O-Bank and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2019 and 2018 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

We have audited the accompanying consolidated financial statements of O-Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of June 30, 2019, December 31, 2018 and June 30, 2018, the consolidated statements of comprehensive income for the three months and the six months ended June 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2019, December 31, 2018 and June 30, 2018 its consolidated financial performance for the three months and the six months ended June 30, 2019 and 2018, and its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Group's consolidated financial statements for the six months ended June 30, 2019 are described as follows:

Allowance for Credit Losses of Loans

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

Management performed assessments for the expected credit losses of loans to establish and recognize allowances for credit losses and used judgment in making assumptions about risk of default and expected loss rates based on past experience, existing market conditions as well as forward-looking estimates. It estimated the amount of 12-month or lifetime expected credit losses based on whether the amount of loans has increased significantly since initial recognition. Management also referred to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" in calculating the minimum allowance for credit losses. The aforementioned risk of default and expected loss rates involved estimates and judgments, which could affect the adequacy of the allowance for credit losses; therefore, we determined the allowance for credit losses to be one of the key audit matters.

In response to the abovementioned key audit matter, we:

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

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

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

- Verified that the classifications of loans and the calculations of the allowance for credit losses were in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans".

Estimated Impairment of Financial Guarantee Contract

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

The reserves set aside for the guarantee liabilities of China Bills Finance Corporation were 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" (hereinafter 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, critical estimates and assumptions (i.e. the risk of default and expected loss rates), and the classification and provision for credit assets in accordance with the Regulations for Evaluating Bad Debts, which will influence the amount of reserve for guarantee liabilities; therefore, we determined the impairment assessment of guarantee agreements to be one of the key audit matters.

In response to the abovementioned key audit matter, we:

- We understood the internal controls about the estimated impairment of reserve for guarantee liabilities of financial guarantee contracts and we tested the effectiveness of the operation of the controls.

- We evaluated the assumption of expected losses on the balance sheet date and major parameters (probability of default and loss given default) which reflects actual situation and recalculated the accuracy of loss amount.

- We reviewed the management's calculation of the value of collateral of specific impairment of credit assets, checked the completeness of the collateral was categorized properly on the loss reserves evaluation report and evaluated the appropriateness of classification. We also recalculated the amount of reserve for guarantee liabilities shown on the provision for loss reserves evaluation report to confirm the mathematical accuracy of provision for loss reserves.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the six months ended June 30, 2019 and 2018 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2019 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 Wang-Sheng Lin and Yin-Chou Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 23, 2019

<u>*Notice to Readers*</u>

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

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2019		December 31, 2018		June 30, 2018	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 41)	$ 5,628,225	1	$ 9,227,068	2	$ 7,815,339	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	21,638,512	4	22,607,002	4	21,349,324	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS(Notes 4, 8 and 41)	162,906,805	29	151,512,614	27	140,919,461	26
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 41 and 45)	142,976,631	25	149,952,752	27	145,927,707	27
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 4, 41 and 45)	500,000	-	499,939	-	499,880	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 10)	860,000	-	991,363	-	6,071,916	1
RECEIVABLES, NET (Notes 4, 11 and 13)	16,791,523	3	20,829,951	4	19,631,594	4
CURRENT TAX ASSETS	403,038	-	381,082	-	277,131	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 13, 40 and 41)	203,496,865	36	197,338,050	35	193,973,601	36
OTHER FINANCIAL ASSETS (Notes 16 and 41)	1,550,145	-	1,329,918	-	602,254	-
PROPERTY AND EQUIPMENT, NET (Note 17)	2,882,430	1	2,951,660	1	2,949,507	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 18)	463,333	-	-	-	-	-
INTANGIBLE ASSETS, NET (Note 19)	2,404,746	1	2,457,300	-	2,486,980	-
DEFERRED TAX ASSETS	699,844	-	672,656	-	688,476	-
OTHER ASSETS (Note 20)	904,948	-	1,090,219	-	1,166,696	-
TOTAL	$ 564,107,045	100	$ 561,841,574	100	$ 544,359,866	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and banks (Note 21)	$ 38,686,001	7	$ 55,529,376	10	$ 64,407,013	12
Financial liabilities at fair value through profit or loss (Note 8)	329,172	-	793,272	-	1,242,155	-
Notes and bonds issued under repurchase agreement (Note 22)	157,370,894	28	151,446,900	27	148,410,612	27
Payables (Note 23)	5,117,478	1	5,636,437	1	6,199,670	1
Current tax liabilities	199,986	-	17,857	-	139,744	-
Deposits and remittances (Notes 24 and 40)	268,960,305	48	261,803,321	47	231,788,065	43
Bank notes payable (Note 25)	20,350,000	4	17,850,000	3	22,150,000	4
Other financial liabilities (Note 26)	17,553,513	3	15,034,414	3	20,052,395	4
Provisions (Notes 13 and 27)	1,918,774	-	1,869,428	-	1,912,210	-
Lease liabilities (Notes 4 and 18)	472,763	-	-	-	-	-
Deferred income tax liabilities	420,388	-	341,015	-	358,089	-
Other liabilities (Note 29)	2,444,495	-	2,400,842	-	2,122,289	1
Total liabilities	513,823,769	91	512,722,862	91	498,782,242	92
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Capital stock						
Common stock	24,130,063	4	24,130,063	4	24,130,063	4
Preferred stock	3,000,000	1	3,000,000	1	-	-
	27,130,063	5	27,130,063	5	24,130,063	4
Capital surplus	9,757	-	8,503	-	8,572	-
Retained earnings						
Legal reserve	3,367,681	1	3,184,667	1	3,184,667	1
Special reserve	1,631,335	-	1,215,831	-	1,215,831	-
Unappropriated earnings	855,084	-	610,045	-	320,623	-
Total retained earnings	5,854,100	1	5,010,543	1	4,721,121	1
Other equity	229,686	-	(159,981)	-	(17,665)	-
Total equity attributable to owners of the Bank	33,223,606	6	31,989,128	6	28,842,091	5
NON-CONTROLLING INTERESTS	17,059,670	3	17,129,584	3	16,735,533	3
Total equity (Note 30)	50,283,276	9	49,118,712	9	45,577,624	8
TOTAL	$ 564,107,045	100	$ 561,841,574	100	$ 544,359,866	100

