O-Bank and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2018 and 2017 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

We have audited the accompanying consolidated financial statements of O-Bank (the "Bank") and its subsidiaries (collectively referred to as the "Company"), which comprise the consolidated balance sheets as of June 30, 2018, December 31, 2017 and June 30, 2017, the consolidated statements of comprehensive income for the three months and the six months ended June 30, 2018 and 2017, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2018, December 31, 2017 and June 30, 2017 its consolidated financial performance for the three months and the six months ended June 30, 2018 and 2017, and its consolidated cash flows for the six months ended June 30, 2018 and 2017 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.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the consolidated financial statements for the six months ended June 30, 2018 are as follows:

Allowance for Credit Losses of Loans

Concerning the accounting policy on the allowance for credit losses, refer to Note 4.4.d. to the accompanying consolidated financial statements; for the critical accounting judgments, estimates and appropriateness of assumptions of loan impairment, refer to Note 5.a. to the accompanying consolidated financial statements; and for the allowance for credit losses, refer to Note 13 to the accompanying consolidated financial statements.

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

In response to this key audit matter, we:

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

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

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

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

Goodwill

Concerning the accounting policy on goodwill impairment, refer to Note 4.4.c to the accompanying consolidated financial statements, and for details of goodwill impairment, refer to Note 20 to the accompanying consolidated financial statements.

Goodwill was recognized when IBT Holdings Corp. purchased stocks of EverTrust Bank at above the fair value of the stocks. When there is any indication of impairment, management is required to carry out an annual impairment test for goodwill using the net present value of the cash-generating units' forecasted cash flows as the estimated recoverable amount. Forecasted cash flows involve estimations and judgments, which affect the assessment of goodwill impairment; therefore, we consider goodwill to be a key audit matter.

In response to this key audit matter, we:

- Obtained the goodwill impairment valuation report prepared by an external specialists who were appointed by the Bank, assessed the competence, capabilities and objectivity of the external specialists, and reviewed the goodwill impairment valuation report by understanding and evaluating the appropriateness of the assumptions and methods applied by the external specialists.

- Assessed the rationality of every economic parameter (including the estimation basis and discount rate used in estimating cash flows) which was updated by management from the valuation report date to the financial reporting date in order to assess the impact on the goodwill impairment test.

Assessment of Reserve for Guarantee Liabilities

Concerning the accounting policy on the reserve for guarantee liabilities, refer to Note 4.4.d to the accompanying consolidated financial statements; for the significant accounting judgments, estimations and uncertainty of assumptions of the reserve for guarantee liabilities, refer to Note 5.b. to the accompanying consolidated financial statements; and the reserve for guarantee liabilities is detailed in Note 13 to the accompanying consolidated financial statements.

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

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

In response to this key audit matter, we:

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

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

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

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the six months ended June 30, 2018 and 2017 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2018 and 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 22, 2018

<u>Notice to Readers</u>

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

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018 Amount	%	December 31, 2017 Amount	%	June 30, 2017 Amount	%
CASH AND CASH EQUIVALENTS (Notes 6 and 44)	$ 7,815,339	1	$ 6,625,973	1	$ 6,714,626	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 6 and 7)	21,349,324	4	11,506,456	2	15,640,323	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 44)	140,919,461	26	154,136,983	29	146,121,637	29
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 44 and 48)	145,927,707	27	-	-	-	-
FINANCIAL ASSETS AT AMORTIZED COST - DEBT INSTRUMENTS (Notes 44 and 48)	499,880	-	-	-	-	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Note 10)	6,071,916	1	5,682,864	1	5,120,810	1
RECEIVABLES, NET (Notes 11 and 13)	19,631,594	4	21,202,093	4	19,871,693	4
CURRENT TAX ASSETS	277,131	-	301,362	-	200,369	-
DISCOUNTS AND LOANS, NET (Notes 12, 13 and 44)	193,973,601	36	180,086,186	33	169,896,728	33
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 14 and 44)	-	-	149,145,722	28	137,322,959	27
HELD-TO-MATURITY FINANCIAL ASSETS (Note 44)	-	-	499,821	-	499,762	-
OTHER FINANCIAL ASSETS (Note 18)	602,254	-	1,283,434	-	1,809,781	-
PROPERTY AND EQUIPMENT, NET (Note 19)	2,949,507	1	3,084,952	1	3,996,428	1
INTANGIBLE ASSETS, NET (Note 20)	2,486,980	-	2,403,367	-	1,419,247	-
DEFERRED TAX ASSETS (Note 40)	688,476	-	582,334	-	558,178	-
OTHER ASSETS (Note 21)	1,166,696	-	4,030,474	1	4,300,655	1
TOTAL	$ 544,359,866	100	$ 540,572,021	100	$ 513,473,196	100

LIABILITIES AND EQUITY	June 30, 2018 Amount	%	December 31, 2017 Amount	%	June 30, 2017 Amount	%
LIABILITIES						
Deposits from the Central Bank and banks (Note 22)	$ 64,407,013	12	$ 53,032,639	10	$ 57,621,561	11
Financial liabilities at fair value through profit or loss (Note 8)	1,242,155	-	791,018	-	1,133,273	-
Securities sold under agreements to repurchase (Note 23)	148,410,612	27	189,821,968	35	173,317,016	34
Accounts payable (Note 24)	6,199,670	1	5,022,681	1	6,166,247	1
Current tax liabilities	139,744	-	136,269	-	142,610	-
Deposits and remittances (Notes 25 and 43)	231,788,065	43	198,286,700	37	188,114,477	37
Bank debentures (Note 26)	22,150,000	4	20,400,000	4	16,650,000	3
Other financial liabilities (Note 27)	20,052,395	4	22,337,877	4	20,860,530	4
Provisions (Notes 13 and 28)	1,912,210	-	1,874,368	-	1,828,353	-
Deferred tax liabilities (Note 40)	358,089	-	216,007	-	203,734	-
Other liabilities (Note 30)	2,122,289	1	2,477,851	-	1,839,988	1
Total liabilities	498,782,242	92	494,397,378	91	467,877,789	91
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Capital stock	24,130,063	4	24,130,063	5	24,130,063	5
Capital surplus	8,572	-	7,730	-	7,730	-
Retained earnings						
Legal reserve	3,184,667	1	2,880,297	1	2,880,297	1
Special reserve	1,215,831	-	1,229,536	-	1,229,536	-
Unappropriated earnings	320,623	-	1,014,567	-	697,412	-
Total retained earnings	4,721,121	1	5,124,400	1	4,807,245	1
Other equity	(17,665)	-	20,400	-	327,285	-
Total equity attributable to owners of the Bank	28,842,091	5	29,282,593	6	29,272,323	6
NON-CONTROLLING INTERESTS	16,735,533	3	16,892,050	3	16,323,084	3
Total equity (Note 31)	45,577,624	8	46,174,643	9	45,595,407	9
TOTAL	$ 544,359,866	100	$ 540,572,021	100	$ 513,473,196	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)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INTEREST								
Interest revenue (Note 32)	$ 2,274,573	110	$ 1,785,053	89	$ 4,339,938	112	$ 3,583,485	93
Interest expenses (Notes 32 and 43)	(1,170,164)	(57)	(822,714)	(41)	(2,230,377)	(57)	(1,644,681)	(43)
Net interest	1,104,409	53	962,339	48	2,109,561	55	1,938,804	50
NET REVENUE OTHER THAN INTEREST								
Commissions and fee revenue, net (Notes 33 and 43)	544,998	27	474,596	24	960,000	25	931,173	24
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Note 34)	1,214,472	59	436,007	22	1,134,840	29	(169,997)	(4)
Gain on financial assets at fair value through other comprehensive income (Note 35)	21,578	1	-	-	45,582	1	-	-
Realized income from available-for-sale financial assets (Note 36)	-	-	64,368	3	-	-	148,633	4
Foreign exchange gain (loss), net	(845,577)	(41)	(47,749)	(2)	(434,444)	(11)	861,022	22
Share of profit of investments accounted for using the equity method (Note 17)	-	-	11,839	-	-	-	15,621	-
Gain on financial assets at amortized cost (Note 18)	-	-	31,362	1	-	-	34,610	1
Other non-interest net gains (Note 43)	26,053	1	78,270	4	52,507	1	111,523	3
Net revenue other than interest	961,524	47	1,048,693	52	1,758,485	45	1,932,585	50
TOTAL NET REVENUE	2,065,933	100	2,011,032	100	3,868,046	100	3,871,389	100
PROVISIONS (Note 13)	(20,617)	(1)	(241,630)	(12)	(154,739)	(4)	(342,743)	(9)
OPERATING EXPENSES								
Personnel expenses (Notes 29, 37 and 43)	704,069	34	635,884	32	1,344,795	35	1,270,998	33
Depreciation and amortization (Note 38)	105,786	5	58,242	3	206,826	5	113,062	3
Others (Notes 39 and 43)	350,866	17	289,303	14	682,287	18	546,453	14
Total operating expenses	1,160,721	56	983,429	49	2,233,908	58	1,930,513	50
INCOME BEFORE INCOME TAX	884,595	43	785,973	39	1,479,399	38	1,598,133	41
INCOME TAX EXPENSE (Note 40)	269,739	13	228,822	11	437,012	11	359,784	9

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O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT FROM CONTINUING OPERATIONS	$ 614,856	30	$ 557,151	28	$ 1,042,387	27	$ 1,238,349	32
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (Note 15)	3,783	-	(9,235)	(1)	953	-	(8,375)	-
NET PROFIT FOR THE PERIOD	618,639	30	547,916	27	1,043,340	27	1,229,974	32
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	12,158	1	-	-	141,708	4	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 40)	2,841	-	-	-	2,841	-	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	302,467	15	70,431	3	154,464	4	(411,556)	(11)
Unrealized gain on available-for-sale financial assets	-	-	353,866	18	-	-	575,282	15
Share of the other comprehensive income of associates and joint ventures (Note 17)	-	-	-	-	-	-	6,892	-
Loss on debt instruments at fair value through other comprehensive income	(78,318)	(4)	-	-	(340,173)	(9)	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 40)	(41,224)	(2)	(25,416)	(1)	15,776	-	37,147	1
Other comprehensive income (loss) for the period, net of income tax	197,924	10	398,881	20	(25,384)	(1)	207,765	5
TOTAL COMPREHENSIVE INCOME	$ 816,563	40	$ 946,797	47	$ 1,017,956	26	$ 1,437,739	37

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O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Bank	$ 333,104	16	$ 286,867	14	$ 511,621	13	$ 746,474	19
Non-controlling interests	285,535	14	261,049	13	531,719	14	483,500	13
	$ 618,639	30	$ 547,916	27	$ 1,043,340	27	$ 1,229,974	32
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	$ 547,772	27	$ 587,349	29	$ 583,569	15	$ 789,044	20
Non-controlling interests	268,791	13	359,448	18	434,387	11	648,695	17
	$ 816,563	40	$ 946,797	47	$ 1,017,956	26	$ 1,437,739	37
EARNINGS PER SHARE (Note 41)								
From continuing and discontinued operations								
Basic	$0.14		$0.12		$0.21		$0.31	
Diluted	$0.14		$0.12		$0.21		$0.31	
From continuing operations								
Basic	$0.14		$0.12		$0.21		$0.31	
Diluted	$0.14		$0.12		$0.21		$0.31	

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)

	Equity Attributable to Owners of the Bank												
	Capital Stock (Note 31)			Retained Earnings (Note 31)				Other Equity (Note 31)					
	Stocks (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
Appropriation of 2016 earnings													
Legal reserve	-	-	-	489,469	-	(489,469)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	56,243	(56,243)	-	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	(1,085,854)	(1,085,854)	-	-	-	(1,085,854)	-	(1,085,854)
Net profit for the for the six months ended June 30, 2017	-	-	-	-	-	746,474	746,474	-	-	-	746,474	483,500	1,229,974
Other comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	-	-	(335,433)	378,003	-	42,570	165,195	207,765
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	746,474	746,474	(335,433)	378,003	-	789,044	648,695	1,437,739
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(808,062)	(808,062)
Issuance of common stock for cash	22,500	225,000	-	-	-	(49,062)	(49,062)	-	-	-	175,938	-	175,938
Issuance of common stock under employee stock options	-	-	4,537	-	-	-	-	-	-	-	4,537	-	4,537
BALANCE AT JUNE 30, 2017	2,413,006	$ 24,130,063	$ 7,730	$ 2,880,297	$ 1,229,536	$ 697,412	$ 4,807,245	$ (144,443)	$ 471,728	$ -	$ 29,272,323	$ 16,323,084	$ 45,595,407
BALANCE AT JANUARY 1, 2018	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
Appropriation of 2017 earnings													
Legal reserve	-	-	-	304,370	-	(304,370)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(13,705)	13,705	-	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	(723,902)	(723,902)	-	-	-	(723,902)	-	(723,902)
Unclaimed dividends	-	-	377	-	-	-	-	-	-	-	377	1,174	1,551
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	465	-	-	-	-	-	-	-	465	-	465
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(683,005)	(683,005)
Net profit for the six months ended June 30, 2018	-	-	-	-	-	511,621	511,621	-	-	-	511,621	531,719	1,043,340
Other comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	20,784	20,784	125,604	-	(74,440)	71,948	(97,332)	(25,384)
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	532,405	532,405	125,604	-	(74,440)	583,569	434,387	1,017,956
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(3,325)	(3,325)	-	-	3,325	-	-	-
BALANCE AT JUNE 30, 2018	2,413,006	$ 24,130,063	$ 8,572	$ 3,184,667	$ 1,215,831	$ 320,623	$ 4,721,121	$ (90,662)	$ -	$ 72,997	$ 28,842,091	$ 16,735,533	$ 45,577,624

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)

	For the Six Months Ended June 30	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,479,399	$ 1,598,133
Profit (loss) before income tax from discontinued operations	1,007	(8,375)
Income and loss which do not affect cash flows:		
Depreciation expenses	94,277	81,526
Amortization expenses	112,559	31,552
Expect credit losses/recognition of provisions	149,862	342,743
Net (gain) loss on disposal of financial assets at fair value through profit or loss	(1,135,456)	179,499
Interest expense	2,230,377	1,644,684
Interest revenue	(4,345,352)	(3,860,996)
Dividend income	(20,909)	(14,140)
Compensation costs of stock-based payments	-	4,537
Realized gain on the transactions with associates and joint ventures	-	(4,791)
Loss (gain) on disposal of property and equipment	1,276	(1,079)
Impairment losses recognized on assets	-	2,192
Gain on disposal of investments	-	(169,103)
Changes in assets and liabilities related to operating activities:		
(Increase) decrease in due from the Central Bank and call loans to banks	(13,035,045)	426,510
Decrease in financial assets at fair value through profit or loss	14,576,634	30,597
Decrease in financial assets at fair value through other comprehensive income	4,607,947	-
Decrease (increase) in receivables	900,157	(990,079)
Increase in discounts and loans	(14,184,505)	(7,552,798)
Increase in deposits from the Central Bank and banks	11,374,374	923,630
Increase (decrease) in financial liabilities at fair value through profit or loss	451,137	(1,244,599)
(Decrease) increase in securities sold under agreements to repurchase	(41,411,356)	10,012,235
(Decrease) increase in accounts payable	(396,017)	422,292
Increase in deposits	33,501,365	3,526,866
Net change in provisions	45,580	4,892
Cash (used in) generated from operations	(5,002,689)	5,385,928
Interest received	4,760,107	3,528,149
Interest paid	(2,064,278)	(1,547,787)
Dividends received	20,909	12,541
Income tax paid	(311,202)	(337,823)
Net cash (used in) generated from operating activities	(2,597,153)	7,041,008

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2018	**2017**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of financial assets at fair value through profit or loss designated as such at initial recognition	$ -	$ (873,045)
Proceeds from financial assets at fair value through profit or loss designated as such at initial recognition	-	2,249,473
Purchases of available-for-sale financial assets	-	(104,774,066)
Proceeds from available-for-sale financial assets	-	94,737,888
Received principal of held-to-maturity financial assets	-	5,045,000
Purchases of financial assets measured at cost	-	(35,322)
Proceeds from financial assets measured at cost	-	41,232
Payments for property and equipments	(147,511)	(334,219)
Proceeds from disposal of property and equipments	42,900	2,654
Decrease (increase) in refundable deposits	2,749,995	(797,384)
Payments for intangible assets	(69,777)	(13,111)
Increase in other financial assets	(592,104)	-
Decrease in other assets	213,727	130,303
Net cash generated from (used in) investing activities	2,197,230	(4,620,597)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(1,518,021)	191,594
Increase in commercial paper	649,849	1,074,352
Issuances of financial bonds	1,750,000	-
Payments for financial bonds	-	(800,000)
(Decrease) increase in long-term borrowings	(413,134)	1,251,080
Decrease in other financial liabilities	(1,004,176)	(488,138)
Decrease in other liabilities	(355,562)	(45,034)
Capital increased by cash	-	175,938
Net cash (used in) generated from financing activities	(891,044)	1,359,792
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(322,792)	815,017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,613,759)	4,595,220
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	17,606,425	19,285,672
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 15,992,666	$ 23,880,892

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

A reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2018 and 2017 is as follows:

	June 30	
	2018	**2017**
Cash and cash equivalents in the consolidated balance sheets	$ 7,815,339	$ 6,714,626
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents under IAS 7	2,105,411	12,045,456
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents under IAS 7	6,071,916	5,120,810
Cash and cash equivalents in the consolidated statements of cash flow	$ 15,992,666	$ 23,880,892

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

1. GENERAL INFORMATION

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

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

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank 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 June 30, 2018, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and Digital Wealth Management Department. It also has six domestic branches - Taipei VieShow Branch, Zhongxiao Dunhua Branch, Hsinchu Branch, Taichung Branch, Kaohsiung Branch, and International Financial Business Branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin Representative Office.

