O-Bank Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank Co., Ltd.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, 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 financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the 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 financial statements for the year ended December 31, 2018 are as follows:

<u>Allowance for Credit Losses of Loans</u>

Concerning the accounting policy on the allowance for credit losses, refer to Note 4.5. to the accompanying financial statements; for the critical accounting judgments, estimates and appropriateness of assumptions of loan impairment, refer to Note 5.a. to the accompanying financial statements; and for the allowance for credit losses, refer to Note 12 to the accompanying financial statements.

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

In response to this key audit matter, we:

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

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

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

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

<u>Investments Accounted for Using the Equity Method - Assessment of Reserve for Guarantee Liabilities</u>

Concerning the accounting policy and instruction on the investments accounted for using the equity method, refer to Notes 4.4. and 14 to the accompanying financial statements.

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

The probability of guarantee obligations and the evaluation of expected losses generated by the aforementioned financial guarantee agreements are related to management’s objective judgment, material estimation assumptions (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.

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

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

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank 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 Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Bank'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 Bank'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 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 Bank to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2019

Notice to Readers

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

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

O-BANK CO., LTD.

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 41)	$ 3,670,225	1	$ 2,404,565	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	21,684,624	7	10,610,821	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 41)	53,820,259	16	44,703,932	15
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9 and 45)	48,889,287	15	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 41 and 45)	499,940	-	-	-
RECEIVABLES, NET (Notes 10 and 12)	6,842,372	2	5,891,803	2
CURRENT TAX ASSETS	82,212	-	54,922	-
DISCOUNTS AND LOANS, NET (Notes 11 and 12)	179,388,428	54	162,757,142	55
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 13)	-	-	48,598,498	17
HELD-TO-MATURITY FINANCIAL ASSETS (Note 41)	-	-	499,821	-
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Note 14)	14,120,402	4	14,219,590	5
OTHER FINANCIAL ASSETS (Note 15)	614,919	-	777,105	-
PROPERTY AND EQUIPMENT, NET (Note 16)	2,757,103	1	2,864,155	1
INTANGIBLE ASSETS, NET (Note 17)	1,274,262	-	1,248,176	-
DEFERRED TAX ASSETS (Note 37)	164,392	-	138,133	-
OTHER ASSETS (Notes 18 and 42)	531,695	-	251,373	-
TOTAL	$ 334,340,120	100	$ 295,020,036	100
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the Central Bank and banks (Note 19)	$ 28,984,872	9	$ 34,894,919	12
Financial liabilities at fair value through profit or loss (Note 8)	780,811	-	700,106	-
Notes and bonds issued under repurchase agreement (Note 20)	4,400,442	1	15,845,930	5
Payables (Note 21)	4,834,006	2	4,100,342	2
Current tax liabilities	-	-	91,977	-
Deposits and remittances (Notes 22 and 40)	240,461,299	72	183,021,391	62
Bank notes payable (Note 23)	17,850,000	5	20,400,000	7
Other financial liabilities (Note 24)	4,321,291	1	5,997,782	2
Provisions (Notes 12, 25 and 26)	328,048	-	241,454	-
Deferred income tax liabilities (Note 37)	333,990	-	215,911	-
Other liabilities (Note 27)	56,233	-	227,631	-
Total liabilities	302,350,992	90	265,737,443	90
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 28)				
Capital				
Common stock	24,130,063	7	24,130,063	8
Preferred stock	3,000,000	1	-	-
Total Capital	27,130,063	8	24,130,063	8
Capital surplus	8,503	-	7,730	-
Retained earnings				
Legal reserve	3,184,667	1	2,880,297	1
Special reserve	1,215,831	1	1,229,536	1
Unappropriated earnings	610,045	-	1,014,567	-
Total retained earnings	5,010,543	2	5,124,400	2
Other equity interest	(159,981)	-	20,400	-
Total equity	31,989,128	10	29,282,593	10
TOTAL	$ 334,340,120	100	$ 295,020,036	100

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

O-BANK CO., LTD.

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

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET INTEREST					
INTEREST INCOME (Note 29)	$ 5,505,554	116	$ 4,138,029	92	33
INTEREST EXPENSE (Notes 29 and 40)	(3,324,033)	(70)	(2,161,812)	(48)	54
Net interest revenue (expense)	2,181,521	46	1,976,217	44	10
NET REVENUE OTHER THAN INTEREST INCOME					
Net service fee revenue (Notes 30 and 40)	610,128	13	656,229	14	(7)
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (Note 31)	1,385,777	29	(540,380)	(12)	356
Realized gains on available-for-sale financial assets (Note 33)	-	-	394,922	9	(100)
Realized gains on financial assets at fair value through other comprehensive income (Note 32)	78,990	2	-	-	-
Foreign exchange gain (loss), net	(536,618)	(11)	1,244,443	28	(143)
Share of profit of associates and joint ventures accounted for using equity method (Note 14)	880,415	19	695,405	15	27
Other net revenue other than interest income (Note 40)	129,670	2	79,304	2	64
Net revenue other than interest	2,548,362	54	2,529,923	56	1
TOTAL NET REVENUE	4,729,883	100	4,506,140	100	5
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 12)	(453,038)	(9)	(534,168)	(12)	(15)
OPERATING EXPENSES					
Employee benefits expenses (Note 34)	1,633,518	35	1,571,449	35	4
Depreciation and amortization expense (Note 35)	382,934	8	265,925	6	44
Other general and administrative expense (Notes 36 and 40)	1,133,707	24	908,815	20	25
Total operating expenses	3,150,159	67	2,746,189	61	15

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O-BANK CO., LTD.

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

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	$ 1,126,686	24	$ 1,225,783	27	(8)
INCOME TAX EXPENSE (Note 37)	172,027	4	153,703	3	12
PROFIT	954,659	20	1,072,080	24	(11)
OTHER COMPREHENSIVE INCOME					
Components of other comprehensive income that will not be reclassified to profit or loss:					
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	(127,365)	(3)	-	-	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(30,934)	-	1,534	-	(2,117)
Gains (losses) on remeasurements of defined benefit plans	1,077	-	(9,983)	-	111
Components of other comprehensive income that will be reclassified to profit or loss:					
Exchange differences on translation	149,013	3	(467,600)	(10)	132
Unrealized gains on valuation of available-for-sale financial assets	-	-	45,889	1	(100)
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	-	-	97,052	2	(100)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(90,021)	(2)	-	-	-

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O-BANK CO., LTD.

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

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Revaluation losses on investments in debt instruments measured at fair value through other comprehensive income	$ (98,510)	(2)	$ -	-	-
Impairment losses on investments in debt instruments measured at fair value through other comprehensive income	(1,691)	-	-	-	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(25,553)	(1)	60,344	1	(142)
Other comprehensive income (loss) for the year, net of income tax	(223,984)	(5)	(272,764)	(6)	(18)
TOTAL COMPREHENSIVE INCOME	$ 730,675	15	$ 799,316	18	(9)
EARNINGS PER SHARE (Note 38)					
Basic	$0.40		$0.45		
Diluted	$0.40		$0.45		

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

O-BANK CO., LTD.

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

	Capital Stock (Notes 28 and 39)				Retained Earnings (Note 28)				Other Equity (Note 28)			
	Common Stocks (Thousands)	Preferred Stocks (Thousands)	Total	Capital Surplus (Notes 28 and 39)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Valuation of Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measures at Fair Value Through Other Comprehensive	Total Equity
BALANCE AT JANUARY 1, 2017	$ 23,905,063	$ -	$ 23,905,063	$ 3,193	$ 2,390,828	$ 1,173,293	$ 1,631,566	$ 5,195,687	$ 190,990	$ 93,725	$ -	$ 29,388,658
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)
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	1,072,080	1,072,080	-	-	-	1,072,080
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	(8,449)	(8,449)	(407,256)	142,941	-	(272,764)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	1,063,631	1,063,631	(407,256)	142,941	-	799,316
Issuance of shares	225,000	-	225,000	4,537	-	-	(49,064)	(49,064)	-	-	-	180,473
BALANCE AT DECEMBER 31, 2017	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536	1,014,567	5,124,400	(216,266)	236,666	-	29,282,593
Effect of retrospective application	-	-	-	-	-	-	(208,457)	(208,457)	-	(236,666)	144,112	(301,011)
BALANCE AT JANUARY 1, 2018	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536	806,110	4,915,943	(216,266)	-	144,112	28,981,582
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)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	-	465	-	-	-	-	-	-	-	465
Unclaimed dividends	-	-	-	308	-	-	-	-	-	-	-	308
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	954,659	954,659	-	-	-	954,659
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	2,405	2,405	123,460	-	(349,849)	(223,984)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	957,064	957,064	123,460	-	(349,849)	730,675
Issuance of shares	-	3,000,000	3,000,000	-	-	-	-	-	-	-	-	3,000,000
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(138,562)	(138,562)	-	-	138,562	-
BALANCE AT DECEMBER 31, 2018	$ 24,130,063	$ 3,000,000	$ 27,130,063	$ 8,503	$ 3,184,667	$ 1,215,831	$ 610,045	$ 5,010,543	$ (92,806)	$ -	$ (67,175)	$ 31,989,128

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

O-BANK CO., LTD.

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	$ 1,126,686	$ 1,225,783
Adjustments to reconcile profit (loss):		
Depreciation expense	160,032	140,217
Amortization expense	222,902	125,708
Expect credit losses/recognition of provisions	451,128	534,168
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(1,379,069)	540,380
Interest expense	3,324,033	2,161,812
Interest income	(5,505,554)	(4,138,029)
Dividends income	(57,555)	(62,979)
Net change in other provisions	983	-
Share-based payments	-	4,537
Share of profit of associates and joint ventures accounted for using equity method	(880,415)	(695,405)
Loss (gain) on disposal of property and equipment	20	(1,981)
Gain on disposal of investments	-	(333,015)
Changes in operating assets and liabilities:		
Increase in due from the Central Bank and call loans to banks	(1,663,780)	(2,187,491)
Increase in financial assets at fair value through profit or loss	(7,589,283)	(6,063,627)
Decrease in financial assets at fair value through other comprehensive income	135,478	-
Increase in receivables	(546,365)	(1,027,469)
Increase in discounts and loans	(17,210,345)	(19,294,207)
Decrease in deposits from the Central Bank and banks	(5,910,047)	(6,980,222)
Decrease in financial liabilities at fair value through profit or loss	-	(1,649,883)
(Decrease) increase in notes and bonds issued under repurchase agreement	(11,445,488)	13,754,181
Increase in payables	483,800	1,231,349
Increase in deposits and remittances	57,439,908	18,964,555
Decrease in provisions	(26,432)	(497)
Cash inflow (outflow) generated from operations	11,130,637	(3,752,115)
Interest received	5,272,750	4,123,792
Dividends received	57,555	75,678
Interest paid	(3,073,861)	(1,998,305)
Income taxes paid	(201,328)	(82,988)
Net cash flows from (used in) operating activities	13,185,753	(1,633,938)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated at fair value through profit or loss	-	(2,411,318)
Proceeds from disposal of financial assets designated at fair value through profit or loss	-	2,718,595
Acquisition of available-for-sale financial assets	-	(46,904,340)

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O-BANK CO., LTD.

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

	2018	2017
Proceeds from disposal of available-for-sale financial assets	$ -	$ 30,489,987
Proceeds from repayments of held-to-maturity financial assets	-	5,045,000
Proceeds from disposal of financial assets at cost	-	78,123
Proceeds from capital reduction of financial assets at cost	-	7,289
Proceeds from disposal of investments accounted for using equity method	4,945	11,839
Proceeds from capital reduction of investments accounted for using equity method	572,905	-
Acquisition of property and equipment	(231,412)	(446,141)
Proceeds from disposal of property and equipment	9,303	4,368
Decrease (increase) in refundable deposits	(263,871)	1,513,459
Acquisition of intangible assets	(164,254)	(178,436)
Increase in other financial assets	(614,919)	-
Increase in other assets	(16,451)	(7,165)
Dividends received	270,497	320,025
Net cash flows used in investing activities	(433,257)	(9,758,715)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuing bank notes payable	1,750,000	3,750,000
Repayments of bank notes payable	(4,300,000)	(800,000)
Increase in long-term debt	1,063,417	3,614,406
Repayments of long-term debt	(2,739,908)	(2,255,022)
Decrease in other financial liabilities	-	(10,423)
Decrease in other liabilities	(171,398)	55,265
Cash dividends paid	(723,902)	(1,085,854)
Proceeds from issuing shares	3,000,000	175,936
Net cash flows (used in) from financing activities	(2,121,791)	3,444,308
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	44,978	911,074
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,675,683	(7,037,271)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,806,518	13,843,789
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	$ 17,482,201	$ 6,806,518

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O-BANK CO., LTD.

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

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

	December 31	
	2018	**2017**
Cash and cash equivalents reported in the statement of financial position	$ 3,670,225	$ 2,404,565
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	13,811,976	4,401,953
Cash and cash equivalents at end of the year	$ 17,482,201	$ 6,806,518

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

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

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

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

As of December 31, 2018 and 2017, the Bank had 918 and 914 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board and authorized for issue on February 27, 2019.