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

O-BANK AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Notes 31 and 40)	$ 2,437,631	110	$ 2,274,573	110	$ 4,880,441	109	$ 4,339,938	112
INTEREST EXPENSE (Notes 31 and 40)	(1,445,755)	(65)	(1,170,164)	(57)	(2,902,683)	(65)	(2,230,377)	(57)
NET INTEREST REVENUE	991,876	45	1,104,409	53	1,977,758	44	2,109,561	55
NET REVENUE OTHER THAN INTEREST								
Net service fee revenue (Notes 32 and 40)	530,929	24	544,998	27	1,077,355	24	960,000	25
Gains on financial assets or liabilities measured at fair value through profit or loss (Note 33)	945,544	42	1,214,472	59	1,624,004	37	1,134,840	29
Realized gain on financial assets at fair value through other comprehensive income (Note 34)	80,783	4	21,578	1	120,849	3	45,582	1
Foreign exchange gain (loss), net	(390,099)	(18)	(845,577)	(41)	(433,632)	(10)	(434,444)	(11)
(Impairment loss on assets) reversal of impairment loss on assets (Note 4)	2,558	-	4,758	-	(6,861)	-	4,877	-
Other net revenue other than interest income	60,100	3	21,295	1	88,434	2	47,630	1
Total net revenue other than interest	1,229,815	55	961,524	47	2,470,149	56	1,758,485	45
NET REVENUE	2,221,691	100	2,065,933	100	4,447,907	100	3,868,046	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 13)	(403,259)	(18)	(20,617)	(1)	(508,651)	(12)	(154,739)	(4)
OPERATING EXPENSES								
Employee benefits expenses (Notes 28, 35 and 40)	669,014	30	704,069	34	1,376,523	31	1,344,795	35
Depreciation and amortization expenses (Note 36)	154,288	7	105,786	5	306,309	7	206,826	5
Other general and administrative expenses (Notes 37 and 40)	309,262	14	350,866	17	628,949	14	682,287	18
Total operating expenses	1,132,564	51	1,160,721	56	2,311,781	52	2,233,908	58
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	685,868	31	884,595	43	1,627,475	36	1,479,399	38
INCOME TAX EXPENSE (Notes 4 and 38)	184,104	8	269,739	13	415,586	9	437,012	11