The Bank's stocks were listed on the Emerging Stock Market of the Taipei Exchange ("TPEx") starting in August 2004. 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. The Bank and its subsidiaries are collectively referred to as the "Group".

As of June 30, 2018, December 31, 2017 and June 30, 2017, the Bank had 1,437, 1,464 and 1,395 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board and authorized for issue on August 22, 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 amendments

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

Classification, measurement and impairment of financial assets

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

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

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

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

1) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in a decrease of $11,025 thousand in retained 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 was reclassified to retained earnings.

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

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

    According to the occurrence of events and circumstances on January 1, 2018, the Group evaluated that the objective of the business model is achieved by 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 of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9 with a remeasurement to fair value; as a result, a decrease of $9,555 thousand was respectively recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

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

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

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

3) Debt instruments previously classified as held-to-maturity financial assets and as at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, 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 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. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

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

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

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

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

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

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

The Group as lessee

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

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

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.

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

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

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

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

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

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

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 Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 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 other significant accounting and reporting policies used in the preparation of these consolidated financial statements are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2017.

a. 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.

b. Taxation

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.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences based on the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Goodwill

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

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

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

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

d. Financial instruments - 2018

About the accounting policy on financial instruments - 2017, refer to the Group's consolidated financial statements for the year ended December 31, 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.

1) 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.

   a) Financial assets at FVTPL

      Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the 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 dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 49.

   b) Financial assets at amortized cost

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

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

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

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

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

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

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

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

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

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

The amount of the impairment loss recognized is the difference between an asset's carrying amount and the present value of its estimated future cash flows with consideration of the collateral and guarantees, discounted at the loans and receivables' original effective interest rates. Loans and receivables are recognized by reducing its carrying amount through the use of an allowance account. When loans and receivables are considered uncollectable, they are written off against the allowance account. Recoveries of amounts previously written off are recognized with an adjustment of bad debts. Changes in the carrying amount of the allowance account are recognized as bad debts.

Under FSC guidelines, the Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as noteworthy, substandard, having highly doubtful collectability and uncollectable, on the basis of the customers' financial position, a valuation of the respective collateral and the length of time in which the principal repayments or interest payments have become overdue.

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

Furthermore, the FSC stipulated that banks should make at least 1.5% provisions before December 31, 2016 for loans for house purchases, renovations and constructions, respectively.

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

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 these consolidated financial statements are the same as those in the consolidated financial statements for year ended December 31, 2017.

a. Estimated impairment of financial assets - 2018

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

b. Guarantee provisions assessment

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

c. 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 requires judgment and consideration of all relevant evidence, including the way in which asset performance is measured, the risk that affects performance, and the manner in which the relevant manager's compensation is determined. The Group monitors financial assets at amortized cost and at fair value through other comprehensive income, and when such 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 the business model whereby a prospective change to the classification of those assets would be proper.

6. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand and petty cash	$ 128,046	$ 58,709	$ 56,647
Checking for clearing	97,454	297,376	150,854
Due from banks	7,589,839	6,269,888	6,507,125
	$ 7,815,339	$ 6,625,973	$ 6,714,626

The cash and cash equivalents of the consolidated cash flows and the related adjustments of the consolidated balance sheets as of December 31, 2017 are as follows. For the adjustments as of June 30, 2018 and 2017, refer to the statements of cash flows.

	December 31, 2017
Cash and cash equivalents in the consolidated balance sheets	$ 6,625,973
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents under IAS 7	5,297,588
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents under IAS 7	5,682,864
Cash and cash equivalents in the consolidated statements of cash flow	$ 17,606,425

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

	June 30, 2018	December 31, 2017	June 30, 2017
Reserves for deposits - Type A	$ 13,827,041	$ 2,431,670	$ 263,593
Reserves for deposits - Type B	4,393,682	3,567,242	3,101,845
Call loans	2,105,411	5,297,588	12,045,456
Others	1,023,190	209,956	229,429
	$ 21,349,324	$ 11,506,456	$ 15,640,323

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

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets designated as at fair value through profit or loss			
Convertible bonds - domestic	$ -	$ 7,015,753	$ 8,928,159
Convertible bonds - overseas	-	423,447	1,139,120
Structured debt	-	590,880	-
	-	8,030,080	10,067,279
Financial assets held for trading			
Derivative financial instruments			
Foreign exchange swap contracts	-	483,678	723,792
Cross-currency swap contracts	-	-	4,617
Forward contracts	-	23,273	200,417
Foreign currency option contracts	-	-	61,119
Interest rate swap contracts	-	35,278	31,214
Asset swap contracts	-	153,396	168,284
	-	695,625	1,189,443
Non-derivative financial assets			
Short-term instruments	-	102,246,486	91,172,250
Negotiable certificates of deposit	-	42,102,749	42,170,404
Stocks and beneficiary certificates	-	597,071	906,425
Government bonds	-	-	502,092
Corporate bonds	-	15,369	113,744
When-issued bonds	-	449,603	-
	-	145,411,278	134,864,915
	$ -	$ 154,136,983	$ 146,121,637

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets mandatorily classified as at FVTPL			
Convertible bonds - domestic	$ 6,448,769	$ -	$ -
Convertible bonds - overseas	307,942	-	-
Structured debt	573,210	-	-
	7,329,921	-	-
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	1,454,740	-	-
Forward contracts	43,390	-	-
Interest rate swap contracts	62,057	-	-
Cross-currency swap contracts	14,099	-	-
Foreign currency option contracts - call	3,048	-	-
	1,577,334	-	-
Non-derivative financial assets			
Short-term instruments	87,082,461	-	-
Negotiable certificates of deposit	43,284,053	-	-
Stocks and beneficiary certificates	1,001,791	-	-
Government bonds	643,901	-	-
	132,012,206	-	-
	$ 140,919,461	$ -	$ -
Financial liabilities held for trading			
Derivative financial instruments			
Foreign exchange swap contracts	$ 1,055,841	$ 539,449	$ 586,469
Forward contracts	31,159	108,647	319,080
Interest rate swap contracts	146,910	134,299	140,533
Foreign currency option contracts - put	3,050	-	61,487
Cross-currency swap contracts	-	-	4,648
Others	1,095	1,378	964
	1,238,055	783,773	1,113,181
Non-derivative financial liabilities			
Commercial paper contracts	4,100	7,245	20,092
	$ 1,242,155	$ 791,018	$ 1,133,273

(Concluded)

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

The contract amounts (or notional amounts) of outstanding derivative transactions as of June 30, 2018, December 31, 2017 and June 30, 2017 were follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Interest rate swap contracts	$ 20,235,307	$ 20,368,572	$ 22,694,756
Foreign exchange swap contracts	95,868,361	100,298,853	106,747,194
Cross-currency swap contracts	459,027	-	309,200
Forward contracts	3,441,689	3,242,398	18,984,696
Asset swap contracts	6,086,000	6,905,000	8,723,900
Foreign currency option contracts			
Call	354,734	-	1,065,553
Put	354,734	-	1,065,553
Purchase commitments	500,000	500,000	500,000

As of June 30, 2018, December 31, 2017 and June 30, 2017, financial instruments at fair value through profit and loss in the amount of $49,606,500 thousand, $74,676,800 thousand and $63,032,219 thousand were under agreement to repurchase, respectively.

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

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

	June 30, 2018
Current	
Investments in equity instruments at FVTOCI	$ 2,722,430
Investments in debt instruments at FVTOCI	
Domestic government bonds	48,588,436
Bank debentures	31,150,830
Corporate bonds	59,923,171
Overseas government bonds	1,378,171
American mortgage backed securities	2,164,669
	$ 145,927,707

a. Investments in equity instruments at FVTOCI

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

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

b. Investments in debt instruments at FVTOCI

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

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

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

4) The Group has sold investments in debt instruments at FVTOCI on the condition of buying them back were in the amount of $88,450,257 thousand on June 30, 2018.

10. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

The Group's securities purchased under resale agreements and bond investments are all government bonds. As of June 30, 2018, December 31, 2017 and June 30, 2017, the bonds purchased under agreements to resell were in the amount of $6,074,468 thousand, $5,684,543 thousand and $5,121,968 thousand, respectively. As of June 30, 2018, December 31, 2017 and June 30, 2017, bonds purchased under agreements to resell were sold under agreements to repurchase in the amount of $6,067,000 thousand, $5,680,000 thousand and $4,886,100 thousand, respectively.

11. RECEIVABLES, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Lease payments receivable	$ 12,736,055	$ 12,765,418	$ 12,230,751
Investment settlements receivable	330,986	345,750	871,052
Interest receivable	1,619,351	1,869,330	1,569,529
Factored receivables	3,992,858	4,592,967	3,125,199
Acceptances	186,509	248,592	190,578
Settlements receivable - trusteeship	87,678	6,179	416,239
Accounts receivable	1,025,502	1,974,917	1,967,647
Others	276,313	895,352	810,851
	20,255,252	22,698,505	21,181,846
Less: Allowance for possible losses	545,732	645,358	568,549
Unrealized interest revenue	77,926	851,054	741,604
Receivables, net	$ 19,631,594	$ 21,202,093	$ 19,871,693

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

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

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

12. DISCOUNTS AND LOANS, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Short-term	$ 68,179,265	$ 63,392,465	$ 63,394,320
Medium-term	118,128,313	110,257,040	104,387,455
Long-term	9,768,405	8,169,281	3,770,741
Export bill negotiated	212,595	175,106	116,967
Accounts receivable financing	306,197	358,704	234,936
Overdue loans	135,185	415,442	555,306
	196,729,960	182,768,038	172,459,725
Less: Allowance for credit losses	2,756,359	2,681,852	2,562,997
	$ 193,973,601	$ 180,086,186	$ 169,896,728

The balance of the overdue loans of the Group as of June 30, 2018, December 31, 2018 and June 30, 2017 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to $1,104 thousand and $3,059 thousand for the six months ended June 30, 2018 and 2017, respectively. For the six months ended June 30, 2018 and 2017, the Group wrote off credits only upon completing the required legal procedures.

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

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

Refer to Note 48 for the impairment loss analysis of discounts and loans in 2017.

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The allowance for impairment loss and provisions as of January 1, 2018 and June 30, 2018, grouped by credit ratings, are reconciled as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 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 12-month ECLs	2	(2)	-	-	-	-
To lifetime ECLs	(2)	2	-	-	-	-
To credit-impaired financial assets	-	-	-	-	-	-
New financial assets purchased/ derecognition of financial assets/ change in model or risk parameters	(81,513)	(89,466)	279,219	108,240	850	109,090
Write-offs	-	(78,915)	(366,985)	(445,900)	-	(445,900)
Withdrawal after write-offs	-	4,549	540	5,089	-	5,089
Exchange rate or other changes	1,600	4,010	400	6,010	-	6,010
Balance at June 30, 2018	$ 228,149	$ 184,124	$ 88,748	$ 501,021	$ 44,711	$ 545,732

Allowance for Discounts and Loans, Net	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 511,729	$ 98,492	$ 539,987	$ 1,150,208	$ 1,531,644	$ 2,681,852
Adjustment on initial application of IFRS 9	71,417	10,864	75,616	157,897	-	157,897
Balance at January 1, 2018 per IFRS 9	583,146	109,356	615,603	1,308,105	1,531,644	2,839,749
Transfers						
To 12-month ECLs	8,142	(8,142)	-	-	-	-
To lifetime ECLs	(310)	310	-	-	-	-
To credit-impaired financial assets	(76)	(64)	140	-	-	-
New financial assets purchased/ derecognition of financial assets/ change in model or risk parameters	(382,339)	(67,430)	(16,275)	(466,044)	605,237	139,193
Write-offs	(88)	(222)	(251,039)	(251,349)	-	(251,349)
Withdrawal after write-offs	-	-	9,874	9,874	-	9,874
Exchange rate or other changes	4,780	752	8,050	13,582	5,310	18,892
Balance at June 30, 2018	$ 213,255	$ 34,560	$ 366,353	$ 614,168	$ 2,142,191	$ 2,756,359

Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 72,391	$ 3,134	$ -	$ 75,525	$ 1,494,026	$ 1,569,551
Adjustment on initial application of IFRS 9	61,822	19,144	-	80,966	-	80,966
Balance at January 1, 2018 per IFRS 9	134,213	22,278	-	156,491	1,494,026	1,650,517
Transfers						
To 12-month ECLs	374	(374)	-	-	-	-
To credit-impaired financial assets	-	(5)	5	-	-	-
New financial assets purchased/ derecognition of financial assets/ change in model or risk parameters	(63,465)	(18,257)	10,037	(71,685)	(21,859)	(93,544)
Withdrawal after write-offs	-	-	4,841	4,841	-	4,841
Exchange rate or other changes	837	128	-	965	288	1,253
Balance at June 30, 2018	$ 71,959	$ 3,770	$ 14,883	$ 90,612	$ 1,472,455	$ 1,563,067

The movements of allowance for credit losses and reserve for losses on guarantees liabilities for the six months ended June 30, 2017 are summarized as follows:

	For the Six Months Ended June 30, 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)	132,253	206,177	22,418	360,848
Write-offs	(66,135)	(29,402)	-	(95,537)
Effects of exchange rate changes	(15,490)	(65,858)	(2,171)	(83,519)
Balance at June 30, 2017	$ 568,549	$ 2,562,997	$ 1,532,123	$ 4,663,669

Note: Allowance for bad debts does not include the recovery from written-off credits. As of June 30, 2017, the recovery from written-off credits amounted to $18,105 thousand.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS, 2017

	December 31, 2017	June 30, 2017
Domestic government bonds	$ 49,286,274	$ 41,397,519
Bank debentures	34,465,318	31,684,452
Corporate bonds	58,516,809	57,504,268
Stock and beneficiary securities	3,655,311	2,739,095
Overseas government bonds	988,259	1,008,684
American mortgage backed securities	2,233,751	2,988,941
	$ 149,145,722	$ 137,322,959

As of December 31, 2017 and June 30, 2017, available-for-sale financial assets were sold under agreement to repurchase in the amount of $104,407,677 thousand and $99,999,982 thousand, respectively.