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

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

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

- IFRS 9 "Financial Instruments" and related amendments

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

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Bank 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 Bank'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)	$ 539,473	$ 539,473	1)
Equity securities	Held-for-trading	Mandatorily at FVTPL	300,548	300,548	1)
	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	2,520,421	2,510,866	2)
	Measured at cost	Mandatorily at FVTPL	39,703	38,788	1)
	Measured at cost	FVTOCI - equity instruments	737,402	775,837	2)
Mutual funds	Held-for-trading	Mandatorily at FVTPL	19,440	19,440	1)
	Available-for-sale	Mandatorily at FVTPL	21,774	21,774	1)
Debt securities	Held-for-trading	Mandatorily at FVTPL	449,603	449,603	1)
	Available-for-sale	FVTOCI - debt instruments	46,056,303	46,056,303	2)
	Held-to-maturity	At amortized cost	499,821	499,821	3)
Negotiable certificates of deposit	Held-for-trading	Mandatorily at FVTPL	42,102,749	42,102,749	1)
Structured debt	Designated as at FVTPL	Mandatorily at FVTPL	590,880	590,880	1)
Convertible bonds	Designated as at FVTPL	Mandatorily at FVTPL	701,239	701,239	1)
Discounts and loans	Loans and receivables	At amortized cost	162,757,142	162,599,245	4)
Notes receivable, accounts receivable and other receivables	Loans and receivables	At amortized cost	5,891,803	5,891,709	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 FVTPL	$ 44,703,932	$ -	$ -	$ 44,703,932	$ -	$ -	
Add: From available-for-sale (IAS 39)	-	21,774	-	21,774	(11,025)	11,025	1)
Remeasurement of financial assets measured at cost (IAS 39)	-	39,703	(915)	38,788	(915)	-	1)
	44,703,932	61,477	(915)	44,764,494	(11,940)	11,025	
FVTOCI							
Debt instruments							
Add: From available-for-sale (IAS 39)	-	46,056,303	-	46,056,303	(12,717)	12,717	2)
Equity instruments							
Add: From available-for-sale (IAS 39)	-	2,520,421	(9,555)	2,510,866	5,118	(14,673)	2)
Add: Financial assets measured at cost (IAS 39)	-	737,402	38,435	775,837	167,598	(129,163)	2)
	-	49,314,126	28,880	49,343,006	159,999	(131,119)	
Amortized cost							
Add: From held-to-maturity (IAS 39)	-	499,821	-	499,821	-	-	3)
	44,703,932	49,875,424	27,965	94,607,321	148,059	(120,094)	
Discounts and loans, net	162,757,142	-	(157,897)	162,599,245	(157,897)	-	4)
Receivables, net	5,891,803	-	(94)	5,891,709	(94)	-	5)
Deferred tax assets	138,133	-	23,699	161,832	23,699	-	4), 5)
Provisions	241,454	-	80,966	322,420	(80,966)	-	6)
Investments accounted for using the equity method	14,219,590	-	(113,718)	14,105,872	(141,258)	27,540	
	$ 227,952,054	$ 49,875,424	$ (139,079)	$ 277,688,399	$ (208,457)	$ (92,554)	

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

   Stock investments in unlisted stocks, previously measured at cost under IAS 39, were classified as at FVTPL under IFRS 9 and were remeasured at fair value. Consequently, on January 1, 2018, a decrease of $915 thousand was recognized in both financial assets at FVTPL and retained earnings.

2) The Bank 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 Bank evaluated that the objective of the business model is achieved by both collecting contractual cash flows and the selling of financial assets. As a result, on January 1, 2018, the retrospective adjustment resulted in a decrease of $12,717 thousand in retained earnings and an increase of $12,717 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI.

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

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

Investments in unlisted stocks, previously measured at cost under IAS 39, have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, on January 1, 2018, an increase of $38,435 thousand was respectively recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI.

The Bank recognized impairment loss on certain investments in equity securities measured at cost under IAS 39, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, on January 1, 2018, an adjustment was made that resulted in an increase of $167,598 thousand in retained earnings and a decrease of $167,598 thousand in the carrying amount of the other equity - unrealized gain (loss) on financial assets at FVTOCI.

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

4) Discounts and loans that were previously classified as loans and receivables under IAS 39 were classified as financial assets measured at cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, on January 1, 2018, the adjustments comprised an increase of $157,897 thousand in loss allowance, an increase of $23,699 thousand in deferred tax assets, and a decrease of $134,198 thousand in retained earnings.

5) Notes receivable, trade receivables, and other receivables that were previously classified as loans and receivables under IAS 39 were classified as financial assets at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, on January 1, 2018, the adjustments comprised an increase of $94 thousand in the loss allowance, and a decrease of $94 thousand in retained earnings.

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

b. The Regulations Governing the Preparation of Financial Reports by 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 Bank shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

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

Definition of a lease

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

The Bank as lessee

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

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

The Bank expects to apply the following practical expedients:

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

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

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

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Right-of-use assets	$ -	$ 296,144	$ 296,144
Total effect on assets	$ -	$ 296,144	$ 296,144
Lease liabilities	$ -	$ 296,144	$ 296,144
Total effect on liabilities	$ -	$ 296,144	$ 296,144

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"

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

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

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

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

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

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

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

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

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

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

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

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

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

The amendments stipulate that, when the Bank 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 Bank 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 Bank 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 Bank's interest as an unrelated investor in the associate or joint venture, i.e. the Bank's share of the gain or loss is eliminated. Also, when the Bank 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 Bank's interest as an unrelated investor in the associate or joint venture, i.e. the Bank's share of the gain or loss is eliminated.

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

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

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

Except for the above impact, as of the date the financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank'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 parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

Basis of Preparation

The 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.

When preparing these parent company only financial statements, the Bank used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Bank in its financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

Since the operating cycle in the banking industry cannot be clearly identified, accounts included in the 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 44 for the maturity analysis of assets and liabilities.

Foreign Currencies

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

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

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

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

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

Investments Accounted for Using the Equity Method

The Bank uses the equity method to account for its investments in subsidiaries and associates.

<u>Investments in subsidiaries</u>

A subsidiary is an entity (including the special purpose entity) that is controlled by the Bank.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Bank’s share of the profit or loss and other comprehensive income of the subsidiary. The Bank also recognizes the changes in the Bank’s share of equity of subsidiaries.

Any excess of the cost of acquisition over the Bank’s share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Bank’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

<u>Investments in associates</u>

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

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

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

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

Financial Instruments

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

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

Financial assets

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

a. Measurement categories

   2018

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

   1) Financial assets at FVTPL

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

      Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 44.

   2) Financial assets at amortized cost

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

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

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

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

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

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

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

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

3) Investments in debt instruments at FVTOCI

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

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

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

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

4) Investments in equity instruments at FVTOCI

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

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

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

<u>2017</u>

Financial assets are classified into the following categories: Financial assets at FVTPL, held-to-maturity investments, available-for-sale financial assets, and loans and receivables.

1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

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

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

A financial asset may be designated as at FVTPL upon initial recognition if:

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

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

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

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

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

2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity other than those that the entity, upon initial recognition, designates as at FVTPL or designates as available-for-sale or meet the definition of loans and receivables. Foreign corporate bonds and debenture bonds, which are above specific credit ratings and which the Bank has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Foreign corporate and bank notes payable that the Bank has positive intent and ability to hold to maturity are classified as held-to-maturity investments.

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

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

3) Available-for-sale financial assets

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

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

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

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

4) Loans and receivables

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

b. Impairment of financial assets

<u>2018</u>

The Bank 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 Bank’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 Bank will recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank will measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the authorities, the 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, under Rule No. 10300329440 issued by the FSC that banks should make at least 1.5% provisions for loans for house purchases, renovations and constructions, respectively.

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

<u>2017</u>

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

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

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

1) Significant financial difficulty of the debtor;
2) Account receivables becoming overdue; or
3) It becoming probable that the debtor will enter bankruptcy or financial re-organization.

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

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

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

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

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

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

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

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

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

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

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

c. Derecognition of financial assets

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

Equity instruments

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

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

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

Financial liabilities

a. Subsequent measurement

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

   - Financial liabilities at FVTPL

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

     A financial liability is classified as held for trading if:

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

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

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

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

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

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

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

Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. The fair value is determined in the manner described in Note 44.

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

Non-performing Loans

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

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

Repurchase and Resale Transactions

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

Property and Equipment

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

Freehold land is not depreciated.

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the period

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

Interest and Service Revenue Recognition

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

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

Provisions

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

<u>Onerous contracts</u>

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of financial assets - 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 Bank uses judgment in making these assumptions and in selecting the inputs of the impairment calculation, based on the Bank'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. Estimated impairment of loans and receivables - 2017

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand and petty cash	$ 106,349	$ 23,122
Checking for clearing	1,159,621	297,345
Due from banks	2,404,255	2,084,098
	$ 3,670,225	$ 2,404,565

Refer to Note 41 for information relating to due from banks pledged.

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

	December 31	
	2018	2017
Deposits - Type A	$ 1,560,003	$ 2,431,670
Reserves for deposits - Type B	4,808,616	3,567,242
Deposits - Financial	1,500,954	200,104
Call loans	13,811,976	4,401,953
Others	3,075	9,852
	$ 21,684,624	$ 10,610,821

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 FVTPL

	December 31	
	2018	2017
Financial assets mandatorily classified as at FVTPL		
Convertible bonds - domestic	$ 102,440	$ -
Convertible bonds - overseas	308,774	-
Structured debt	610,614	-
	1,021,828	-
Derivative financial assets		
Foreign exchange forward contracts	737,996	-
Forward contracts	20,262	-
Interest rate swap contracts	39,083	-
	797,341	-

(Continued)

	December 31	
	2018	2017
Non-derivative financial assets		
Negotiable certificates of deposit	$ 51,739,597	$ -
Stocks and beneficiary certificates	161,524	-
Government bonds	99,969	-
	52,001,090	-
	$ 53,820,259	$ -
Financial assets designated as at FVTPL		
Convertible bonds - domestic	$ -	$ 277,793
Convertible bonds - overseas	-	423,446
Structured debt	-	590,880
	-	1,292,119
Financial assets held for trading		
Derivative financial instruments		
Foreign exchange swap contracts	-	480,923
Forward contracts	-	23,272
Interest rate swap contracts	-	35,278
	-	539,473
Non-derivative financial assets		
Negotiable certificates of deposit	-	42,102,749
Stocks and beneficiary certificates	-	319,988
When-issued bonds	-	449,603
	-	42,872,340
	$ -	$ 44,703,932
Financial liabilities held for trading		
Derivative financial instruments		
Foreign exchange swap contracts	$ 613,305	$ 539,449
Forward contracts	39,163	26,358
Interest rate swap contracts	128,343	134,299
	$ 780,811	$ 700,106

(Concluded)

The Bank 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 Bank strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

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

	December 31	
	2018	2017
Interest rate swap contracts	$ 16,774,933	$ 20,368,572
Foreign exchange swap contracts	83,002,915	101,130,224
Forward contracts	6,062,944	2,375,902

Refer to Note 41 for information relating to financial instruments at FVTPL pledged as security.

9. FINANCIAL ASSETS AT FVTOCI - 2018

	December 31, 2018
<u>Current</u>	
Investments in equity instruments at FVTOCI	$ 1,064,763
Investments in debt instruments at FVTOCI	
Domestic government bonds	23,570,269
Bank notes payable	14,302,331
Corporate bonds	8,782,008
Overseas government bonds	1,169,916
	$ 48,889,287

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 Bank'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, 13, and 15 for information relating to their reclassification and comparative information for 2017.

The Bank disposed stock classified as at FVTOCI for invested management purpose. The fair value of stocks classified as at FVTOCI that were disposed of was $3,979,977 thousand and the accumulated loss related to the sold assets of $138,562 thousand, which including subsidiaries' gain on disposal of $93,133 thousand, was transferred from equity to retained earnings.

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 13 for information relating to their reclassification and comparative information for 2017.

2) Refer to Note 45 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.

3) On December 31, 2018, the Bank sold its investments in debt instruments at FVTOCI on the condition of buying them back in the amount of $4,400,000 thousand.

10. RECEIVABLES, NET

	December 31	
	2018	2017
Accounts receivable	$ 165,340	$ 203,058
Investment settlements receivable	208,682	212,204
Income receivable	4,987	6,896
Interest receivable	757,432	667,941
Acceptances	216,343	248,592
Factored receivables	4,714,725	4,592,967
Others	856,976	41,282
	6,924,485	5,972,940
Less: Allowance for possible losses	82,113	81,137
Receivables, net	$ 6,842,372	$ 5,891,803

The Bank provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 12 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 45 for the impairment loss analysis of receivables.

11. DISCOUNTS AND LOANS, NET

	December 31	
	2018	2017
Accounts receivable financing	$ 508,098	$ 358,704
Short-term	49,334,714	45,797,458
Medium-term	118,972,231	110,257,040
Long-term	13,151,025	8,169,281
Secured overdrafts	15,660	-
Export bill negotiated	50,167	175,106
Overdue loans	27,337	415,442
	182,059,232	165,173,031
Less: Allowance for credit losses	2,670,804	2,415,889
	$ 179,388,428	$ 162,757,142

The balance of the overdue loans of the Bank as of December 31, 2018 and 2017 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to $511 thousand and $5,716 thousand for the years ended December 31, 2018 and 2017, respectively. For the years ended December 31, 2018 and 2017, the Bank wrote off credits only upon completing the required legal procedures.

The Bank provide an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 12 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 45 for the impairment loss analysis of discounts and loan.

12. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

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

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	$ 12,606	$ 20	$ 24,650	$ 37,276	$ 43,861	$ 81,137
Adjustment on initial application of IFRS 9	94	-	-	94	-	94
Balance at January 1, 2018 per IFRS 9	12,700	20	24,650	37,370	43,861	81,231
Transfers						
To 12-month ECLs	2	(2)	-	-	-	-
To lifetime ECLs	(4)	4	-	-	-	-
To credit-impaired financial assets	(1)	-	1	-	-	-
New financial assets purchased	5,047	77	618	5,742	-	5,742
Derecognition of financial assets	(12,449)	(9)	(2,124)	(14,582)	-	(14,582)
Change in model or risk parameters	(3)	(3)	9	3	-	3
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	8,558	8,558
Withdrawal after write-offs	-	-	392	392	-	392
Exchange rate or other changes	-	-	627	627	142	769
Balance at December 31, 2018	$ 5,292	$ 87	$ 24,173	$ 29,552	$ 52,561	$ 82,113

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	$ 510,007	$ 77,583	$ 539,987	$ 1,127,577	$ 1,288,312	$ 2,415,889
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	581,424	88,447	615,603	1,285,474	1,288,312	2,573,786
Transfers						
To 12-month ECLs	4,980	(4,980)	-	-	-	-
To lifetime ECLs	(3,071)	3,071	-	-	-	-
To credit-impaired financial assets	(541)	-	541	-	-	-
New financial assets purchased	108,555	21,996	154,255	284,806	-	284,806
Derecognition of financial assets	(294,128)	(35,732)	(93,617)	(423,477)	-	(423,477)
Change in model or risk parameters	(197,732)	(44,991)	(12,875)	(255,598)	-	(255,598)
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	815,432	815,432
Write-offs	(1,308)	(220)	(353,701)	(355,229)	-	(355,229)
Withdrawal after write-offs	-	-	10,336	10,336	-	10,336
Exchange rate or other changes	3,242	495	6,799	10,536	10,212	20,748
Balance at December 31, 2018	$ 201,421	$ 28,086	$ 327,341	$ 556,848	$ 2,113,956	$ 2,670,804

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	$ 14,206	$ 2,263	$ -	$ 16,469	$ 109,566	$ 126,035
Adjustment on initial application of IFRS 9	61,822	19,144	-	80,966	-	80,966
Balance at January 1, 2018 per IFRS 9	76,028	21,407	-	97,435	109,566	207,001
Transfers						
To 12-month ECLs	277	(277)	-	-	-	-
New financial assets purchased	29,438	6,950	-	36,388	-	36,388
Derecognition of financial assets	(50,252)	(16,056)	-	(66,308)	-	(66,308)
Change in model or risk parameters	(12,136)	(1,046)	-	(13,182)	-	(13,182)
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	75,256	75,256
Exchange rate or other changes	121	-	-	121	1,207	1,328
Balance at December 31, 2018	$ 43,476	$ 10,978	$ -	$ 54,454	$ 186,029	$ 240,483

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

	For the Year Ended December 31, 2017			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2017	$ 116,317	$ 2,165,714	$ 72,700	$ 2,354,731
Allowance for bad debts (Note)	1,476	484,274	55,488	541,238
Write-offs	(30,223)	(169,402)	-	(199,625)
Effects of exchange rate changes	(6,433)	(64,697)	(2,154)	(73,284)
Balance at December 31, 2017	$ 81,137	$ 2,415,889	$ 126,034	$ 2,623,060

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

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Stock and beneficiary securities	$ 2,542,195
Corporate bonds	9,961,268
Bank notes payable	13,813,644
Domestic government bonds	21,519,211
Overseas government bonds	762,180
	$ 48,598,498

As of December 31, 2017, available-for-sale financial assets were sold under agreement to repurchase in the amount of $15,728,950 thousand.

14. INVESTMENTS MEASURED BY EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 14,120,402	$ 14,219,590

a. Investments in subsidiaries

	December 31	
	2018	2017
Domestic listed company		
China Bills Finance Corp.	$ 6,542,494	$ 6,464,888
Domestic unlisted company		
Chun Teng New Century Co., Ltd. (former IBT Securities Co., Ltd.)	353,262	893,751
IBT Holdings Corp.	4,976,750	4,496,478
IBT Leasing Co., Ltd.	2,036,163	2,130,458
IBT Management Corp.	211,733	234,015
	$ 14,120,402	$ 14,219,590

	Proportion of Ownership and Voting Rights	
	December 31	
	2018	2017
China Bills Finance Corp.	28.37%	28.37%
Chun Teng New Century Co., Ltd.	99.75%	99.75%
IBT Holdings Corp.	100.00%	100.00%
IBT Leasing Co., Ltd.	100.00%	100.00%
IBT Management Corp.	100.00%	100.00%

Chun Teng New Century Co., Ltd. allocated the assets of its company to the shareholders in November 2018.

b. Investments in associates

The percentage of ownership and voting rights of the Bank to the associates on December 31, 2017 was 31.25%.

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

c. The Bank's equity investment in equity method, the details of its investment income (loss) are as follows:

	For the Year Ended December 31	
	2018	2017
Domestic listed company		
China Bills Finance Corp.	$ 378,842	$ 383,281
Domestic unlisted company		
Chun Teng New Century Co., Ltd.	10,247	(49,738)
IBT Holdings Corp.	346,189	212,896
IBT Leasing Co., Ltd.	140,702	132,434
IBT Management Corp.	(510)	911
IBT II Venture Capital Co., Ltd.	-	3,782
	875,470	683,566
Gain on disposal of investment using the equity method	4,945	11,839
	$ 880,415	$ 695,405

The investments in subsidiaries and associates accounted for using the equity method, the share of profit or loss of associates and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 was based on each of financial statements which have been audited for the same years.

15. OTHER FINANCIAL ASSETS

	December 31	
	2018	2017
Dismantling securities companies	$ 614,919	$ -
Financial assets measured at cost		
Domestic stocks	-	234,287
Foreign stocks	-	542,818
	$ 614,919	$ 777,105

Because the fair value of financial assets measured at cost could not be reliably measured, the Bank did not evaluate the fair value on the balance sheet date. The Bank disposed of certain financial assets measured at cost with carrying amounts of $79,994 thousand during the year ended December 31, 2017, recognizing a disposal loss of $1,871 thousand.

16. PROPERTY AND EQUIPMENT, NET

	December 31	
	2018	2017
Carrying amounts of each class		
Land	$ 698,633	$ 698,633
Buildings	1,390,808	1,435,736
Machinery and computer equipment	312,438	348,706
Transportation equipment	24,387	22,871
Lease improvement	159,169	155,323
Office and other equipment	86,789	62,008
Construction in progress and prepayments for equipment	84,879	140,878
	$ 2,757,103	$ 2,864,155

The movements of property and equipment are summarized as follows:

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvement	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2018	$ 698,633	$ 1,872,203	$ 604,374	$ 52,317	$ 211,638	$ 173,607	$ 140,878	$ 3,753,650
Additions	-	-	14,383	9,291	11,363	7,858	188,517	231,412
Disposal	-	(613)	-	(13,300)	(2,582)	(106)	(6,873)	(23,474)
Reclassification	-	-	6,045	-	29,176	32,507	(237,717)	(169,989)
Effect of foreign currency exchange differences	-	-	197	120	877	193	74	1,461
Balance at December 31, 2018	698,633	1,871,590	624,999	48,428	250,472	214,059	84,879	3,793,060
Accumulated depreciation								
Balance at January 1, 2018	-	436,467	255,668	29,446	56,315	111,599	-	889,495
Depreciation expense	-	44,446	56,768	7,813	35,307	15,698	-	160,032
Disposals and Reclassification	-	(131)	-	(13,300)	(619)	(101)	-	(14,151)
Effect of foreign currency exchange differences	-	-	125	82	300	74	-	581
Balance at December 31, 2018	-	480,782	312,561	24,041	91,303	127,270	-	1,035,957
Carrying amounts								
Balance at December 31, 2018	$ 698,633	$ 1,390,808	$ 312,438	$ 24,387	$ 159,169	$ 86,789	$ 84,879	$ 2,757,103
Cost								
Balance at January 1, 2017	$ 698,633	$ 1,839,593	$ 446,429	$ 58,154	$ 138,493	$ 151,007	$ 1,024,535	$ 4,356,844
Additions	-	7,920	21,573	10,776	11,952	3,638	390,282	446,141
Disposals	-	-	(63,603)	(16,222)	-	(3,851)	-	(83,676)
Reclassification	-	24,690	201,149	-	64,034	23,535	(1,273,929)	(960,521)
Effect of foreign currency exchange differences	-	-	(1,174)	(391)	(2,841)	(722)	(10)	(5,138)
Balance at December 31, 2017	698,633	1,872,203	604,374	52,317	211,638	173,607	140,878	3,753,650
Accumulated depreciation								
Balance at January 1, 2017	-	392,462	269,555	36,590	30,238	103,699	-	832,544
Depreciation expense	-	44,005	50,603	6,945	26,579	12,085	-	140,217
Disposals	-	-	(63,550)	(13,888)	-	(3,851)	-	(81,289)
Effect of foreign currency exchange differences	-	-	(940)	(201)	(502)	(334)	-	(1,977)
Balance at December 31, 2017	-	436,467	255,668	29,446	56,315	111,599	-	889,495
Carrying amounts								
Balance at December 31, 2017	$ 698,633	$ 1,435,736	$ 348,706	$ 22,871	$ 155,323	$ 62,008	$ 140,878	$ 2,864,155

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

Buildings	25-50 years
Machinery and computer equipment	3-25 years
Transportation equipment	5 years
Lease improvement	5-8 years
Office and other equipment	5-15 years

17. INTANGIBLE ASSETS

	December 31	
	2018	**2017**
Carrying amounts of each class		
Computer software	$ 1,274,262	$ 1,248,176

The movements of intangible assets are summarized as follows:

	Computer Software
Cost	
Balance at January 1, 2018	$ 1,716,574
Additions	164,254
Reclassification	73,101
Effect of foreign currency exchange differences	841
Balance at December 31, 2018	$ 1,954,770
Accumulated amortization and impairment loss	
Balance at January 1, 2018	$ 468,398
Amortization	222,902
Reclassification	(11,430)
Effect of foreign currency exchange differences	638
Balance at December 31, 2018	$ 680,508
Carrying amounts	
Balance at December 31, 2018	$ 1,274,262
Cost	
Balance at January 1, 2017	$ 592,982
Additions	178,436
Reclassification	947,863
Effect of foreign currency exchange differences	(2,707)
Balance at December 31, 2017	$ 1,716,574

(Continued)

	Computer Software
Accumulated amortization and impairment loss	
Balance at January 1, 2017	$ 344,475
Amortization	125,708
Disposals	(6)
Effect of foreign currency exchange differences	(1,779)
Balance at December 31, 2017	$ 468,398
Carrying amounts	
Balance at December 31, 2017	$ 1,248,176

(Concluded)

18. OTHER ASSETS

	December 31	
	2018	2017
Refundable deposits	$ 348,372	$ 84,502
Prepayments	55,320	41,335
Others	128,003	125,536
	$ 531,695	$ 251,373

19. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2018	2017
Due to other banks	$ 26,832,657	$ 32,506,559
Call loans from Central Bank	2,152,215	2,388,360
	$ 28,984,872	$ 34,894,919

20. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENT

	December 31	
	2018	2017
Government bonds	$ 4,400,442	$ 11,884,990
Bank notes payable	-	3,960,940
	$ 4,400,442	$ 15,845,930
Date of agreements to repurchase	From January 2 to January 29, 2019	From January 2 to March 13, 2018
Amount of agreements to repurchase	$ 4,401,641	$ 15,864,810

21. PAYABLES

	December 31	
	2018	2017
Checks clearing payable	$ 1,159,621	$ 297,345
Investment settlements payable	52,009	521,360
Accrued interest	739,778	489,606
Accrued expenses	673,906	657,717
Collections for others	36,711	30,307
Factored receivables	1,821,591	1,726,584
Acceptances	216,343	248,591
Others	134,047	128,832
	$ 4,834,006	$ 4,100,342

22. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Deposits		
Checking	$ 2,162,352	$ 1,009,563
Demand	31,290,353	24,634,827
Time	197,175,709	153,004,934
Savings deposits	9,832,879	4,360,806
Export remittance	6	11,261
	$ 240,461,299	$ 183,021,391

23. BANK NOTES PAYABLE

	December 31	
	2018	2017
Subordinate debenture bonds first issued in 2011; fixed 2.30% interest rate; maturity: August 26, 2018; interest paid annually and repay the principal at maturity	$ -	$ 950,000
Subordinate debenture bonds second issued in 2011; fixed 2.30% interest rate; maturity: October 28, 2018; interest paid annually and repay the principal at maturity	-	3,350,000
Subordinate debenture bonds first issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repay the principal at maturity	1,650,000	1,650,000
Subordinate debenture bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	2,300,000	2,300,000
Subordinate debenture bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	1,300,000	1,300,000

(Continued)

	December 31	
	2018	2017
Subordinate debenture bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	$ 1,000,000	$ 1,000,000
Subordinate debenture bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
Subordinate debenture bonds forth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	2,000,000
Subordinate debenture bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000
Subordinate debenture bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	-
Subordinate debenture bonds B second issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	1,050,000	-
	$ 17,850,000	$ 20,400,000

(Concluded)

24. OTHER FINANCIAL LIABILITIES

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

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

25. PROVISIONS

	December 31	
	2018	2017
Provisions for employee benefits	$ 87,565	$ 106,328
Reserve for losses on guarantees	173,517	126,034
Reserve for claims outstanding	-	9,092
Reserve for financing limits	66,966	-
	$ 328,048	$ 241,454

26. RETIREMENT BENEFIT PLANS

Draw Plan

The pension system under the "Labor Pensions Ordinance" applicable to the Bank is the required retirement plan stipulated by the government. 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 years ended December 31, 2018 and 2017 was recognized in the statements of comprehensive income in the total amounts of $51,095 thousand, and $43,975 thousand, respectively.

