, 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. The total comprehensive income of the subsidiaries shall be attributed to the owners of the bank and non-controlling interests, even if the result becomes negative or loss.

Refer to Note 16 and Table 5 for the list, main business activities and ownership percentages of subsidiaries.

Other Significant Accounting and Reporting Policies

Except as described in the following paragraphs, the significant accounting and reporting policies of the Company for 2018 are the same as those described in the 2017 annual consolidated financial statements.

Employee Benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

Financial Instruments - 2018

About the accounting policy on financial instruments - 2017, please refer to annual financial report of 2017.

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

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis according to the regulations or market practice.

a. Measurement category

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 asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is 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 FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 46.

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 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 the financial asset; and

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

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

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

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest 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 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, they 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.

b. Impairment of financial assets

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 Loss (i.e. ECL) 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 the financial instrument has not increased significantly since initial recognition, the Group will measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses calculated by using the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL 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 the financial asset.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, the critical accounting judgments and key sources of estimation uncertainty in the consolidated financial statements for 2018 are same as those in the 2017 annual consolidated financial report.

a. Business model assessment for financial assets - 2018

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or fair value through other comprehensive income, and when assets are derecognized prior to their maturity, the Group understands the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets is proper.

b. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to 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. For details of the key assumptions and inputs used, see Note 46. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand and petty cash	$ 82,059	$ 58,709	$ 53,971
Checking for clearing	241,549	297,376	75,785
Due from banks	7,194,360	6,369,831	7,165,781
	$ 7,517,968	$ 6,725,916	$ 7,295,537

The cash and cash equivalents of the consolidated cash flows and the related adjustments of the consolidated balance sheets on December 31, 2017 are as follows. The adjustments as March 31, 2018 and 2017, please refer to the statements of cash flows.

	December 31, 2017
Cash and cash equivalents in consolidated balance sheets	$ 6,725,916
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents in IAS 7	5,297,588
Securities purchased under agreements to resell that meet the definition of Cash and cash equivalents in IAS 7	5,682,864
Cash and cash equivalents in consolidated statements of cash flow	$ 17,706,368

Refer to Note 43 for information relating to due from banks pledged.

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

	March 31, 2018	December 31, 2017	March 31, 2017
Call loans	$ 6,805,268	$ 5,297,588	$ 10,083,142
Reserves for deposits - Type A	20,628,202	2,431,670	549,665
Reserves for deposits - Type B	4,208,108	3,567,242	3,225,738
Others	243,002	209,956	243,143
	$ 31,884,580	$ 11,506,456	$ 14,101,688

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 INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets designated as at fair value through profit or loss			
Convertible bond - domestic	$ -	$ 7,015,753	$ 9,967,923
Convertible bond - overseas	-	423,447	611,847
Structured debt	-	590,880	-
	-	8,030,080	10,579,770
Financial assets held for trading			
Derivative financial instruments			
Foreign exchange swap contracts	-	483,678	852,825
Cross-currency swap contract	-	-	11,116
Forward contracts	-	23,273	181,091
Foreign option contract	-	-	386,846
Interest rate swap contracts	-	35,278	36,659
Assets swap contracts	-	153,396	177,953
	-	695,625	1,646,490
Non-derivative financial assets			
Short-term instruments	-	102,246,486	94,526,370
Negotiable certificate of deposit	-	42,102,749	34,264,062
Stocks and beneficiary certificates	-	597,071	1,082,793
Government bonds	-	-	200,652
Corporate bonds	-	15,369	113,824
When-issued bonds	-	449,603	-
	-	145,411,278	130,187,701
	$ -	$ 154,136,983	$ 142,413,961

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets mandatorily classified as at FVTPL			
Convertible bond - domestic	$ 7,144,812	$ -	$ -
Convertible bond - overseas	411,469	-	-
Structured debt	556,419	-	-
	8,112,700	-	-
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	535,404	-	-
Forward contracts	46,089	-	-
Interest rate swap contracts	59,067	-	-
	640,560	-	-
Non-derivative financial assets			
Short-term instruments	96,358,238	-	-
Negotiable certificate of deposit	38,459,318	-	-
Stocks and beneficiary certificates	960,279	-	-
Government bonds	1,191,092	-	-
When-issued bonds	350,683	-	-
	137,319,610	-	-
	$ 146,072,870	$ -	$ -
Financial liabilities held for trading			
Derivative financial instruments			
Foreign exchange swap contracts	$ 778,293	$ 539,449	$ 1,273,930
Cross-currency swap contract	-	-	11,145
Forward contracts	98,160	108,647	190,658
Interest rate swap contracts	149,486	134,299	141,655
Foreign option contract	-	-	394,715
Others	1,180	1,378	69
	1,027,119	783,773	2,012,172
Non-derivative financial liabilities			
Commercial paper contracts	3,364	7,245	16,135
	$ 1,030,483	$ 791,018	$ 2,028,307

(Concluded)

The Company engages in derivative transactions, including forward contracts, 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 Company's 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.

Refer to Note 43 for information relating to financial instruments at fair value through profit or loss pledged as security.

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

	March 31, 2018	December 31, 2017	March 31, 2017
Interest rate swap contracts	$ 20,798,774	$ 20,368,572	$ 23,734,481
Foreign exchange swap contracts	98,325,417	100,298,853	100,229,287
Cross-currency swap contracts	-	-	496,647
Forward contracts	2,893,111	3,242,398	20,293,300
Assets swap contracts	6,929,000	6,905,000	9,570,400
Foreign currency options			
Call	-	-	5,582,734
Put	-	-	5,552,391
Purchase commitments	500,000	500,000	1,000,000

As of March 31, 2018, December 31, 2017 and March 31, 2017, financial instruments at fair value through profit and loss in the amount of $66,860,403 thousand, $74,676,800 thousand and $66,161,208 thousand were under agreement to repurchase.

Refer to Note 43 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

	March 31, 2018
Current	
Investments in equity instruments at FVTOCI	$ 3,264,421
Investments in debt instruments at FVTOCI	
Domestic government bonds	49,968,385
Bank debentures	21,398,715
Corporate bonds	57,762,536
Overseas government bonds	13,707,989
American mortgage backed securities	2,117,270
	$ 148,219,316

a. Investments in equity instruments at FVTOCI

These investments in equity instruments 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 Note 3, Note 14 and Note 18 for information relating to their reclassification and comparative information for 2017.

Refer to Note 43 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 Note 3 and Note 14 for information relating to their reclassification and comparative information for 2017.

2) Refer to Note 43 for information relating to investments in debt instruments at FVTOCI pledged as security.

c. Credit risk management for investments in debt instruments - 2018

Investments in debt instruments were classified as at FVTOCI and as at amortized cost.

March 31, 2018

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 144,954,895	$ 499,850	$ 145,454,745
Allowance for impairment loss	(43,594)	-	(43,594)
	$ 144,911,301	$ 499,850	$ 145,411,151

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 reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In order to minimize credit risk, the Group has tasked its credit management committee to develop and maintain a credit risk grading framework to categorize exposures according to 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 forecast to estimate 12-month or lifetime expected credit losses. The investments in debt instruments of the Group are at normal credit levels on March 31, 2018, so the Group adopt to recognize the expected loss impairment on a 12-month basis. The Group’s expected loss rate is in the range between 0.0014%-0.687%.

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

	Credit Rating
Allowance for Impairment Loss	**Performing (12-month ECL)**
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

(Continued)

Allowance for Impairment Loss	Credit Rating Performing (12-month ECL)
Transfers	
From performing to doubtful	$ -
From doubtful to in default	-
From in default to write-off	-
Recognized in this period	40
New financial assets purchased	871
Derecognition	(1,030)
Change in exchange rates or others	(348)
Balance at March 31, 2018	$ 43,594

(Concluded)

10. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

The Company purchased under resale agreements and bond investments are all government bonds. As of March 31, 2018, December 31, 2017 and March 31, 2017, bonds purchased were under agreements to resell in the amount of $5,713,807 thousand, $5,684,543 thousand and $1,298,668 thousand, respectively. As of March 31, 2018, December 31, 2017 and March 31, 2017, bonds purchased under agreements to resell were sold under agreement to repurchase in the amount of $5,710,000 thousand, $5,680,000 thousand and $1,300,000 thousand, respectively.

11. RECEIVABLES, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Lease payment receivable	$ 12,416,581	$ 12,765,418	$ 10,481,497
Investment settlement receivable	60,076	-	277,371
Interest receivable	1,672,979	1,869,330	1,595,976
Factoring	3,334,340	4,592,967	3,412,384
Acceptances	352,586	248,592	292,966
Account receivable	1,576,879	2,300,258	2,657,088
Others	367,473	921,940	849,825
	19,780,914	22,698,505	19,567,107
Less: Allowance for possible losses	597,470	645,358	511,605
Unrealized interest revenue	113,565	851,054	716,966
Receivables, net	$ 19,069,879	$ 21,202,093	$ 18,338,536

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

Please refer to Note 47 for impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Short-term	$ 63,091,876	$ 63,392,465	$ 55,508,961
Medium-term	111,795,776	110,257,040	102,555,315
Long-term	8,812,347	8,169,281	2,609,131
Export bill negotiated	60,861	175,106	77,278
Accounts receivables financing	272,878	358,704	223,413
Overdue loans	129,147	415,442	555,306
	184,162,885	182,768,038	161,529,404
Less: Allowance for credit losses	2,609,034	2,681,852	2,407,327
	$ 181,553,851	$ 180,086,186	$ 159,122,077

The balance of the overdue loans of the Group on March 31, 2018, December 31, 2018 and March 31, 2017 has already ended up calculating interest revenue. As of March 31, 2018, December 31, 2017 and March 31, 2017, the unrecognized interest revenue on the above loans amounted to $301 thousand and $817 thousand for the three months ended March 31, 2018 and 2017. For the three months ended March 31, 2018 and 2017, the Bank wrote off credits only upon completing the required legal procedures.

Refer to Note 43 for information relating to discounts and loan assets pledged as security, and refer to Note 47 for the impairment loss analysis of discounts and loans.

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The allowance for impairment loss and provisions at January 1, 2018 and March 31, 2018 grouped by credit rating are reconciled as follows:

Allowance for Receivables	Stage 1 Performing (Initial Recognition)	Stage 2 Underperforming (Assets with Significant Increase in Credit Risk Since Initial Recognition)	Stage 3 Non-performing(Credit-impaired Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirement	Total
Balance at January 1, 2018 per IAS 39	$ 242,967	$ 242,621	$ 115,909	$ 601,497	$ 43,861	$ 645,358
Adjustment on initial application of IFRS 9	65,095	101,325	59,665	226,085	-	226,085
Balance at January 1, 2018 per IFRS 9	308,062	343,946	175,574	827,582	43,861	871,443
Transfers						
To stage 2	(27)	27	-	-	-	-
To stage 3	-	(1)	1	-	-	-
New financial assets purchased	(16,281)	(149,889)	235,407	69,237	(5,842)	63,395
Write-offs	(580)	(18,301)	(323,366)	(342,247)	-	(342,247)
Recovery from written-off	-	-	221	221	-	221
Change in exchange rates or others	2,750	3,176	(1,132)	4,794	(136)	4,658
Balance at March 31, 2018	$ 293,924	$ 178,958	$ 86,705	$ 559,587	$ 37,883	$ 597,470

Allowance for Discounts and Loans, Net	Stage 1 Performing (Initial Recognition)	Stage 2 Underperforming (Assets with Significant Increase in Credit Risk Since Initial Recognition)	Stage 3 Non-performing(Credit-impaired Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirement	Total
Balance at January 1, 2018 per IAS 39	$ 583,146	$ 109,356	$ 615,603	$ 1,308,105	$ 1,373,747	$ 2,681,852
Adjustment on initial application of IFRS 9	-	-	-	-	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 stage 1	311	(311)	-	-	-	-
To stage 2	(1,973)	1,973	-	-	-	-
To stage 3	(73)	(65)	138	-	-	-
New financial assets purchased	(30,884)	(15,513)	46,837	440	46,127	46,567
Write-offs	-	(136)	(251,039)	(251,175)	-	(251,175)
Withdrawal after write-offs	-	-	1,649	1,649	-	1,649
Change in exchange rates or others	(16,419)	(50,685)	(14,038)	(81,142)	53,386	(27,756)
Balance at March 31, 2018	$ 534,108	$ 44,619	$ 399,150	$ 977,877	$ 1,631,157	$ 2,609,034

Reserve for Losses on Guarantees	Stage 1 Performing (Initial Recognition)	Stage 2 Underperforming (Assets with Significant Increase in Credit Risk Since Initial Recognition)	Stage 3 Non-performing(Credit-impaired Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirement	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 stage 1	1	(1)	-	-	-	-
New financial assets purchased	(671)	114	-	(557)	24,717	24,160
Withdrawal after write-offs	4,697	-	-	4,697	-	4,697
Change in exchange rates or others	(709)	(775)	-	(1,484)	(16)	(1,500)
Balance at March 31, 2018	$ 137,531	$ 21,616	$ -	$ 159,147	$ 1,518,727	$ 1,677,874

The movements of allowance for credit losses and reserve for losses on guarantees liabilities for the three months ended March 31, 2017 are summarized as follows:

	For the Three Months Ended March 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)	45,462	52,786	8,525	106,773
Write-offs	(45,799)	(29,402)	-	(75,201)
Effects of exchange rate changes	(5,979)	(68,137)	(2,264)	(76,380)
Balance at March 31, 2017	$ 511,605	$ 2,407,327	$ 1,518,137	$ 4,437,069

Note: Allowance for bad debts does not include the recovery from written-off credits. As of March 31, 2017, recovery from written-off credits amounted is $5,660 thousand.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS, 2017

	December 31, 2017	March 31, 2017
Domestic government bonds	$ 49,286,274	$ 41,539,302
Bank debentures	34,465,318	25,733,432
Corporate bonds	58,516,809	58,381,522
Stock and beneficiary securities	3,655,311	2,075,469
Overseas government bonds	988,259	1,007,828
American mortgage backed securities	2,233,751	3,389,326
	$ 149,145,722	$ 132,126,879

As of December 31, 2017 and March 31, 2017, available-for-sale financial assets are sold under agreement to repurchase in the amount of $104,407,677 thousand and $88,895,234 thousand, respectively.