Refer to Note 44 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 June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest revenue	$ 7,196	$ 2,108	$ 9,607	$ 2,559
Interest expenses	-	(1)	-	(3)
Net interest	7,196	2,107	9,607	2,556
Net revenue other than from interest				
Commissions and fee revenue, net	5	11	26	11
Loss on financial assets and liabilities at fair value through profit or loss	(3,965)	(4,541)	(1,770)	(8,160)
Foreign exchange gain (loss), net	6,846	(104)	3,564	(7,894)

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Share of profit of associates and joint ventures accounted for using the equity method	$ -	$ -	$ -	$ 1,009
Other non-interest net gains	685	3,756	2,850	20,853
Net revenue (loss) other than from interest	3,571	(878)	4,670	5,819
Total net revenue	10,767	1,229	14,277	8,375
Operating expenses				
Personnel expenses	1,676	5,999	3,857	9,100
Depreciation and amortization	5	8	10	16
Others	2,841	3,427	5,574	6,392
Total operating expenses	4,522	9,434	9,441	15,508
Income tax expense	-	-	54	-
Net profit (loss) from discontinued operations before write-off	6,245	(8,205)	4,782	(7,133)
Write-offs from transactions with related parties	(2,462)	(1,030)	(3,829)	(1,242)
Net profit (loss) from discontinued operations	$ 3,783	$ (9,235)	$ 953	$ (8,375)
Net profit (loss) of discontinued operations attributable to:				
Owners of the Bank	$ 3,774	$ (9,212)	$ 952	$ (8,354)
Non-controlling interests	9	(23)	1	(21)
	$ 3,783	$ (9,235)	$ 953	$ (8,375)
Net cash generated from operating activities	$ 23,654	$ 113,016	$ 149,233	$ 76,588
Net cash generated from investing activities	-	11,844	48,968	28,572
Net cash used in financing activities	-	(221)	(221)	(221)
Effects of exchange rate changes on the balance of cash held in foreign currencies	-	6,189	(8,358)	(5,943)
Net increase in cash and cash equivalents	$ 23,654	$ 130,828	$ 189,622	$ 98,996

(Concluded)

16. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership June 30, 2018	% of Ownership December 31, 2017	% of Ownership June 30, 2017	Remark	Audited by CPA
The Bank	CBF	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	28.37	Founded in 1978	Yes
	IBTH	Holding company	100.00	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing	Leasing	100.00	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	100.00	Founded in 2000	Yes
	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 and still recognized using the equity method)	Yes
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	100.00	Founded in 2011 in mainland China	Yes
	IBT Tianjin International Leasing Corp.	Leasing	100.00	100.00	100.00	Founded in 2013 in mainland China (commonly held with IBT VII)	Yes
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	Founded in 2014	Yes
Chun Teng New Century Co., Ltd (former IBTS)	IBTS Consulting	Securities investment consulting and customer-fully-authorized investment	-	-	-	Founded in 1998 (liquidated on August 16, 2017)	Yes
	IBTSH	Holding company	100.00	100.00	100.00	Founded in 2003 in the British Virgin Islands	Yes
IBTSH	IBTS HK	Investment	100.00	100.00	100.00	Founded in 2003 in Hong Kong	Yes
	IBTS Asia	Securities and investment	100.00	100.00	100.00	Founded in 2004 in Hong Kong	Yes
IBTH	EverTrust Bank	Banking	91.78	91.78	91.78	Founded in 1995 in California	Yes

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

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests: June 30, 2018	December 31, 2017	June 30, 2017
CBF	Taipei	71.63%	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	June 30, 2018	December 31, 2017	June 30, 2017
CBF			
Equity attributable to:			
Owners of CBF	$ 6,461,174	$ 6,531,896	$ 6,306,109
Non-controlling interests of CBF	16,314,477	16,493,036	15,922,938
	$ 22,775,651	$ 23,024,932	$ 22,229,047

	For the Six Months Ended June 30	
	2018	2017
Revenue	$ 192,358	$ 234,657
Net profit from continuing operations	$ 722,288	$ 658,188
Other comprehensive income (loss) for the period	(146,218)	261,887
Total comprehensive income for the period	$ 576,070	$ 920,075
Profit attributable to:		
Owners of CBF	$ 204,904	$ 186,720
Non-controlling interests of CBF	517,384	471,468
	$ 722,288	$ 658,188
Total comprehensive income attributable to:		
Owners of CBF	$ 163,424	$ 261,014
Non-controlling interests of CBF	412,646	659,061
	$ 576,070	$ 920,075
Net cash inflow (outflow) from:		
Operating activities	$ (6,668,258)	$ (4,329,715)
Investing activities	(1,600)	(1,705,105)
Financing activities	6,761,430	5,001,606
Net cash inflow (outflow)	$ 91,572	$ (1,033,214)
Dividends paid to non-controlling interests of CBF	$ 683,005	$ 808,062

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

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

	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2017
Equity investment benefits recognized using the equity method	$ -	$ 3,782
Disposition of benefits using the equity method	11,839	11,839
	$ 11,839	$ 15,621
The Bank’s share of:		
Profit from continuing and discontinued operations	$ -	$ 4,791
Other comprehensive income	-	6,892
Total comprehensive income for the period	$ -	$ 11,683

Investments accounted for using the equity method and the share of the other comprehensive income of associates and joint ventures as of June 30, 2017 are recognized and disclosed in accordance with financial statements which were audited by accountants.

18. OTHER FINANCIAL ASSETS

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets measured at cost			
Domestic stocks	$ -	$ 513,720	$ 667,283
Foreign stocks	-	659,621	692,609
	-	1,173,341	1,359,892
Time deposits with original maturities more than 3 months	10,372	10,150	10,349
Pledged deposits	525,000	97,955	37,834
Reserve account	66,882	1,988	97,299
Dismantling securities companies	-	-	304,398
Others	-	-	9
	$ 602,254	$ 1,283,434	$ 1,809,781

Because the fair value of financial assets measured at cost could not be reliably measured, the Group did not evaluate the fair value on the balance sheet date. The Group disposed of certain financial assets measured at cost with carrying amounts of $18,078 thousand during the six months ended June 30, 2017, recognizing a disposal gain of $23,154 thousand.

19. PROPERTY AND EQUIPMENT

	June 30, 2018	December 31, 2017	June 30, 2017
Carrying amounts of each class			
Land	$ 781,970	$ 800,184	$ 822,716
Buildings	1,393,047	1,438,531	1,461,728
Machinery and computer equipment	359,446	375,739	199,367
Transportation equipment	37,698	35,326	39,272
Office and other equipment	75,959	77,793	82,331
Lease improvement	210,088	216,467	214,653
Construction in progress and prepayments for equipment	91,299	140,912	1,176,361
	$ 2,949,507	$ 3,084,952	$ 3,996,428

The movements of property and equipment for the six months ended June 30, 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	-	-	11,322	12,280	4,773	19,910	99,226	147,511
Disposals and scrapped	(66,252)	(45,624)	(1,821)	(17,265)	(1,802)	(28,158)	-	(160,922)
Reclassification	-	-	6,045	-	3,196	(3,665)	(148,888)	(143,312)
Effect of foreign currency exchange differences	-	-	598	(2,795)	947	2,842	49	1,641
Balance at June 30, 2018	$ 781,970	$ 1,899,287	$ 748,206	$ 74,626	$ 248,609	$ 348,996	$ 91,299	$ 4,192,993
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)	(1,450)	(16,297)	(1,521)	(26,078)	-	(116,746)
Disposals	-	23,222	33,451	6,011	9,701	21,892	-	94,277
Effect of foreign currency exchange differences	-	-	1	-	4	(5)	-	-
Impairment loss	-	-	435	134	764	1,499	-	2,832
Balance at June 30, 2018	$ -	$ 506,240	$ 388,760	$ 36,928	$ 172,650	$ 138,908	$ -	$ 1,243,486
Carrying amounts								
Balance at June 30, 2018	$ 781,970	$ 1,393,047	$ 359,446	$ 37,698	$ 75,959	$ 210,088	$ 91,299	$ 2,949,507
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	-	5,865	15,649	16,152	8,122	16,251	272,180	334,219
Disposals and scrapped	-	-	(7,680)	(10,473)	(1,128)	(22,192)	-	(41,473)
Reclassification	-	24,690	(713)	-	22,813	62,423	(122,124)	(12,911)
Effect of foreign currency exchange differences	-	-	(3,374)	(7,623)	(2,582)	(1,128)	(84)	(14,791)
Balance at June 30, 2017	$ 848,222	$ 1,942,856	$ 579,891	$ 90,897	$ 241,341	$ 313,542	$ 1,176,361	$ 5,193,110
Accumulated depreciation								
Balance at January 1, 2017	$ 25,506	$ 458,290	$ 364,918	$ 55,591	$ 151,605	$ 100,985	$ -	$ 1,156,895
Depreciation expense	-	-	(7,588)	(9,931)	(862)	(21,517)	-	(39,898)
Disposals	-	22,838	27,429	6,386	8,568	16,305	-	81,526
Effect of foreign currency exchange differences	-	-	(4,235)	(421)	(301)	3,116	-	(1,841)
Balance at June 30, 2017	$ 25,506	$ 481,128	$ 380,524	$ 51,625	$ 159,010	$ 98,889	$ -	$ 1,196,682
Carrying amounts								
Balance at June 30, 2017	$ 822,716	$ 1,461,728	$ 199,367	$ 39,272	$ 82,331	$ 214,653	$ 1,176,361	$ 3,996,428

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

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

20. INTANGIBLE ASSETS

	June 30, 2018	December 31, 2017	June 30, 2017
Carrying amounts of each class			
Computer software	$ 1,325,305	$ 1,262,856	$ 257,840
Goodwill	1,157,744	1,133,222	1,155,250
Others	3,931	7,289	6,157
	$ 2,486,980	$ 2,403,367	$ 1,419,247

The movements of intangible assets for the six months ended June 30, 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	69,777	-	-	69,777
Reclassification	101,594	-	-	101,594
Effect of foreign currency exchange differences	1,064	24,522	158	25,744
Balance at June 30, 2018	$ 2,057,536	$ 1,157,744	$ 7,447	$ 3,222,727
Accumulated amortization and impairment loss				
Balance at January 1, 2018	$ 619,896	$ -	$ 2,349	$ 622,245
Amortization	111,478	-	1,081	112,559
Effect of foreign currency exchange differences	857	-	86	943
Balance at June 30, 2018	$ 732,231	$ -	$ 3,516	$ 735,747
Carrying amounts				
Balance at June 30, 2018	$ 1,325,305	$ 1,157,744	$ 3,931	$ 2,486,980
Cost				
Balance at January 1, 2017	$ 756,267	$ 1,224,683	$ 7,882	$ 1,988,832
Additions	13,111	-	-	13,111
Reclassification	9,729	-	-	9,729
Effect of foreign currency exchange differences	(3,419)	(69,433)	(405)	(73,257)
Balance at June 30, 2017	$ 775,688	$ 1,155,250	$ 7,477	$ 1,938,415
Accumulated amortization and impairment loss				
Balance at January 1, 2017	$ 489,773	$ -	$ 48	$ 489,821
Amortization	30,267	-	1,286	31,553
Effect of foreign currency exchange differences	(2,192)	-	(14)	(2,206)
Balance at June 30, 2017	$ 517,848	$ -	$ 1,320	$ 519,168
Carrying amounts				
Balance at June 30, 2017	$ 257,840	$ 1,155,250	$ 6,157	$ 1,419,247

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

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

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

21. OTHER ASSETS

	June 30, 2018	December 31, 2017	June 30, 2017
Refundable deposits	$ 534,638	$ 3,284,633	$ 3,455,169
Life insurance cash surrender value	340,149	331,481	336,342
Settlement payments	-	-	85,105
Prepayments	92,485	83,191	78,067
Others	199,424	331,169	345,972
	$ 1,166,696	$ 4,030,474	$ 4,300,655

22. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2018	December 31, 2017	June 30, 2017
Due to other banks	$ 62,576,646	$ 50,644,279	$ 56,099,570
Call loans from Central Bank	1,830,367	2,388,360	1,521,991
	$ 64,407,013	$ 53,032,639	$ 57,621,561

23. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	June 30, 2018	December 31, 2017	June 30, 2017
Transactions instruments	$ 49,470,114	$ 73,913,268	$ 61,691,829
Government bonds	36,492,315	44,006,703	41,199,940
Corporate bonds	46,157,061	52,474,842	53,553,764
Bank debentures	16,291,122	19,427,155	16,871,483
	$ 148,410,612	$ 189,821,968	$ 173,317,016
Date of agreements to repurchase	January 2019	August 2018	June 2018
Amount of agreements to repurchase	$ 148,505,664	$ 189,938,375	$ 173,400,614

24. ACCOUNT PAYABLES

	June 30, 2018	December 31, 2017	June 30, 2017
Investment settlements payable	$ 597,242	$ 579,579	$ 1,373,007
Settlement accounts payable - execution of customer orders	87,679	84,006	85,186
Dividends payable	1,407,007	-	1,894,007
Acceptances	186,509	248,591	190,578
Accrued interest	781,348	617,723	543,128
Accrued expenses	569,582	906,054	491,843
Collections for others	127,097	151,750	134,247
Factored receivables	1,873,569	1,726,584	818,969
Others	569,637	708,394	635,282
	$ 6,199,670	$ 5,022,681	$ 6,166,247

25. DEPOSITS AND REMITTANCES

	June 30, 2018	December 31, 2017	June 30, 2017
Deposits			
Checking	$ 3,477,100	$ 2,990,647	$ 2,847,123
Demand	33,298,762	29,434,943	27,023,318
Time	189,678,312	161,489,043	156,797,296
Export remittance	561	11,261	11,729
Savings deposits	5,333,330	4,360,806	1,435,011
	$ 231,788,065	$ 198,286,700	$ 188,114,477

26. BANK DEBENTURES

	June 30, 2018	December 31, 2017	June 30, 2017
Subordinate debenture bonds first issued in 2011; fixed 2.30% interest rate; maturity: August 26, 2018; interest paid annually and repay the principal at maturity	$ 950,000	$ 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

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
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
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 A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate debenture bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000	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	-
Subordinate debenture bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	-	-
Subordinate debenture bonds B second issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	1,050,000	-	-
	$ 22,150,000	$ 20,400,000	$ 16,650,000

(Concluded)

27. OTHER FINANCIAL LIABILITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Bank loans	$ 11,109,383	$ 13,040,538	$ 11,740,951
Commercial paper	3,949,406	3,299,557	3,874,175
Funds obtained from the government - intended for specific types of loans	4,993,606	5,997,782	5,245,404
	$ 20,052,395	$ 22,337,877	$ 20,860,530

a. Bank loans

	June 30, 2018	December 31, 2017	June 30, 2017
Short-term loans	$ 5,186,605	$ 6,399,565	$ 7,286,763
Long-term loans	5,922,778	6,640,973	4,454,188
	$ 11,109,383	$ 13,040,538	$ 11,740,951
Interest rate interval			
New Taiwan dollars	1.21%-1.50%	1.21%-1.50%	1.20%-1.60%
U.S. dollars	2.08%-4.34%	0.98%-7.71%	0.69%-3.74%
Renminbi	4.99%-6.18%	3.60%-6.18%	3.09%-6.18%

b. Commercial paper

	June 30, 2018	December 31, 2017	June 30, 2017
Commercial paper	$ 3,950,000	$ 3,300,000	$ 3,875,000
Less: Unamortized discount	(594)	(443)	(825)
	$ 3,949,406	$ 3,299,557	$ 3,874,175
Interest rate interval	0.44%-1.19%	0.49%-1.24%	0.5%-1.24%

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

	June 30, 2018	December 31, 2017	June 30, 2017
Funds obtained from the government - intended for specific types of loans	$ 4,993,606	$ 5,997,782	$ 5,245,404

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

28. PROVISIONS

	June 30, 2018	December 31, 2017	June 30, 2017
Provisions for employee benefits	$ 313,372	$ 295,725	$ 287,138
Reserve for losses on guarantees	1,476,101	1,569,551	1,532,123
Reserve for claims outstanding	35,771	9,092	9,092
Reserve for financing limits	86,966	-	
	$ 1,912,210	$ 1,874,368	$ 1,828,353

Reserve for claims outstanding are provisions recognized in the specific actual reconciliation condition from controversial cases due to sale of refundable forward transactions. As of June 30, 2018, there are no actual payments.