Welfare Plan

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

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

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 195,051	$ 211,468
Fair value of plan assets	(107,486)	(105,140)
Net defined benefit liabilities	$ 87,565	$ 106,328

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2017	$ 196,150	$ (101,463)	$ 94,687
Service cost			
Current service cost	5,552	-	5,552
Net interest expense (income)	2,452	(1,285)	1,167
Recognized in profit or loss	8,004	(1,285)	6,719
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	288	288
Changes in demographic assumptions	2,595	-	2,595
Changes in financial assumptions	2,584	-	2,584
Experience adjustments	4,516	-	4,516
Recognized in other comprehensive income	9,695	288	9,983
Employer contributions	-	(2,680)	(2,680)
Liabilities extinguished on settlement	(2,381)	-	(2,381)
Balance at December 31, 2017	$ 211,468	$ (105,140)	$ 106,328
Balance at January 1, 2018	$ 211,468	$ (105,140)	$ 106,328
Service cost			
Current service cost	2,990	-	2,990
Net interest expense (income)	2,379	(1,198)	1,181
Recognized in profit or loss	5,369	(1,198)	4,171
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,013)	(3,013)
Changes in demographic assumptions	2,802	-	2,802
Changes in financial assumptions	2,384	-	2,384
Experience adjustments	(3,250)	-	(3,250)
Recognized in other comprehensive income	1,936	(3,013)	(1,077)
Employer contributions	-	(2,674)	(2,674)
Benefits paid	(4,539)	4,539	-
Actual payment	(19,183)	-	(19,183)
Balance at December 31, 2018	$ 195,051	$ (107,486)	$ 87,565

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

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

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

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

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

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

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

	December 31, 2018
Discount rate(s)	
0.25% increase	$ (4,783)
0.25% decrease	$ 4,958
Expected rate(s) of salary increase	
0.25% increase	$ 4,808
0.25% decrease	$ (4,663)

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

	December 31	
	2018	**2017**
Expected contributions to the plans for the next year	$ 2,379	$ 2,755
Average duration of the defined benefit obligation	10 years	10 years

27. OTHER LIABILITIES

	December 31	
	2018	**2017**
Guarantee deposits received	$ 21,658	$ 196,905
Advance revenue	33,894	30,593
Others	681	133
	$ 56,233	$ 227,631

28. EQUITY

a. Capital stock

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

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

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

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

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

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

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

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

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

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

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

b. Capital surplus

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

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

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, except the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Board as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. Legal reserve shall be appropriated until it has reached the Bank's capital surplus. When the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be distributed in cash. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 34.

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

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

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

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

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

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

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

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

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

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

d. Other equity items

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

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

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

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ 236,666	$ 93,725
Unrealized gain arising on revaluation of available-for-sale financial assets	-	380,775
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	-	(334,886)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	-	97,502
Effect of IFRS 9 retrospective application	(236,666)	-
Balance at December 31	$ -	$ 236,666

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

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

29. NET INTEREST

	For the Year Ended December 31	
	2018	2017
Interest revenue		
Discounts and loans	$ 4,532,874	$ 3,407,899
Investments in marketable securities	722,263	563,638
Due from the Central Bank and call loans to banks	154,865	87,811
Factoring	51,715	39,132
Others	43,837	39,549
	5,505,554	4,138,029
Interest expense		
Deposits	2,255,451	1,333,093
Securities sold under agreements to repurchase	38,466	39,486
Bank notes payable	423,673	353,864
Due to the Central Bank and banks	599,180	434,953
Others	7,263	416
	3,324,033	2,161,812
	$ 2,181,521	$ 1,976,217

30. NET SERVICE FEE REVENUE (CHARGE)

	For the Year Ended December 31	
	2018	2017
Service fee		
Import and export business	$ 38,740	$ 32,889
Loan business	131,407	223,744
Guarantee business	114,503	50,268
Credit examining business	357,738	339,722
Acceptance business	1,381	1,440
Factoring business	83,733	56,650
Trust business	13,004	7,557
Non-investment insurance commission	8,864	-
Others	41,048	16,856
	790,418	729,126
Service charge		
Remittance	1,550	970
Custody	1,769	1,397
Interbank	14,140	3,679
Reward program	80,975	-
Others	81,856	66,851
	180,290	72,897
	$ 610,128	$ 656,229

31. GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Year Ended December 31	
	2018	2017
Realized gain profit or loss		
Stocks	$ 28,362	$ 161,083
Bonds	(6,061)	(3,518)
Derivatives	918,679	(683,783)
	940,980	(526,218)
Gains (losses) on valuation		
Stocks	2,894	11,406
Bonds	1,620	(5,937)
Derivatives	175,225	(250,668)
Others	1,848	34,952
	181,587	(210,247)
Interest revenue	263,210	196,085
	$ 1,385,777	$ (540,380)

32. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FVTOCI - 2018

	For the Year Ended December 31, 2018
Realized income - debt instruments	$ 28,143
Dividend revenue	50,847
	$ 78,990

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

	For the Year Ended December 31, 2017
Net profit on disposal - stocks	$ 297,466
Net profit on disposal - bonds	37,420
Dividend revenue	60,036
	$ 394,922

34. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits		
Salaries and wages	$ 1,421,487	$ 1,373,593
Directors’ remuneration and fees	46,443	48,950
Labor insurance and national health insurance	83,707	70,378
Others	26,615	23,297
Post-employment benefits		
Pension	55,266	50,694
Stock-based payments		
Equity delivery	-	4,537
	$ 1,633,518	$ 1,571,449

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

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

Accrual rate

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

Amount

	2018		2017	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 14,632	$ -	$ 15,919	$ -
Remuneration of directors	$ 29,265	$ -	$ 31,838	$ -

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

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

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

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

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

35. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2018	2017
Property and equipment	$ 160,032	$ 140,217
Intangible assets	222,902	125,708
	$ 382,934	$ 265,925

36. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2018	2017
Rental	$ 136,191	$ 119,860
Taxation	181,132	146,153
Computer operating and consulting fees	214,086	106,282
Management fees	38,519	39,456
Entertainment	54,839	48,525
Advertisement	169,801	150,680
Secive fees	72,411	73,202
Others	266,728	224,657
	$ 1,133,707	$ 908,815

37. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 90,657	$ 174,726
Income tax on unappropriated earning	-	5,624
In respect of prior years	(8,596)	(5,012)
	82,061	175,338
Deferred tax		
In respect of the current year	77,809	(21,635)
Effect of tax rate change	12,157	-
Income tax expense recognized in profit or loss	$ 172,027	$ 153,703

A reconciliation of accounting profit and income tax expense for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 1,126,686	$ 1,225,783
Income tax expense calculated at the statutory rate	$ 225,337	$ 208,383
Realized loss on investment in equity instruments measured at fair value through other comprehensive	(32,817)	-
Nondeductible expenses and tax-exempt income in determining taxable income	(98,840)	(219,920)
Deductible tax amount of overseas income tax	(12,296)	(10,348)
Additional income tax under the Alternative Minimum Tax Act	682	73,968
Income tax on unappropriated earnings	-	5,624

(Continued)

	For the Year Ended December 31	
	2018	**2017**
Unrecognized deductible temporary differences	$ (3,575)	$ 250
Oversea income taxes	89,975	100,758
Effect of tax rate changes	12,157	-
Adjustments for prior years' tax	(8,596)	(5,012)
Income tax expense recognized in profit or loss	$ 172,027	$ 153,703

(Concluded)

The Bank's corporate income tax rate was 17% in 2017. The Income Tax Act in the ROC was amended in February 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%.

Due to the uncertainties in the earnings of the shareholder's meeting in 2019, the potential income tax consequences of the undistributed surplus with 5% income tax in 2018 cannot be reliably determined.

b. Income tax income (expense) recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Effect of tax rate change	$ 2,614	$ -
Exchange differences on translating the financial statements of foreign operations	(28,167)	60,344
Income tax recognized in other comprehensive income (expense)	$ (25,553)	$ 60,344

c. Deferred tax assets and liabilities

For the year ended December 31, 2018

	Opening Balance	**Retroactive Adjustment**	**Recognized in Profit or Loss**	**Recognized in Other Compre-hensive Income**	**Closing Balance**
Deferred tax assets					
Temporary differences					
FVTPL financial assets	$ 37,312	$ -	$ 12,861	$ -	$ 50,173
Allowance for bad debts	84,462	23,699	4,043	-	112,204
Loss reserve	1,546	-	469	-	2,015
Exchange differences on translating the financial statements of foreign operations	14,813	-	-	(14,813)	-
	$ 138,133	$ 23,699	$ 17,373	$ (14,813)	$ 164,392

(Continued)

	Opening Balance	Retroactive Adjustment	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax liabilities					
Temporary differences					
Associates ventures	$ 215,911	$ -	$ 107,339	$ -	$ 323,250
Exchange differences on translating the financial statements of foreign operations	-	-	-	10,740	10,740
	$ 215,911	$ -	$ 107,339	$ 10,740	$ 333,990

(Concluded)

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
FVTPL financial assets	$ -	$ 37,312	$ -	$ 37,312
Allowance for bad debts	78,004	6,458	-	84,462
Loss reserve	1,546	-	-	1,546
Exchange differences on translating the financial statements of foreign operations	-	-	14,813	14,813
	$ 79,550	$ 43,770	$ 14,813	$ 138,133
Deferred tax liabilities				
Temporary differences				
FVTPL financial liabilities	$ 14,058	$ (14,058)	$ -	$ -
Associates ventures	179,718	36,193	-	215,911
Exchange differences on translating the financial statements of foreign operations	45,531	-	(45,531)	-
	$ 239,307	$ 22,135	$ (45,531)	$ 215,911

d. Assessment of the income tax returns

The income tax returns of the Bank through 2016 have been assessed by the tax authorities. The Bank disagreed with the tax authorities' assessment of its 2016 tax return and plan to re-examine.

38. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share	$ 0.40	$ 0.45
Diluted earnings per share	$ 0.40	$ 0.45

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

	For the Year Ended December 31	
	2018	**2017**
Net profit for the year		
Earnings used in the computation of basic and diluted earnings per share	$ 954,659	$ 1,072,080
Stock (in thousand shares)		
Weighted average number of common stocks in computation of basic earnings per share	2,413,006	2,405,362
Effect of potentially dilutive common stocks:		
Employees' compensation issued to employees	2,107	2,190
Cash replenishment from employee stock subscription	-	110
	2,107	2,300
Weighted average number of common stocks used in the computation of diluted earnings per share	2,415,113	2,407,662

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

39. 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.

40. RELATED PARTY TRANSACTIONS

a. The related parties and their relationships with the Bank

Related Party	Relationship with the Bank
Chun Teng New Century Co., Ltd. (Original IBT Securities Co., Ltd.) (Chun Teng New Century) (liquidation)	Subsidiary of Bank
IBT Management Corp. (IBTM)	Subsidiary of Bank
IBT Holdings Corp. (IBTH)	Subsidiary of Bank
China Bills finance Corp. (CBF)	Subsidiary of Bank
IBT Leasing Co., Ltd. (IBTL)	Subsidiary of Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture) (liquidation)	Associates
IBTS Holdings (B.V.I.) Limited (IBTSH)	Subsidiary of Chun Teng New Century
IBT international Leasing Corp.	Subsidiary of IBTL
IBT Tianjin international Leasing Corp.	Subsidiary of IBTL
IBT VII Venture Capital Co., Ltd. (IBTVC7)	Subsidiary of IBTL
IBTS Financial (HK) Limited (IBTS HK)	Subsidiary of IBTSH
IBTS Asia (HK) Limited (IBTS Asia)	Subsidiary of IBTSH
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 Head of the bank’s corporate director The director of the Bank’s natural person is the company’s head (excluding independent directors) The company with the same person in charge of the company and the company’s legal person director

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

1) Deposits

	Ending Balance	Interest Expense	Rate (%)
For the year ended December 31, 2018			
Subsidiaries	$ 226,639	$ 10,200	0.00-3.05
Associates	265	4	0.4
Others	2,680,948	47,430	0.00-6.56
	$ 2,907,852	$ 57,634	
For the year ended December 31, 2017			
Subsidiaries	$ 2,901,866	$ 19,072	0.00-1.75
Associates	2,763	46	0.25
Others	1,164,690	19,511	0.00-6.56
	$ 4,069,319	$ 38,629	

2) Loan

	Ending Balance	Interest Income	Rate (%)
December 31, 2017	$ 430,000	$ 2,699	1.443

3) Directors acting as the guarantor of a loan balance

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

4) Purchases and sales of securities

	For the Year Ended December 31, 2018			
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Subsidiaries	$ 398,981	$ 449,315	$ -	$ -

	For the Year Ended December 31, 2017			
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Subsidiaries	$ 2,054,392	$ 1,149,967	$ -	$ -

5) Service fee

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

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

6) Other expenses

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

Other expenses are donations.