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O-BANK AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME FROM CONTINUING OPERATIONS	501,764	23	614,856	30	1,211,889	27	1,042,387	27
Income (loss) from discontinued operations (Note 14)	1,778	-	3,783	-	(2,167)	-	953	-
NET PROFIT FOR THE PERIOD	503,542	23	618,639	30	1,209,722	27	1,043,340	27
OTHER COMPREHENSIVE INCOME (LOSS)								
Components of other comprehensive income that will not be reclassified to profit or loss:								
Gains (losses) on remeasurements of defined benefit plans	-	-	-	-	(41)	-	-	-
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	(4,359)	-	12,158	1	243,617	5	141,708	4
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Notes 4 and 38)	(429)	-	2,841	-	8	-	2,841	-
Components of other comprehensive income that will be reclassified to profit or loss:								
Exchange differences on translation	35,614	2	302,467	15	109,811	3	154,464	4
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	123,791	5	(78,318)	(4)	453,450	10	(340,173)	(9)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Notes 4 and 38)	(38,218)	(2)	(41,224)	(2)	(84,074)	(2)	15,776	-
Other comprehensive income (loss) for the period, net of income tax	116,399	5	197,924	10	722,771	16	(25,384)	(1)
TOTAL COMPREHENSIVE INCOME	$ 619,941	28	$ 816,563	40	$ 1,932,493	43	$ 1,017,956	26
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Bank	$ 266,018	12	$ 333,104	16	$ 738,310	17	$ 511,621	13
Non-controlling interests	237,524	11	285,535	14	471,412	10	531,719	14

(Continued)

O-BANK AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
	$ 503,542	23	$ 618,639	30	$ 1,209,722	27	$ 1,043,340	27
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	$ 316,297	14	$ 547,772	27	$ 1,244,751	28	$ 583,569	15
Non-controlling interests	303,644	14	268,791	13	687,742	15	434,387	11
	$ 619,941	28	$ 816,563	40	$ 1,932,493	43	$ 1,017,956	26
EARNINGS PER SHARE (Note 39)								
From continuing and discontinued operations								
Basic	$0.10		$0.14		$0.30		$0.21	
Diluted	$0.10		$0.14		$0.30		$0.21	
From continuing operations								
Basic	$0.10		$0.14		$0.30		$0.21	
Diluted	$0.10		$0.14		$0.30		$0.21	

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank (Notes 4, 9 and 30)													
	Capital Stock				Retained Earnings				Other Equity					
	Common Stock (In Thousands)	Preferred Stock (In Thousands)	Total	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Foreign Financial Statements	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Owners of the Bank	Non-controlling Interests (Note 30)	Total Equity
BALANCE AT JANUARY 1, 2018	$ 24,130,063	$ -	$ 24,130,063	$ 7,730	$ 2,880,297	$ 1,229,536	$ 1,014,567	$ 5,124,400	$ (216,266)	$ 236,666	$ -	$ 29,282,593	$ 16,892,050	$ 46,174,643
Effect of retrospective application	-	-	-	-	-	-	(208,457)	(208,457)	-	(236,666)	144,112	(301,011)	90,927	(210,084)
BALANCE AT JANUARY 1, 2018 AS RESTATED	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536	806,110	4,915,943	(216,266)	-	144,112	28,981,582	16,982,977	45,964,559
Appropriation and distribution of 2017 retained earnings:														
Legal reserve appropriated	-	-	-	-	304,370	-	(304,370)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	(13,705)	13,705	-	-	-	-	-	-	-
Cash dividends of common stock distributed by the Bank	-	-	-	-	-	-	(723,902)	(723,902)	-	-	-	(723,902)	-	(723,902)
Unclaimed dividends	-	-	-	377	-	-	-	-	-	-	-	377	1,174	1,551
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	465	-	-	-	-	-	-	-	465	-	465
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(683,005)	(683,005)
Net profit for the six months ended June 30, 2018	-	-	-	-	-	-	511,621	511,621	-	-	-	511,621	531,719	1,043,340
Other comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	-	807	807	125,604	-	(54,463)	71,948	(97,332)	(25,384)
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	-	512,428	512,428	125,604	-	(54,463)	583,569	434,387	1,017,956
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	16,652	16,652	-	-	(16,652)	-	-	-
BALANCE AT JUNE 30, 2018	$ 24,130,063	$ -	$ 24,130,063	$ 8,572	$ 3,184,667	$ 1,215,831	$ 320,623	$ 4,721,121	$ (90,662)	$ -	$ 72,997	$ 28,842,091	$ 16,735,533	$ 45,577,624
BALANCE AT JANUARY 1, 2019	24,130,063	3,000,000	27,130,063	8,503	3,184,667	1,215,831	610,045	5,010,543	(92,806)	-	(67,175)	31,989,128	17,129,584	49,118,712
Appropriation and distribution of 2018 retained earnings:														
Legal reserve appropriated	-	-	-	-	183,014	-	(183,014)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	415,504	(415,504)	-	-	-	-	-	-	-
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(11,527)	(11,527)	-	-	-	(11,527)	-	(11,527)
Unclaimed dividends	-	-	-	341	-	-	-	-	-	-	-	341	2,307	2,648
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(759,963)	(759,963)
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	913	-	-	-	-	-	-	-	913	-	913
Net profit for the for the six months ended June 30, 2019	-	-	-	-	-	-	738,310	738,310	-	-	-	738,310	471,412	1,209,722
Other comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	-	(9)	(9)	90,016	-	416,434	506,441	216,330	722,771
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	738,301	738,301	90,016	-	416,434	1,244,751	687,742	1,932,493
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	116,783	116,783	-	-	(116,783)	-	-	-
BALANCE AT JUNE 30, 2019	$ 24,130,063	$ 3,000,000	$ 27,130,063	$ 9,757	$ 3,367,681	$ 1,631,335	$ 855,084	$ 5,854,100	$ (2,790)	$ -	$ 232,476	$ 33,223,606	$ 17,059,670	$ 50,283,276