29. RETIREMENT BENEFIT PLANS

Draw Plan

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

The amount to be paid in accordance with the percentage specified in the proposed plan for the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017 was recognized in the consolidated statements of comprehensive income in the total amounts of $17,502 thousand, $13,186 thousand, $36,071 thousand, and $27,976 thousand, respectively.

Welfare Plan

The retirement expense recognized under defined benefit plans for the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017 are calculated using the respective 2017 and 2016 annually determined discount rates as of December 31, 2017 and 2016 and amounted to $3,444 thousand, $3,838 thousand, $6,679 thousand, and $6,840 thousand, respectively.

30. OTHER LIABILITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Guarantee deposits received	$ 1,888,159	$ 1,923,253	$ 1,552,764
Advance revenue	98,928	108,800	111,724
Others	135,202	445,798	175,500
	$ 2,122,289	$ 2,477,851	$ 1,839,988

31. EQUITY

a. Capital stock

Common stock

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

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

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

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

On June 27, 2018, the Board resolved to tentatively issue 300,000 thousand special stocks, with a par value of $10, at a tentative consideration of between $9 and $11.

b. Capital surplus

	June 30, 2018	December 31, 2017	June 30, 2017
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)			
Treasury stock transactions	$ 3,193	$ 3,193	$ 3,193
Stock-based payments	4,537	4,537	4,537
Unclaimed dividends	377	-	-
May not be used for any purpose			
Share of changes in capital surplus of associates or joint ventures	465	-	-
	$ 8,572	$ 7,730	$ 7,730

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

c. Retained earnings and dividend policy

Under the 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 Board as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 38.

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

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

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490, and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserved by the Bank.
Under Rule No. 10510001510 issued by the FSC on May 25, 2016 a public issuing bank shall make a special surplus in the range of 0.5% to 1% of net profit after tax in 2016 to 2018. Since 2017, the staff of financial technology development arising from the transfer or placement of the same amount of spending opened a special reserve balance within the scope of the rotary when the deduction of other equity was reversed, and the reversed part could be distributed in cash.

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

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

d. Other equity items

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

	For the Six Months Ended June 30	
	2018	2017
Balance at January 1	$ (216,266)	$ 190,990
Exchange differences arising on translating the financial statements of foreign operations	143,692	(380,806)
Income tax related to gains arising on translating the financial statements of foreign operations	(18,088)	45,373
Balance at June 30	$ (90,662)	$ (144,443)

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

	For the Six Months Ended June 30	
	2018	2017
Balance at January 1	$ 236,666	$ 93,725
Unrealized gain arising on revaluation of available-for-sale financial assets	-	517,060
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	-	(145,949)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	-	6,892
Effect of IFRS 9 retrospective application	(236,666)	-
Balance at June 30	$ -	$ 471,728

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

	For the Six Months Ended June 30, 2018
Balance at January 1 per IAS 39	$ -
Effect of IFRS 9 retrospective application	144,112
Balance at January 1 per IFRS 9	144,112
Recognized during the period	
Unrealized gain (loss) - debt instruments	70,678
Unrealized gain (loss) - equity instruments	(142,534)
Loss allowance of debt instruments	(2,584)
Other comprehensive income recognized in the period	(74,440)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	3,325
Balance at June 30,	$ 72,997

e. Non-controlling interests

	For the Six Months Ended June 30	
	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	15,482,451
Attribute to non-controlling interests		
Net profit for the period	531,719	483,500
Received by the recipient	1,174	-
Exchange differences arising on translation of foreign entities	9,132	(23,441)
Unrealized gains and losses on FVTOCI	(108,499)	-
Income tax related to non-reclassified items	2,035	-
Unrealized gains and losses on available-for-sale financial assets	-	188,636
Subsidiary issue cash dividends	(683,005)	(808,062)
Ending balance	$ 16,735,533	$ 16,323,084

32. NET INTEREST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest revenue				
Discounts and loans	$ 1,421,625	$ 1,057,824	$ 2,659,163	$ 2,137,973
Investments in marketable securities	501,853	447,096	966,771	865,962
Installment sales and leases	289,605	241,983	588,077	480,384
Due from the Central Bank and call loans to banks	36,765	16,451	75,831	32,353
Others	24,725	21,699	50,096	66,813
	2,274,573	1,785,053	4,339,938	3,583,485
Interest expense				
Deposits	551,322	358,829	1,023,622	687,487
Due to the Central Bank and banks	179,610	111,575	329,567	239,662
Bank debentures	105,322	83,951	209,235	172,182
Securities sold under agreements to repurchase	210,502	171,145	426,269	346,180
Others	123,408	97,214	241,684	199,170
	1,170,164	822,714	2,230,377	1,644,681
	$ 1,104,409	$ 962,339	$ 2,109,561	$ 1,938,804

33. COMMISSION AND FEE REVENUE, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Commission and fee revenue				
Guarantee business	$ 181,863	$ 155,703	$ 352,263	$ 308,278
Loan business	30,163	36,154	52,786	99,034
Agency income	65,793	71,337	134,873	138,884
Trust business	2,024	422	3,448	4,828
Lease business	88,836	82,363	142,865	124,079
Credit examining business	168,891	80,785	254,894	183,241
Import and export business	15,328	9,984	23,031	17,261
Factoring business	25,849	18,413	47,593	30,031
Others	11,578	30,404	34,514	56,112
	590,325	485,565	1,046,267	961,748
Commission and fee expense				
Others	45,327	10,969	86,267	30,575
	$ 544,998	$ 474,596	$ 960,000	$ 931,173

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Realized gain profit or loss				
Bills	$ 24,073	$ 35,248	$ 50,223	$ 70,473
Stocks	63,050	42,964	20,488	56,842
Bonds	5,226	(10,712)	(2,974)	(2,106)
Derivatives	320,093	(382,023)	166,599	(696,095)
Others	-	42,798	-	47,077
	412,442	(271,725)	234,336	(523,809)
Gains (losses) on valuation				
Bills	(1,380)	(15,768)	4,262	(45,151)
Stocks	(109,027)	24,055	(38,365)	40,204
Bonds	(33,242)	(3,221)	(30,660)	(1,042)
Derivatives	711,202	504,504	521,920	(115,248)
Others	24,775	(62,970)	11,304	26,825
	592,328	446,600	468,461	(94,412)
Interest revenue	209,702	261,132	432,043	448,224
	$ 1,214,472	$ 436,007	$ 1,134,840	$ 169,997

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

	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Realized income - debt instruments	$ 2,693	$ 24,673
Dividend revenue	18,885	20,909
	$ 21,578	$ 45,582

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

	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Net profit on disposal - stocks	$ 48,774	$ 140,742
Net profit on disposal - bonds	13,144	5,207
Dividend revenue	2,450	2,684
	$ 64,368	$ 148,633

37. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Short-term employee benefits				
Salaries and wages	$ 407,976	$ 351,611	$ 796,524	$ 726,813
Award expenses	178,575	153,501	311,465	300,462
Directors' remuneration and fees	23,951	21,882	41,646	45,168
Labor insurance and national health insurance	42,508	35,858	75,560	69,354
Others	28,036	47,376	73,687	82,958
Post-employment benefits				
Pension	23,023	21,119	45,913	41,706
Stock-based payments				
Equity delivery	-	4,537	-	4,537
	$ 704,069	$ 635,884	$ 1,344,795	$ 1,270,998

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 amounts and accrual rates of employees' compensation and remuneration of directors and supervisors for the six months ended June 30, 2018 were as follows:

Accrual rate

	For the Six Months Ended June 30	
	2018	2017
Employees' compensation	1.25%	1.25%
Remuneration of directors and supervisors	2.50%	2.50%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Employees' compensation	$ 5,500	$ 4,981	$ 8,600	$ 11,050
Remuneration of directors and supervisors	$ 11,000	$ 9,962	$ 17,200	$ 22,100

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 were approved by the Board on February 27, 2018 and February 22, 2017, respectively, were as follows:

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

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

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

38. DEPRECIATION AND AMORTIZATION

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Property and equipment	$ 47,499	$ 42,036	$ 94,267	$ 81,510
Intangible assets	58,287	16,206	112,559	31,552
	$ 105,786	$ 58,242	$ 206,826	$ 113,062

39. OTHER OPERATING EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Taxation	$ 64,318	$ 56,942	$ 115,306	$ 88,032
Rental	56,441	35,848	109,009	81,798
Management fees	12,194	8,830	21,943	16,749
Computer operating and consulting fees	38,683	20,014	79,497	40,356
Entertainment	12,650	10,125	27,542	20,942
Professional services	29,853	8,771	53,088	16,956
Advertisement	36,710	55,385	71,505	55,385
Others	100,017	93,388	204,397	226,235
	$ 350,866	$ 289,303	$ 682,287	$ 546,453

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 June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Current tax				
In respect of the current period	$ 202,130	$ 147,767	$ 412,939	$ 360,737
In respect of prior periods	(7,756)	(7,743)	(18,339)	(5,907)
	194,374	140,024	394,600	354,830
Deferred tax				
In respect of the current period	77,992	88,798	45,039	4,954
Effect of tax rate change	(2,627)	-	(2,627)	-
	75,365	88,798	42,412	4,954
Income tax expense recognized in profit or loss	$ 269,739	$ 228,822	$ 437,012	$ 359,784

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 June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Deferred tax				
Recognized in other comprehensive income				
Translation of foreign operations	$ 44,482	$ 14,962	$ 19,728	$ (52,682)
Unrealized gain (loss) on available for sale financial assets	-	10,454	-	15,535
Fair value remeasurement of available-for-sale financial assets	(4,950)	-	(37,196)	-
Effect of tax rate change	(1,149)	-	(1,149)	-
Income tax recognized in other comprehensive expense (income)	$ 38,383	$ 25,416	$ (18,617)	$ (37,147)

c. Assessment of the income tax returns

The income tax returns of the Bank through 2015 have been assessed by the tax authorities. The income tax returns of the Bank's subsidiary CBF through 2016 (except for 2015) have been assessed. The income tax returns of other subsidiaries through 2016 have been assessed by the tax authorities. The Bank disagreed with the tax authorities' assessment of its 2012 income tax return and applied for a re-examination.

41. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Basic earnings per share				
From continuing operations	$ 0.14	$ 0.12	$ 0.21	$ 0.31
From discontinued operations	-	-	-	-
Total basic earnings per share	$ 0.14	$ 0.12	$ 0.21	$ 0.31
Diluted earnings per share				
From continuing operations	$ 0.14	$ 0.12	$ 0.21	$ 0.31
From discontinued operations	-	-	-	-
Total diluted earnings per share	$ 0.14	$ 0.12	$ 0.21	$ 0.31

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

Net Profit (Loss) for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Earnings used in the computation of basic and diluted earnings per share from continuing operations	$ 329,321	$ 296,102	$ 510,668	$ 754,849
Profit (loss) for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	3,783	(9,235)	953	(8,375)
Earnings used in the computation of basic and diluted earnings per share	$ 333,104	$ 286,867	$ 511,621	$ 746,474

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	**2017**	**2018**	**2017**
Weighted average number of common stocks in computation of basic earnings per share	2,413,006	2,404,599	2,413,006	2,397,592
Effect of potentially dilutive common stocks:				
Employees' compensation issued to employees	1,014	525	1,292	1,582
Cash replenishment from employee stock subscription	-	440	-	221
	1,014	965	1,292	1,803
Weighted average number of common stocks used in the computation of diluted earnings per share	2,414,020	2,405,564	2,414,298	2,399,395

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

42. STOCK-BASED PAYMENT AGREEMENTS

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

43. RELATED PARTY TRANSACTIONS

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

a. The related parties and their relationships with the Bank

Related Party	Relationship with The Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture) (dissolved March 31, 2017)	Associates
IBT Education Foundation (IBTEF)	The 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 six months ended June 30, 2018			
Associates	$ 4,652	$ 1	0.00%-0.25%
Others	1,449,889	20,794	0.00%-6.56%
	$ 1,454,541	$ 20,795	
For the six months ended June 30, 2017			
Associates	$ 901	$ 45	0.08%-0.15%
Others	879,346	4,887	0.00%-6.56%
	$ 880,247	$ 4,932	

2) Directors acting as the guarantor of a loan balance

	Ending Balance	Rate (%)
December 31, 2017	$ 475,000	1.436
June 30, 2017	$ 570,000	1.436

3) Commission and fee revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Associates	$ -	$ -	$ -	$ 6
Others	14	-	25	-
	$ 14	$ -	$ 25	$ 6

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

4) Other expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Others	$ -	$ 4,400	$ 4,800	$ 4,400

Other expenses are donations.

5) Rental income and others

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	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 six months ended June 30, 2018 and 2017 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	$ 77,113	$ 66,623	$ 150,105	$ 125,456
Post-employment benefits	1,508	1,188	3,173	2,608
Stock-based payments	-	1,290	-	1,290
	$ 78,621	$ 69,101	$ 153,278	$ 129,354

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

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

44. PLEDGED ASSETS

	June 30, 2018	December 31, 2017	June 30, 2017
Due from banks	$ 230,155	$ 228,875	$ 224,317
Financial assets at fair value through profit or loss	15,695,316	13,393,710	11,152,601
Financial assets at fair value through other comprehensive income	2,373,699	-	-
Loans	8,593,751	8,919,490	8,884,061
Debt instrument investments measured at amortized cost	166,660	-	-
Available-for-sale financial assets	-	2,254,810	2,338,698
Held-to-maturity financial assets	-	149,946	151,776
Pledged time deposits	525,000	34,834	37,834
Compensation account for payments	66,882	65,109	97,299
	$ 27,651,463	$ 25,046,774	$ 22,886,586

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 day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above available-for-sale financial assets were bond investments and were mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the U.S.A. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limits with Federal Home Loan Bank of San Francisco. Restricted assets were provided not merely as collateral for short-term borrowings, commercial paper issued, contract security deposit and administrative reliefs but were also pledged for the Central Bank's bond bidding.

45. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Except for other disclosures, As of June 30, 2018, December 31, 2017 and June 30, 2017, the Group had commitments as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Office decorating and contracts of computer software			
Amount of contracts	$ 158,925	$ 159,256	$ 1,567,073
Payments for construction in progress and prepayments for equipment	91,299	140,912	1,176,361

b. The Bank 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 2028.