7) Rental income and others

	For the Year Ended December 31	
	2018	2017
Subsidiaries	$ 14,245	$ 15,143
Others	552	782
	$ 14,797	$ 15,925

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

c. Compensation of key management personnel

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

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 291,881	$ 293,172
Post-employment benefits	3,913	3,158
Stock-based payments	-	1,290
	$ 295,794	$ 297,620

The remuneration of directors and other key management personnel is determined by the remuneration committee.

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.

41. PLEDGED ASSETS

	December 31	
	2018	2017
Due from banks	$ 223,500	$ 228,875
Financial assets at FVTPL	11,059,858	11,793,690
Debt instrument investments measured at amortized cost	166,680	-
Held-to-maturity financial assets	-	149,946
	$ 11,450,038	$ 12,172,511

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of due from banks) and negotiable certificates of deposits (part of financial assets at FVTPL, debt instrument investments measured at amortized cost and held-to-maturity financial assets) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve.

Besides, the Bank contracted for foreign currency call-loan to provide the pledge setting of foreign negotiable certificates of deposits for the department of foreign exchange of Central Bank.

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	December 31	
	2018	**2017**
Office decorating and contracts of computer software		
Amount of contracts	$ 143,503	$ 159,256
Payments for construction in progress and prepayments for equipment	84,879	140,878

b. The Bank as lessee

Due to rental of buildings, the bank have been entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of July 31, 2026.

As of December 31, 2018 and 2017, refundable deposits paid under operating lease amounted to $28,275 thousand and $25,223 thousand, respectively.

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

	December 31, 2018
Up to 1 years	$ 86,719
Over 1 year to 5 years	172,620
Over 5 years	38,949
	$ 298,288

43. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	December 31	
	2018	**2017**
Trust assets		
Petty cash	$ 100	$ -
Bank deposits	2,799,410	350,848
Financial assets	1,072,854	360,484
Interest receivable	51	-
Prepayments	1,267	-
Real estate	9,165,625	1,957,995
Other assets	32,292	-
Total trust assets	$ 13,071,599	$ 2,669,327

(Continued)

	December 31	
	2018	2017
Trust capital and liability		
Payables	$ 1,542	$ -
Unearned receipts	839	-
Taxes payable	4,233	-
Receipts under custody	106	-
Deposits received	76,680	-
Other liabilities	968	-
Trust capital	12,828,013	2,669,327
Provisions and accumulated profit and loss	159,218	-
Trust capital and liability	$ 13,071,599	$ 2,669,327

(Concluded)

Income Statements of Trust Accounts

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

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

Trust Property List

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

44. 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 financial statements approximate their fair values or their fair values cannot be reliably measured.

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets at amortized costs	$ 499,940	$ 501,732	$ -	$ -
Held-to-maturity financial assets	-	-	499,821	505,129
Financial liabilities				
Bank notes payable	17,850,000	17,906,381	20,400,000	20,464,560

2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

Financial Instrument Items at Fair Value	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized costs	$ 501,732	$ -	$ 501,732	$ -
Financial liabilities				
Bank notes payable	17,906,381	17,906,381	-	-

Financial Instrument Items at Fair Value	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-for-maturity financial assets	$ 505,129	$ -	$ 505,129	$ -
Financial liabilities				
Bank debentures	20,464,560	20,464,560	-	-

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

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

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

(In Thousands of New Taiwan Dollars)

Item	December 31, 2018 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial instruments at FVTPL				
Stocks and beneficial certificates	$ 161,524	$ 121,654	$ -	$ 39,870
Bonds	99,969	-	99,969	-
Convertible bonds and structured bonds	1,021,828	-	1,021,828	-
Others	51,739,597	-	51,739,597	-
Financial assets at FVTOCI				
Equity instruments	1,064,763	539,943	-	524,820
Debt instruments	47,824,524	-	47,824,524	-
Derivative financial instruments				
Assets				
Financial instruments at FVTPL	797,341	-	797,341	-
Liabilities				
Financial instruments at FVTPL	780,811	-	780,811	-

Item	December 31, 2017 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets				
Stocks	$ 319,988	$ 319,988	$ -	$ -
Others	42,552,352	-	42,552,352	-
Financial assets designated as FVTPL	1,292,119	-	1,292,119	-
Available-for-sale financial assets				
Stocks	2,542,195	2,542,195	-	-
Bonds	46,056,303	-	46,056,303	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	539,473	-	539,473	-
Liabilities				
Financial liabilities at FVTPL	700,106	-	700,106	-

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

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

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

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

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

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments	Total
Beginning balance	$ -	$ -	$ -
Effect of retrospective application (IFRS 9)	38,788	775,837	814,625
Recognition in profit or loss - financial assets at FVTPL	1,082	-	1,082
Recognition in other comprehensive income - financial assets at FVTOCI	-	(56,205)	(56,205)
Purchases	-	616,173	616,173
Disposal	-	(810,985)	(810,985)
Ending balance	$ 39,870	$ 524,820	$ 564,690

4) Transfers between Level 1 and Level 2

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

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

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For bonds and convertible corporate bonds for asset swaps which have no quoted market prices, they are evaluated using valuation models. 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 year ended December 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at FVTPL				
Non-derivative financial instruments	$ 3,987	$ (3,987)	$ -	$ -
Financial assets at FVTOCI				
Non-derivative financial instruments	-	-	52,482	(52,482)

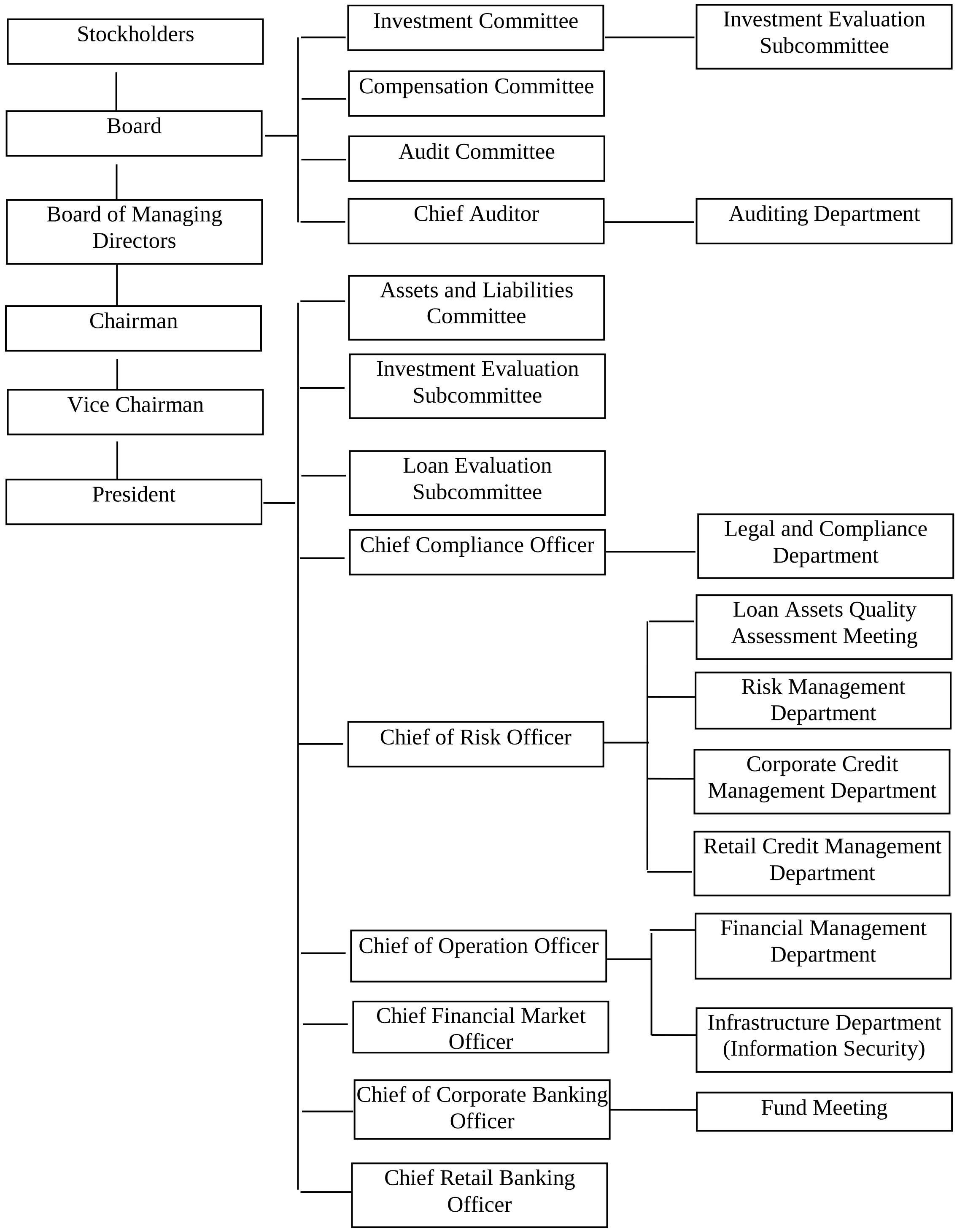
45. FINANCIAL RISK MANAGEMENT

a. Overview

For the potential expected and unexpected risk, the Bank 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 Bank 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

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.


Stockholders
Board
Board of Managing Directors
Chairman
Vice Chairman
President
Investment Committee
Compensation Committee
Audit Committee
Chief Auditor
Investment Evaluation Subcommittee
Auditing Department
Assets and Liabilities Committee
Investment Evaluation Subcommittee
Loan Evaluation Subcommittee
Chief Compliance Officer
Legal and Compliance Department
Chief of Risk Officer
Loan Assets Quality Assessment Meeting
Risk Management Department
Corporate Credit Management Department
Retail Credit Management Department
Chief of Operation Officer
Financial Management Department
Infrastructure Department (Information Security)
Chief Financial Market Officer
Chief of Corporate Banking Officer
Fund Meeting
Chief Retail Banking Officer

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

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

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

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

   a) Loan assets quality assessment meeting

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

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

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

   b) Investment assets quality assessment meeting

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

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

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

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

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 Banks"; to limit the credit risk of the Bank within the acceptable range, to maintain adequate capital and credit risk strategy to achieve the objectives, and to create maximum risk-adjusted returns.

d) Credit risk management process:

   i. Risk identification

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

   ii. Risk measurement

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

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

      ii) Portfolio management:

         - It is used to ensure the risk of loan is within the tolerable scope,

         - "Concentrative risks" are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.

         - It achieves the optimal profits.

   iii. Risk communication

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

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

iv. Risk monitoring

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

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

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

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

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

3) Credit risk management and framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6) Maximum exposure to credit risk

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

Off-balance Sheet Item	Maximum Exposure Amount	
	December 31, 2018	December 31, 2017
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	$ 17,086,108	$ 11,635,535
Maximum exposure amounts	17,086,108	11,635,535
Agreed financing	51,883,120	42,433,043

7) Concentrations of credit risk exposure

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

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

a) By industry

Credit Risk Profile by Industry Sector	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Financial intermediary	$ 28,812,450	16	$ 26,069,902	16
Real estate	27,856,509	15	27,986,098	17
Wholesale and retail trade	17,522,713	10	9,112,838	7

b) By counterparty

Credit Risk Profile by Industry Sector	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Private sector	$ 165,518,791	91	$ 156,025,079	94
Natural person	16,540,441	9	9,147,952	6

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Domestic	$ 122,863,558	67	$ 115,392,955	70
Other Asia area	35,143,990	19	30,208,123	18
America	15,909,162	9	13,991,502	8

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 FVTPL, repos and debt securities, refundable deposits, guaranty bond and clearing and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

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

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

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

The PD refers to the borrower’s probability to default, and the LGD refers to losses caused by such default. The Bank applies the PD and LGD for the impairment assessment of the credit business according to each group 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 Bank estimates the balance of each account based on the method of amortization and considers the possible survival rate in order to calculate the EAD. In addition, the Bank estimates the 12-month ECLs and lifetime ECLs of loan commitments based on the guidelines issued by the Bank's Association and Basel Accords. The Bank calculates the EAD of expected credit losses by considering the portion of the loan commitments expected to be used within 12 months after the reporting date as compared with the expected lifetime of the loan commitments.

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

Credit assets are classified into five categories. In addition to the first category of credit assets, which are normal credit assets that are classified as sound assets, the remaining credit assets are classified as unsound assets and assessed according to the respective collateral and the length of time in which the respective payments become overdue. Such unsound credit assets are then categorized within the second category if they should only be noted; within the third category if they have substandard expected recovery; within the fourth category if their collectability is highly doubtful; and within the fifth category if they are considered uncollectable. The Bank 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.

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

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

The Bank 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 are at normal credit levels as of December 31, 2018, so the Bank opted to recognize the expected credit losses on a 12-month basis. The Bank expected credit loss rate is in the range of 0.02%.