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

O-BANK AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	$ 1,627,475	$ 1,479,399
Profit (loss) from discontinued operations before tax	(2,167)	1,007
Adjustments to reconcile profit (loss):		
Depreciation expenses	182,613	94,277
Amortization expenses	124,004	112,559
Expect credit losses/recognition of provisions	515,512	149,862
Net gain on financial assets or liabilities at fair value through profit or loss	(1,625,256)	(1,135,456)
Interest expense	2,902,683	2,230,377
Interest revenue	(4,881,237)	(4,345,352)
Dividends income	(25,325)	(20,909)
(Gain) loss on disposal of property and equipment	(464)	1,276
Gain on disposal of investments	(178,476)	-
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(1,154,466)	(13,035,045)
Financial assets at fair value through profit or loss	(9,768,935)	14,576,634
Financial assets at fair value through other comprehensive income	7,964,149	4,607,947
Receivables	3,870,443	900,157
Discounts and loans	(6,621,580)	(14,184,505)
Deposits from the Central Bank and banks	(16,843,375)	11,374,374
Financial liabilities at fair value through profit or loss	(464,100)	451,137
Notes and bonds issued under repurchase agreement	5,923,994	(41,411,356)
Payables	(1,405,309)	(396,017)
Deposits and remittances	7,156,984	33,501,365
Provisions	13,223	45,580
Cash inflow (outflow) generated from operations	(12,689,610)	(5,002,689)
Interest received	5,053,510	4,760,107
Interest paid	(2,778,768)	(2,064,278)
Dividends received	19,288	20,909
Income tax paid	(203,228)	(311,202)
Net cash flows used in operating activities	(10,598,808)	(2,597,153)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(41,771)	(147,511)
Proceeds from disposal of property and equipment	2,517	42,900
Decrease in refundable deposits	217,760	2,749,995
Acquisitions of intangible assets	(48,420)	(69,777)
Increase in other financial assets	-	(592,104)
Decrease in other financial assets	401,374	-
Increase in other assets	(32,489)	-
Decrease in other assets	-	213,727

(Continued)

O-BANK AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2019	**2018**
Net cash flows generated from investing activities	498,971	2,197,230
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	697,706	-
Decrease in short-term borrowings	-	(1,518,021)
Increase in commercial paper	1,999,362	649,849
Proceeds from issuing bank notes payable	2,500,000	1,750,000
Repayments of long-term borrowings	(373,410)	(413,134)
Repayment of the principal portion of lease liabilities	(86,963)	-
Increase in other financial liabilities	195,441	-
Decrease in other financial liabilities	-	(1,004,176)
Increase in other liabilities	43,621	-
Decrease in other liabilities	-	(355,562)
Net cash flows generated from (used in) financing activities	4,975,757	(891,044)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(107,481)	(322,792)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,231,561)	(1,613,759)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	24,952,785	17,606,425
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 19,721,224	$ 15,992,666

A reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2019 and 2018 is as follows:

	June 30	
	2019	**2018**
Cash and cash equivalents reported in the statement of financial position	$ 5,628,225	$ 7,815,339
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	12,611,398	2,105,411
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	860,000	6,071,916
Other items that meet the definition of cash and cash equivalents in IAS 7	621,601	-
Cash and cash equivalents at the end of the period	$ 19,721,224	$ 15,992,666

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

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

As of June 30, 2019, 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 five 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. The TWSE approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEx to the TWSE on May 5, 2017.

The consolidated financial statements are presented in the Bank's functional currency, the New Taiwan dollar. The Bank and its subsidiaries are collectively referred to as the "Group".

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Bank had 1,461, 1,458 and 1,437 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board and authorized for issue on August 23, 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, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies 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 Financial Supervisory Commission (FSC).