Refer to Note 43 for 2017 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 director's 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:

	For the Three Months Ended Mach 31	
	2018	2017
Interest revenues	$ 2,411	$ 3,896
Interest expenses	-	(2)
Net interest	2,411	3,894
Net revenues other than interest		
Commissions and fee revenues, net	21	-
Gain on financial assets and liabilities at fair value through profit or loss	2,195	(7,514)
Foreign exchange gain (loss), net	(3,282)	(7,790)
Investment income recognized under equity method	-	1,009
Other non-interest net gains	2,165	17,547
Net revenues other than interest	1,099	3,252
Total net revenues	3,510	7,146

(Continued)

	For the Three Months Ended Mach 31	
	2018	2017
Operating expenses		
Personnel expenses	$ 2,181	$ 3,101
Depreciation and amortization	5	8
Others	2,733	2,965
Total operating expenses	4,919	6,074
Income tax expense	54	-
Net profit/(loss) from discontinued operations before written off	(1,463)	1,072
Written-offs of the transactions with related parties	(1,367)	(212)
Net profit/(loss) from discontinued operations	$ (2,830)	$ 860
Net profit/(loss) of discontinued operations attributable to:		
Owners of the Bank	$ (2,822)	$ 858
Non-controlling interests	(8)	2
	$ (2,830)	$ 860
Net cash generated from operating activities	$ 125,579	$ (36,428)
Net cash generated from investing activities	48,968	16,728
Net cash used in financing activities	(221)	-
Effects of exchange rate changes on the balance of cash held in foreign currencies	(8,358)	(12,132)
Net increase (decrease) in cash and cash equivalents	$ 165,968	$ (31,832)

(Concluded)

16. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership March 31, 2018	December 31, 2017	March 31, 2017	Remark	Review by CPA
The Bank	CBF	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	28.37	Founded in 1978	Y
	IBTH	Holding company	100.00	100.00	100.00	Founded in 2006 in California	Y
	IBT Leasing	Leasing	100.00	100.00	100.00	Founded in 2011	Y
	IBTM	Investment consulting	100.00	100.00	100.00	Founded in 2000	N
	Chun Teng New Century Co., Ltd. (former IBTS)	Investment (former Security Firm)	99.75	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016. Still recognized by equity method)	N
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	100.00	Founded in 2011 in Mainland China	Y
	IBT Tianjin International Leasing Corp.	Leasing	100.00	100.00	100.00	Founded in 2013 in Mainland China (commonly held with IBT VII)	Y
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	Founded in 2014	N
Chun Teng New Century Co., Ltd (former IBTS)	IBTS Consulting	Securities investment consulting and customer-fully-authorized investment	-	-	100.00	Founded in 1998(liquidated on August 16, 2017)	N
	IBTSH	Holding company	100.00	100.00	100.00	Founded in 2003 in British Virgin Islands	N
IBTSH	IBTS HK	Investment	100.00	100.00	100.00	Founded in 2003 in Hong Kong	N
	IBTS Asia	Securities and investment	100.00	100.00	100.00	Founded in 2004 in Hong Kong	N
IBTH	EverTrust Bank	Banking	91.78	91.78	91.78	Founded in 1995 in California	Y

Temporary shareholders' meeting of the Bank decide to change the subsidiary of the Bank's name from IBTS to Chun Teng New Century Co., Ltd. on May 25, 2016. The subsidiary ended the securities business on September 23, 2016 and was liquidated on November 11, 2016 as decided by the subsidiaries' Board of Directors on October 17, 2016. Accordingly, it allocated its property at first at $7 per share on December 26, 2016. The Bank recalled $2,227,964 thousand in the proportion of shares-holding.

The Board of Directors decided to sell a subsidiary VC7 to a subsidiary IBTL on October 26, 2016, a total of 65 million shares, the selling price of $9.89 per share, totaling $643 million. It belongs to the organization reform; therefore, it cannot recognize gains and losses.

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

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

The summarized financial information below represents amounts before intragroup eliminations:

	March 31, 2018	December 31, 2017	March 31, 2017
CBF			
Equity attributable to:			
Owners	$ 6,634,989	$ 6,531,896	$ 6,420,171
Non-controlling interests of CBF	16,753,344	16,493,036	16,447,131
	$ 23,388,333	$ 23,024,932	$ 22,867,302

	For the Three Months Ended March 31	
	2018	**2017**
Revenue	$ 232,995	$ 250,788
Net profit from continuing operations	$ 334,476	$ 302,987
Other comprehensive income for the period	(97,587)	127,257
Total comprehensive income for the period	$ 236,889	$ 430,244
Profit attributable to:		
Owners	$ 94,887	$ 85,954
Non-controlling interests of CBF	239,589	217,033
	$ 334,476	$ 302,987
Total comprehensive income attributable to:		
Owners	$ 67,202	$ 122,055
Non-controlling interests of CBF	169,687	308,189
	$ 236,889	$ 430,244

(Continued)

	For the Three Months Ended March 31	
	2018	2017
Net cash inflow (outflow) from:		
Operating activities	$ 1,776,331	$ (7,498,569)
Investing activities	(29)	(1,801,952)
Financing activities	(1,776,664)	8,355,245
Net cash inflow	$ (362)	$ (945,276)
Dividends paid to non-controlling interest CBF	$ -	$ -

(Concluded)

17. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

IBT II Venture Capital Co., Ltd. started to dissolve and liquidation on March 31, 2017.

	For the Three Months Ended March 31, 2017
The Company's share of:	
Profit from continuing and discontinued operations	$ 4,791
Other comprehensive income	6,892
Total comprehensive income for the year	$ 11,683

Investments accounted for using equity method and share of the other comprehensive income of associates and joint ventures of March 31, 2017 are recognized and disclosed without the review of the accountants.

18. OTHER FINANCIAL ASSETS, 2017

	December 31, 2017	March 31, 2017
Financial assets measured at cost		
Domestic stocks	$ 513,720	$ 760,147
Foreign stocks	659,621	684,977
	1,173,341	1,445,124
Time deposits with original maturity more than 3 months	10,150	7,282
	$ 1,183,491	$ 1,452,406

Because the fair value of financial assets measured at cost could not be reliably measured, the Company did not evaluate the fair value on the balance sheet date. The Company disposed of certain financial assets measured at cost with carrying amounts of $4,068 thousand during the three months ended March 31, 2017, recognizing disposal gain of $644 thousand.

19. PROPERTY AND EQUIPMENT

	March 31, 2018	December 31, 2017	March 31, 2017
Carrying amounts of each class			
Land	$ 781,970	$ 800,184	$ 822,716
Buildings	1,404,643	1,438,531	1,444,017
Machinery and computer equipment	368,743	375,739	208,042
Transportation equipment	41,611	35,326	39,739
Office and other equipment	73,775	77,793	58,481
Lease improvement	198,988	216,467	146,534
Construction in progress and prepayments for equipment	127,687	140,912	1,191,845
	$ 2,997,417	$ 3,084,952	$ 3,911,374

The movements of property and equipment for the three months ended March 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	-	-	3,856	9,291	317	360	58,312	72,136
Disposals and scrapped	(66,252)	(45,624)	(1,475)	(14,223)	(1,727)	(28,043)	-	(157,344)
Reclassification	-	-	6,045	-	1,216	(3,555)	(71,460)	(67,754)
Effect of foreign currency exchange differences	-	-	(24)	(92)	(1,039)	(2,612)	(77)	(3,844)
Balance at March 31, 2018	$ 781,970	$ 1,899,287	$ 740,464	$ 77,382	$ 240,262	$ 324,217	$ 127,687	$ 4,191,269
Accumulated depreciation								
Balance at January 1, 2018	$ 48,038	$ 506,380	$ 356,323	$ 47,080	$ 163,702	$ 141,600	$ -	$ 1,263,123
Depreciation expense	(48,038)	(23,362)	(1,181)	(14,069)	(1,455)	(25,963)	-	(114,068)
Disposals	-	11,626	16,658	2,866	4,838	10,785	-	46,773
Effect of foreign currency exchange differences	-	-	1	-	4	(5)	-	-
Impairment loss	-	-	(80)	(106)	(602)	(1,188)	-	(1,976)
Balance at March 31, 2018	$ -	$ 494,644	$ 371,721	$ 35,771	$ 166,487	$ 125,229	$ -	$ 1,193,852
Carrying amounts								
Balance at March 31, 2018	$ 781,970	$ 1,404,643	$ 368,743	$ 41,611	$ 73,775	$ 198,988	$ 127,687	$ 2,997,417
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	-	1,325	11,331	11,032	715	2,759	170,063	197,225
Disposals and scrapped	-	-	(358)	(10,141)	(610)	(16,111)	-	(27,220)
Reclassification	-	-	-	-	-	-	(4,526)	(4,526)
Effect of foreign currency exchange differences	-	-	(4,226)	(925)	(2,725)	(7,646)	(81)	(15,603)
Balance at March 31, 2017	$ 848,222	$ 1,913,626	$ 582,756	$ 92,807	$ 211,496	$ 237,190	$ 1,191,845	$ 5,077,942
Accumulated depreciation								
Balance at January 1, 2017	$ 25,506	$ 458,290	$ 364,918	$ 55,591	$ 151,605	$ 100,985	$ -	$ 1,156,895
Depreciation expense	-	-	(339)	(5,342)	(344)	(15,435)	-	(21,460)
Disposals	-	11,319	13,549	3,328	3,682	7,604	-	39,482
Effect of foreign currency exchange differences	-	-	(3,414)	(509)	(1,928)	(2,498)	-	(8,349)
Balance at March 31, 2017	$ 25,506	$ 469,609	$ 374,714	$ 53,068	$ 153,015	$ 90,656	$ -	$ 1,166,568
Carrying amounts								
Balance at March 31, 2017	$ 822,716	$ 1,444,017	$ 208,042	$ 39,739	$ 58,481	$ 146,534	$ 1,191,845	$ 3,911,374

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

Buildings	5-60 years
Machinery and computer equipment	3-25 years
Transportation equipment	3-5 years
Office and other equipment	3-8 years
Lease improvement	3-8 years

20. INTANGIBLE ASSETS

	March 31, 2018	December 31, 2017	March 31, 2017
Carrying amounts of each class			
Computer software	$ 1,303,305	$ 1,262,856	$ 263,654
Goodwill	1,105,800	1,133,222	1,151,620
Others	7,110	7,289	7,408
	$ 2,416,215	$ 2,403,367	$ 1,422,682