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

Allowance for Impairment Loss	**Credit Rating** **Performing (12-month ECLs)**
Balance at January 1, 2018 per IAS 39	$ -
Adjustment on initial application of IFRS 9	12,717
Balance at January 1, 2018 per IFRS 9	12,717
New financial assets purchased	3,394
Derecognition of financial assets	(4,926)
Change in model or risk parameters	(378)
Exchange rate or other changes	219
Balance at December 31, 2018	$ 11,026

a) Credit analysis for receivables and discounts and loans

	December 31, 2018				
	Stage 1 12-month ECLs	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans**	**Total**
Receivables	$ 6,829,152	$ 67,777	$ 27,556	$ -	$ 6,924,485
Allowance for credit losses	(5,292)	(87)	(24,173)	-	(29,552)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual loans	-	-	-	(52,561)	(52,561)
Net total	$ 6,823,860	$ 67,690	$ 3,383	$ (52,561)	$ 6,842,372

	December 31, 2018				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Discounts and loans	$ 165,996,929	$ 14,677,877	$ 1,384,426	$ -	$ 182,059,232
Allowance for credit losses	(201,421)	(28,086)	(327,341)	-	(556,848)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual loans	-	-	-	$ (2,113,956)	(2,113,956)
Net total	$ 165,795,508	$ 14,649,791	$ 1,057,085	$ (2,113,956)	$ 179,388,428

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 (Note)	$ 5,971,512	$ -	$ 1,428	$ 5,972,940	$ 190	$ 80,947	$ 5,891,803
Discounts and loans	163,743,494	-	1,429,537	165,173,031	375,969	2,039,920	162,757,142

Note: Receivables means the amount of gross receivables.

b) Credit analysis for marketable securities

	December 31, 2018	
	At FVTOCI	At Amortized Cost
Gross carrying amount	$ 47,698,318	$ 499,940
Allowance for impairment loss	(11,026)	-
Amortized cost	47,687,292	$ 499,940
Fair value adjustment	137,232	
	$ 47,824,524	

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	$ 46,056,303	$ -	$ -	$ 46,056,303	$ -	$ -	$ 46,056,303
Equity investments	2,527,752	-	19,561	2,547,313	5,118	-	2,542,195
Held-to-maturity financial assets							
Bonds	499,821	-	-	499,821	-	-	499,821
Other financial assets							
Equity investments	633,629	-	827,063	1,460,692	683,587	-	777,105

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

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

As of December 31, 2018, the Bank and its subsidiaries had no financial assets which were overdue but not impaired.

10) Analysis of impairment for financial assets

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

Discounts and loans

Type of Impairment Assessment		December 31, 2017	
		Discounts and Loans	**Allowance for Credit Losses**
With objective evidence of impairment	Individually assessed for impairment	$ 1,429,537	$ 375,969
	Collectively assessed for impairment	-	-
With no objective evidence of impairment	Collectively assessed for impairment	163,743,494	2,039,920

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	
		Accounts Receivables	**Allowance for Credit Losses**
With objective evidence of impairment	Individually assessed for impairment	$ 1,428	$ 190
	Collectively assessed for impairment	-	-
With no objective evidence of impairment	Collectively assessed for impairment	5,971,512	80,947

Note: The receivables are those originated by the Bank, 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 Bank’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 Bank 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 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 December 31, 2018 and 2017, the liquidity reserve ratio was 45.61% and 37.37%, respectively.

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

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	$ 22,237,205	$ 6,747,667	$ -	$ -	$ -	$ 28,984,872
Notes and bonds issued under repurchase agreement	4,401,641	-	-	-	-	4,401,641
Payables	1,735,964	264,712	2,039,123	790,470	3,737	4,834,006
Deposits and remittances	70,825,593	66,852,904	38,112,365	42,107,083	22,563,354	240,461,299
Bank notes payable	-	-	-	1,650,000	16,200,000	17,850,000
Other financial liabilities	8,743	2,667	100,600	881,576	3,327,705	4,321,291
	$ 99,209,146	$ 73,867,950	$ 40,252,088	$ 45,429,129	$ 42,094,796	$ 300,853,109

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	$ 23,829,381	$ 11,065,538	$ -	$ -	$ -	$ 34,894,919
Notes and bonds issued under repurchase agreement	13,453,943	2,410,867	-	-	-	15,864,810
Payables	1,251,898	131,959	1,978,236	678,649	59,600	4,100,342
Deposits and remittances	37,332,255	74,445,089	28,281,036	23,325,344	19,637,667	183,021,391
Bank notes payable	-	-	-	4,300,000	16,100,000	20,400,000
Other financial liabilities	2,500	339,000	342,916	279,465	5,033,901	5,997,782
	$ 75,869,977	$ 88,392,453	$ 30,602,188	$ 28,583,458	$ 40,831,168	$ 264,279,244

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

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Foreign forward contracts	$ 11,258	$ 1,022	$ 1,669	$ 25,214	$ -	$ 39,163
Foreign currency swap contracts	335,349	55,470	215,891	6,595	-	613,305
	346,607	56,492	217,560	31,809	-	652,468
Non-deliverable						
Interest rate swap contracts	-	1,647	4,000	1,334	121,362	128,343
	$ 346,607	$ 58,139	$ 221,560	$ 33,143	$ 121,362	$ 780,811

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 currency swap contracts	$ 251,899	$ 109,499	$ 116,648	$ 61,403	$ -	$ 539,449
Foreign forward contracts	18,751	701	4,203	2,703	-	26,358
	270,650	110,200	120,851	64,106	-	565,807
Non-deliverable						
Interest rate swap contracts	-	-	-	11,007	123,292	134,299
	$ 270,650	$ 110,200	$ 120,851	$ 75,113	$ 123,292	$ 700,106

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

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 472,506	$ 840,096	$ 328,568	$ -	$ 7,389	$ 1,648,559
Other guarantees	8,115,650	3,938,500	1,067,569	2,187,375	128,455	15,437,549
Agreed financing amount	1,613,326	2,311,405	3,467,107	6,934,213	37,557,069	51,883,120
	$ 10,201,482	$ 7,090,001	$ 4,863,244	$ 9,121,588	$ 37,692,913	$ 68,969,228

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	$ 1,098,597	$ 1,013,393	$ 367,946	$ 15,541	$ -	$ 2,495,477
Other guarantees	5,845,802	961,679	786,281	1,485,963	60,333	9,140,058
Agreed financing amount	1,358,437	1,731,533	2,597,300	5,194,599	31,551,174	42,433,043
	$ 8,302,836	$ 3,706,605	$ 3,751,527	$ 6,696,103	$ 31,611,507	$ 54,068,578

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and process

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

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

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

3) Market risk management organization and framework

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

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

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

4) Market risk report and evaluation system

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

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

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

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

5) Value at risk

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

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

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

O-Bank

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

6) Foreign currency rate risk information

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

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

	December 31, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 2,479,798	30.7459	$ 76,243,712
JPY	1,384,565	0.2781	385,058
HKD	8,878,133	3.9254	34,849,964
EUR	18,763	35.2119	660,664
AUD	2,318	21.6701	50,231
RMB	352,820	4.4700	1,577,100
Investments accounted for using the equity method			
USD	153,991	30.7459	4,734,592
Financial liabilities			
Monetary item			
USD	2,571,184	30.7459	79,053,455
JPY	1,344,156	0.2781	373,821
HKD	6,513,703	3.9254	25,568,700
EUR	10,228	35.2119	360,130
AUD	8,661	21.6701	187,679
RMB	978,219	4.4700	4,372,624

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 1,722,066	29.8545	$ 51,411,411
JPY	1,791,669	0.2649	474,604
HKD	5,730,897	3.8202	21,893,398
EUR	20,744	35.7084	740,749
AUD	2,271	23.2999	52,910
RMB	504,936	4.5775	2,311,338
Investments accounted for using the equity method			
USD	150,287	29.8545	4,486,743

(Continued)

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial liabilities			
Monetary item			
USD	$ 2,244,355	29.8545	$ 67,004,102
JPY	771,871	0.2649	204,465
HKD	5,235,688	3.8202	20,001,582
EUR	7,651	35.7084	273,202
AUD	7,659	23.2999	178,461
RMB	753,918	4.5775	3,451,053

(Concluded)

f. Bank book interest risk

1) Source and definition of bank book interest risk

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

2) Bank book interest risk management strategy and process

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

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

3) Bank book interest risk management organization and framework

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

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

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

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

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

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

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

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

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

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

O-Bank

	For the Year Ended December 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents - due from banks	$ 1,094,656	2.33	$ 931,686	2.04
Call loans to banks	9,580,197	1.34	6,296,975	1.07
Due from the Central Bank	4,327,135	0.67	3,333,761	0.71
Financial assets at FVTPL	45,155,273	0.62	39,544,611	0.56
Securities purchased under resell agreements	358,849	0.21	97,225	0.19
Discounts and loans	176,133,124	2.58	151,631,581	2.25
Available-for-sale financial assets	-	-	38,871,246	1.43
Held-to-maturity financial assets	-	-	820,566	0.99

(Continued)

	For the Year Ended December 31			
	2018		2017	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
Financial assets at FVTOCI	$ 45,677,257	1.57	$ -	-
Financial assets at amortized costs	499,876	1.15	-	-
Receivables	4,009,381	1.29	3,098,236	1.26
Interest-bearing liabilities				
Deposits from the Central Bank and banks	34,530,412	1.74	38,358,810	1.13
Demand deposits	37,420,897	0.48	23,680,971	0.35
Time deposits	177,495,807	1.17	144,792,924	0.86
Notes and bonds issued under repurchase agreements	5,262,897	0.73	6,965,099	0.55
Bank notes payable	20,373,836	2.08	17,541,918	2.02
Other financial liabilities	4,946,764	-	5,415,837	-

(Concluded)

46. 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

Measures taken for capital assessment program are regular calculation, analysis, monitoring and reporting on various capital ratio and leverage ratio, allocating annually each business's capital adequacy ratio target and regularly tracking the target achievement rate in the capital ratio or when leverage ratio has deteriorated because of the circumstances.

c. Capital adequacy ratio

<u>O-Bank</u>

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

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

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

Items \ Year			December 31, 2017 Own Capital Adequacy Ratio	December 31, 2017 Consolidated Capital Adequacy Ratio
Eligible capital	Common stocks equity Tier 1		$ 20,691,448	$ 39,951,052
	Other Tier 1 capital		-	-
	Tier 2 capital		5,160,148	8,193,754
	Eligible capital		25,851,596	48,144,806
Risk-weighted assets	Credit risk	Standard	177,038,851	281,472,735
		Internal rating based approach	-	-
		Asset securitization	-	-
	Operational risk	Basic indicator approach	7,422,913	8,580,350
		Standard/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard	4,165,338	69,522,775
		Internal model approach	-	-
	Total risk-weighted assets		188,627,102	359,575,860
Capital adequacy ratio			13.71%	13.39%
Ratio of common stockholders' equity to risk-weighted assets			10.97%	11.11%
Ratio of Tier 1 capital to risk-weighted assets			10.97%	11.11%
Leverage ratio			7.24%	6.70%

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

Note 2: Formulas used were as follows:

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

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

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

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

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

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

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

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

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 4.

2) Concentration of credit extensions

December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

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

December 31, 2017

(In Thousands of New Taiwan Dollars or in %)

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

b. Market risk

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

(In Thousands of New Taiwan Dollars or in %)

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

December 31, 2017

(In Thousands of New Taiwan Dollars or in %)

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

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

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

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

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

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

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

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

December 31, 2017

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

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

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

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

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

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

c. Liquidity risk

1) Profitability

(In %)

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

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

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

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

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

2) Maturity analysis of assets and liabilities

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

(In Thousands of New Taiwan Dollars)

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

December 31, 2017

(In Thousands of New Taiwan Dollars)

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

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

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

(In Thousands of U.S. Dollars)

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

December 31, 2017

(In Thousands of U.S. Dollars)

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

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

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

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

(In Thousands of U.S. Dollars)

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

December 31, 2017

(In Thousands of U.S. Dollars)

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

48. 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)

O-BANK CO., LTD.

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

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

(Continued)

Note 1: Explanation:

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

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

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

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

(Concluded)

O-BANK CO., LTD.

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

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

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

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

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

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

O-BANK CO., LTD.

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

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

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

O-BANK CO., LTD.

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

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

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

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

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

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

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

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

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

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

O-BANK CO., LTD.

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

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

O-BANK CO., LTD.

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

O-Bank

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

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

(Continued)

IBT Leasing Co., Ltd.

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

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

IBT VII Venture Capital Co., Ltd.

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

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

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

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

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

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

d. Direct investment in mainland China.

e. Others.

(Continued)

Note 2: Investment gain or loss.

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

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

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

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

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

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

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

(Concluded)

O-BANK CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

O-BANK CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FVTPL
DECEMBER 31, 2018
(Amounts in Thousands of USD and NTD/Unit in Thousand)

Item	Remark	Share (In Thousands)	Total Face Value (In Thousands)	Rate (%)	Acquisition Cost	Valuation Adjustment	Fair Value Unit Price	Fair Value Total Amount
Financial assets mandatorily classified as at FVTPL								
Convertible bonds - domestic								
China Airlines 6	Expired on January 30, 2021	-	50,000		$ 50,000	$ 1,220		$ 51,220
China Airlines 6	Expired on January 30, 2021	-	30,000		30,000	732		30,732
China Airlines 6	Expired on January 30, 2021	-	20,000		20,000	488		20,488
					100,000	2,440		102,440
Convertible bonds - overseas								
ZDT 103	Expired on June 26, 2019	-	307,459		307,459	1,315		308,774
Structured debt								
HSBC Float 09/01/22	Expired on September 1, 2022	-	614,919		614,919	(4,305)		610,614
Financial assets at FVTPL								
Derivative financial assets								
Foreign exchange forward contracts		-	-		-	737,996		737,996
Forward contracts		-	-		-	20,262		20,262
Interest rate swap contracts		-	-		-	39,083		39,083
					-	797,341		797,341
Non-derivative financial assets								
Negotiable certificates of deposit		-	-	0.45-0.63	51,755,000	(15,403)		51,739,597
Government bonds								
A07101	Expired on January 12, 2023	-	-		49,898	11		49,909
A07109	Expired on October 17, 2028	-	-		50,029	31		50,060
					99,927	42		99,969
Stocks and beneficiary certificates of listed company								
REXON		120,000			7,425	1,155	71.50	8,580
SINBON		10,000			828	-	82.80	828
NOVATEK		73,000			10,333	33	142.00	10,366
UNIMICRON		108,000			2,436	(27)	22.30	2,409
UTECHZONE		28,000			1,960	(9)	69.70	1,951
TAIDOC		88,000			15,306	226	176.50	15,532
DAXIN		35,000			3,307	(52)	93.00	3,255
EUROCHARM		316,000			35,636	(244)	112.00	35,392
CHAILEASE		197,000			18,640	449	96.90	19,089
SMP		73,000			13,972	1,212	208.00	15,184
WNC		10,000			799	-	79.90	799
AMAZING		6,000			420	-	70.00	420
JMC		72,000			7,458	391	109.00	7,849
KRTC		3,845			38,787	1,083	10.37	39,870
					157,307	4,217		161,524
					$ 53,034,612	$ 785,647		$ 53,820,259

Note: The company pledges the negotiable certificates of deposit amount of $11,060,000 thousand as the collateral for the trust compensation reserve, bond settlement reserve and interest rate swap for the year ended December 31, 2018.