As of June 30, 2018, December 31, 2017 and June 30, 2017, refundable deposits paid under operating lease amounted to $38,138 thousand, $35,070 thousand and $26,250 thousand, respectively.

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

	June 30, 2018
Up to 1 years	$ 163,757
Over 1 year to 5 years	309,142
Over 5 years	105,323
	$ 578,222

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

46. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	June 30, 2018	December 31, 2017	June 30, 2017
Trust assets			
Bank deposits	$ 1,586,021	$ 350,848	$ 96,198
Financial assets	587,385	360,484	235,388
Interest receivable	46	-	-
Prepayments	1,534,211	-	-
Real estate	1,991,310	1,957,995	1,644,782
Refundable deposits	422,250	-	-
Total trust assets	$ 6,121,223	$ 2,669,327	$ 1,976,368
Trust capital and liability			
Payables	$ 228	$ -	$ -
Trust capital	6,136,882	2,669,327	1,976,368
Provisions and accumulated profit and loss	(15,887)	-	-
Trust capital and liability	$ 6,121,223	$ 2,669,327	$ 1,976,368

Income Statements of Trust Accounts

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Trust revenue				
Interest revenue	$ 269	$ 136	$ 440	$ 287
Trust expenses				
Management fees	264	2	362	2
Fees	88	19	109	19
Other expenses	178	-	178	-
Tax	15,680	-	15,680	-
Income tax expense	20	9	35	17
	$ (15,961)	$ 106	$ (15,924)	$ 249

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

Trust Property List

	June 30, 2018	December 31, 2017	June 30, 2017
Bank deposits	$ 1,586,021	$ 350,848	$ 96,198
Funds	228,378	228,378	228,378
Stocks	359,007	132,106	7,010
Land	1,899,207	1,865,892	1,553,969
Real estate	92,103	92,103	90,813
Interest receivable	46	-	-
Prepayments	1,534,211	-	-
Refundable deposits	422,250	-	-
	$ 6,121,223	$ 2,669,327	$ 1,976,368

47. FINANCIAL INSTRUMENTS

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

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

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Financial assets at amortized costs	$ 499,880	$ 503,373	$ -	$ -	$ -	$ -
Held-to-maturity financial assets	-	-	499,821	505,448	499,762	505,921
Financial liabilities						
Bank debentures	22,150,000	22,205,855	20,400,000	20,464,560	16,650,000	16,771,397

2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

Financial Instrument Items at Fair Value	June 30, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Financial assets at amortized costs	$ 503,373	$ -	$ 503,373	$ -
Financial liabilities				
Bank debentures	22,205,855	22,205,855	-	-

Financial Instrument Items at Fair Value	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	-	-

Financial Instrument Items at Fair Value	June 30, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Held-for-maturity financial assets	$ 505,921	$ -	$ 505,921	$ -
Financial liabilities				
Bank debentures	16,771,397	16,771,397	-	-

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

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

1) The fair value hierarchy of the financial instruments as of June 30, 2018, December 31, 2017 and June 30, 2017 were as follows:

(In Thousands of New Taiwan Dollars)

Item	June 30, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Non-derivative financial instruments				
Assets				
Financial instruments at fair value through profit or loss				
Stocks and beneficial certificates	$ 1,001,791	$ 933,760	$ -	$ 68,031
Bonds	643,901	-	643,901	-
Bills	87,082,461	-	87,082,461	-
Convertible bonds and structured bonds	7,329,921	174,826	1,079,300	6,075,795
Others	43,284,053	-	43,284,053	-
Financial assets at fair value through other comprehensive income				
Stocks	2,722,430	1,537,372	129,177	1,055,881
Bonds	143,205,277	902,493	142,302,784	-
Liabilities				
Financial instruments at fair value through profit or loss	4,100	-	4,100	-
Derivative financial instruments				
Assets				
Financial instruments at fair value through profit or loss	1,577,334	-	1,577,334	-
Liabilities				
Financial instruments at fair value through profit or loss	1,238,055	-	1,238,055	-

Item	December 31, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 597,071	$ 562,443	$ -	$ 34,628
Bonds	15,369	15,369	-	-
Bills	102,246,486	-	102,246,486	-
Others	42,552,352	-	42,552,352	-
Financial assets designated as fair value through profit or loss	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	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	7,245	-	7,245	-

(Continued)

Item	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<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	-

(Concluded)

Item	June 30, 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	$ 906,425	$ 860,362	$ -	$ 46,063
Bonds	615,836	11,045	604,791	
Bills	91,172,250	-	91,172,250	-
Others	42,170,404	-	42,170,404	-
Financial assets designated as fair value through profit or loss	10,067,279	-	1,659,408	8,407,871
Available-for-sale financial assets				
Stocks	2,739,095	2,739,095	-	-
Bonds	134,583,864	307,047	134,276,817	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	20,092	-	20,092	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	1,189,443	-	1,021,160	168,283
Liabilities				
Financial liabilities at fair value through profit or loss	1,113,181	-	1,113,181	-

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

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

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

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

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

For the six months ended June 30, 2018

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Compre-hensive 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	3,438	(5,384)	-	(1,946)
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	5,602	5,602
Purchases	4,339,700	-	-	4,339,700
Disposal	(5,158,700)	-	(22,530)	(5,181,230)
Ending balance	$ 6,075,795	$ 68,031	$ 1,055,881	$ 7,199,707

For the six months ended June 30, 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	$ -	$ -	$ -	$ (18,963)	$ -	$ 46,063
Financial assets designated as fair value through profit or loss	10,390,780	105,550	5,209,300	-	(7,297,759)	-	8,407,871
Derivative financial instruments							
Financial assets at fair value through profit or loss							
Assets	211,644	(43,361)	-	-	-	-	168,283

4) Transfers between Level 1 and Level 2

The Group has no significant transfers between Level 1 and Level 2 for six months ended June 30, 2018 and 2017.

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

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

For the six months ended June 30, 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	$ 4,333	$ (4,333)	$ -	$ -
Financial assets at fair value through other comprehensive income	-	-	108,631	(108,631)

For the six months ended June 30, 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	$ 1,126	$ (1,126)	$ -	$ -

48. FINANCIAL RISK MANAGEMENT

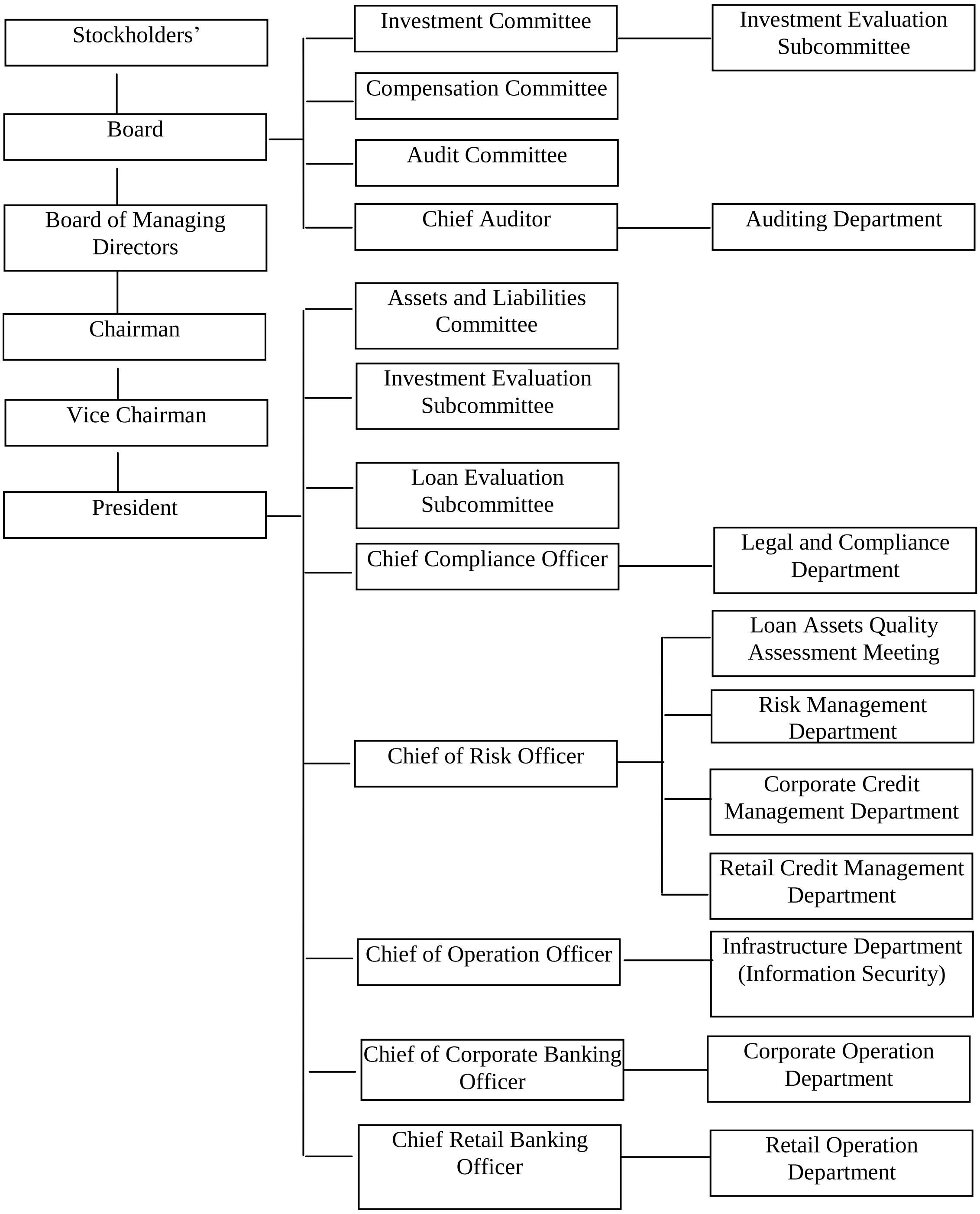
a. Overview

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

b. Risk management framework

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

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



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

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

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

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

    a) Loan assets quality assessment meeting

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

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

    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 Bank's standards, and serve to maintain high credit standards and asset quality.

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

d) Credit risk management process:

   i. Risk identification

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

   ii. Risk measurement

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

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

ii) Portfolio management:

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

iii. Risk communication

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

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

iv. Risk monitoring

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

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

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

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

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

3) Credit risk management and framework

a) The Board of Directors: The Board, 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: It is in charge for making policies and strategies for identifying the possibilities of loss on credit assets. The Bank 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 Bank follows the BASEL's regulation. It is also responsible for the preparation of risk management reports presented to appropriate management, and it plans to establish monitoring tools for credit risk measurement.

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 or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-lending management and collection operations. The risk management units regularly provide various types of credit risk and asset quality in addition to the above operational procedures the analysis report is to manage the indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the Board to grasp the risk-taking situations faced by the state, the 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 Bank has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Bank uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links levy credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

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

Off-balance Sheet Item	Maximum Exposure Amount		
	June 30, 2018	December 31, 2017	June 30, 2017
Financial guarantees and irrevocable documentary letter of credit			
Contract amounts	$ 120,018,581	$ 111,469,765	$ 107,818,755
Maximum exposure amounts	120,018,581	111,469,765	107,818,755
Agreed financing	52,316,781	42,433,043	49,806,367

7) Concentrations of credit risk exposure

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

On June 30, 2018, December 31, 2017 and June 30, 2017, the Group's significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Real estate	$ 50,711,755	17	$ 53,500,098	19	$ 51,205,993	19
Financial intermediary	68,908,235	23	59,655,064	21	54,617,945	20
The printed circuit board component manufacturing	46,175,455	15	41,991,831	15	40,491,046	15

b) By counterparty

Credit Risk Profile by Industry Sector	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Private sector	$ 185,119,654	94	$ 173,620,086	95	$ 168,581,147	98
Natural person	11,610,305	6	9,147,952	5	3,878,578	2

c) By geographical area

Credit Risk Profile by Industry Sector	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Domestic	$ 119,063,256	61	$ 115,392,955	63	$ 105,827,883	61
Other Asia area	35,725,385	18	30,208,123	17	31,868,641	18
America	33,609,244	17	31,586,509	17	31,417,433	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.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

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

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

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

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

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

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

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

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

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

June 30, 2018

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 142,816,211	$ 499,880	$ 143,316,091
Allowance for impairment loss	(39,334)	-	(39,334)
Amortized cost	142,776,877	$ 499,880	143,276,757
Fair value adjustment	428,400		428,400
	$ 143,205,277		$ 143,705,157

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 Bank and its subsidiaries' exposure and the external credit ratings are continuously monitored. The Bank and its subsidiaries review changes in bond yields and other public information and make an assessment as to whether there has been a significant increase in credit risk since the last period to the current reporting date.

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

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses. The investments in debt instruments of the Bank and its subsidiaries are at normal credit levels as of June 30, 2018, so the Bank and its subsidiaries opted to recognize the expected credit losses on a 12-month basis. The Bank and its subsidiaries' expected credit loss rate is in the range of 0.0014%-0.6750%.

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost as of January 1, 2018 and June 30, 2018, grouped by credit rating, is reconciled as follows:

Allowance for Impairment Loss	Credit Rating Performing (12-month ECLs)
Balance at January 1, 2018 per IAS 39	$ -
Adjustment on initial application of IFRS 9	44,061
Balance at January 1, 2018 per IFRS 9	44,061
New financial assets purchased	1,881
Derecognition of financial assets	(6,035)
Change in model or risk parameters	(423)
Exchange rate or other changes	(150)
Balance at June 30, 2018	$ 39,334

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) With Objective Evidence of Impairment	Loss Recognized (D) With No Objective Evidence of Impairment	Net Total (A)+(B)+ (C)-(D)
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

June 30, 2017	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D) With Objective Evidence of Impairment	Loss Recognized (D) With No Objective Evidence of Impairment	Net Total (A)+(B)+ (C)-(D)
Balance sheet items							
Receivables	$ 20,783,510	$ -	$ 398,336	$ 21,181,846	$ 57,867	$ 510,682	$ 20,613,297
Discounts and loans	170,776,991	-	1,682,734	172,459,725	323,331	2,239,666	169,896,728

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) With Objective Evidence of Impairment	Loss Recognized (D) With No Objective Evidence of Impairment	Net Total (A)+(B)+ (C)-(D)
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

June 30, 2017	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D) With Objective Evidence of Impairment	Loss Recognized (D) With No Objective Evidence of Impairment	Net Total (A)+(B)+ (C)-(D)
Available-for-sale financial assets							
Bonds	$ 134,583,864	$ -	$ -	$ 134,583,864	$ -	$ -	$ 134,583,864
Equity investments	2,728,790	-	15,511	2,744,301	5,206	-	2,739,095
Held-to-maturity financial assets							
Bonds	499,762	-	-	499,762	-	-	499,762
Others	-	-	-	-	-	-	-
Other financial assets							
Equity investments	1,129,907	-	1,060,609	2,190,516	830,624	-	1,359,892

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

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

As of June 30, 2017, the Bank and its subsidiaries had no financial assets which were overdue but not impaired.

10) Analysis of impairment for financial assets

The Group 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:

Discounts and loans

Type of Impairment Assessment		December 31, 2017		June 30, 2017	
		Discounts and Loans	**Allowance for Credit Losses**	**Discounts and Loans**	**Allowance for Credit Losses**
With objective evidence of impairment	Individually assessed for impairment	$ 1,443,492	$ 375,969	$ 1,682,734	$ 323,331
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed	181,324,546	2,305,883	170,776,991	2,239,666

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

Receivables

Type of Impairment Assessment		December 31, 2017		June 30, 2017	
		Accounts Receivables	**Allowance for Credit Losses**	**Accounts Receivables**	**Allowance for Credit Losses**
With objective evidence of impairment	Individually assessed for impairment	$ 421,691	$ 280,181	$ 398,336	$ 57,867
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed for impairment	22,276,814	365,177	20,783,510	510,682

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

d. Liquidity risk

1) Source and definition of liquidity risk

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

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

2) Management strategy and principles of liquidity risk

   a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Bank'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 Bank 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 Bank'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 Bank 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 June 30, 2018, December 31, 2017 and June 30, 2017, the liquidity reserve ratio was 40.27%, 37.37% and 39.61%, respectively.