The movements of intangible assets for the three months ended March 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	41,007	-	-	41,007
Scrapped	(2,920)	-	-	(2,920)
Reclassification	53,897	-	-	53,897
Effect of foreign currency exchange differences	(1,240)	(27,422)	(179)	(28,841)
Balance at March 31, 2018	$ 1,975,845	$ 1,105,800	$ 7,110	$ 3,088,755
Accumulated amortization and impairment loss				
Balance at January 1, 2018	$ 622,245	$ -	$ -	$ 622,245
Amortization	54,272	-	-	54,272
Scrapped	(2,920)	-	-	(2,920)
Effect of foreign currency exchange differences	(1,057)	-	-	(1,057)
Balance at March 31, 2018	$ 672,540	$ -	$ -	$ 672,540
Carrying amounts				
Balance at March 31, 2018	$ 1,303,305	$ 1,105,800	$ 7,110	$ 2,416,215

(Continued)

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2017	$ 756,267	$ 1,224,683	$ 7,882	$ 1,988,832
Additions	13,830	-	-	13,830
Effect of foreign currency exchange differences	(3,945)	(73,063)	(474)	(77,482)
Balance at March 31, 2017	$ 766,152	$ 1,151,620	$ 7,408	$ 1,925,180
Accumulated amortization and impairment loss				
Balance at January 1, 2017	$ 489,821	$ -	$ -	$ 489,821
Amortization	15,346	-	-	15,346
Effect of foreign currency exchange differences	(2,669)	-	-	(2,669)
Balance at March 31, 2017	$ 502,498	$ -	$ -	$ 502,498
Carrying amounts				
Balance at March 31, 2017	$ 263,654	$ 1,151,620	$ 7,408	$ 1,422,682

(Concluded)

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

The group based on EverTrust Bank of one cash-generating unit when implementing goodwill impairment tests, and evaluate recoverable amount by the value in use. The key assumptions base the expected future cash flows on actual profit condition of cash-generating units. On the assumption of sustainable operating, we discount net cash flows from the operation of cash-generating units in the next five years 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 5 and 15 years, respectively.

21. OTHER ASSETS

	March 31, 2018	December 31, 2017	March 31, 2017
Refundable deposits	$ 249,584	$ 3,284,633	$ 3,619,093
Life insurance cash surrender value	324,059	331,481	361,834
Settlement payments	-	-	88,662
Prepayment	96,063	83,191	255,288
Others	232,197	331,169	419,802
	$ 901,903	$ 4,030,474	$ 4,744,679

22. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	March 31, 2018	December 31, 2017	March 31, 2017
Due to other banks	$ 65,155,326	$ 50,644,279	$ 49,877,492
Call loans from Central Bank	1,747,547	2,388,360	606,868
	$ 66,902,873	$ 53,032,639	$ 50,484,360

23. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	March 31, 2018	December 31, 2017	March 31, 2017
Transactions instruments	$ 66,056,244	$ 73,913,268	$ 64,449,738
Government bonds	36,139,313	44,006,703	30,372,241
Corporate bonds	51,315,670	52,474,842	51,115,391
Bank debentures	18,049,591	19,427,155	14,937,126
	$ 171,560,818	$ 189,821,968	$ 160,874,496
Date of agreement to repurchase	September 2018	August 2018	February 2018
Amount of agreement to repurchase	$ 171,662,603	$ 189,938,375	$ 160,947,938

24. ACCOUNT PAYABLES

	March 31, 2018	December 31, 2017	March 31, 2017
Investment settlement payable	$ 1,200,878	$ 579,579	$ 288,473
Settlement accounts payable - execution of customer orders	-	84,006	88,077
Acceptances	352,586	248,591	292,966
Accrued interest	692,848	617,723	526,291
Accrued expenses	428,697	906,054	432,590
Collections for others	139,320	151,750	143,953
Factoring	1,626,985	1,726,584	1,065,357
Checks for clearing	241,549	297,345	-
Others	371,014	411,049	800,339
	$ 5,053,877	$ 5,022,681	$ 3,638,046

25. DEPOSITS AND REMITTANCES

	March 31, 2018	December 31, 2017	March 31, 2017
Deposits			
Checking	$ 3,199,799	$ 2,990,647	$ 2,064,428
Demand	37,617,896	29,434,943	29,877,441
Time	164,895,085	161,489,043	148,856,377
Outward and ought-to-be-removed remittances	60,107	11,261	60,811
Saving deposit	6,632,136	4,360,806	903,010
	$ 212,405,023	$ 198,286,700	$ 181,762,067

26. BANK DEBENTURES

	March 31, 2018	December 31, 2017	March 31, 2017
Subordinate debenture bonds first issued in 2010; fixed 3.00% interest rate; maturity: April 12, 2017; interest paid annually and repay the principal at maturity	$ -	$ -	$ 800,000
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	950,000	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	3,350,000	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	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	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	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	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	600,000

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
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	$ 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	1,000,000
Subordinate debenture bonds 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	1,500,000
Subordinate debenture bonds second 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	1,500,000
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	-
	$ 20,400,000	$ 20,400,000	$ 17,450,000

(Concluded)

27. OTHER FINANCIAL LIABILITIES

	March 31, 2018	December 31, 2017	March 31, 2017
Bank loans	$ 12,372,179	$ 13,040,538	$ 10,715,297
Commercial paper	2,249,772	3,299,557	4,893,893
Funds obtained from the government - intended for specific types of loans	5,434,039	5,997,782	5,722,733
	$ 20,055,990	$ 22,337,877	$ 21,331,923

a. Bank loans

	March 31, 2018	December 31, 2017	March 31, 2017
Short-term loans	$ 5,746,926	$ 6,399,565	$ 5,487,358
Long-term loans	6,625,253	6,640,973	5,227,939
	$ 12,372,179	$ 13,040,538	$ 10,715,297
Interest rate interval			
New Taiwan dollars	1.21-1.50%	1.21%-1.50%	1.20%-1.78%
U.S. dollars	0.98%-3.65%	0.98%-7.71%	0.95%-3.662%
Renminbi	4.99%-6.23%	3.60%-6.18%	4.698%-8.165%

b. Commercial paper

	March 31, 2018	December 31, 2017	March 31, 2017
Commercial paper	$ 2,250,000	$ 3,300,000	$ 4,895,000
Less: Unamortized discount	(228)	(443)	(1,107)
	$ 2,249,772	$ 3,299,557	$ 4,893,893
Interest rate interval	0.49%-1.20%	0.49%-1.24%	0.50%-1.248%

28. PROVISIONS

	March 31, 2018	December 31, 2017	March 31, 2017
Provisions for employee benefits	$ 304,018	$ 295,725	$ 282,795
Reserve for losses on guarantees	1,596,218	1,569,551	1,518,137
Reserve for claims outstanding	9,092	9,092	9,092
Reserve for financing limit	81,656	-	-
	$ 1,990,984	$ 1,874,368	$ 1,810,024

Reserve for claims outstanding are provisions recognized in the specific actual reconciliation condition from controversial cases due to sale of refundable forward transactions.

29. BENEFIT PLANS FOR THE RETIREMENT

The retirement expense recognized under defined benefit plans for the three months ended in 2018 and 2017 are calculated by the 2018 and 2017 discount rate in December 31, which are $3,235 thousand and $3,002 thousand, respectively.

30. OTHER LIABILITIES

	March 31, 2018	December 31, 2017	March 31, 2017
Guarantee deposits received	$ 1,926,742	$ 1,923,253	$ 1,504,695
Advance revenue	120,445	108,800	140,511
Others	111,831	445,798	220,964
	$ 2,159,018	$ 2,477,851	$ 1,866,170

31. EQUITY

a. Capital stock

Common stock

	March 31, 2018	December 31, 2017	March 31, 2017
Number of shares authorized (in thousands)	3,000,000	3,000,000	3,000,000
Capital stock authorized	$ 30,000,000	$ 30,000,000	$ 30,000,000
Number of shares issued and fully paid (in thousands)	2,413,006	2,413,006	2,390,506
Shares issued	$ 24,130,063	$ 24,130,063	$ 23,905,063

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

The Bank is required to comply the future operating plan and the Rule of Initial Public Offerings. The board of directors on April 19, 2016 and the shareholders' meeting on June 3, 2016 decided to issue new share by cash increase 22,500 thousand shares, those shares have a par value of $10, and sold at NT$7 to NT$9.3 per share. The total selling price was $175,936 thousand. The difference debited to retained earnings was $49,064 thousand. The share capital after the issuance was $24,130,063 thousand. The base day was May 3, 2017. The Bank finished the registration on July 4, 2017.

b. Capital surplus

	March 31, 2018	December 31, 2017	March 31, 2017
Arising from treasury share transactions	$ 3,193	$ 3,193	$ 3,193
Undistributed			
Employee stock option	4,537	4,537	-
	$ 7,730	$ 7,730	$ 3,193

Treasury 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 share capital (limited to a certain percentage of the Bank's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividend 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, 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 Bank's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. 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 of Directors 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.

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 had been approved in board of directors on Febrary 27, 2018 and stockholders' meetings on 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 (reversed)	(13,705)		56,243	
Cash dividend - common stock	723,902	$0.3	1,085,854	$0.45

d. Other equity items

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

	For the Three Months Ended March 31	
	2018	2017
Balance at January 1	$ (216,266)	$ 190,990
Exchange differences arising on translating the financial statements of foreign operations	(138,246)	(440,004)
Income tax related to gains arising on translating the financial statements of foreign operations	24,754	50,385
Balance at March 31	$ (329,758)	$ (198,629)

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

	For the Three Months Ended March 31	
	2018	2017
Balance at January 1	$ 236,666	$ 93,725
Unrealized gain arising on revaluation of available-for-sale financial assets	-	209,020
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	-	(84,031)
Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	-	-
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	-	6,718
Effect of IFRS 9 retrospective application	(236,666)	-
Balance at March 31	$ -	$ 225,432

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

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 gain (loss) - debt instruments	(118,306)
Unrealized gain (loss) - equity instruments	89,949
Loss allowance of debt instruments	(871)
Other comprehensive income recognized in the period	(29,228)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	33,841
Balance at March 31,	$ 148,725

e. Non-controlling interests

	2018	2017
Balance at January 1 (IAS 39)	$ 16,892,050	$ 16,482,451
Effect of IFRS 9 retrospective application	90,927	-
Balance at January 1 (IFRS 9)	16,982,977	16,482,451
Attribute to non-controlling interests		
Net profit for the year	246,184	222,451
Other comprehensive income		
Exchange differences arising on translation of foreign entities	(9,757)	(24,724)
Unrealized gains and losses on available-for-sale financial assets	-	91,520
Unrealized gains and losses on FVTOCI	(70,831)	-
Ending balance	$ 17,148,573	$ 16,771,698

32. NET INTEREST

	For the Three Months Ended March 31	
	2018	2017
Interest revenue		
Discounts and loans	$ 1,237,538	$ 1,080,149
Investment in marketable securities	607,682	562,379
Installment sales and lease	298,472	238,401
Due from the Central Bank and call loans to banks	39,066	15,902
Others	25,371	45,114
	2,208,129	1,941,945
Interest expense		
Deposits	472,300	328,658
Due to the central bank and banks	149,957	128,087
Bank debentures	103,913	88,231
Securities sold under agreement to repurchase	215,767	175,035
Others	118,276	101,956
	1,060,213	821,967
	$ 1,147,916	$ 1,119,978

33. COMMISSION AND FEE REVENUES, NET

	For the Three Months Ended March 31	
	2018	2017
Commission and fee revenue		
Guarantee business	$ 170,400	$ 152,575
Loan business	22,623	62,880
Agency income	69,080	67,547
Trust business	1,424	4,406
Lease business	54,029	41,716
Credit examine business	86,003	102,456
Import and export business	7,703	7,277
Factoring business	21,744	11,618
Others	22,936	25,708
	455,942	476,183
Commission and fee expense		
Others	40,940	19,606
	$ 415,002	$ 456,577

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

	For the Three Months Ended March 31	
	2018	2017
Realized gain profit or loss		
Bills	$ 26,150	$ 35,225
Stocks	(42,562)	13,878
Bonds	(8,200)	8,606
Derivatives	(153,494)	(314,072)
Others	-	4,279
	(178,106)	(252,084)
Gains (losses) on valuation		
Bills	5,642	(29,383)
Stocks	70,662	16,149
Bonds	2,582	2,179
Derivatives	(189,282)	(619,752)
Others	(13,471)	89,795
	(123,867)	(541,012)
Interest revenue	79,577	43,579
	$ (222,396)	$ (749,517)

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

	For the Three Months Ended March 31, 2018
Realized income-Debt instruments	$ 21,980
Dividend revenue	2,024
	$ 24,004

36. REALIZED INCOME FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS, 2017

	For the Three Months Ended March 31, 2017
Net profit on disposal - stocks	$ 91,968
Net profit on disposal - bonds	(7,937)
Dividend revenue	234
	$ 84,265

37. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended March 31	
	2018	2017
Short-term employee benefits		
Salaries and wages	$ 388,548	$ 375,753
Award expense	132,398	146,961
Directors' remuneration and fees	17,695	23,286
Labor insurance and national health insurance	33,820	32,935
Others	46,461	36,406
Post-employment benefits		
Pension	21,804	19,773
	$ 640,726	$ 635,114

In compliance with the Company Act as amended in May 2015, and the amended Articles of Incorporation of the Company approved by the stockholders in their meeting in June 2016, the Bank accrued employees' compensation and remuneration of directors and supervisors 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 employees' compensation and remuneration of directors and supervisors for the three months ended March 31, 2018 were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2018	**2017**
Employees' compensation	1.25%	1.25%
Remuneration of directors and supervisors	2.50%	2.50%

Balance

	For the Three Months Ended March 31	
	2018	**2017**
Employees' compensation	$ 3,100	$ 6,069
Remuneration of directors and supervisors	$ 6,200	$ 12,138

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 and supervisors for 2017 and 2016 which have been approved by the Bank's Board of Directors on February 27, 2018 and February 22, 2017, respectively, were as follows:

	2017		**2016**	
	Cash Dividends	**Stock Dividends**	**Cash Dividends**	**Stock Dividends**
Bonus to employees	$ 15,919	$ -	$ 24,111	$ -
Bonus to 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 consolidated financial statements.