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

- 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. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Definition of a lease</u>

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

<u>The Group as lessee</u>

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

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. Right-of-use assets are measured at the Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

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

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

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 2.55%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 596,248
Less: Recognition exemption for short-term leases	(4,270)
Less: Recognition exemption for leases of low-value assets	(19,629)
Undiscounted amounts on January 1, 2019	$ 572,349
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 542,298
Lease liabilities recognized on January 1, 2019	$ 542,298

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 536,523	$ 536,523
Total effect on assets		$ 536,523	
Lease liabilities	$ -	$ 542,298	$ 542,298
Other liabilities	$ 2,400,842	(5,775)	$ 2,395,067
Total effect on liabilities		$ 536,523	

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 2)

Note 1: The Group 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 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group have assessed that the above amendments have no material impact on the Group, and the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

As of the date the consolidated financial statements were authorized for issue, the Group have assessed that the above amendments have no material impact on the Group, and the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC.

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

Basis of Preparation

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

Since the operating cycle in the banking industry could not be clearly identified, accounts included in the consolidated financial statements of the Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 45 for the maturity analysis of assets and liabilities.

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. The total comprehensive income of subsidiaries shall be attributed to the owners of the Bank and to the non-controlling interests, even if the balance becomes negative or loss is incurred.

Refer to Note 15, Tables 7 and 8 for the list of main business activities and ownership percentages of subsidiaries.

Other Significant Accounting and Reporting Policies

Except as described in the following paragraphs, other significant accounting and reporting policies used in the preparation of these consolidated financial statements are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2018.

a. Leases

   2019

   At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

   The Group as lessee

   The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

   Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

   Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

   Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

b. Employee benefits

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

c. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

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

d. Financial instruments

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

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

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.

1) Measurement categories

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

   a) Financial assets at FVTPL

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

   b) Financial assets at amortized cost

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

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

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

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

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

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

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

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

Furthermore, the Bank should make at least a 1.5% provision for loans to cover the purchases of residential properties plus renovations and constructions, and first category of credit granted in the mainland China (including short-term trade finance).

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

Financial liabilities

1) Subsequent measurement

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

a) 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:

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

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

iii. 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:

i Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or ii The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii 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) Financial guarantee contracts

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

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

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

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

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

2) Derecognition of financial liabilities

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, the critical accounting judgments and key sources of estimation uncertainty in these consolidated financial statements are the same as those in the consolidated financial statements for year ended December 31, 2018.

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.

Estimated Impairment of Loans and Financial Guarantee Contract

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand and petty cash	$ 81,613	$ 153,719	$ 128,046
Checking for clearing	137,432	1,159,621	97,454
Due from banks	5,409,180	7,913,728	7,589,839
	$ 5,628,225	$ 9,227,068	$ 7,815,339

The cash and cash equivalents of the consolidated cash flows and the related adjustments of the consolidated balance sheets as of December 31, 2018 are as follows. For the adjustments as of June 30, 2019 and 2018, refer to the statements of cash flows.

	December 31, 2018
Cash and cash equivalents in the consolidated balance sheets	$ 9,227,068
Due from the Central Bank and call loans to banks that meet the definition of cash and cash equivalents under IAS 7	14,734,354
Securities purchased under agreements to resell that meet the definition of cash and cash equivalents under IAS 7	991,363
Cash and cash equivalents in the consolidated statements of cash flow	$ 24,952,785

Refer to Note 41 for information relating to due from bank's pledge.

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

	June 30, 2019	December 31, 2018	June 30, 2018
Reserves for deposits - Type A	$ 1,152,831	$ 1,560,003	$ 13,827,041
Reserves for deposits - Type B	5,372,967	4,808,616	4,393,682
Reserves for deposits - Financial	2,501,316	1,500,954	1,000,310
Call loans	12,611,398	14,734,354	2,105,411
Others	-	3,075	22,880
	$ 21,638,512	$ 22,607,002	$ 21,349,324

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2019	December 31, 2018	June 30, 2018
Mandatorily classified as at FVTPL			
Convertible bonds - domestic	$ 8,930,344	$ 6,894,527	$ 6,448,769
Convertible bonds - overseas	-	308,774	307,942
Structured debt	629,682	610,614	573,210
	9,560,026	7,813,915	7,329,921
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	301,375	740,592	1,454,740
Forward contracts	24,306	28,342	43,390
Interest rate swap contracts	13,586	39,083	62,057
Cross-currency swap contracts	14,277	29,827	14,099
Foreign currency option contracts - call	2,175	-	3,048
	355,719	837,844	1,577,334
Non-derivative financial assets			
Short-term instruments	87,373,384	75,261,511	72,132,488
Negotiable certificates of deposit	65,266,663	67,139,658	58,234,026
Stocks and beneficiary certificates	351,013	359,716	1,001,791
Government bonds	-	99,970	643,901
	152,991,060	142,860,855	132,012,206
	$ 162,906,805	$ 151,512,614	$ 140,919,461
Financial liabilities held for trading			
Derivative financial instruments			
Foreign exchange swap contracts	$ 166,772	$ 619,881	$ 1,055,841
Forward contracts	47,387	39,163	31,159
Interest rate swap contracts	96,468	128,343	146,910
Foreign currency option contracts - put	2,182	-	3,050
Cross-currency swap contracts	13,335	-	-
Others	1,087	961	1,095
	327,231	788,348	1,238,055
Non-derivative financial liabilities			
Commercial paper contracts	1,941	4,924	4,100
	$ 329,172	$ 793,272	$ 1,242,155