STATEMENT 2

O-BANK CO., LTD.

STATEMENT OF DISCOUNTS AND LOANS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Short-term	
Loan	$ 21,691,887
Guarantee loan	27,642,827
	49,334,714
Medium-term	
Loan	64,413,644
Guarantee loan	54,558,587
	118,972,231
Long-term	
Loan	1,684,426
Guarantee loan	11,466,599
	13,151,025
Export bill negotiated	50,167
Accounts receivable financing	508,098
Secured overdrafts	15,660
Overdue loans	27,337
	182,059,232
Less: Allowance for credit losses	2,670,804
Discounts and loans, net	$ 179,388,428

STATEMENT 3

O-BANK CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FVTOCI
DECEMBER 31, 2018
(Amounts in Thousands of USD, HKD and NTD/Unit in Thousand)

Item	Remark	Share (In Thousands)	Total Face Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Acquisition Cost	Accumulated Impairment Loss	Valuation Adjustment	Net Investment	Fair Value Unit Price	Fair Value Total Amount
Stock of listed company - domestic										
Novatek Microelectronics Corp.		150	$ -	0.02	$ 19,198	$ -	$ 2,102	$ 21,300	$142.00	$ 21,300
Chailease Holding Company Limited		200	-	0.02	18,913	-	467	19,380	96.90	19,380
Kung Long Batteries Industrial Co., Ltd.		160	-	0.20	24,466	-	(1,266)	23,200	145.00	23,200
Delta Electronics, Inc.		250	-	0.01	29,927	-	2,448	32,375	129.50	32,375
Taiwan Semiconductor Manufacturing Co., Ltd.		400	-	-	90,111	-	89	90,200	225.50	90,200
Advantech Co., Ltd.		206	-	0.03	45,280	-	(1,917)	43,363	210.50	43,363
Chunghwa Telecom Co., Ltd		500	-	0.01	51,664	-	4,836	56,500	113.00	56,500
Taiwan Mobile Co., Ltd.		536	-	0.02	57,628	-	(544)	57,084	106.50	57,084
					337,187	-	6,215	343,402		343,402
Stock of listed company in OTC - domestic										
Simplo Technology Co., Ltd.		220	-	0.12	40,791	-	4,969	45,760	208.00	45,760
Emerging stock-Domestic										
Reber Genetics Co., Ltd.		2,322	-	3.17	86,280	-	(76,468)	9,812	4.23	9,812
TTBIO Corp.		1,799	-	7.48	52,069	-	(3,977)	48,092	26.73	48,092
Mosa Industrial Corporation		726	-	0.47	14,156	-	12,791	26,947	37.10	26,947
TaiRx, Inc.		3,251	-	4.83	48,765	-	17,165	65,930	20.28	65,930
					201,270	-	(50,489)	150,781		150,781
Stock of unlisted company - domestic										
Chipwell Tech Corp.		391	-	2.61	10,804	-	(7,867)	2,937	7.50	2,937
ADL Engineering Inc.		11	-	0.09	4,562	-	(4,500)	62	5.74	62
Richang Electronics Co., Ltd.		410	-	0.91	4,961	-	(4,348)	613	1.50	613
TheVax Genetics Vaccine Co., Ltd		1,008	-	1.09	60,480	-	(56,952)	3,528	3.50	3,528
INTUMIT Inc.		881	-	4.41	14,244	-	(3,496)	10,748	12.20	10,748
Knowledge Freeway Co., Ltd		960	-	19.20	22,770	-	(10,137)	12,633	13.16	12,633
eChem solutions Corp.		154	-	0.28	5,487	-	(657)	4,830	31.39	4,830
Progate Group Corporation.		1,444	-	4.35	51,936	-	(33,175)	18,761	12.99	18,761
Taiwan Mobile Payment Co., Ltd		300	-	0.50	3,000	-	(1,186)	1,814	6.05	1,814
					178,244	-	(122,318)	55,926		55,926
Stock of unlisted company - foreign										
Dio Investment Ltd.		6,997	-	8.82	74,687	-	(11,203)	63,484	9.07	63,484
Shihlien China Holding Co., Ltd.		52,182	-	1.21	227,528	-	(54,924)	172,604	3.31	172,604
Shengzhuang Holdings Limited		244	-	2.18	60,030	-	3,336	63,366	259.44	63,366
Topping Cuisine International Holdings Limited		500	-	2.17	35,018	-	(10,735)	24,283	48.57	24,283
BioResource International Inc.		1,105	-	5.72	59,996	-	10,864	70,860	64.13	70,860
Beauty Essentials International Ltd. (Samoa)		25,974	-	2.41	63,500	-	10,797	74,297	2.86	74,297
					520,759	-	(51,865)	468,894		468,894
Domestic government bonds										
A01105	Expired on March 7, 2022	-	NT$ 2,250,000		2,255,622	-	35,978	2,291,600		2,291,600
A03102	Expired on January 20, 2019	-	NT$ 300,000		300,006	-	86	300,092		300,092
A00109	Expired on September 30, 2021	-	NT$ 1,500,000		1,524,899	-	(439)	1,524,460		1,524,460
A01105	Expired on March 7, 2022	-	NT$ 1,750,000		1,781,348	-	1,008	1,782,356		1,782,356
A01109	Expired on September 24, 2022	-	NT$ 1,500,000		1,525,067	-	20	1,525,087		1,525,087
A02106	Expired on March 6, 2023	-	NT$ 1,500,000		1,527,006	-	(92)	1,526,914		1,526,914
A03106	Expired on March 3, 2024	-	NT$ 2,500,000		2,561,258	-	34,934	2,596,192		2,596,192
A03113	Expired on September 26, 2024	-	NT$ 1,450,000		1,518,854	-	1,029	1,519,883		1,519,883
A04112	Expired on September 11, 2025	-	NT$ 1,300,000		1,326,809	-	1,140	1,327,949		1,327,949
A01105	Expired on March 7, 2022	-	NT$ 200,000		203,453	-	245	203,698		203,698
A01109	Expired on September 24, 2022	-	NT$ 800,000		812,066	-	1,314	813,380		813,380

(Continued)

Item	Remark	Share (In Thousands)	Total Face Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Acquisition Cost	Accumulated Impairment Loss	Valuation Adjustment	Net Investment	Fair Value Unit Price	Fair Value Total Amount
A01202	Expired on May 24, 2022	-	NT$ 300,000		$ 305,421	$ -	$ 475	$ 305,896		$ 305,896
A02110	Expired on September 18, 2023	-	NT$ 600,000		627,884	-	788	628,672		628,672
A03104	Expired on February 14, 2019	-	NT$ 1,200,000		1,200,016	-	716	1,200,732		1,200,732
A03106	Expired on March 3, 2024	-	NT$ 300,000		311,693	-	(150)	311,543		311,543
A03110	Expired on July 18, 2019	-	NT$ 300,000		300,154	-	886	301,040		301,040
A03113	Expired on September 26, 2024	-	NT$ 400,000		417,457	-	1,821	419,278		419,278
A04105	Expired on March 13, 2025	-	NT$ 800,000		839,733	-	1,078	840,811		840,811
A04109	Expired on June 12, 2020	-	NT$ 200,000		200,537	-	892	201,429		201,429
A04112	Expired on September 11, 2025	-	NT$ 300,000		305,869	-	580	306,449		306,449
A06102	Expired on January 23, 2022	-	NT$ 450,000		450,569	-	675	451,244		451,244
A06105	Expired on April 21, 2022	-	NT$ 2,400,000		2,405,568	-	1,392	2,406,960		2,406,960
A89113	Expired on November 14, 2020	-	NT$ 300,000		323,469	-	3,348	326,817		326,817
A92103	Expired on February 18, 2023	-	NT$ 50,000		53,617	-	66	53,683		53,683
A99108	Expired on September 21, 2020	-	NT$ 400,000		402,099	-	2,005	404,104		404,104
					23,480,474	-	89,795	23,570,269		23,570,269
Foreign government bonds										
HKTB 0 04/17/19	Expired on April 17, 2019	-	HK$ 100,000		390,776	-	(288)	390,488		390,488
HKTB 0 05/15/19	Expired on May 15, 2019	-	HK$ 100,000		390,283	-	(313)	389,970		389,970
HKTB 0 06/12/19	Expired on June 19, 2019	-	HK$ 100,000		389,696	-	(238)	389,458		389,458
					1,170,755	-	(839)	1,169,916		1,169,916
Bank notes payable										
P07 HSBC 1	Expired on March 28, 2021	-	NT$ 200,000		200,000	-	(514)	199,486		199,486
WSTP Float 01/11/23	Expired on January 11, 2023	-	US$ 5,000		152,391	-	1,348	153,739		153,739
BNP 23-AUG-2021 FRN MTN	Expired on August 23, 2021	-	US$ 15,000		461,189	-	1,940	463,129		463,129
CITNAT Float 06/09/22	Expired on June 9, 2022	-	US$ 20,000		615,478	-	1,403	616,881		616,881
EIBKOR Float 07/05/22	Expired on July 5, 2022	-	US$ 10,000		307,459	-	2,595	310,054		310,054
KDB Float 10/30/22	Expired on October 30, 2022	-	US$ 25,000		768,648	-	6,771	775,419		775,419
FIB_BOCTB	Expired on June 30, 2020	-	CNY 100,000		446,999	-	562	447,561		447,561
BCHINA Float 08/08/22	Expired on August 8, 2022	-	US$ 2,000		61,495	-	45	61,540		61,540
ANZNZ Float 01/25/22	Expired on January 25, 2022	-	US$ 10,000		309,717	-	770	310,487		310,487
ASBBNK Float 06/14/23	Expired on June 14, 2023	-	US$ 10,000		310,311	-	154	310,465		310,465
ANZ Float 06/01/21	Expired on June 1, 2021	-	US$ 25,000		770,507	-	6,860	777,367		777,367
BZLNZ Float 09/14/21	Expired on September 14, 2021	-	US$ 10,000		308,505	-	1,710	310,215		310,215
04-BAC FRN 0419	Expired on April 1, 2019	-	US$ 10,000		307,645	-	(45)	307,600		307,600
BFCM 2 3/4 01/22/19	Expired on January 22, 2019	-	US$ 2,000		61,516	-	(33)	61,483		61,483
BFCM 2 04/12/19	Expired on April 12, 2019	-	US$ 5,000		153,657	-	(511)	153,146		153,146
BFCM Float 07/20/23	Expired on July 20, 2023	-	US$ 23,000		708,990	-	(1,660)	707,330		707,330
CM Float 06/16/22	Expired on June 16, 2022	-	US$ 10,000		306,561	-	1,239	307,800		307,800
CBAAU Float 03/16/23	Expired on March 16, 2023	-	US$ 4,000		122,555	-	1,079	123,634		123,634
EIBKOR Float 06/01/23	Expired on June 1, 2023	-	US$ 2,000		61,571	-	429	62,000		62,000
LLOYDS Float 01/22/19	Expired on January 22, 2019	-	US$ 10,000		307,493	-	50	307,543		307,543
MQGAU 2.4 01/21/20	Expired on January 21, 2020	-	US$ 7,000		215,564	-	(2,376)	213,188		213,188
MACQUARIE BANK	Expired on July 29, 2020	-	US$ 10,000		307,966	-	1,730	309,696		309,696
NAB Float 01/10/22	Expired on January 10, 2022	-	US$ 15,000		461,933	-	4,135	466,068		466,068
SOCGEN Float 04/08/21	Expired on April 8, 2021	-	US$ 1,000		31,100	-	48	31,148		31,148
TD Float 12/14/20	Expired on December 14, 2020	-	US$ 10,000		307,537	-	2,577	310,114		310,114
WSTP Float 05/13/21	Expired on May 13, 2021	-	US$ 10,000		308,208	-	2,777	310,985		310,985
WSTP Float 01/11/22	Expired on January 11, 2022	-	US$ 6,000		184,883	-	1,330	186,213		186,213
ACAFP Float 06/10/20	Expired on June 10, 2020	-	US$ 5,000		153,442	-	1,252	154,694		154,694
INTNED Float 10/01/19	Expired on October 1, 2019	-	US$ 4,000		122,637	-	527	123,164		123,164
INTNED Float 08/15/21	Expired on August 15, 2021	-	US$ 21,000		646,945	-	2,651	649,596		649,596
05-ACAFP 0219	Expired on February 7, 2019	-	US$ 10,000		307,477	-	100	307,577		307,577
WOORIB Float 12/02/21	Expired on December 2, 2021	-	US$ 10,000		307,477	-	1,235	308,712		308,712
CITNAT Float 06/09/22	Expired on June 9, 2022	-	US$ 5,000		153,738	-	469	154,207		154,207
SDBC Float 06/15/22	Expired on June 15, 2022	-	US$ 10,000		307,477	-	1,142	308,619		308,619
EIBKOR Float 07/05/22	Expired on July 5, 2022	-	US$ 4,000		122,991	-	1,040	124,031		124,031
ABNANV Float 07/19/22	Expired on July 19, 2022	-	US$ 25,000		768,691	-	(1,726)	766,965		766,965