Information for 2018 and 2017 on the bonus to employees, directors and supervisors proposed by the Bank's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

38. DEPRECIATION AND AMORTIZATION

	For the Three Months Ended March 31	
	2018	**2017**
Property and equipment	$ 46,768	$ 39,474
Intangible assets	54,272	15,346
	$ 101,040	$ 54,820

39. OTHER OPERATING EXPENSES

	For the Three Months Ended March 31	
	2018	2017
Taxation	$ 50,988	$ 40,362
Rental	52,568	55,058
Management fee	9,749	7,919
Computer operating and consulting fees	40,814	25,128
Entertainment	14,892	10,817
Professional services	23,235	12,601
Advertisement	34,795	9,430
Others	104,380	95,835
	$ 331,421	$ 257,150

40. INCOME TAXES OF CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2018	2017
Current tax		
In respect of the current period	$ 210,809	$ 212,970
In respect of prior periods	(10,583)	1,836
	200,226	214,806
Deferred tax		
In respect of the current period	(32,953)	(83,844)
Income tax expense recognized in profit or loss	$ 167,273	$ 130,962

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2018	2017
Deferred tax		
Recognized in other comprehensive income		
Translation of foreign operations	$ (24,754)	$ (67,644)
Unrealized gain (loss) on available for sale financial assets	-	5,081
Fair value remeasurement of available-for-sale financial assets	(32,246)	-
Income tax recognized in other comprehensive income	$ (57,000)	$ (62,563)

c. Assessment of the income tax

The tax returns of the Company and Subsidiaries through 2016, except for the 2015 income tax of CBF, have been assessed by the tax authorities. The Bank disagreed with the tax authorities' assessment of its 2016 and 2012 tax return and applied for a re-examination.

41. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended March 31	
	2018	**2017**
Basic earnings per share		
From continuing operations	$ 0.07	$ 0.19
From discontinued operations	-	-
Total basic earnings per share	$ 0.07	$ 0.19
Diluted earnings per share		
From continuing operations	$ 0.07	$ 0.19
From discontinued operations	-	-
Total diluted earnings per share	$ 0.07	$ 0.19

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

Net Profit for the Year

	For the Three Months Ended March 31	
	2018	**2017**
Earnings used in the computation of basic and diluted earnings per share from continuing operations	$ 181,347	$ 458,747
Profit for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	(2,830)	860
Earnings used in the computation of basic and diluted earnings per share	$ 178,517	$ 459,607

Weighted average number of common stocks outstanding (in thousand shares):

	For the Three Months Ended March 31	
	2018	**2017**
Weighted average number of common stocks in computation of basic earnings per share	2,413,006	2,390,506
Effect of potentially dilutive common stocks:		
Employees' compensation or bonus issue to employees	633	1,080
Weighted average number of common stocks used in the computation of diluted earnings per share	2,413,639	2,391,586

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

42. RELATED PARTY TRANSACTIONS

The transactions, account balance, income and loss of the Group (The related party of the Bank) will be all eliminated when consolidated, so they are not disclosed in note 42. Except for other transactions disclosed in other notes, the transactions among the consolidated group and other related party are as follows:

a. The related parties and their relationship with the Company

Related Party	Relationship with The Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture) (dissolved since March 31, 2017)	Associates
IBT Education Foundation (IBTEF)	The Bank is the major donor of the foundation
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Bank's legal director
Others	The Bank'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 three months ended March 31, 2018			
Associates	$ 4,651	$ 1	0.15%-0.25%
Others	1,529,003	8,513	0-6.56%
	$ 1,533,654	$ 8,514	
For the three months ended March 31, 2017			
Associates	$ 59,816	$ 18	0.08-0.10%
Others	679,135	2,137	0-6.56%
	$ 738,951	$ 2,155	

2) Directors acting as the guarantor of the loan balance

	Ending Balance	Rate (%)
March 31, 2018	$ -	-
December 31, 2017	$ 665,000	1.4370
March 31, 2017	$ 665,000	1.4368

3) Commission and fee revenue

	For the Three Months Ended March 31	
	2018	**2017**
Associates	$ -	$ 6
Others	11	-
	$ 11	$ 6

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

4) Other expense

	For the Three Months Ended March 31	
	2018	**2017**
Others	$ 4,800	$ -

Other expenses are donations.

5) Rental income and others

	For the Three Months Ended March 31	
	2018	**2017**
Others	$ -	$ 230

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 three months ended March 31, 2018 and 2017 were as follows:

	For the Three Months Ended March 31	
	2018	**2017**
Short-term employee benefits	$ 64,233	$ 51,446
Post-employment benefits	1,441	1,213
	$ 65,674	$ 52,659

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 number 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.

43. PLEDGED ASSETS

	March 31, 2018	December 31, 2017	March 31, 2017
Due from banks	$ 232,551	$ 228,875	$ 210,580
Financial assets at fair value through profit or loss	19,375,005	13,393,710	11,950,443
Financial assets at fair value through other comprehensive income	2,318,103	-	-
Financial assets at amortized costs	166,649	-	-
Discounts and loans	8,679,918	8,919,490	9,341,334
Available-for-sale	-	2,254,810	2,290,615
Held-to-maturity financial assets	-	149,946	151,530
Pledged time deposits	559,500	34,834	38,134
Compensation account for payment	70,368	65,109	63,612
	$ 31,402,094	$ 25,046,774	$ 24,046,248

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 fair value through profit or loss and held-to-maturity financial assets) as collateral for the day-term overdraft. The pledged amount is adjustable based on 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 mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the U.S.A. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limits to Federal Home Loan Bank of San Francisco. Restricted assets were provided not merely as collaterals for short-term borrowings, commercial paper issued, contract security deposit and administrative reliefs, but as pledged for the Central Bank bond bidding.

44. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	March 31, 2018	December 31, 2017	March 31, 2017
Office decorating and contracts of computer software			
Amount of contracts	$ 179,404	$ 159,256	$ 1,613,649
Payments for construction in progress and prepayments for equipment	127,686	140,912	1,191,845

b. The Company as lessee

Due to rental of buildings, the bank and its subsidiaries have been entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 2027.

As of March 31, 2018, December 31, 2017 and March 31, 2017, refundable deposits paid under operating lease amounted to $30,374 thousand, $35,070 thousand and $28,312 thousand.

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

	March 31, 2018
Up to 1 years	$ 153,309
Over 1 year to 5 years	280,562
Over 5 years	95,990
	$ 529,861

c. The Bank's clients believe that the Bank engaged in improper sales of complicated and risky financial products and caused losses to it. The arbitration was submitted to the ROC Arbitration Association on May 16, 2017, requesting the Bank to compensate the damage for US$2,816 thousand and from May 19, 2017 until the date of settlement, interest rate of 5%per annum. The case is currently in the stage of selecting the chief arbitrator, and the actual result remains to be determined by the arbitration tribunal.

45. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	March 31, 2018	December 31, 2017	March 31, 2017
Trust assets			
Bank deposits	$ 472,535	$ 350,848	$ 738,843
Financial asset	514,450	360,484	228,618
Real estate	1,957,995	1,957,995	5,175,208
Total trust assets	$ 2,944,980	$ 2,669,327	$ 6,142,669
Trust capital	$ 2,944,980	$ 2,669,327	$ 6,142,669
Trust capital and liability	$ 2,944,980	$ 2,669,327	$ 6,142,669

Income Statements of Trust Accounts

	For the Three Months Ended March 31	
	2018	2017
Trust revenue		
Interest revenue	$ 171	$ 151
Trust expenses		
Management fee	98	-
Fees	21	-
Income tax expense	15	8
	$ 37	$ 143

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

Trust Property List

	March 31, 2018	December 31, 2017	March 31, 2017
Bank deposit	$ 472,535	$ 350,848	$ 738,843
Fund	228,378	228,378	228,377
Stock	286,072	132,106	241
Land	1,865,892	1,865,892	5,084,395
Real estate	92,103	92,103	90,813
	$ 2,944,980	$ 2,669,327	$ 6,142,669

46. 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.

	March 31, 2018		December 31, 2017		March 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Financial assets at amortized costs	$ 499,850	$ 504,056	$ -	$ -	$ -	$ -
Held-to-maturity financial assets	-	-	499,821	505,448	899,732	905,138
Financial liabilities						
Bank debentures	20,400,000	20,473,495	20,400,000	20,464,560	17,450,000	17,578,760

2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

Financial Instrument Items at Fair Value	March 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized costs	$ 504,056	$ -	$ 504,056	$ -
Financial liabilities				
Bank debentures	20,473,495	20,473,495	-	-

Item	December 31, 2017 Total	Level 1	Level 2	Level 3
Financial assets				
Held-for-maturity financial assets	$ 505,448	$ -	$ 505,448	$ -
Financial liabilities				
Bank debentures	20,464,560	20,464,560	-	-

Item	March 31, 2017 Total	Level 1	Level 2	Level 3
Financial assets				
Held-for-maturity financial assets	$ 905,138	$ -	$ 905,138	$ -
Financial liabilities				
Bank debentures	17,578,760	17,578,760	-	-

Refer to quoted market prices for fair value if there are public quotation on 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 carried at fair value on a duplicated basis

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

(In Thousands of New Taiwan Dollars)

Item	March 31, 2018 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets mandatorily classified as at FVTPL				
Stocks and beneficial certificates	$ 960,279	$ 889,666	$ -	$ 70,613
Bonds	1,541,775	113,813	1,427,962	-
Bills	96,358,238	-	96,358,238	-
Convertible bonds and structured bonds	8,112,700	-	1,197,395	6,915,305
Others	38,459,318	-	38,459,318	-
Financial assets at fair value through other comprehensive income				
Stocks	3,264,421	2,058,520	126,312	1,079,589
Bonds	144,954,895	-	144,954,895	-

(Continued)

Item	March 31, 2018 Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Liabilities				
Financial liabilities mandatorily classified as at FVTPL	$ 3,364	$ -	$ 3,364	$ -
<u>Derivative financial instruments</u>				
Assets				
Financial assets mandatorily classified as at FVTPL	640,560	-	640,560	-
Liabilities				
Financial liabilities mandatorily classified as at FVTPL	1,027,119	-	1,027,119	-

(Concluded)

Item	December 31, 2017 Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
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	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	-
<u>Non-derivative financial instruments</u>				
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	7,245	-	7,245	-
<u>Derivative financial instruments</u>				
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	-

Item	March 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	$ 1,082,793	$ 1,029,840	$ -	$ 52,953
Bonds	314,476	11,046	303,430	-
Bills	94,526,370	-	94,526,370	-
Others	34,264,062	-	34,264,062	-
Financial assets designated as fair value through profit or loss	10,579,770	-	1,173,952	9,405,818
Available-for-sale financial assets				
Stocks	2,075,469	2,075,469	-	-
Bonds	130,051,410	49,586	130,001,824	-
Non-derivative financial instruments				-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	16,135	-	16,135	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	1,646,490	-	1,468,537	177,953
Liabilities				
Financial liabilities at fair value through profit or loss	2,012,172	-	2,012,172	-

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 hedging derivative financial assets 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 Company 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 three months ended March 31, 2018

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 at fair value through profit or loss	-	(2,802)	-	(2,802)
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	(52)	-	52,020	(51,968)
Purchases	2,277,700	-	-	2,277,700
Disposal	(2,253,700)	-	(45,240)	(2,298,940)
Ending balance	$ 6,915,305	$ 70,613	$ 1,079,589	$ 8,065,507

For the three months ended March 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	$ -	$ -	$ -	$ (12,073)	$ -	$ 52,953
Financial assets designated as fair value through profit or loss	211,644	(33,691)	-	-	-	-	177,953
Derivative financial Instruments							
Financial assets at fair value through profit or loss Assets	10,390,780	71,094	2,311,100	-	(3,367,156)	-	9,405,818

4) Transfer between Level 1 and Level 2

The Company has no significant transfers between Level 1 and Level 2 for three months ended March 31, 2018 and 2017.