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

The contract amounts (or notional amounts) of outstanding derivative transactions as of June 30, 2019, December 31, 2018 and June 30, 2018 were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Interest rate swap contracts	$ 20,290,705	$ 23,279,433	$ 26,321,307
Foreign exchange swap contracts	66,232,658	84,155,536	100,407,613
Cross-currency swap contracts	1,329,952	1,079,651	459,027
Forward contracts	23,345,575	6,239,093	5,923,492
Foreign currency option contracts			
Call	785,289	-	354,734
Put	785,289	-	354,734
Purchase commitments	450,000	700,000	500,000

As of June 30, 2019, December 31, 2018 and June 30, 2018, financial instruments at fair value through profit and loss in the amount of $61,811,200 thousand, $62,414,535 thousand and $49,606,500 thousand were under agreement to repurchase, respectively.

Refer to Note 41 for information relating to financial instruments at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 31, 2019	December 31, 2018	June 31, 2018
Investments in equity instruments at FVTOCI	$ 2,008,734	$ 2,954,899	$ 2,722,430
Investments in debt instruments at FVTOCI			
Domestic government bonds	39,465,409	49,458,259	48,588,436
Bank debentures	34,816,602	33,449,576	31,150,830
Corporate bonds	62,445,873	60,676,073	59,923,171
Overseas government bonds	1,500,054	1,400,934	1,378,171
American mortgage backed securities	2,739,959	2,013,011	2,164,669
	$ 142,976,631	$ 149,952,752	$ 145,927,707

a. Investments in equity instruments at FVTOCI

These investments in listed and emerging stocks are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

The Group disposed stock classified as at FVTOCI for invested management purpose for the six months end June 30, 2019 and 2018. The fair value of stocks classified as at FVTOCI that were disposed of was $1,623,383 thousand and $3,082,272 thousand and the accumulated gain related to the sold assets of $116,783 thousand and $16,652 thousand, was transferred from equity to retained earnings.

Dividends income from FVTOCI of $25,325 thousand and $20,909 thousand were recognized in profit or loss for the six months ended June 30, 2019 and 2018, respectively. The dividends related to investments held at the end of the reporting period were $25,325 thousand and $18,299 thousand, respectively.

b. Investments in debt instruments at FVTOCI

1) Refer to Note 41 for information relating to investments in debt instruments at FVTOCI pledged as security.

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

3) The Group had sold investments in debt instruments at FVTOCI on the condition of buying them back were in the amounts of $90,682,225 thousand, $84,563,136 thousand, and $88,450,257 thousand, on June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

10. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

The Group's securities purchased under resale agreements and bond investments are all government bonds. As of June 30, 2019, December 31, 2018 and June 30, 2018, the bonds purchased under agreements to resell were in the amount of $860,240 thousand, $991,720 thousand and $6,074,468 thousand, respectively. As of June 30, 2019, December 31, 2018 and June 30, 2018, bonds purchased under agreements to resell were sold under agreements to repurchase in the amount of $860,000 thousand, $990,000 thousand and $6,067,000 thousand, respectively.

11. RECEIVABLES, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Lease payment receivable	$ 11,693,433	$ 12,399,120	$ 13,446,429
Factoring	2,656,437	4,714,725	3,992,858
Interest receivable	1,696,613	1,890,250	1,619,351
Account receivable	1,103,951	1,213,552	1,025,502
Investment settlement receivable	387,414	459,188	330,986
Acceptances	178,750	225,582	186,509
Receivables and payments	98,559	84,729	87,678
Others	185,066	1,188,591	276,313
	18,000,223	22,175,737	20,965,626
Less: Allowance for possible losses	553,356	611,254	545,732
Unrealized interest revenue	655,344	734,532	788,300
Receivables, net	$ 16,791,523	$ 20,829,951	$ 19,631,594