(Continued)

Item	Remark	Share (In Thousands)	Total Face Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Acquisition Cost	Accumulated Impairment Loss	Valuation Adjustment	Net Investment	Fair Value Unit Price	Fair Value Total Amount
KEBHB Float 09/14/22	Expired on September 14, 2022	-	US$ 25,000		$ 768,691	$ -	$ (4,844)	$ 763,847		$ 763,847
BCHINA Float 04/17/23	Expired on April 17, 2023	-	US$ 10,000		307,477	-	(1,069)	306,408		306,408
ICBCAS Float 04/16/23	Expired on April 16, 2023	-	US$ 20,000		614,953	-	(2,135)	612,818		612,818
SHNHAN Float 06/15/23	Expired on June 15, 2023	-	US$ 10,000		307,764	-	(2,145)	305,619		305,619
KEBHNB Float 07/26/23	Expired on July 26, 2023	-	US$ 5,000		153,738	-	(2,183)	151,555		151,555
09-DB 4.3	Expired on May 19, 2020	-	CNY 50,000		223,544	-	327	223,871		223,871
09-DB 4.05	Expired on July 10, 2020	-	CNY 100,000		447,088	-	(731)	446,357		446,357
					14,274,008	-	28,323	14,302,331		14,302,331
Corporate bonds										
02 TSMC 2B	Expired on February 6, 2020	-	NT$ 400,000		403,017	-	420	403,437		403,437
P04 HON HAI 5D	Expired on November 30, 2020	-	NT$ 100,000		100,717	-	227	100,944		100,944
P05 HON HAI 1B	Expired on June 7, 2019	-	NT$ 50,000		50,000	-	29	50,029		50,029
P05 HON HAI 1D	Expired on June 7, 2021	-	NT$ 100,000		99,951	-	185	100,136		100,136
P06 Pegatron 1A	Expired on July 13, 2020	-	NT$ 250,000		250,000	-	588	250,588		250,588
P03 CPC 1A	Expired on September 12, 2019	-	NT$ 100,000		100,539	-	56	100,595		100,595
01 TPC 1B	Expired on April 23, 2019	-	NT$ 400,000		400,975	-	113	401,088		401,088
P03 TPC 5B	Expired on December 15, 2019	-	NT$ 420,000		423,077	-	430	423,507		423,507
P07 TPC1A	Expired on May 14, 2021	-	NT$ 100,000		100,000	-	6	100,006		100,006
P07 TWM 1	Expired on April 20, 2023	-	NT$ 150,000		150,000	-	(269)	149,731		149,731
P04 HON HAI 1B	Expired on January 14, 2020	-	NT$ 200,000		201,273	-	419	201,692		201,692
P04 HON HAI 4C	Expired on September 29, 2019	-	NT$ 200,000		200,586	-	229	200,815		200,815
P05 HON HAI 1B	Expired on June 7, 2019	-	NT$ 100,000		100,000	-	58	100,058		100,058
P06 HON HAI 3B	Expired on November 16, 2022	-	NT$ 200,000		200,000	-	1,268	201,268		201,268
P06 HON HAI 3C	Expired on November 16, 2024	-	NT$ 200,000		201,128	-	1,373	202,501		202,501
P07 HON HAI 1B	Expired on May 9, 2023	-	NT$ 100,000		100,000	-	130	100,130		100,130
P06 Pegatron 1A	Expired on July 13, 2020	-	NT$ 250,000		250,000	-	588	250,588		250,588
P03 CPC 2A	Expired on December 22, 2019	-	NT$ 200,000		200,299	-	1,302	201,601		201,601
P04 CPC 1A	Expired on August 19, 2020	-	NT$ 300,000		300,000	-	3,217	303,217		303,217
P06 CPC 1B	Expired on September 20, 2024	-	NT$ 50,000		50,075	-	323	50,398		50,398
P06 HOTAI FINANCE 1	Expired on January 11, 2020	-	NT$ 200,000		199,994	-	446	200,440		200,440
99 TPC 6B	Expired on December 15, 2020	-	NT$ 300,000		304,747	-	716	305,463		305,463
01 TPC 3A	Expired on August 16, 2019	-	NT$ 300,000		301,053	-	521	301,574		301,574
02 TPC 3A	Expired on July 22, 2020	-	NT$ 300,000		302,634	-	337	302,971		302,971
03 TPC 2B	Expired on May 30, 2019	-	NT$ 500,000		500,301	-	1,516	501,817		501,817
P06 TPC 1B	Expired on April 25, 2024	-	NT$ 100,000		102,398	-	165	102,563		102,563
P07 TPC 1B	Expired on May 16, 2023	-	NT$ 50,000		50,000	-	27	50,027		50,027
P07 TPC 4B	Expired on November 15, 2025	-	NT$ 200,000		200,000	-	(207)	199,793		199,793
P07 TWM 1	Expired on April 20, 2023	-	NT$ 150,000		150,000	-	(269)	149,731		149,731
P07 TFCC1	Expired on January 9, 2023	-	NT$ 300,000		300,000	-	(283)	299,717		299,717
P05 FENC3	Expired on September 20, 2021	-	NT$ 100,000		98,854	-	685	99,539		99,539
P05 CAL 1	Expired on May 26, 2021	-	NT$ 100,000		100,250	-	(10)	100,240		100,240
P06 FFTC1	Expired on September 26, 2020	-	NT$ 50,000		50,000	-	176	50,176		50,176
P05 FENC 3	Expired on September 20, 2021	-	NT$ 200,000		197,708	-	1,370	199,078		199,078
P07 FENC 2	Expired on May 18, 2023	-	NT$ 300,000		300,000	-	(1,854)	298,146		298,146
P05 CAL 1	Expired on May 26, 2021	-	NT$ 100,000		100,250	-	(10)	100,240		100,240
P06 FFTC 1	Expired on September 26, 2020	-	NT$ 200,000		200,000	-	705	200,705		200,705
P04 RICH 1	Expired on November 20, 2020	-	NT$ 250,000		252,227	-	1,142	253,369		253,369
P04 RICH 1	Expired on November 20, 2020	-	NT$ 250,000		252,227	-	1,142	253,369		253,369
07-WHARF 0219	Expired on February 11, 2019	-	US$ 10,000		307,477	-	83	307,560		307,560
WHARF 3.61 05/20/21	Expired on May 20, 2021	-	US$ 10,000		311,765	-	(6,224)	305,541		305,541
MS Float 01/20/22	Expired on January 20, 2022	-	US$ 10,000		309,559	-	(1,939)	307,620		307,620
					8,773,081	-	8,927	8,782,008		8,782,008
					$ 48,976,569	$ -	$ (87,282)	$ 48,889,287		$ 48,889,287

Note: The Company pledges the amount of $166,700 thousand of government bonds as the collateral for the trust compensation reserve, bond settlement reserve and interest rate swap for the year ended December 31, 2018.

(Concluded)

O-BANK CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Balance, January 1, 2018		Additions in Investment		Decrease in Investment		Balance, December 31, 2018			Net Assets Value			
Investees	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	Unit Price (NT$)	Total Amount	Collateral	Note
China Bills finance Corp	380,982	$ 6,464,888	-	$ 416,525	-	$ 338,919	380,982	28.37	$ 6,542,494	13.70	$ 5,219,453	$ -	Note 1
Chun Teng New Century Co., Ltd.	318,281	893,751	-	33,930	-	574,419	318,281	99.75	353,262	1.11	353,262	-	Note 2
IBT Holdings Corp.	10,869	4,496,478	-	490,184	-	9,912	10,869	100.00	4,976,750	457.88	4,976,750	-	Note 3
IBT Leasing Co., Ltd.	264,300	2,130,458	-	140,702	-	234,997	264,300	100.00	2,036,163	7.70	2,036,163	-	Note 4
IBT Management Corp.	13,400	234,015	-	502	-	22,784	13,400	100.00	211,733	15.80	211,733	-	Note 5
		$ 14,219,590		$ 1,081,843		$ 1,181,031			$ 14,120,402		$ 12,797,361	$ -	

Note 1: In the current period, increase in retroactive adjustment, actuarial gains and losses of welfare plan, and capital surplus was $35,890 thousand, $378,842 thousand, $1,328 thousand and $465 thousand, respectively; decrease in unrealized losses on financial assets, and declared cash dividend was $68,422 thousand and $270,497 thousand, respectively.

Note 2: In the current period, increase in retroactive adjustment, investment income, and exchange differences on translating the financial statements of foreign operations was $8,582 thousand, $10,247 thousand and $15,101 thousand, respectively; decrease in unrealized losses on financial assets, and capital reduction and return of shares was $1,514 thousand and $572,905 thousand, respectively.

Note 3: In the current period, increase in retroactive adjustment, investment income, and exchange differences on translating the financial statements of foreign operations was $3,160 thousand, $346,189 thousand and $140,835 thousand, respectively; decrease in unrealized losses on financial assets was $9,912 thousand.

Note 4: In the current period, increase in investment income was $140,702 thousand; decrease in retroactive adjustment, unrealized losses on financial assets, and exchange differences on translating the financial statements of foreign operations was $161,853 thousand, $20,160 thousand and $52,984 thousand, respectively.

Note 5: In the current period, increase in retroactive adjustment was $502 thousand; decrease in investment loss, and unrealized losses on financial assets was $510 thousand and $22,274 thousand, respectively.

O-BANK CO., LTD.

STATEMENT OF INTEREST INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Discounts and loans	
Short-term	$ 1,348,512
Medium-term	3,016,842
Long-term	167,520
	4,532,874
Investments in marketable securities	
Financial assets at fair value through comprehensive income	716,520
Investments in debt instruments at amortised cost	5,743
	722,263
Due from the Central Bank and call loans to banks	
Call loans to banks	128,322
Due from the Central Bank	26,543
	154,865
Others (Note)	95,552
	$ 5,505,554

Note: The amount of each item in others does not exceed 5% of the account balance.

STATEMENT 6

O-BANK CO., LTD.

STATEMENT OF INTEREST EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Deposits	
Time deposits	$ 2,068,266
Demand deposits	117,433
Time savings deposits	8,762
Demand savings deposits	38,260
Demand savings deposits of employee	22,730
	2,255,451
Securities sold under agreements to repurchase	38,466
Bank notes payable	423,673
Due to the Central Bank and banks	599,180
Others (Note)	7,263
	$ 3,324,033

Note: The amount of each item in others does not exceed 5% of the account balance.

O-BANK CO., LTD.

STATEMENT OF GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Realized gain profit or loss	
Stocks	
Stocks and beneficiary certificates	$ 28,362
Bonds	
Government bonds	(6,637)
Bonds issued under repurchase agreements and outright sells	576
Convertible bonds	-
	(6,061)
Derivatives	
Forward contracts	36,254
Foreign exchange forward contracts	915,221
Cross-currency swap contracts	-
Option contracts	1,543
Interest rate swap contracts	(49,337)
Asset swap contracts	14,998
	918,679
	940,980
Gains (losses) on valuation	
Stocks	
Stocks and beneficiary certificates	2,894
Bonds	
Convertible bonds	1,620
Derivatives	
Forward contracts	(23,547)
Foreign exchange forward contracts	188,736
Cross-currency swap contracts	-
Option contracts	-
Interest rate swap contracts	9,721
Asset swap contracts	315
	175,225
Others	
Negotiable certificates of deposit	1,848
	181,587
Interest revenue	263,210
	$ 1,385,777

O-BANK CO., LTD.

STATEMENT OF OTHER NET REVENUE OTHER THAN INTEREST INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Rental	$ 18,106
Bonuses for directors	16,767
Agency business	71,448
Service fees	21,927
Others (Note)	1,422
	$ 129,670

Note: The amount of each item in others does not exceed 5% of the account balance.

O-BANK CO., LTD.

STATEMENT OF EMPLOYEE BENEFITS EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Salaries and wages	$ 1,421,487
Labor insurance and national health insurance	83,707
Directors' remuneration and fees (Note 1)	46,443
Pension (Note 1)	55,266
Others (Note 1)	26,615
	$ 1,633,518

Note 1: The amount of each item in others does not exceed 5% of the account balance.

Note 2: As of December 31, 2018 and 2017, the Company had 918 and 914 employees, respectively; of which there were 12 and 12 non-employee directors, respectively.

Note 3: The average employee benefit expense for the year was $1,752. ("Total employee benefit expenses - directors' remuneration" ÷ "Number of employees - number of directors who are not concurrently employed")

Note 4: The average salaries and wages of employee for the year was $1,569. (Total salary costs ÷ "Number of employees - Number of directors who are not concurrent employees")