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

Although the Company and its subsidiaries believe that their estimates of fair value are appropriate, their using of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 of the fair value hierarchy, structured bonds are evaluated by counterparty quotes; no quoted market price of the Bonds and convertible corporate bonds for asset swap are evaluated by the future cash flows discounted model. Its discount rate as the zero coupon yield curve is deduced by using the LIBOR rate yield curve and the dollar yield curve consisting swap rate and considering credit risk premium. In the condition of the same variables, a 10% change in either direction of the quotes from respective counterparties would have the effects on the income and other comprehensive income both in 2016 and 2017 and are as follows:

For the three months ended March 31, 2018

(In Thousands of New Taiwan Dollars)

Item	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	$ -	$ (1,047)	$ -	$ -

For the three months ended March 31, 2017

(In Thousands of New Taiwan Dollars)

Item	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	$ -	$ (1,062)	$ -	$ -

47. FINANCIAL RISK MANAGEMENT

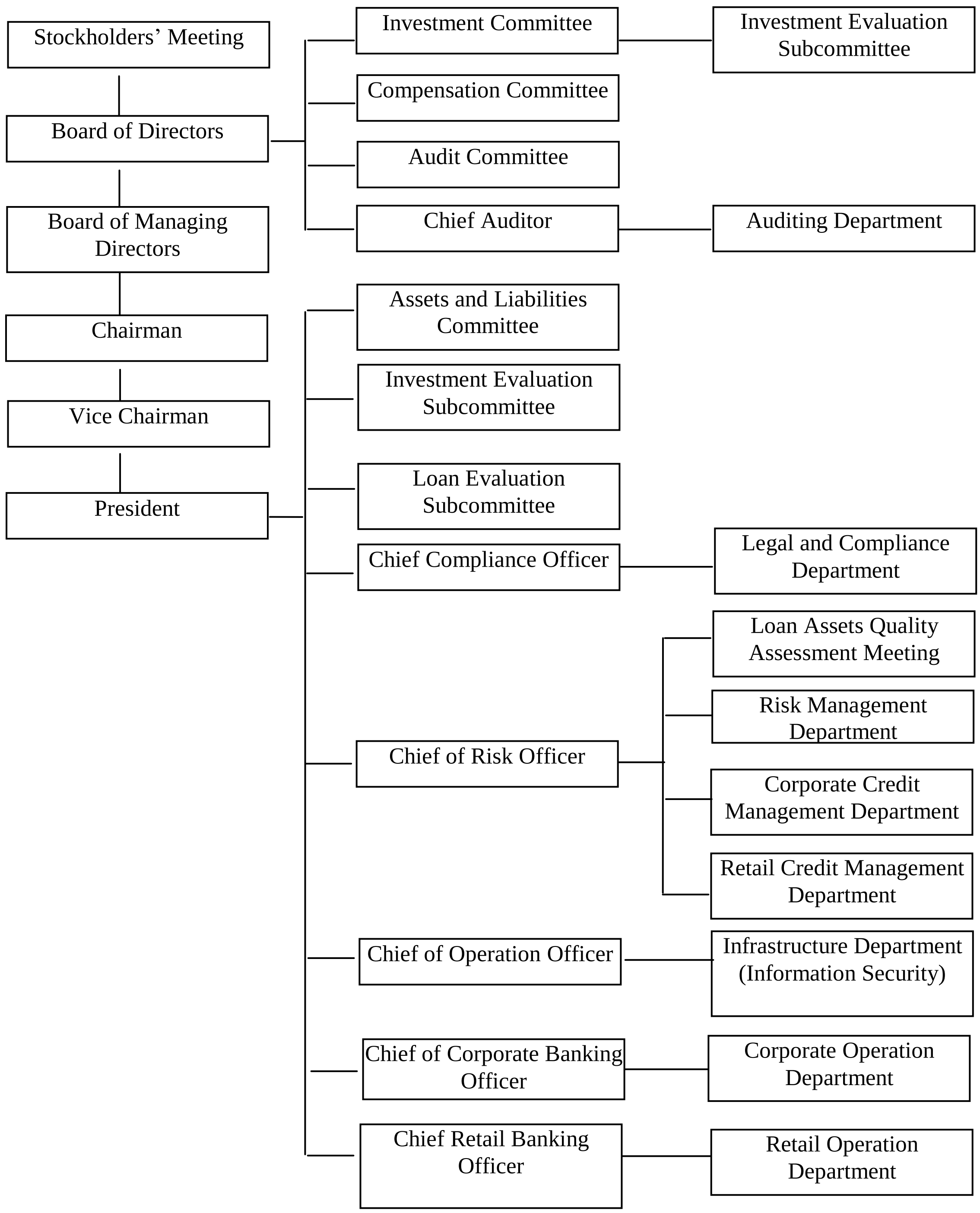
a. Overview

For the potential expected and unexpected risk, the Company and its subsidiaries establish 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 Company 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 Company and its important individual in control are expressed as follows:

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



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. Assess the probable loss of loan assets, pass cases of investment loss recognition, and make the proposal to the CEO.

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

    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 Bank 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 Company'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 assets portfolio 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 rating must actually be scaled within credit and investors. The continual change of market gives rise to the change of credit or investor. Therefore, risk rating must be reevaluated and updated often to adjust risk rating scale when being 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 Company 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) The Board of Directors: The Board of Directors, the top risk supervisor of the Bank, is responsible for authorizing and reviewing the credit risk management strategies, and approving the credit risk management framework. The strategy should reflect the level of risk that the Bank can bear and the level of profitability that the Bank expects to achieve under various credit risks.

b) The Audit Committee: Responsible for stipulation and amendment of 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.

c) The 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.

d) The Loan Assets Quality Evaluation Meeting: The Company is in charge for making policies and strategies for identifying the possibilities of loss on credit assets. The Company evaluates the adequacy of the allowance for credit assets.

e) The Risk Management Department: The department is independent, in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Company 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.

f) Corporate Credit Department: It supervised 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 deed of credit and guarantee amount control, proper release and other release matters.

g) Retail Credit Management Department: Manage personal financial risk identify, measure, monitor, manage and resell bad debts, prepare for bad debts presentation, loss assessment and post-loan management.

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 of Directs 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 of Directors to grasp the risk-taking situations faced by the state, the group, 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 Company has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Company 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 Company and its subsidiaries is as follows:

Off-balance Sheet Item	Maximum Exposure Amount		
	March 31, 2018	**December 31, 2017**	**March 31, 2017**
Financial guarantees and irrevocable documentary letter of credit			
Contract amounts	$ 119,298,570	$ 111,469,765	$ 108,845,496
Maximum exposure amounts	119,298,570	111,469,765	108,845,496

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 Company and its subsidiaries do not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business. (including loan commitment and guarantee and commercial bonds issuing commitment)

On March 31, 2018, December 31, 2017 and March 31, 2017, the Company and its subsidiaries' significant concentrations of credit risk were summarized as follows (only top three are written below):

a) By industry

Credit Risk Profile by Industry Sector	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Real estate	$ 61,556,481	21	$ 28,696,054	10	$ 31,001,267	12
Financial intermediary	53,427,602	19	28,011,612	10	20,470,955	8
The printed circuit board component manufacturing	38,305,715	13	17,468,379	6	12,654,175	5

b) By counterparty

Credit Risk Profile by Industry Sector	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Private sector	$ 173,569,311	94	$ 173,620,086	95	$ 142,277,196	98
Natural person	10,593,575	6	9,147,952	5	2,300,111	2

c) By geographical area

Credit Risk Profile by Industry Sector	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Domestic	$ 112,699,108	61	$ 115,392,955	63	$ 89,801,981	56
Other Asia area	32,199,658	17	30,208,123	17	29,743,802	18
America	32,548,542	18	31,586,509	17	29,592,461	18

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.

Related financial assets impairment valuation is as follows:

a) Credit analysis for receivables and discounts and loans - 2017

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

March 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	$ 18,737,317	$ -	$ 552,419	$ 19,289,736	$ 198,393	$ 313,212	$ 18,778,131
Discounts and loans	159,855,668	-	1,673,742	161,529,410	280,833	2,126,494	159,122,083

b) Credit analysis for marketable securities - 2017

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

March 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	$ 130,051,410	$ -	$ -	$ 130,051,410	$ -	$ -	$ 130,051,410
Equity investments	2,061,122	-	19,553	2,080,675	5,206	-	2,075,469
Held-to-maturity financial assets							
Bonds	499,732	-	-	499,732	-	-	499,732
Others	400,000	-	-	400,000	-	-	400,000
Other financial assets							
Equity investments	1,212,945	-	1,068,419	2,281,364	836,240	-	1,445,124

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 overdue but not yet impaired.

The Company as of three months ended March 31, 2017 were no overdue but not impaired financial assets.

10) Analysis of impairment for financial assets

The Company 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		March 31, 2017	
		Discounts and Loans	Allowance for Credit Losses	Discounts and Loans	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 421,691	$ 280,181	$ 552,419	$ 198,393
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed	22,276,814	365,177	18,737,317	313,212

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		March 31, 2017	
		Accounts Receivables	Allowance for Credit Losses	Accounts Receivables	Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 1,443,492	$ 375,969	$ 1,673,742	$ 280,833
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed for impairment	181,324,546	2,305,883	159,855,668	2,126,494

Note: The receivables are those originated by the Company, 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 Company and its subsidiaries' 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 Company 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 Company'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 Company and its subsidiaries 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 that the Company'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 Company 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 March 31, 2018, December 31, 2017 and March 31, 2017, the liquidity reserve ratio was 42.10%, 37.37% and 42.27%.

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:

March 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1^+ Year	Total
Deposits from the central bank and banks	$ 61,233,568	$ 5,669,305	$ -	$ -	$ -	$ 66,902,873
Financial liabilities at fair value through profit or loss	3,364	-	-	-	-	3,364
Securities sold under agreements to repurchase	137,019,604	33,696,820	946,179	-	-	171,662,603
Accounts payable	2,237,060	114,677	2,183,052,	436,663	82,425	5,053,877
Deposits	54,975,868	60,626,738	52,646,276	21,557,115	22,599,026	212,405,023
Financial bonds	-	-	950,000	3,350,000	16,100,000	20,400,000
Other financial liabilities	5,749,070	1,714,656	747,397	1,864,913	9,979,954	20,055,990
	$ 261,218,534	$ 101,822,196	$ 57,472,904	$ 27,208,691	$ 48,761,405	$ 496,483,730

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	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
Securities sold under agreements to repurchase	146,992,716	41,450,703	1,478,851	16,105	-	189,938,375
Accounts payable	1,797,214	251,486	2,144,300	695,469	134,212	5,022,681
Deposits	39,248,871	78,073,545	33,489,960	23,325,344	24,148,980	198,286,700
Financial bonds	-	-	-	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

March 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Deposits from the central bank and banks	$ 41,796,020	$ 8,384,906	$ 303,434	$ -	$ -	$ 50,484,360
Financial liabilities at fair value through profit or loss	16,135	-	-	-	-	16,135
Securities sold under agreements to repurchase	134,768,221	25,208,105	905,464	66,148	-	160,947,938
Accounts payable	1,538,083	136,695	1,530,976	409,485	22,807	3,638,046
Deposits	34,799,327	48,176,535	40,930,887	34,579,612	23,275,706	181,762,067
Financial bonds	800,000	-	-	-	16,650,000	17,450,000
Other financial liabilities	9,741,119	1,486,667	306,666	550,000	9,247,471	21,331,923
	$ 223,458,905	$ 83,392,908	$ 43,977,427	$ 35,605,245	$ 49,195,984	$ 435,630,469

4) The Company 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:

March 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Deliverable						
Foreign forward contracts	$ 9,976	$ 16,919	$ 36,680	$ 34,585	$ -	$ 98,160
Foreign currency swap contracts	253,838	217,661	64,221	242,573	-	778,293
Others	1,180					1,180
	264,994	234,580	100,901	277,158	-	877,633
Non-deliverable						
Interest rate swap contracts	-	-	7,873	4,716	136,897	149,486
	$ 264,994	$ 234,580	$ 108,774	$ 281,874	$ 136,897	$ 1,027,119

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	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

March 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1⁺ Year	Total
Deliverable						
Forward contracts	$ 46,869	$ 14,222	$ 17,513	$ 112,054	$ -	$ 190,658
Currency swap contracts	288,286	556,220	292,027	137,397	-	1,273,930
Commercial paper contracts	-	5,213	5,932	-	-	11,145
Selling foreign currency option contracts	8,289	148,480	237,946	-	-	394,715
Others	69	-	-	-	-	69
	343,513	724,135	553,418	249,451	-	1,870,517
Non-deliverable						
Interest rate swap contracts	366	8,141	-	-	133,148	141,655
	$ 343,879	$ 732,276	$ 553,418	$ 249,451	$ 133,148	$ 2,012,172

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 consolidated balance sheet.