The changes in gross carrying amount on receivables (less unrealized interest revenue) for the six months ended June 30, 2019 and 2018 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	$ 20,765,683	$ 304,253	$ 371,269	$ 21,441,205
Transfers				
To 12-month ECLs	7,411	(7,411)	-	-
To lifetime ECLs	(173,038)	173,038	-	-
To credit-impaired financial assets	(81,662)	(157,957)	239,619	-
New financial assets purchased	8,713,535	44,602	3,150	8,761,287
Derecognition of financial assets	(12,693,250)	(121,681)	(69,281)	(12,884,212)
Write-offs	-	-	(78,249)	(78,249)
Exchange rate or other changes	100,010	2,589	2,249	104,848
Balance at June 30, 2019	$ 16,638,689	$ 237,433	$ 468,757	$ 17,344,879

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 20,914,187	$ 453,669	$ 479,595	$ 21,847,451
Transfers				
To 12-month ECLs	13,516	(13,516)	-	-
To lifetime ECLs	(108,075)	108,075	-	-
To credit-impaired financial assets	(50,355)	(19,412)	69,767	-
New financial assets purchased	11,524,824	9,590	251,298	11,785,712
Derecognition of financial assets	(12,710,633)	(310,582)	(139,610)	(13,160,825)
Write-offs	-	(78,915)	(366,985)	(445,900)
Exchange rate or other changes	64,990	83,533	2,365	150,888
Balance at June 30, 2018	$ 19,648,454	$ 232,442	$ 296,430	$ 20,177,326

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

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

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

12. DISCOUNTS AND LOANS, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Short-term	$ 76,968,439	$ 67,402,492	$ 68,179,265
Medium-term	112,430,141	119,135,400	118,128,313
Long-term	16,754,240	13,151,025	9,768,405
Accounts receivables financing	327,865	508,098	306,197
Export bill negotiated	10,704	50,167	212,595
Guaranteed overdraft	-	15,660	-
Overdue loans	372,899	27,337	135,185
	206,864,288	200,290,179	196,729,960
Less: Allowance for credit losses	3,367,423	2,952,129	2,756,359
	$ 203,496,865	$ 197,338,050	$ 193,973,601

The changes in gross carrying amount on discount and loans for the six months ended June 30, 2019 and 2018 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	$ 183,751,973	$ 15,147,609	$ 1,390,597	$ 200,290,179
Transfers				
To 12-month ECLs	1,069,326	(1,069,326)	-	-
To lifetime ECLs	(2,283,516)	2,283,516	-	-
To credit-impaired financial assets	(249,934)	(1,163)	251,097	-
New financial assets purchased	76,424,771	8,426,808	1,471,732	86,323,311
Derecognition of financial assets	(71,380,010)	(8,516,370)	(201,914)	(80,098,294)
Write-offs	-	-	(64,412)	(64,412)
Exchange rate or other changes	533,254	(76,587)	(43,163)	413,504
Balance at June 30, 2019	$ 187,865,864	$ 16,194,487	$ 2,803,937	$ 206,864,288

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 168,857,771	$ 12,242,648	$ 1,667,619	$ 182,768,038
Transfers				
To 12-month ECLs	458,147	(458,147)	-	-
To lifetime ECLs	(333,258)	333,258	-	-
To credit-impaired financial assets	(26,049)	(74,875)	100,924	-
New financial assets purchased	83,006,357	5,770,347	-	88,776,704
Derecognition of financial assets	(68,397,943)	(6,470,348)	(564,791)	(75,433,082)
Write-offs	(88)	(222)	(251,039)	(251,349)
Exchange rate or other changes	848,661	12,687	8,301	869,649
Balance at June 30, 2018	$ 184,413,598	$ 11,355,348	$ 961,014	$ 196,729,960

The balance of the overdue loans of the Group as of June 30, 2019, December 31, 2018 and June 30, 2018 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to $3,788 thousand and $1,104 thousand for the six months ended June 30, 2019 and 2018, respectively. For the six months ended June 30, 2019 and 2018, the Group wrote off credits only upon completing the required legal procedures.

Refer to Note 41 for information relating to discounts and loan assets pledged as security.