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

June 30, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	$ 53,424,797	$ 10,982,216	$ -	$ -	$ -	$ 64,407,013
Financial liabilities at fair value through profit or loss	4,100	-	-	-	-	4,100
Securities sold under agreements to repurchase	114,885,060	32,916,220	676,869	27,515	-	148,505,664
Accounts payable	2,129,957	231,188	2,218,647	577,930	1,041,948	6,199,670
Deposits	51,703,359	78,756,142	46,018,491	31,443,542	23,866,531	231,788,065
Financial bonds	-	950,000	3,350,000	-	17,850,000	22,150,000
Other financial liabilities	6,241,644	2,228,383	1,328,916	4,538,569	5,714,883	20,052,395
	$ 228,388,917	$ 126,064,149	$ 53,592,923	$ 36,587,556	$ 48,473,362	$ 493,106,907

December 31, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	$ 41,967,101	$ 11,065,538	$ -	$ -	$ -	$ 53,032,639
Financial liabilities at fair value through profit or loss	7,245	-	-	-	-	7,245
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

June 30, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	$ 46,344,693	$ 10,668,064	$ 608,804	$ -	$ -	$ 57,621,561
Financial liabilities at fair value through profit or loss	311,655	211,892	260,853	162,611	186,262	1,133,273
Securities sold under agreements to repurchase	145,910,571	26,684,499	647,593	157,951	-	173,400,614
Accounts payable	3,260,513	107,899	1,132,644	514,287	1,150,904	6,166,247
Deposits	39,614,763	59,980,830	43,423,527	26,332,035	18,763,322	188,114,477
Financial bonds	-	-	-	-	16,650,000	16,650,000
Other financial liabilities	10,039,270	1,365,000	376,667	690,998	8,388,595	20,860,530
	$ 245,481,465	$ 99,018,184	$ 46,450,088	$ 27,857,882	$ 45,139,083	$ 463,946,702

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

June 30, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Foreign forward contracts	$ 7,985	$ -	$ 19,320	$ 3,854	$ -	$ 31,159
Foreign currency swap contracts	355,900	155,805	211,265	332,872	-	1,055,842
Others	4,145	-	-	-	-	4,145
	368,030	155,805	230,585	336,726	-	1,091,146
Non-deliverable						
Interest rate swap contracts	2,714	1,364	1,027	10,173	131,631	146,909
	$ 370,744	$ 157,169	$ 231,612	$ 346,899	$ 131,631	$ 1,238,055

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

June 30, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	$ 53,503	$ 12,306	$ 216,945	$ 36,326	$ -	$ 319,080
Currency swap contracts	250,651	165,325	43,908	126,285	300	586,469
Commercial paper contracts	-	4,648	-	-	-	4,648
Selling foreign currency option contracts	31,875	29,612	-	-	-	61,487
Others	964	-	-	-	-	964
	336,993	211,891	260,853	162,611	300	972,648
Non-deliverable						
Interest rate swap contracts	-	-	-	-	140,533	140,533
	$ 336,993	$ 211,891	$ 260,853	$ 162,611	$ 140,833	$ 1,113,181

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.

June 30, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 931,241	$ 1,180,492	$ 196,085	$ 15,228	$ -	$ 2,323,046
Other guarantee amounts	46,105,600	62,469,731	6,583,158	2,466,567	70,479	117,695,535
Agreed financing amount	1,743,393	1,989,100	2,983,649	5,967,299	39,633,340	52,316,781
	$ 48,780,234	$ 65,639,323	$ 9,762,892	$ 8,449,094	$ 39,703,819	$ 172,335,362

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

June 30, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 947,670	$ 1,121,209	$ 121,759	$ -	$ 16,928	$ 2,207,566
Other guarantee amounts	31,096,500	65,681,267	5,807,346	2,717,672	308,404	105,611,189
Agreed financing amount	1,733,760	2,147,519	3,221,279	6,442,557	36,261,252	49,806,367
	$ 33,777,930	$ 68,949,995	$ 9,150,384	$ 9,160,229	$ 36,586,584	$ 157,625,122

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and process

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

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

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

3) Market risk management organization and framework

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

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

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

4) Market risk report and evaluation system

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

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

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

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

5) Value at risk

The Bank adopts Value at Risk (VaR) to evaluate the market risk of financial instruments related to currency exchange rate, NTD interest rate, and price of listed stock. VaR is the potential loss in market values of financial instruments held by the Bank, which is measured within a set confidence interval for a specified period. The Bank estimated VaR on the basis of Monte Carlo method, with 99% confidence interval. The sample period of currency exchange rate products and stock is past 1 year. The sample period of interest rate products is past 3 years. The Bank simulates 5,000 times with GBM model. The table below presents VaR of financial instruments, which is according to confidence interval, using estimation of potential loss amount in a day to assume possible fluctuation in market during a day under unfavorable changes in interest rates 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.

<u>O-Bank</u>

	June 30, 2018			**December 31, 2017**			**June 30, 2017**		
	Average	**High**	**Low**	**Average**	**High**	**Low**	**Average**	**High**	**Low**
Currency exchange rate risk	$ 1,114	$ 3,300	$ 105	$ 2,150	$ 8,317	$ 86	$ 2,412	$ 8,317	$ 220
Fair value risk resulting from interest rate	2,991	8,991	-	1,896	13,446	-	2,001	13,446	-
Fair value resulting from stock price	10,320	14,004	4,915	10,439	18,766	4,039	12,645	18,766	4,039

6) Foreign currency rate risk information

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

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

	June 30, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 2,756,870	30.50611	$ 84,101,366
JPY	1,450,367	0.27553	399,623
HKD	7,551,543	3.88837	29,363,200
EUR	16,616	35.47339	589,426
AUD	1,642	22.54934	37,026
RMB	2,909,677	4.60311	13,393,578
Financial liabilities			
Monetary item			
USD	3,622,675	30.50611	110,513,705
JPY	758,572	0.27553	209,011
HKD	5,280,369	3.88837	20,532,033
EUR	8,443	35.47339	299,502
AUD	8,355	22.54934	188,400
RMB	2,399,947	4.60311	11,047,233

	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

	June 30, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary item			
USD	$ 2,869,088	30.4398	$ 87,334,568
JPY	1,081,030	0.2716	293,602
HKD	4,740,801	3.8992	18,485,558
EUR	22,646	34.7121	786,090
AUD	2,359	23.3621	55,112
RMB	2,956,427	4.4863	13,263,542
<u>Financial liabilities</u>			
Monetary item			
USD	3,375,630	30.4398	102,753,619
JPY	872,362	0.2716	236,929
HKD	5,002,853	3.8992	19,507,364
EUR	13,922	34.7121	483,261
AUD	7,797	23.3621	182,154
RMB	1,894,598	4.4863	8,499,814

f. Bank book interest risk

1) Source and definition of bank book interest risk

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

2) Bank book interest risk management strategy and process

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

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

3) Bank book interest risk management organization and framework

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

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

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

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

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

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

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

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

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

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

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	For the Six Months Ended June 30			
	2018		2017	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
Interest-earning assets				
Cash and cash equivalents - due from banks	$ 828,792	2.27	$ 717,503	1.23
Call loans to banks	8,756,555	1.34	6,153,016	0.80
Due from the Central Bank	3,989,875	0.64	3,160,372	0.71
Financial assets at fair value through profit or loss	40,633,607	0.59	37,426,970	0.56
Securities purchased under resell agreements	403,915	0.18	91,005	0.14
Discounts and loans	172,248,696	2.46	145,263,754	2.23
Available-for-sale financial assets	-	-	31,828,394	1.54
Held-to-maturity financial assets	-	-	1,146,662	0.91
Financial assets at fair value through other comprehensive income	44,090,342	1.51	-	-
Financial assets at amortized costs	499,846	1.14	-	-
Receivables	3,739,279	1.16	3,203,376	1,16

(Continued)

	For the Six Months Ended June 30			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-bearing liabilities				
Deposits from the Central Bank and banks	$ 39,140,670	1.45	$ 35,341,997	1.13
Demand deposits	37,486,433	0.47	22,337,613	0.31
Time deposits	160,245,462	1.05	138,711,314	0.82
Securities sold under repurchase agreements	6,476,108	0.93	2,497,392	0.44
Bank debentures	20,419,337	2.05	17,096,409	2.01
Other financial liabilities	5,331,458	-	5,334,953	-

(Concluded)

China Bills Finance Corporation (CBF)

	For the Six Months Ended June 30			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents (including certificate of deposit)	$ 825,180	0.21	$ 783,644	0.08
Call loans to banks	12,928	0.22	42,575	3.28
Financial assets at fair value through profit or loss - bonds and bills	95,334,957	0.56	97,404,046	0.58
Financial assets at fair value through other comprehensive income-bond investment	96,388,286	1.33	-	-
Available-for-sale financial assets - bond investment	-	-	94,063,752	1.32
Financial assets at fair value through profit or loss - mixed financial assets	6,683,629	1.46	-	-
Financial assets designated at fair value through profit or loss-bond investment	-	-	9,505,727	1.61
Securities purchased under resell agreements	5,346,592	0.34	1,891,997	0.34
Interest-bearing liabilities				
Due to other banks	17,788,545	0.54	18,188,518	0.44
Bank overdrafts	1,634	1.75	6,592	1.75
Securities (bills and bonds) sold under repurchase agreements	163,541,365	0.49	159,496,053	0.43

49. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Bank'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.

c. Capital adequacy ratio

O-Bank

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

Items / **Year**			**June 30, 2018**	
			Own Capital Adequacy Ratio	**Consolidated Capital Adequacy Ratio**
Eligible capital	Common stocks equity Tier 1		$ 21,098,876	$ 40,320,992
	Other Tier 1 capital		-	-
	Tier 2 capital		4,899,002	7,925,917
	Eligible capital		25,997,878	48,246,909
Risk-weighted assets	Credit risk	Standard	189,556,826	298,248,420
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	7,422,913	8,580,350
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	6,757,200	73,307,813
		Internal model approach	-	-
	Total risk-weighted assets		203,736,939	380,136,583
Capital adequacy ratio			12.76%	12.69%
Ratio of common stockholders' equity to risk-weighted assets			10.36%	10.61%
Ratio of Tier 1 capital to risk-weighted assets			10.36%	10.61%
Leverage ratio			6.49%	6.49%

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

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

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

Items / Year			June 30, 2017	
			Own Capital Adequacy Ratio	**Consolidated Capital Adequacy Ratio**
Eligible capital	Common stocks equity Tier 1		$ 20,556,991	$ 39,446,279
	Other Tier 1 capital		-	-
	Tier 2 capital		3,633,749	6,862,743
	Eligible capital		24,190,740	46,309,022
Risk-weighted assets	Credit risk	Standard	172,668,952	279,308,974
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	6,946,513	8,216,913
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	5,030,838	64,351,588
		Internal model approach	-	-
	Total risk-weighted assets		184,646,303	351,877,475
Capital adequacy ratio			13.10%	13.16%
Ratio of common stockholders' equity to risk-weighted assets			11.13%	11.21%
Ratio of Tier 1 capital to risk-weighted assets			11.13%	11.21%
Leverage ratio			7.54%	6.85%

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks."

Note 2: Formulas used were as follows:

1) Eligible capital = Common stock equity Tier 1 + Other Tier 1 capital + Tier 2 capital.

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of common stockholders' equity to risk-weighted assets = Common stock equity Tier 1 ÷ Risk-weighted assets.

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

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

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

China Bills Finance Corporation

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

Items	**Year**	**June 30, 2018**	**June 30, 2017**
Eligible capital	Tier 1 capital	$ 22,084,578	$ 21,682,363
	Tier 2 capital	-	237,046
	Tier 3 capital	203,969	230,993
	Eligible capital	22,288,547	22,150,402
Risk-weighted assets	Credit risk	110,647,816	107,721,259
	Operational risk	4,145,623	4,008,287
	Market risk	58,541,646	60,785,248
	Total risk-weighted assets	173,335,085	172,514,794
Capital adequacy ratio (Note 1)		12.86%	12.84%
Ratio of Tier 1 capital to risk-weighted assets (Note 1)		12.74%	12.57%
Ratio of Tier 2 capital to risk-weighted assets (Note 1)		-	0.14%
Ratio of Tier 3 capital to risk-weighted assets (Note 1)		0.12%	0.13%
Ratio of common stockholders' equity to total assets (Note 1)		6.80%	6.36%

Note:

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

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

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

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

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

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 4.

2) Concentration of credit extensions

June 30, 2018

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (unclassified other financial service)	$ 7,466,896	25.89
2	B Company (unclassified other financial service)	4,200,000	14.56
3	C Company (LCD and component manufacturing)	3,888,238	13.48
4	D Company (ocean transportation)	3,450,950	11.97
5	E Company (real estate development)	2,996,930	10.39
6	F Company (real estate development)	2,601,183	9.02
7	G Company (real estate development)	2,460,096	8.53
8	H Company (real estate development)	2,093,726	7.26
9	I Company (paper manufacturing)	2,069,174	7.17
10	J Company (real estate development)	2,033,406	7.05

December 31, 2017

(In Thousands of New Taiwan Dollars or in %)

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

June 30, 2017

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (unclassified other financial service)	$ 5,731,813	19.58
2	D Company (ocean transportation)	3,836,660	13.11
3	C Company (LCD and component manufacturing)	3,732,184	12.75
4	G Company (real estate development)	3,449,341	11.78
5	I Company (paper manufacturing)	2,955,348	10.10
6	K Company (semiconductor packaging and testing)	2,568,037	8.77
7	L Company (artificial fiber textile industry)	2,427,926	8.29
7	J Company (real estate development)	2,236,528	7.64
9	H Company (real estate development)	2,153,860	7.36
10	F Company (real estate development)	1,974,217	6.74

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
June 30, 2018

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 149,022,811	$ 8,830,775	$ 9,280,340	$ 47,342,709	$ 214,476,635
Interest rate-sensitive liabilities	76,392,920	56,416,867	29,261,796	44,753,396	206,824,979
Interest rate-sensitive gap	72,629,891	(47,586,092)	(19,981,456)	2,589,313	7,651,656
Net worth					26,683,464
Ratio of interest rate-sensitive assets to liabilities					103.70%
Ratio of interest rate sensitivity gap to net worth					28.68%

December 31, 2017

(In Thousands of New Taiwan Dollars or in %)

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

June 30, 2017

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 112,695,072	$ 12,932,807	$ 23,955,412	$ 25,953,802	$ 175,537,093
Interest rate-sensitive liabilities	68,487,830	40,815,433	20,550,143	38,360,888	168,214,294
Interest rate-sensitive gap	44,207,242	(27,882,626)	3,405,269	(12,407,086)	7,322,799
Net worth					27,983,962
Ratio of interest rate-sensitive assets to liabilities					104.35%
Ratio of interest rate sensitivity gap to net worth					26.17%

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)
June 30, 2018

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

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,504,570	$ 29,810	$ 7,457	$ 1,022,197	$ 2,564,034
Interest rate-sensitive liabilities	2,006,865	440,142	59,027	600	2,506,634
Interest rate-sensitive gap	(502,295)	(410,332)	(51,570)	1,021,597	57,400
Net worth					58,076
Ratio of interest rate-sensitive assets to liabilities					102.29%
Ratio of interest rate sensitivity gap to net worth					98.84%