March 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1⁺ Year	Total
Unused letters of credit	$ 974,304	$ 1,146,957	$ 282,396	$ 50,220	$ -	$ 2,453,877
Other guarantee amounts	37,141,602	70,981,325	5,044,401	3,612,213	65,152	116,844,693
	$ 38,115,906	$ 72,128,282	$ 5,326,797	$ 3,662,433	$ 65,152	$ 119,298,570

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1⁺ Year	Total
Unused letters of credit	$ 1,191,027	$ 1,013,393	$ 367,946	$ 15,541	$ -	$ 2,587,907
Other guarantee amounts	35,533,002	63,019,079	5,466,081	4,803,363	60,333	108,881,858
	$ 36,724,029	$ 64,032,472	$ 5,834,027	$ 4,818,904	$ 60,333	$ 111,469,765

March 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1⁺ Year	Total
Unused letters of credit	$ 991,902	$ 1,011,482	$ 71,414	$ 60,687	$ 17,523	$ 2,153,008
Other guarantee amounts	28,229,833	69,543,200	5,431,030	3,180,114	308,311	106,692,488
	$ 29,221,735	$ 70,554,682	$ 5,502,444	$ 3,240,801	$ 325,834	$ 108,845,496

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 of Directors 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) 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 of Directors, 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 of Directors.

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 (ex: 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 Company 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 and exchange rates. 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

	March 31, 2018			December 31, 2017			March 31, 2017		
	Average	High	Low	Average	High	Low	Average	High	Low
Currency exchange rate risk	$ 1,336	$ 3,300	$ 105	$ 2,150	$ 8,317	$ 86	$ 2,217	$ 5,056	$ 244
Fair value risk resulting from interest rate	3,495	8,991	-	1,896	13,446	-	1,246	8,855	1,983
Fair value resulting from stock price	10,880	13,955	6,952	10,439	18,766	4,039	12,384	18,629	4,039

6) Foreign currency rate risk information

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

Unit: Each Foreign Currencies (Thousand)/NT$(Thousand)

	March 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary item			
USD	$ 2,847,956	29.1258	$ 82,948,953
JPY	1,898,747	0.2740	520,265
HKD	7,241,891	3.7099	26,866,875
EUR	12,800	35.8806	459,275
AUD	1,975	22.3668	44,174
RMB	2,945,039	4.6510	13,697,449
Financial liabilities			
Monetary item			
USD	3,490,706	29.1258	101,669,549
JPY	952,018	0.2740	260,857
HKD	6,065,203	3.7099	22,501,449
EUR	9,870	35.8806	354,141
AUD	7,596	22.3668	169,898
RMB	2,389,903	4.6510	11,115,497

	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

	March 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 2,904,820	30.3434	$ 86,387,843
JPY	2,227,670	0.2712	604,089
HKD	3,903,348	3.9047	15,241,239
EUR	24,059	32.4412	780,486
AUD	2,385	23.2324	55,402
RMB	256,237	4.4116	1,188,804
Financial liabilities			
Monetary item			
USD	3,397,175	30.3434	92,554,106
JPY	617,409	0.2712	167,426
HKD	4,225,871	3.9047	16,500,583
EUR	16,940	32.4412	549,546
AUD	7,665	23.2324	178,080
RMB	86,292	4.4116	380,549

f. Banking book's interest risk

1) Source and definition of banking book's 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) Banking book's interest risk management strategy and proces

The bank control the interest's risk with positive and strict attitude. The bank hope to pursue the stability and growth of surplus without liquidity flaw.

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 execute the procedure clearly, establish a trading discipline that upholds the discipline of investment, and control the banking book's interest risk within the limit.

3) Banking book's interest risk management organization and framework

a) Board of Directors: It is the top Banking book's 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, approved by the Board of Directors, are the top stipulation in Banking book's interest risk.

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

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

4) The extent and characteristics of the Banking book's interest risk report and evaluation system

The Risk Management Department set the regulation with banking book's interest risk as follow, limit of position, Annual stop buying maximum loss limit, FS Sensitivity limit, duration 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, to enhance the risk control framework of banking book's interest risk.

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

The Risk Management Department calculate the exposure amount of each trading departments and tarders, and report risk reports, monitor over-limits, and perform follow-up actions under the regulation.

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 Three Months Ended March 31			
	2018		2017	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
Interest-earning assets				
Cash and cash equivalents - due from banks	$ 814,559	2.32	$ 609,679	0.81
Call loans to banks	9,242,181	1.31	7,511,809	0.69
Due from the Central Bank	3,772,048	0.66	3,203,678	0.68
Financial assets at fair value through profit or loss	40,186,314	0.56	35,610,023	0.49
Securities purchased under resell agreements	490,087	0.14	119,815	0.09
Discounts and loans	165,775,450	2.36	144,533,636	2.25
Available-for-sale financial assets	-	-	31,026,065	1.48
Held-to-maturity financial assets	-	-	1,467,436	0.88
Financial assets at fair value through other comprehensive income	41,040,450	1.48	-	-
Financial assets at amortized costs	499,831	1.13	-	-
Receivables	3,650,995	1.28	3,187,658	1.15
Interest-bearing liabilities				
Deposits from the central bank and banks	35,110,880	1.45	35,653,794	1.21
Demand deposits	34,868,039	0.49	22,464,723	0.31
Time deposits	156,020,587	1.00	110,843,945	0.85
Securities sold under repurchase agreements	6,027,071	0.87	1,806,018	0.91
Bank debentures	20,400,000	2.04	17,450,000	2.02

China Bills Finance Corporation (CBF)

	For the Three Months Ended March 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents (including certificate of deposit)	$ 846,324	0.26	$ 805,739	0.06
Call loans to banks	7,778	0.18	85,623	3.29
Financial assets at fair value through profit or loss - bonds and bills	102,361,874	0.57	99,532,271	0.59
Financial assets at fair value through other comprehensive income-bond investment	96,448,306	1.33	-	-
Available-for-sale financial assets - bond investment	-	-	91,006,367	1.33
Financial assets at fair value through profit or loss - mixed financial assets	6,816,442	1.45	-	-
Financial assets designated at fair value through profit or loss-bond investment	-	-	10,132,699	1.62
Securities purchased under resell agreements	9,549,462	0.20	3,551,373	0.09
Interest-bearing liabilities				
Due to other banks	17,477,806	0.53	17,969,726	0.45
Bank overdrafts	2,388	1.74	7,836	1.75
Securities (bills and bonds) sold under repurchase agreements	172,620,873	0.48	159,261,243	0.44

48. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Company’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 by the competent authority regulations.

b. Capital assessment program

Regularly on various capital ratio and leverage ratio calculation, analysis, monitoring and reporting, the annual allocation of each business’s capital adequacy ratio targets and regularly track the target achievement rate in the capital ratio, or leverage ratio has deteriorated because of the circumstances should be taken when measure.

49. 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

March 31, 2018

(In Thousands of New Taiwan Dollars, %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (unclassified other financial service)	$ 6,963,516	22.91
2	B Company (ocean transportation)	3,518,365	12.71
3	C Company (real estate development)	3,457,656	12.38
4	D Company (LCD and component manufacturing)	3,441,936	12.17
5	E Company (department store)	2,342,774	9.10
6	F Company (real estate development)	2,070,216	8.93
7	G Company (real estate development)	2,017,806	8.45
8	H Company (artificial fiber textile industry)	2,030,166	7.72
9	I Company (paper manufacturing)	1,975,901	7.09
10	J Company (accommodation industry)	1,954,625	7.03

December 31, 2017

(In Thousands of New Taiwan Dollars, %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (unclassified other financial service)	$ 6,029,468	21.17
2	D Company (ocean transportation)	3,619,243	13.83
3	B Company (LCD and component manufacturing)	3,525,096	13.60
4	C Company (real estate development)	3,464,541	12.11
5	K Company (chemistry manufacturing)	2,592,128	10.23
6	L Company (paper manufacturing)	2,543,725	9,37
7	E Company (department store)	2,405,555	8.58
8	H Company (real estate development)	2,197,560	8.37
9	I Company (financial lease)	2,018,580	7.75
10	G Company (semiconductor packaging and testing)	2,040,048	7.16

March 31, 2017

(In Thousands of New Taiwan Dollars, %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (unclassified other financial service)	$ 6,029,468	20.38
2	D Company (LCD and component manufacturing)	3,939,063	13.31
3	B Company (ocean transportation)	3,874,759	13.09
4	C Company (real estate development)	3,450,241	11.66
5	K Company (fuel and coal production on manufacturing)	2,914,040	9.85
6	L Company (semiconductor packaging and testing)	2,668,346	9.02
7	E Company (real estate development)	2,444,341	8.26
7	H Company (artificial fiber textile industry)	2,385,388	8.06
9	I Company (paper manufacturing)	2,206,770	7.46
10	G Company (real estate development)	2,040,048	6.89

b. Market risk

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

(In Thousands of New Taiwan Dollars, %)

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	$ 156,016,223	$ 9,404,429	$ 7,859,013	$ 35,412,726	$ 208,692,391
Interest rate-sensitive liabilities	74,580,582	62,532,420	23,718,043	40,590,503	201,421,548
Interest rate-sensitive gap	81,435,641	(53,127,991)	(15,859,030)	(5,177,777)	7,270,843
Net worth					27,187,807
Ratio of interest rate-sensitive assets to liabilities					103.61%
Ratio of interest rate sensitivity gap to net worth					26.74%

December 31, 2017

(In Thousands of New Taiwan Dollars, %)

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					27,549,370
Ratio of interest rate-sensitive assets to liabilities					103.30%
Ratio of interest rate sensitivity gap to net worth					22.50%

March 31, 2017

(In Thousands of New Taiwan Dollars, %)

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	$ 105,713,597	$ 11,076,928	$ 16,425,284	$ 26,456,560	$ 159,672,369
Interest rate-sensitive liabilities	43,002,854	34,096,078	33,627,140	42,229,155	152,955,227
Interest rate-sensitive gap	62,710,743	(23,019,150)	(17,201,856)	(15,772,595)	6,717,142
Net worth					28,401,503
Ratio of interest rate-sensitive assets to liabilities					104.39%
Ratio of interest rate sensitivity gap to net worth					23.65%

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)
March 31, 2018

(In Thousands of U.S. Dollars, %)

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	$ 1,500,444	$ 81,514	$ 4,000	$ 855,326	$ 2,441,284
Interest rate-sensitive liabilities	1,777,509	621,548	25,673	4	2,424,734
Interest rate-sensitive gap	(277,065)	(540,034)	(21,673)	855,322	16,550
Net worth					55,160
Ratio of interest rate-sensitive assets to liabilities					100.68%
Ratio of interest rate sensitivity gap to net worth					30.00%

December 31, 2017

(In Thousands of U.S. Dollars, %)

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%)

March 31, 2017

(In Thousands of U.S. Dollars, %)

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	$ 1,536,334	$ 77,547	$ 14,311	$ 615,084	$ 2,243,276
Interest rate-sensitive liabilities	1,557,084	681,539	42,854	86	2,281,563
Interest rate-sensitive gap	(20,750)	(603,992)	(28,543)	614,998	(38,287)
Net worth					34,770
Ratio of interest rate-sensitive assets to liabilities					98.32%
Ratio of interest rate sensitivity gap to net worth					(110.12%)

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

(%)

Items		**For the Three Months Ended March 31, 2018**	**For the Three Months Ended March 31, 2017**
Return on total assets	Before income tax	0.08	0.18
	After income tax	0.06	0.18
Return on equity	Before income tax	0.81	1.58
	After income tax	0.61	1.56
Net income ratio		17.66	41.37

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 revenues

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

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
March 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	$ 262,439,826	$ 60,228,155	$ 13,829,347	$ 30,304,659	$ 19,521,926	$ 29,182,485	$ 109,373,254
Main capital outflow on maturity	292,906,933	44,908,392	20,976,205	60,582,836	43,799,478	42,560,564	80,079,458
Gap	(30,467,107)	15,319,763	(7,146,858)	(30,278,177)	(24,277,552)	(13,378,079)	29,293,796

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

March 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	$ 215,354,155	$ 41,837,983	$ 14,462,950	$ 29,648,701	$ 22,336,504	$ 21,525,102	$ 85,542,915
Main capital outflow on maturity	245,476,081	18,230,082	19,614,508	48,316,474	39,726,973	44,453,364	75,134,680
Gap	(30,121,926)	23,607,901	(5,151,558)	(18,667,773)	(17,390,469)	(22,928,262)	10,408,235

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
March 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	$ 4,213,400	$ 1,224,245	$ 1,074,400	$ 398,376	$ 638,896	$ 877,483
Main capital outflow on maturity	4,542,783	1,829,532	1,183,077	595,727	423,326	511,121
Gap	(329,383)	(605,287)	(108,677)	(197,351)	215,570	366,362

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

March 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	$ 4,330,818	$ 1,310,885	$ 1,050,055	$ 729,099	$ 448,730	$ 792,049
Main capital outflow on maturity	4,950,800	1,554,279	1,316,544	812,879	454,990	812,108
Gap	(619,982)	(243,394)	(266,489)	(83,780)	(6,260)	(20,059)

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)
March 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	$ 922,473	$ 279,698	$ 191,034	$ 19,254	$ 74,630	$ 357,857
Main capital outflow on maturity	999,367	365,974	282,008	143,180	37,363	170,842
Gap	(76,894)	(86,276)	(90,974)	(123,926)	37,267	187,015

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

March 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	$ 1,011,379	$ 358,523	$ 95,789	$ 98,073	$ 152,622	$ 306,372
Main capital outflow on maturity	1,101,587	343,434	228,404	146,734	125,361	257,654
Gap	(90,208)	15,089	(132,615)	(48,661)	27,261	48,718

China Bills Finance Corporation

a. Asset quality

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

Period / Item	March 31, 2018	December 31, 2017	March 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%	0.00%
Ratio of nonperforming debts and credits under observation	0.00%	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	1,047,175	1,001,604	1,007,804
Actual provision for credit losses and reserve for losses on guarantees	1,429,477	1,429,477	1,429,477

b. The principal operation

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

Period / Item	March 31, 2018	December 31, 2017	March 31, 2017
Balance of guarantees and endorsement securities	$ 104,302,800	$ 99,741,800	$ 100,343,700
Ratio of guarantees and endorsement securities to net worth (Note)	4.93	4.72	4.76
Short-term bills and bonds sold under agreement to repurchase	165,648,285	$ 174,073,575	158,165,201
Ratio of short-term bills and bonds sold under agreement to repurchase to net worth (Note)	7.84	8.24	7.50

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 12.

d. Concentrations of credit extensions

(In Thousands of New Taiwan Dollars, %)

Item \ Period	March 31, 2018			December 31, 2017			March 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)	18.76			19.05			18.81		
Loan concentration by industry	**Type of Industry**		**%**	**Type of Industry**		**%**	**Type of Industry**		**%**
(The concentration of listed industries were the Top 3 of all industries)	1)	Finance and insurance industry	30.65	1)	Finance and insurance industry	31.07	1)	Finance and insurance industry	30.26
	2)	Manufacturing industry	25.41	2)	Manufacturing industry	24.61	2)	Manufacturing industry	25.73
	3)	Real estate industry	23.99	3)	Real estate industry	25.58	3)	Real estate industry	24.37

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

March 31, 2018

(In Millions of New Taiwan Dollars, %)

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	$ 101,140	$ 6,406	$ 9,287	$ 90,132	$ 206,965
Interest rate-sensitive liabilities	183,976	946	-	23,388	208,310
Interest rate-sensitive gap	(82,836)	5,460	9,287	66,744	(1,345)
Net worth					23,388
Ratio of interest rate-sensitive assets to liabilities (%)					99.35
Ratio of interest rate sensitivity gap to net worth (%)					(5.75)

December 31, 2017

(In Millions of New Taiwan Dollars, %)

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	$ 106,487	$ 12,879	$ 8,817	$ 88,435	$ 216,618
Interest rate-sensitive liabilities	193,618	1,479	16	23,025	218,138
Interest rate-sensitive gap	(87,131)	11,400	8,801	65,410	(1,520)
Net worth					23,025
Ratio of interest rate-sensitive assets to liabilities (%)					99.30
Ratio of interest rate sensitivity gap to net worth (%)					(6.60)

March 31, 2017

(In Millions of New Taiwan Dollars, %)

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	$ 100,328	$ 10,616	$ 11,120	$ 84,170	$ 206,234
Interest rate-sensitive liabilities	182,798	905	66	22,867	206,636
Interest rate-sensitive gap	(82,470)	9,711	11,054	61,303	(402)
Net worth					22,867
Ratio of interest rate-sensitive assets to liabilities (%)					99.81
Ratio of interest rate sensitivity gap to net worth (%)					(1.76)

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

March 31, 2018

(In Millions of New Taiwan Dollars)

Items	Period	0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 45,241	$ 46,410	$ 4,580	$ 100	$ -
	Bonds	927	2,942	1,826	9,187	90,132
	Due from banks	306	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	4,564	750	-		-
	Total	51,038	50,102	6,406	9,287	90,132
Cash provided by	Borrowing	19,361	-	-	-	-
	Securities sold under agreement to repurchase	133,617	30,998	946	-	-
	Eligible capital	-	-	-	-	23,388
	Total	152,978	30,998	946	-	23,388
Net cash flows		(101,940)	19,104	5,460	9,287	66,744
Accumulated cash flows		(101,940)	(82,836)	(77,376)	(68,089)	(1,345)

December 31, 2017

(In Millions of New Taiwan Dollars)

Items	Period	0 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)

March 31, 2017

(In Millions of New Taiwan Dollars)

Items	Period	0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 40,665	$ 52,478	$ 5,830	$ 1,016	$ -
	Bonds	564	5,109	4,786	10,104	84,170
	Due from banks	412	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	1,100	-	-	-	-
	Total	42,741	57,587	10,616	11,120	84,170
Cash provided by	Borrowing	25,677	-	-	-	-
	Securities sold under agreement to repurchase	131,913	25,208	905	66	-
	Eligible capital	-	-	-	-	22,867
	Total	157,590	25,208	905	66	22,867
Net cash flows		(114,849)	32,379	9,711	11,054	61,303
Accumulated cash flows		(114,849)	(82,470)	(72,759)	(61,705)	(402)

g. Matters requiring special notation

(In Thousands of New Taiwan Dollars)

Causes	March 31, 2018	December 31, 2017	March 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	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	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	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	None
Other	None	None	None

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

50. ADDITIONAL DISCLOSURES

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

1) Financing provided: The Company - not applicable; investee - Table 1 (attached)

2) Endorsement/guarantee provided: The Company - not applicable; investee - Table 2 (attached)

3) Marketable securities held: The Company - not applicable; investee - 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 individual financial reports: None

12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Bank exercises significant influence.” None

13) Derivative instrument transactions: Note 8

c. Investment in Mainland China: Table 5 (attached)

51. OPERATING SEGMENT FINANCIAL INFORMATION

The Company 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 Company shall be reported to the operating divisions are as follows:

a. Bank: Business ruled in Law of Bank Article 3.

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 Company’s revenue and results by reportable segment.

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the three months ended March 31, 2018							
Net interest							
From unaffiliated segment	$ 511,304	$ 218,206	$ 186,631	$ 231,747	$ 28	$ -	$ 1,147,916
From other segment	(3,158)	-	155	1,248	209	1,546	-
	$ 508,146	$ 218,206	$ 186,786	$ 232,995	$ 237	$ 1,546	$ 1,147,916
Net revenue other than interest							
From unaffiliated segment	$ 318,415	$ 11,110	$ 59,299	$ 264,526	$ 2,542	$ -	$ 655,892
From other segment	3,877	-	-	-	-	(5,572)	(1,695)
	$ 322,292	$ 11,110	$ 59,299	$ 264,526	$ 2,542	$ (5,572)	$ 654,197
Segment profits	$ 178,517	$ 80,100	$ 14,075	$ 334,476	$ (802)	$ (178,835)	$ 427,531
Identifiable assets	$ 297,996,410	$ 24,268,760	$ 15,374,524	$ 210,345,379	$ 1,229,271	$ (1,040,275)	$ 548,174,069
Total assets							$ 548,174,069
Depreciation and amortization	$ 90,496	$ 4,006	$ 4,310	$ 2,179	$ 49	$ -	$ 101,040
Capital expenditure	$ 58,674	$ 12,595	$ 1,464	$ 403	$ -	$ -	$ 72,136
For the three months ended March 31, 2017							
Net interest							
From unaffiliated segment	$ 481,942	$ 217,723	$ 172,455	$ 247,861	($ 3)	$ -	$ 1,119,978
From other segment	(3,834)	-	131	2,928	217	558	-
	$ 478,108	$ 217,723	$ 172,586	$ 250,789	$ 214	$ 558	$ 1,119,978
Net revenue other than interest							
From unaffiliated segment	$ 447,591	$ 23,615	$ 34,332	$ 225,927	$ 6,794	$ -	$ 738,259
From other segment	4,187	-	-	-		(5,849)	(1,662)
	$ 451,778	$ 23,615	$ 34,332	$ 225,927	$ 6,794	$ (5,849)	$ 736,597
Segment profits	$ 459,606	$ 64,396	$ 27,921	$ 302,988	$ 3,458	$ (177,171)	$ 681,198
Identifiable assets	$ 241,038,378	$ 26,623,063	$ 13,847,953	$ 209,014,587	$ 1,299,720	$ (3,837,919)	$ 487,985,782
Total assets							$ 487,985,782
Depreciation and amortization	$ 43,278	$ 4,289	$ 4,940	$ 2,265	$ 48	$ -	$ 54,820
Capital expenditure	$ 188,523	$ 4,816	$ 1,535	$ 2,324	$ 27	$ -	$ 197,225