December 31, 2017

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

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

June 30, 2017

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

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,587,187	$ 64,732	$ 5,236	$ 523,491	$ 2,180,646
Interest rate-sensitive liabilities	1,613,520	502,174	95,500	4,320	2,215,514
Interest rate-sensitive gap	(26,333)	(437,442)	(90,264)	519,171	(34,868)
Net worth					35,656
Ratio of interest rate-sensitive assets to liabilities					98.43%
Ratio of interest rate sensitivity gap to net worth					(97.79%)

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

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

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

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

c. Liquidity risk

1) Profitability

(In %)

Items		For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Return on total assets	Before income tax	0.22	0.31
	After income tax	0.17	0.28
Return on equity	Before income tax	2.28	2.87
	After income tax	1.76	2.55
Net income ratio		21.86	32.45

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

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

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

Note 4: Income before (after) income tax represents income for the six months ended June 30, 2018 and 2017.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
June 30, 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	$ 263,036,871	$ 59,490,039	$ 22,542,914	$ 25,089,887	$ 24,125,480	$ 25,378,678	$ 106,409,873
Main capital outflow on maturity	293,715,374	30,142,835	25,973,908	62,914,661	50,011,276	44,149,291	80,523,403
Gap	(30,678,503)	29,347,204	(3,430,994)	(37,824,774)	(25,885,796)	(18,770,613)	25,886,470

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

June 30, 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	$ 236,897,416	$ 49,128,718	$ 21,991,706	$ 29,947,282	$ 17,947,651	$ 26,666,025	$ 91,216,034
Main capital outflow on maturity	267,994,761	30,021,232	25,001,560	57,694,095	46,920,300	32,008,420	76,349,154
Gap	(31,097,345)	19,107,486	(3,009,854)	(27,746,813)	(28,972,649)	(5,342,395)	14,866,880

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
June 30, 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	$ 4,207,477	$ 1,317,283	$ 759,674	$ 730,294	$ 498,782	$ 901,444
Main capital outflow on maturity	4,528,118	1,736,320	1,301,111	544,939	403,429	542,319
Gap	(320,641)	(419,037)	(541,437)	185,355	95,353	359,125

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

June 30, 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	$ 4,364,648	$ 1,336,892	$ 1,005,503	$ 851,712	$ 290,171	$ 880,370
Main capital outflow on maturity	4,833,432	1,791,890	1,357,985	651,932	382,980	648,645
Gap	(468,784)	(454,998)	(352,482)	199,780	(92,809)	231,725

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)
June 30, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,093,550	$ 391,114	$ 214,463	$ 84,970	$ 87,463	$ 315,540
Main capital outflow on maturity	1,148,007	463,593	376,596	56,673	57,269	193,876
Gap	(54,457)	(72,479)	(162,133)	28,297	30,194	121,664

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

June 30, 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	$ 966,964	$ 297,553	$ 132,440	$ 139,632	$ 67,503	$ 329,836
Main capital outflow on maturity	1,039,248	326,090	351,243	126,191	49,827	185,897
Gap	(72,284)	(28,537)	(218,803)	13,441	17,676	143,939

China Bills Finance Corporation

a. Asset quality

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

Item \ Period	June 30, 2018	December 31, 2017	June 30, 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	1,051,583	1,001,604	995,171
Actual provision for credit losses and reserve for losses on guarantees	1,310,077	1,429,477	1,429,477

b. The principal operation

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

Item \ Period	June 30, 2018	December 31, 2017	June 30, 2017
Balance of guarantees and endorsement securities	$ 104,996,400	$ 99,741,800	$ 99,084,500
Ratio of guarantees and endorsement securities to net worth (Note)	4.79	4.72	4.69
Short-term bills and bonds sold under agreement to repurchase	$ 143,799,054	$ 174,073,575	$ 163,509,340
Ratio of short-term bills and bonds sold under agreement to repurchase to net worth (Note)	6.57	8.24	7.74

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. For the provision policy losses and allowance for doubtful accounts, refer to Note 13.

d. Concentrations of credit extensions

(In Thousands of New Taiwan Dollars or in %)

Item \ Period	June 30, 2018		December 31, 2017		June 30, 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)	21.24		19.05		20.27	
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	35.05	1) Finance and insurance industry	31.07	1) Finance and insurance industry	33.97
	2) Manufacturing industry	23.15	2) Manufacturing industry	24.61	2) Manufacturing industry	23.33
	3) Real estate industry	22.65	3) Real estate industry	25.58	3) Real estate industry	23.90

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

June 30, 2018

(In Millions of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 87,422	$ 12,816	$ 10,118	$ 83,956	$ 194,312
Interest rate-sensitive liabilities	170,902	677	28	-	171,607
Interest rate-sensitive gap	(83,480)	12,139	10,090	83,956	22,705
Net worth					22,776
Ratio of interest rate-sensitive assets to liabilities (%)					113.23
Ratio of interest rate sensitivity gap to net worth (%)					99.69

December 31, 2017

(In Millions of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 106,487	$ 12,879	$ 8,817	$ 88,435	$ 216,618
Interest rate-sensitive liabilities	193,618	1,479	16	-	195,113
Interest rate-sensitive gap	(87,131)	11,400	8,801	88,435	21,505
Net worth					23,025
Ratio of interest rate-sensitive assets to liabilities (%)					111.02
Ratio of interest rate sensitivity gap to net worth (%)					93.40

June 30, 2017

(In Millions of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 99,358	$ 10,016	$ 10,903	$ 88,047	$ 208,324
Interest rate-sensitive liabilities	184,948	648	158	-	185,754
Interest rate-sensitive gap	(85,590)	9,368	10,745	88,047	22,570
Net worth					22,229
Ratio of interest rate-sensitive assets to liabilities (%)					112.15
Ratio of interest rate sensitivity gap to net worth (%)					101.53

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

June 30, 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	$ 41,714	$ 37,664	$ 7,678	$ -	$ -
	Bonds	200	1,373	5,138	10,118	83,956
	Due from banks	399	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	4,133	1,939	-	-	-
	Total	46,446	40,976	12,816	10,118	83,956
Cash provided by	Borrowing	27,899	-	-	-	-
	Securities sold under agreement to repurchase	110,637	32,366	677	28	-
	Eligible capital	-	-	-	-	22,776
	Total	138,536	32,366	677	28	22,776
Net cash flows		(92,090)	8,610	12,139	10,090	61,180
Accumulated cash flows		(92,090)	(83,480)	(71,341)	(61,251)	(71)

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)

June 30, 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	$ 40,173	$ 49,106	$ 4,285	$ 2,978	$ -
	Bonds	890	3,744	5,731	7,925	88,047
	Due from banks	324	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	4,621	500	-	-	-
	Total	46,008	53,350	10,016	10,903	88,047
Cash provided by	Borrowing	22,324	-	-	-	-
	Securities sold under agreement to repurchase	137,084	25,540	648	158	-
	Eligible capital	-	-	-	-	22,229
	Total	159,408	25,540	648	158	22,229
Net cash flows		(113,400)	27,810	9,368	10,745	65,818
Accumulated cash flows		(113,400)	(85,590)	(76,222)	(65,477)	341

g. Matters requiring special notation

(In Thousands of New Taiwan Dollars)

Causes	June 30, 2018	December 31, 2017	June 30, 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.

51. ADDITIONAL DISCLOSURES

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

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

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

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

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

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

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

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

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

9) Sale of nonperforming loans: None

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

11) Other significant transactions which may affect the decisions of users of 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.” Table 5 (attached)

13) Derivative instrument transactions: Note 8

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

52. OPERATING SEGMENT FINANCIAL INFORMATION

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

a. Bank: Business ruled by Banking Law Article 71.

b. Overseas: Overseas banking business.

c. Leasing: Leasing business.

d. Bills: Bills-related business approved by the competent authority.

e. Others: Other non-core businesses

The following was an analysis of the Bank's revenue and results by reportable segment.

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the six months ended June 30, 2018							
Net interest							
From unaffiliated segment	$ 1,103,149	$ 449,940	$ 365,332	$ 191,115	$ 25	$ -	$ 2,109,561
From other segment	(6,119)	-	333	1,243	4,543	-	-
	$ 1,097,030	$ 449,940	$ 365,665	$ 192,358	$ 4,568	$ -	$ 2,109,561
Net revenue other than interest							
From unaffiliated segment	$ 824,130	$ 29,178	$ 115,137	$ 803,632	$ (5,632)	$ -	$ 1,766,445
From other segment	23,380	-	-	-	-	(31,340)	(7,960)
	$ 847,510	$ 29,178	$ 115,137	$ 803,632	$ (5,632)	$ (31,340)	$ 1,758,485
Segment profit	$ 511,621	$ 173,504	$ 39,140	$ 722,288	$ (12,435)	$ (391,731)	$ 1,042,387
Identifiable assets	$ 319,691,465	$ 25,910,175	$ 15,440,783	$ 197,396,293	$ 1,249,570	$ (15,328,420)	$ 544,359,866
Total assets							$ 544,359,866
Depreciation and amortization	$ 185,627	$ 8,470	$ 8,451	$ 4,173	$ 105	$ -	$ 206,826
Capital expenditures	$ 113,968	$ 29,965	$ 3,048	$ 525	$ 5	$ -	$ 147,511
For the six months ended June 30, 2017							
Net interest							
From unaffiliated segment	$ 958,438	$ 426,784	$ 317,702	$ 228,244	$ (4,139)	$ -	$ 1,927,029
From other segment	(7,845)	-	333	6,413	4,543	8,331	11,775
	$ 950,593	$ 426,784	$ 318,035	$ 234,657	$ 404	$ 8,331	$ 1,938,804
Net revenue other than interest							
From unaffiliated segment	$ 904,303	$ 54,825	$ 175,060	$ 795,062	$ 9,684	$ -	$ 1,938,934
From other segment	26,823	-	-	-	-	(33,172)	(6,349)
	$ 931,126	$ 54,825	$ 175,060	$ 795,062	$ 9,684	$ (33,172)	$ 1,932,585
Segment profit	$ 746,474	$ 145,627	$ 88,579	$ 658,188	$ 1,227	$ (401,746)	$ 1,238,349
Identifiable assets	$ 276,755,552	$ 26,585,493	$ 15,146,672	$ 211,210,104	$ 1,287,689	$ (17,512,314)	$ 513,473,196
Total assets							$ 513,473,196
Depreciation and amortization	$ 90,284	$ 8,664	$ 9,666	$ 4,355	$ 93	$ -	$ 113,062
Capital expenditures	$ 303,497	$ 24,452	$ 2,407	$ 3,818	$ 45	$ -	$ 334,219

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 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	Jiin Ming Industry Co., Ltd.	Account receivable - short-term accommodations	No	$ 40,000	$ -	$ -	2-8	2	$ -	Working capital turnover	$ -	-	$ -	$ 200,679	$ 802,715	
		Shang Sheng Construction Corp.	Account receivable - short-term accommodations	No	90,000	-	-	2-8	2	-	Working capital turnover	-	-	-	200,679	802,715	
		Da Peng Electronic Industry Co., Ltd.	Account receivable - short-term accommodations	No	30,000	-	-	2-8	2	-	Working capital turnover	-	Margin	12,000	200,679	802,715	
		General Energy Solutions	Account receivable - short-term accommodations	No	15,730	9,141	9,141	2-8	2	-	Working capital turnover	103	Margin	2,000	200,679	802,715	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	23,591	16,017	16,017	2-8	1	30,000	Working capital turnover	232	Real estate	24,288	200,679	2,006,787	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	23,591	16,017	16,017	2-8	2	-	Working capital turnover	232	Real estate	24,288	200,679	802,715	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	33,968	17,310	17,310	2-8	1	50,000	Working capital turnover	49	Margin	7,500	200,679	2,006,787	
		San Rong Fisheries Corp.	Account receivable - short-term accommodations	No	20,952	18,225	18,225	2-8	2	-	Working capital turnover	5,290	Margin	5,000	200,679	802,715	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	30,000	19,054	19,054	2-8	2	-	Working capital turnover	276	-	-	200,679	802,715	
		Teroko Textile Corp.	Account receivable - short-term accommodations	No	46,667	23,333	23,333	2-8	2	-	Working capital turnover	490	Stock	-	200,679	802,715	
		Inhon International Corp.	Account receivable - short-term accommodations	No	47,506	32,398	32,398	2-8	2	-	Working capital turnover	829	Margin	10,000	200,679	802,715	
		General Energy Solutions	Account receivable - short-term accommodations	No	58,000	58,000	58,000	2-8	1	77,159	Working capital turnover	757	Margin	5,800	200,679	2,006,787	
		Kuang Ming Shipping Corp.	Account receivable - short-term accommodations	No	96,700	76,900	76,900	2-8	2	-	Working capital turnover	1,615	-	-	200,679	802,715	
		Power Home Construction	Account receivable - short-term accommodations	No	188,100	188,100	105,600	2-8	2	-	Working capital turnover	2,218	Real estate	231,671	200,679	802,715	
		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	200,679	802,715	
		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	200,679	802,715	
2	IBT International Leasing Corp.	Qiangsheng (Shanghai) Multimedia Co., Ltd.	Entrusted loans	No	64,488	64,488	-	6-16	2	-	Working capital turnover	-	Real estate and margin	62,540	187,877	751,507	
		San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	Yes	224,959	-	-	6-16	2	-	Working capital turnover	-	-	-	187,877	751,507	
		Shanghai Qiaoyou Garment Co., Ltd.	Entrusted loans	No	38,729	24,262	24,262	6-16	2	-	Working capital turnover	522	Real estate	26,758	187,877	751,507	
		Shanghai Kuang Di Entertainment Co., Ltd.	Entrusted loans	No	56,039	37,099	37,099	6-16	2	-	Working capital turnover	798	Real estate	42,995	187,877	751,507	
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	68,003	43,755	43,755	6-16	2	-	Working capital turnover	219	Real estate	92,932	187,877	751,507	
		Qing Dao Lian Sheng Industry Corp	Entrusted loans	Yes	184,252	184,252	184,252	6-16	2	-	Working capital turnover	3,961	Real estate	233,825	187,877	751,507	
3	IBT Tianjin International Leasing Corp.	San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	Yes	67,487	-	-	9-11	2	-	Working capital turnover	-	-	-	16,074	64,297	

(Continued)

Note 1: Explanation:

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

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

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

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

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.

(Concluded)

O-BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
1	IBT Leasing	IBT International Leasing Corp.	b	$ 16,054,304	$ 11,479,643	$ 11,479,643	$ 7,164,324	$ -	572.04	$ 24,081,456	No	No	Yes
2	IBT Leasing	IBT Tianjin International Leasing Corp.	c	16,054,304	4,528,366	3,886,429	229,011	-	193.66	24,081,456	No	No	Yes

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

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

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

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

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE SIX MONTHS ENDED JUNE 30, 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	June 30, 2018				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
IBT Holdings	Stocks							
	EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US$ 149,411	91.78	$ 149,411	
IBT Management Corp.	Open type beneficiary certificate							
	Taishin Ta-Chong Money Market Fund	-	Financial asset at fair value through profit or loss	750	10,618	-	10,618	
	Uni Money Market Fund	-	Financial asset at fair value through profit or loss	803	10,560	-	10,560	
	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at fair value through profit or loss	15,319	137,871	-	137,871	
	Stocks							
	Gatetech Technology Co., Ltd.	-	Financial asset at fair value through other comprehensive income	78	1,272	0.28	1,272	
IBT Leasing Co., Ltd.	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	1,878,768	100.00	1,878,768	
	IBT Tianjin International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	62,689	39.00	62,689	
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	417,080	100.00	417,080	
IBT VII Venture Capital Co., Ltd.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at fair value through profit or loss	14,000	126,000	-	126,000	
	New Applied Materials Co., Ltd.	-	Financial asset at fair value through profit or loss	300	5,290	6.19	5,290	
	Stocks							
	IBT Tianjin International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	98,052	61.00	98,052	
	EirGenix Co., Ltd.	-	Financial asset at fair value through profit or loss	788	27,903	1.30	27,903	
	TAIRX Corp.	-	Financial asset at fair value through profit or loss	1,842	42,329	3.11	42,329	
	Meridigen Corp.	-	Financial asset at fair value through profit or loss	1,000	20,801	1.44	20,801	
	Femcosteel Tech Co., Ltd.	-	Financial asset at fair value through profit or loss	1,498	28,751	4.49	28,751	
	Shihlian China Holdings Corp.	-	Financial asset at fair value through profit or loss	9,135 (Note)	36,187	0.04	36,187	

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

O-BANK AND SUBSIDIARIES

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE
JUNE 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars or in %)

Period			June 30, 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	$ 73,480,398	0.03	$ 865,316	4,001.83	$ 415,307	$ 68,463,348	0.61	$ 814,680	196.16
	Unsecured		112,438	98,151,390	0.11	1,504,030	1,337.65	-	91,147,921	-	1,520,555	-
Consumer banking	Housing mortgage (Note 4)		-	6,006,219	-	90,093	-	-	5,001,783	-	75,027	-
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans		1,124	1,762,013	0.06	17,790	1,581.33	135	559,979	0.02	5,627	4,168.15
	Other	Secured	-	-	-	-	-	-	-	-	-	-
		Unsecured	-	-	-	-	-	-	-	-	-	-
Total lending business			135,185	179,400,020	0.08	2,477,229	1,832.46	415,442	165,173,031	0.25	2,415,889	581.52
			Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			-	-	-	-	-	-	-	-	-	-
Factored accounts receivable without recourse (Note 5)			-	3,992,858	-	43,969	-	-	4,592,967	-	51,390	-

	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Account Receivable	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Account Receivable
Exempt amount - due to debt negotiation and performance (Note 6)	$ -	$ -	$ -	$ -
Debt settlement plan and rehabilitative program (Note 7)	2,721	-	816	-
Total	2,721	-	816	-

Period			June 30, 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	$ 61,891,745	0.90	$ 721,359	129.90
	Unsecured		-	91,934,953	-	1,552,091	-
Consumer banking	Housing mortgage (Note 4)		-	610,451	-	9,157	-
	Cash card		-	-	-	-	-
	Small-scale credit loans		-	186,768	-	1,867	-
	Other	Secured	-	-	-	-	-
		Unsecured	-	-	-	-	-
Total lending business			555,306	154,623,917	0.36	2,284,474	411.39
			Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			-	-	-	-	-
Factored accounts receivable without recourse (Note 5)			-	3,125,199	-	37,632	-

(Continued)

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

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

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

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

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

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

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

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

(Concluded)

O-BANK AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
						Stocks (Thousands)	Pro-forma Share of Ownership	Total		
								Stocks (Thousands)	Percentage of Ownership (%)	
Financial institution										
Investments accounted for using the equity method										
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	$ 6,394,170	$ 204,904	382,532	-	382,532	28.48	
IBT Holdings Corp.	California, America	Holding company	100.00	4,742,477	159,181	10,869	-	10,869	100.00	
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	2,006,788	39,141	264,300	-	264,300	100.00	
IBT Management Corp.	Taipei City, Taiwan	Investment consulting	100.00	222,072	(12,436)	13,400	-	13,400	100.00	
Non-financial institution										
Investments accounted for using the equity method										
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting	99.75	916,656	4,770	318,281	-	318,281	99.75	
Financial assets at FVTOCI										
Neo Solar Power Corporation	Hsinchu City, Taiwan	Solar industry	0.20	20,170	-	1,997	-	1,997	0.20	
Okbiotech Co., Ltd.	Hsinchu City, Taiwan	Biotech medical treatment	0.73	16,000	-	544	-	544	0.73	
Formosa Plastics Corporation	Kaohsiung City, Taiwan	Nonmetal mining	0.01	78,750	-	700	-	700	0.01	
Formosa Chemicals & Fiber Corporation	Changhua City, Taiwan	Chemical industry	0.02	170,100	-	1,400	-	1,400	0.02	
Kung Lung Batteries Industrial.	Nantou City, Taiwan	Chemical petroleum material manufacturing	0.20	23,200	-	160	-	160	0.20	
Catcher Technology Co., Ltd.	Tainan City, Taiwan	Computer and peripheral equipment manufacturing	0.04	104,688	-	307	-	307	0.04	
Taiwan Semiconductor Manufacturing Company, Limited	Hsinchu City, Taiwan	Integrated circuit manufacturing	-	121,240	-	563	-	563	-	
Formosa Petrochemical Co., Ltd.	Taipei City, Taiwan	Chemical industry	-	24,500	-	200	-	200	-	
Hon Hai Precision Ind. Co., Ltd.	New Taipei City, Taiwan	Electronic component manufacturing	-	20,800	-	255	-	255	-	
Chunghwa Telecom Co., Ltd.	Taipei City, Taiwan	Telecommunication	0.01	55,000	-	506	-	506	0.01	
Novatech Microelectronics Corp.	Hsinchu City, Taiwan	Semiconductor	0.03	27,500	-	200	-	200	0.03	
Taiwan Mobile Co., Ltd.	Taipei City, Taiwan	Telecommunication	0.02	59,228	-	536	-	536	0.02	
Brave C&H Supply Co., Ltd.	Taoyuan City, Taiwan	Steel board printing	1.53	14,741	-	465	-	465	1.53	
Vanguard International Semiconductor Corporation	Hsinchu City, Taiwan	Electronic component manufacturing	0.03	39,088	-	560	-	560	0.03	
Reber Genetics Co., Ltd.	Taipei City, Taiwan	Biotech research and development	3.13	25,262	-	3,481	-	3,481	4.69	
TTBIO Corp.	Taichung City, Taiwan	Medical equipment manufacturing	7.48	56,998	-	1,799	-	1,799	7.48	
Nanpao Resins Co., Ltd.	Tainan City, Taiwan	Manufacture and sale of synthetic resin	0.16	25,058	-	179	-	179	0.16	
Thevax Genetics Vaccine Co., Ltd.	Taipei City, Taiwan	Cancer vaccine development	1.09	39,110	-	1,008	-	1,008	1.09	
Mosa Industrial Corporation	Yunlin County, Taiwan	Equipment manufacturing	1.36	81,064	-	2,114	-	2,114	1.36	
TaiRx	Taipei City, Taiwan	Biotech research and development	4.83	74,708	-	3,251	-	3,251	4.83	
Progate Group Corporation	Taipei City, Taiwan	Wholesale of electronic materials	4.35	20,656	-	1,444	-	1,444	4.35	
Intumit Inc.	New Taipei City, Taiwan	Information system wholesaler and retailer	5.36	12,369	-	1,385	-	1,385	8.42	
Chipwell Tech Corporation	Hsinchu City, Taiwan	Electronic component manufacturing	2.61	4,479	-	391	-	391	2.61	
Knowledge Freeway Co., Ltd.	Taipei City, Taiwan	Information system wholesaler and retailer	19.20	13,186	-	1,251	-	1,251	25.02	

(Continued)

Investee Company	Location	Main Business	Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
						Stocks (Thousands)	Pro-forma Share of Ownership	Total		
								Stocks (Thousands)	Percentage of Ownership (%)	
Financial assets at FVTOCI										
ADL Engineering Co., Ltd.	Hsinchu County, Taiwan	Electronic component manufacturing	0.09	$ 144	$ -	19	-	19	0.09	
Ori Vita Bio Application, Inc.	New Taipei City, Taiwan	Biological-technology service industry	2.03	39,143	-	4,152	-	4,152	2.03	
Parawin Venture Capital Corp.	Taipei City, Taiwan	Venture capital	5.00	13,320	-	2,187	-	2,187	5.00	
Krom Electronics Co., Ltd.	Taipei City, Taiwan	Computer and electronic component manufacturing	0.93	4,179	-	311	-	311	0.93	
Luminous Town Electric Co., Ltd.	Kaohsiung County, Taiwan	Electronic component manufacturing	0.90	13,180	-	601	-	601	0.90	
Taiwan Hi-Tech Corp.	Hsinchu City, Taiwan	Electronic component manufacturing	2.19	10,707	-	1,000	-	1,000	2.19	
Gatetech Technology Inc.	Taoyuan City, Taiwan	Precision casting and seller	1.60	10,553	-	701	-	701	1.60	
Echem Solutions Corp.	Taoyuan City, Taiwan	Wholesale of electronic materials	0.99	8,879	-	504	-	504	0.99	
Joyin Co., Ltd.	Taipei City, Taiwan	Electronic component manufacturing	3.83	32,366	-	2,492	-	2,492	3.83	
Nisho Image Tech, Inc.	New Taipei City, Taiwan	L.E.D. printer output	0.91	1,801	-	410	-	410	0.91	
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry	0.50	1,931	-	300	-	300	0.50	
Biotechnology Development Fund II	America	Venture capital	-	3,968	-	-	-	-	-	
Anchor Semiconductor, Inc.	America	Software development	3.09	41,694	-	1,000	-	1,000	3.09	
Shihlien China Holding Co., Ltd.	Hong Kong	Chemical Industries	1.39	206,702	-	52,182	-	52,182	1.39	
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	52,281	-	6,997	-	6,997	8.82	
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	62,275	-	244	-	244	2.18	
BioResource International Inc.	America	Agricultural biotechnology industry	5.72	73,282	-	1,105	-	1,105	5.72	
Topping Cuisine International Holdings Limited	Cayman Island	Retail restaurant management	2.17	28,815	-	500	-	500	2.17	
Beauty Essentials International Ltd. (Samoa)	Samoa	Cosmetic products wholesale	2.41	56,238	-	25,974	-	25,974	2.41	

(Concluded)

TABLE 6

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(New Taiwan Dollars and U.S. Dollars in Thousands, Unless Stated Otherwise)

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018
					Outflow	Inflow					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 24,404,887 (US$ 800,000)	Note 1 c.	$ 210,431 (US$ 6,898)	$ -	$ -	$ 210,431 (US$ 6,898)	1.39	$ -	$ 210,431 (US$ 6,898)	$ -
Shinlien Brine Huaian Co.	Production of glass materials	976,195 (US$ 32,000)	Note 1 c.	10,159 (US$ 333)	-	-	10,159 (US$ 333)	1.39	-	10,159 (US$ 333)	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	585,717 (US$ 19,200)	Note 1 c.	69,951 (US$ 2,293)	-	-	69,951 (US$ 2,293)	2.09	-	69,951 (US$ 2,293)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	250,120 (RMB 54,300)	Note 1 c.	61,012 (US$ 2,000)	-	-	61,012 (US$ 2,000)	2.175	-	61,012 (US$ 2,000)	-
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	132,091 (US$ 4,330)	Note 1 c.	17,846 (US$ 585)	-	-	17,846 (US$ 585)	2.17	-	17,846 (US$ 585)	-
Topping Cuisine International Holding, Ltd.	Food retailing	158,632 (US$ 5,200)	Note 1 c.	17,846 (US$ 585)	-	-	17,846 (US$ 585)	2.17	-	17,846 (US$ 585)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,101 (US$ 200)	Note 1 c.	122 (US$ 4)	-	-	122 (US$ 4)	2.17	-	122 (US$ 4)	-
Beauty Essential International, Ltd.	Cosmetic retailing	91,518 (US$ 3,000)	Note 1 c.	23,978 (US$ 786)	-	-	23,978 (US$ 786)	2.64	-	23,978 (US$ 786)	-

Accumulated Investment in Mainland China as of June 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$411,345 (US$13,484)	$411,345 (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 June 30, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 1,372,775 (US$ 45,000)	Note 1 d.	$ 915,183 (US$ 30,000)	$ 457,592 (US$ 15,000)	$ -	$ 1,372,775 (US$ 45,000)	100.00	$ 164,284 (Note 2)	$ 1,878,768	$ -
IBT Tianjin International Leasing Corp. (Note 6)	Leasing	610,122 (US$ 20,000)	Note 1 d.	237,947 (US$ 7,800)	-	-	237,947 (US$ 7,800)	100.00 (Note 5)	(30,130) (Note 2)	62,689	-

Accumulated Investment in Mainland China as of June 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,610,722 (US$52,800)	$1,610,722 (US$52,800)	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 June 30, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018
					Outflow	Inflow					
IBT Tianjin International Leasing Corp.	Leasing	$ 610,122 (US$ 20,000)	Note 1 d.	$ 372,175 (US$ 12,200)	$ -	$ -	$ 372,175 (US$ 12,200)	61.00	$ (47,127) (Note 2)	$ 98,052	$ -

Accumulated Investment in Mainland China as of June 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$372,175 (US$12,200)	$372,175 (US$12,200)	$250,248

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

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

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

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

d. Direct investment in mainland China.

e. Others.

(Continued)

Note 2: Investment gain or loss.

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

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

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

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

Note 4: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial Bureau of the Ministry of Economic Affairs in line with the operational headquarters in November 2015, so it is not under “the regulation of investing or technology-cooperation in China”.

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

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

(Concluded)

O-BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE SIX MONTHS ENDED JUNE 30, 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	$ 717,465	Note 2	0.13
2	The Bank	Chun Teng New Century, IBTM, CBF, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Interest expense	6,119	Note 2	0.16
3	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited and IBTVC7	a	Accounts payable	1,029	Note 2	-
4	The Bank	CBF	a	Accounts receivable	270,497	Note 2	0.05
5	The Bank	IBTM and CBF	a	Other non-interest net gains	23,380	-	0.60
6	Chun Teng New Century	The Bank	b	Cash and cash equivalents	408,207	Note 2	0.07
7	Chun Teng New Century	The Bank	b	Accounts receivable	395	Note 2	-
8	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	2,297	-	0.06
9	Chun Teng New Century	IBT Leasing	c	Discontinued operations - other operation and administrative expenses	363	-	0.01
10	IBTM	The Bank	b	Accounts receivable	8	Note 2	-
11	IBTM	The Bank	b	Cash and cash equivalents	58,060	Note 2	0.01
12	IBTM	The Bank	b	Interest revenue	351	Note 2	0.01
13	IBTM	The Bank	b	Other operating and administrative expenses	464	-	0.01
14	IBTM	IBTVC7	c	Other non-interest net gains	7,598	Note 2	0.20
15	CBF	The Bank	b	Variation of fair value from financial assets	1,243	Note 2	0.03
16	CBF	The Bank	b	Accounts payable	270,497	Note 2	0.05
17	CBF	The Bank	b	Other operation and administrative expenses	22,917	-	0.59

(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	Cash and cash equivalents	$ 5,695	Note 2	-
19	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	18	Note 2	-
20	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	20	Note 2	-
21	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	244,687	Note 2	0.04
22	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	1,875	Note 2	0.05
23	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	609	Note 2	-
24	IBTL	The Bank	b	Cash and cash equivalents	544	Note 2	-
25	IBTL	The Bank	b	Interest revenue	107	Note 2	-
26	IBTVC7	The Bank	b	Cash and cash equivalents	271	Note 2	-
27	IBTVC7	The Bank	b	Interest revenue	226	Note 2	0.01
28	IBTVC7	The Bank	b	Accounts receivable	1	Note 2	-
29	IBTVC7	IBTM	c	Other operating and administrative expenses	7,598	-	0.20

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)