TABLE 1

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 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 (Note 4)	Note
													Item	Value			
1	IBT Leasing	Shang Sheng Construction Corp.	Account receivable - short-term accommodations	No	$ 90,000	$ -	$ -	2-8	2	$ -	Working capital turnover	$ -	-	$ -	$ 200,100	$ 800,400	
		Jiin Ming Industry Co., Ltd.	Account receivable - short-term accommodations	No	40,000	40,000	-	2-8	2	-	Working capital turnover	-	Real estate	-	200,100	800,400	
		General Energy Solutions	Account receivable - short-term accommodations	No	15,730	12,464	12,464	2-8	2	-	Working capital turnover	220	Margin	2,000	200,100	800,400	
		San Rong Fisheries Corp.	Account receivable - short-term accommodations	No	20,952	18,302	18,302	2-8	2	-	Working capital turnover	193	Margin	5,000	200,100	800,400	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	23,591	19,679	19,679	2-8	1	30,000	Working capital turnover	285	Real estate	24,288	200,100	2,001,000	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	23,591	19,679	19,679	2-8	2	-	Working capital turnover	285	Real estate	24,288	200,100	800,400	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	33,968	25,719	25,719	2-8	1	50,000	Working capital turnover	91	Margin	7,500	200,100	2,001,000	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	30,000	26,287	26,287	2-8	2	-	Working capital turnover	381	-	-	200,100	800,400	
		Teroko Textile Corp.	Account receivable - short-term accommodations	No	46,667	35,000	35,000	2-8	2	-	Working capital turnover	735	Stock	-	200,100	800,400	
		Inhon International Corp.	Account receivable - short-term accommodations	No	47,506	39,954	39,954	2-8	2	-	Working capital turnover	1,108	Margin	10,000	200,100	800,400	
		Kuang Ming Shipping Corp.	Account receivable - short-term accommodations	No	96,700	86,800	86,800	2-8	2	-	Working capital turnover	1,823	-	-	200,100	800,400	
		Lei Xin Construction	Account receivable - short-term accommodations	No	112,960	112,960	112,960	2-8	2	-	Working capital turnover	4,180	Real estate	124,389	200,100	800,400	
		Power Home Construction	Account receivable - short-term accommodations	No	150,000	133,100	133,100	2-8	2	-	Working capital turnover	2,795	Real estate	134,722	200,100	800,400	
		Sanyueh 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	200,100	800,400	
2	IBT International Leasing Corp.	Shanghai Qiaoyou Garment Co., Ltd.	Entrusted loans	No	39,031	31,476	31,476	6-16	2	-	Working capital turnover	677	Real estate	26,967	135,806	543,223	
		Shanghai Kuang Di Entertainment Co., Ltd.	Entrusted loans	No	56,476	46,380	46,380	6-16	2	-	Working capital turnover	997	Real estate	43,330	135,806	543,223	
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	68,533	55,984	55,984	6-16	2	-	Working capital turnover	1,204	Real estate	92,844	135,806	543,223	
		Qing Dao Lian Sheng Industry Corp	Entrusted loans	Yes	185,688	185,688	185,688	6-16	2	-	Working capital turnover	3,992	Real estate	185,688	135,806	543,223	
		San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	Yes	226,712	226,712	226,712	6-16	2	-	Working capital turnover	1,129	Real estate	232,235	135,806	543,223	
3	IBT Tianjin International Leasing Corp.	San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	Yes	68,013	68,013	68,013	9-11	2	-	Working capital turnover	339	Real estate	139,266	18,393	73,571	

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.

Note 5: IBT International Leasing Corp. and IBT Tianjin International Leasing Corp. modified the loans commitment regulations in March 2018. The initial credit line of fund-lending was changed from 70% to 40%, and for individuals was changed from 40% to 10%. Cases currently in effect of IBT International Leasing Corp. and IBT Tianjin International Leasing Corp. are all abided by the regulations of fund-lending total credit line and individual fund-lending credit line.

O-BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	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	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
1	IBT Leasing	IBT International Leasing Corp.	Subsidiaries	$ 16,008,002	$ 4,528,366	$ 4,099,567	$ 580,984	$ -	204.88	$ 24,012,003	N	N	Y
		IBT Tianjin International Leasing Corp.	Subsidiaries	16,008,002	10,306,193	10,039,786	7,433,785	-	501.74	24,012,003	N	N	Y

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

a. Trading partner.
b. Directly owns over 50% of ordinary shares of subsidiary.
c. The Company and subsidiary own over 50% ownership of the investee company.
d. A subsidiary jointly owned by the Company and the Company's directly-owned subsidiary.
e. Guaranteed by the Company according to the construction contract.
f. An investee company, for which the guarantees were provided based on the Company's proportionate share in the investee company.

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

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

TABLE 3

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE THREE MONTHS ENDED MARCH 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	March 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
IBT Holdings	Stocks							
	EverTrust Bank	Subsidiaries	Equity investment equity method	10,714	US$ 151,283	91.78	US$ 151,283	
IBT Management Corp.	Funds							
	Taishin Ta-Chong Money Market Fund	-	Financial asset at fair value through profit or loss	750	10,608	-	10,608	
	Uni Money Market Fund	-	Financial asset at fair value through profit or loss	803	10,549	-	10,549	
	Stocks							
	Gatetech Technology Co., Ltd.	-	Financial asset at fair value through other comprehensive income	78	1,223	0.18	1,223	
	ARC Solid-state Lighting Corp.	-	Financial asset at fair value through other comprehensive income	50	153	0.41	153	
IBT Leasing Co., Ltd.	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Equity investment equity method	-	1,358,058	100.00	1,358,058	
	IBT Tianjin International Leasing Corp.	Subsidiaries	Equity investment equity method	-	71,732	39.00	71,732	
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Equity investment equity method	65,000	455,090	100.00	455,090	Note 1
IBT VII Venture Capital Co., Ltd.	Stocks							
	IBT Tianjin International Leasing Corp.	Subsidiaries	Equity investment equity method	-	112,195	61.00	112,195	
	EirGenix Co., Ltd.	-	Financial asset at fair value through profit or loss	1,176	39,996	1.49	39,996	
	TAIRX Corp.	-	Financial asset at fair value through profit or loss	1,842	46,160	3.11	46,160	
	Meridigen Corp.	-	Financial asset at fair value through profit or loss	1,000	22,963	1.44	22,963	
	Femcosteel Tech Co., Ltd.	-	Financial asset at fair value through profit or loss	1,498	29,518	4.49	29,518	
	Shihlian China Holdings Corp.	-	Financial asset at fair value through profit or loss	1,171	34,021	0.04	34,021	
	Echem Solutions Corp.	-	Financial asset at fair value through profit or loss	3,000	5,968	6.19	5,968	

Note: Unreviewed by certified public accountant.

TABLE 4

O-BANK AND SUBSIDIARIES

NON-PERFORMING LOANS
MARCH 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)

Period			March 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	$ 71,124,865	0.03%	$ 845,282	3,909.18%	$ 415,307	$ 68,463,348	0.61%	$ 814,680	196.16%
	Unsecured		107,350	89,089,632	0.12%	1,403,967	1,307.84%	-	91,147,921	-	1,520,555	-
Consumer banking	Housing mortgage (Note 4)		-	5,576,114	-	83,642	-	-	5,001,783	-	75,027	-
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans		174	1,104,638	0.02%	11,109	6,384.48%	135	559,979	0.02%	5,627	4,168.15%
	Other	Secured	-	-	-	-	-	-	-	-	-	-
		Unsecured	-	-	-	-	-	-	-	-	-	-
Total			129,147	166,895,249	0.08%	2,344,000	1,814.99%	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			-	-	-	-	-	-	-	-	-	-
Factoring accounts receivable without recourse (Note 5)			-	3,334,340	-	37,113	-	-	4,592,967	-	51,390	-

Period			March 31, 2017				
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 555,306	$ 55,378,409	1.00%	$ 644,855	116.13%
	Unsecured		-	89,186,144	-	1,484,703	-
Consumer banking	Housing mortgage (Note 4)		-	-	-	-	-
	Cash card		-	-	-	-	-
	Small-scale credit loans (Note 5)		-	12,760	-	128	-
	Other (Note 6)	Secured	-	-	-	-	-
		Unsecured	-	-	-	-	-
Total			555,306	144,577,313	0.38%	2,129,686	383.52%
			Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			-	-	-	-	-
Factoring accounts receivable without recourse			-	3,412,384	-	40,768	-

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.

(Continued)

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), factoring accounts receivable without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 6: The Bank has no executed contracts on negotiated debts not reported as nonperforming loans or receivables and discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans or receivables.

(Concluded)

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars, 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 March 31, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018
					Outflow	Inflow					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 23,300,630 (US$ 800,000)	Note 1 c.	$ 200,910 (US$ 6,898)	$ -	$ -	$ 200,910 (US$ 6,898)	1.39	$ -	$ 200,910 (US$ 6,898)	$ -
Shinlien Brine Huaian Co.	Production of glass materials	932,025 (US$ 32,000)	Note 1 c.	9,699 (US$ 333)	-	-	9,699 (US$ 333)	1.39	-	9,699 (US$ 333)	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	559,215 (US$ 19,200)	Note 1 c.	66,785 (US$ 2,293)	-	-	66,785 (US$ 2,293)	2.09	-	66,785 (US$ 2,293)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	252,073 (RMB 54,300)	Note 1 c.	58,252 (US$ 2,000)	-	-	58,252 (US$ 2,000)	2.18	-	58,252 (US$ 2,000)	-
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	126,115 (US$ 4,330)	Note 1 c.	17,039 (US$ 585)	-	-	17,039 (US$ 585)	2.17	-	17,039 (US$ 585)	-
Topping Cusine International Holding, Ltd.	Food retailing	151,454 (US$ 5,200)	Note 1 c.	17,039 (US$ 585)	-	-	17,039 (US$ 585)	2.17	-	17,039 (US$ 585)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,825 (US$ 200)	Note 1 c.	117 (US$ 4)	-	-	117 (US$ 4)	2.17	-	117 (US$ 4)	-
Beauty Essential International, Ltd.	Cosmetic retailing	87,377 (US$ 3,000)	Note 1 c.	22,893 (US$ 786)	-	-	22,893 (US$ 786)	2.64	-	22,893 (US$ 786)	-

Accumulated Investment in Mainland China as of March 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$392,734 (US$13,484)	$392,734 (US$13,484)	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 March 31, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 873,773 (US$ 30,000)	Note 1 d.	$ 873,773 (US$ 30,000)	$ -	$ -	$ 873,773 (US$ 30,000)	100.00	$ 72,856 (Note 2)	$ 1,358,058	$ -
IBT Tianjin International Leasing Corp. (Note 6)	Leasing	582,516 (US$ 20,000)	Note 1 d.	227,181 (US$ 7,800)	-	-	227,181 (US$ 7,800)	100.00 (Note 5)	(21,450) (Note 2)	71,732	-

Accumulated Investment in Mainland China as of March 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,100,954 (US$37,800)	$1,100,954 (US$37,800)	Note 4

IBT Leasing

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 March 31, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of March 31, 2018	Accumulated Inward Remittance of Earnings as of March 31, 2018
					Outflow	Inflow					
IBT Tianjin International Leasing Corp.	Leasing	$ 582,516 (US$ 20,000)	Note 1 d.	$ 355,335 (US$ 12,200)	$ -	$ -	$ 355,335 (US$ 12,200)	61.00%	$ (33,550)	$ 112,195	$ -

Accumulated Investment in Mainland China as of March 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$355,335 (US$12,200)	$355,335 (US$12,200)	$273,054

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 Taiwan.
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. 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 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)

TABLE 6

O-BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 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	$ 981,405	Note 2	0.18
2	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Interest expense	3,153	Note 2	0.17
3	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited IBTVC7 and CBF	a	Accounts payable	1,599	Note 2	-
4	The Bank	IBTM and CBF	a	Other non-interest net revenues	3,877	Note 2	0.22
5	Chun Teng New Century	The Bank	b	Cash and cash equivalents	400,753	Note 2	0.07
6	Chun Teng New Century	The Bank	b	Discontinued operations	762	Note 2	0.04
7	Chun Teng New Century	The Bank	b	Account receivable	640	Note 2	-
8	Chun Teng New Century	IBT Leasing	c	Discontinued operations	181	-	0.01
9	IBTM	The Bank	b	Account receivable	39	Note 2	-
10	IBTM	The Bank	b	Cash and cash equivalents	206,107	Note 2	0.04
11	IBTM	The Bank	b	Interest revenue	209	Note 2	0.01
12	IBTM	The Bank	b	Other operating and administrative expense	233	Note 2	0.01
13	IBTM	IBTVC7	c	Consultancy fee revenue	1,514	-	0.08
14	CBF	The Bank	b	Interest revenue	1,243	Note 2	0.07
15	CBF	The Bank	b	Other operation and administrative expense	3,644	Note 2	0.20
16	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	2,887	Note 2	-
17	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations	1	Note 2	-

(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
18	IBTS Financial (HK) Limited	The Bank	b	Account receivable	$ 1	Note 2	-
19	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	232,551	Note 2	0.04
20	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations	784	Note 2	0.04
21	IBTS Asia (HK) Limited	The Bank	b	Account receivable	765	Note 2	-
22	IBTL	The Bank	b	Cash and cash equivalents	2,113	Note 2	-
23	IBTL	Chun Teng New Century	c	Other non-interest net revenues	181	-	0.01
24	IBTVC7	The Bank	b	Cash and cash equivalents	136,994	Note 2	0.02
25	IBTVC7	The Bank	b	Interest revenue	154	Note 2	0.01
26	IBTVC7	The Bank	b	Account receivable	154	Note 2	-
27	IBTVC7	IBTM	c	Other operating and administrative expense	1,514	-	0.08

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)