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

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

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The change in allowance for impairment loss and provisions for the six months ended June 30, 2019 and 2018 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2019	$ 218,853	$ 111,931	$ 227,909	$ 558,693	$ 52,561	$ 611,254
Transfers						
To 12-month ECLs	4,496	(4,496)	-	-	-	-
To lifetime ECLs	(8,525)	8,525	-	-	-	-
To credit-impaired financial assets	(48)	(68,217)	68,265	-	-	-
New financial assets purchased	2,626	38,102	24,704	65,432	-	65,432
Derecognition of financial assets	(33,692)	(64)	(269)	(34,025)	-	(34,025)
Change in model or risk parameters	(14)	(1)	154	139	-	139
Difference of impairment loss under regulations	-	-	-	-	(21,783)	(21,783)
Write-offs	-	-	(78,249)	(78,249)	-	(78,249)
Withdrawal after write-offs	-	-	5,396	5,396	-	5,396
Exchange rate or other changes	1,939	2,496	674	5,109	83	5,192
Balance at June 30, 2019	$ 185,635	$ 88,276	$ 248,584	$ 522,495	$ 30,861	$ 553,356

Allowance for Discounts and Loans, Net	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2019	$ 203,195	$ 49,620	$ 334,761	$ 587,576	$ 2,364,553	$ 2,952,129
Transfers						
To 12-month ECLs	3,375	(3,375)	-	-	-	-
To lifetime ECLs	(3,303)	3,303	-	-	-	-
To credit-impaired financial assets	(340)	(333)	673	-	-	-
New financial assets purchased	93,579	8,259	696,788	798,626	-	798,626
Derecognition of financial assets	(74,144)	(28,945)	(72,788)	(175,877)	-	(175,877)
Change in model or risk parameters	24,383	2,390	75,778	102,551	-	102,551
Difference of impairment loss under regulations	-	-	-	-	(262,535)	(262,535)
Write-offs	-	-	(64,412)	(64,412)	-	(64,412)
Withdrawal after write-offs	-	-	1,967	1,967	-	1,967
Exchange rate or other changes	503	229	2,275	3,007	11,967	14,974
Balance at June 30, 2019	$ 247,248	$ 31,148	$ 975,042	$ 1,253,438	$ 2,113,985	$ 3,367,423

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 of Impairment Loss under Regulations	Total
Balance at January 1, 2019	$ 98,213	$ 11,098	$ -	$ 109,311	$ 1,466,472	$ 1,575,783
Transfers						
To 12-month ECLs	314	(314)	-	-	-	-
To lifetime ECLs	(181)	181	-	-	-	-
New financial assets purchased	37,761	2,390	-	40,151	-	40,151
Derecognition of financial assets	(23,950)	(7,995)	-	(31,945)	-	(31,945)
Change in model or risk parameters	(33,315)	2,173	-	(31,142)	-	(31,142)
Difference of impairment loss under regulations	-	-	-	-	59,059	59,059
Withdrawal after write-offs	-	-	-	-	1,415	1,415
Exchange rate or other changes	165	1	-	166	411	577
Balance at June 30, 2019	$ 79,007	$ 7,534	$ -	$ 86,541	$ 1,527,357	$ 1,613,898

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018 per IAS 39	$ 242,967	$ 242,621	$ 115,909	$ 601,497	$ 43,861	$ 645,358
Adjustment on initial application of IFRS 9	65,095	101,325	59,665	226,085	-	226,085
Balance at January 1, 2018 per IFRS 9	308,062	343,946	175,574	827,582	43,861	871,443
Transfers						
To 12-month ECLs	2	(2)	-	-	-	-
To lifetime ECLs	(2)	2	-	-	-	-
New financial assets purchased/ derecognition of financial assets/ change in model or risk parameters	(81,513)	(89,466)	279,219	108,240	850	109,090
Write-offs	-	(78,915)	(366,985)	(445,900)	-	(445,900)
Withdrawal after write-offs	-	4,549	540	5,089	-	5,089
Exchange rate or other changes	1,600	4,010	400	6,010	-	6,010
Balance at June 30, 2018	$ 228,149	$ 184,124	$ 88,748	$ 501,021	$ 44,711	$ 545,732

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

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

14. DISCONTINUED OPERATIONS

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

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

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest income	$ 1,478	$ 7,196	$ 2,359	$ 9,607
Interest expenses	-	-	-	-
Net interest revenue	1,478	7,196	2,359	9,607
Net revenue other than from interest				
Net service fee revenue	22	5	30	26
Gain (loss) on financial assets and liabilities at fair value through profit or loss	642	(3,965)	1,252	(1,770)
Gain from sale of fair value through other comprehensive income financial assets	3,180	-	3,180	-
Foreign exchange gain (loss), net	8	6,846	11	3,564

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Other net revenue other than interest income	$ 1,573	$ 685	$ 1,731	$ 2,850
Net revenues other than interest income	5,425	3,571	6,204	4,670
Total net revenue	6,903	10,767	8,563	14,277
Operating expenses				
Employee benefits expenses	1,878	1,676	4,222	3,857
Depreciation and amortization expense	155	5	308	10
Other general and administrative expenses	2,484	2,841	5,000	5,574
Total operating expenses	4,517	4,522	9,530	9,441
Income tax expense	-	-	-	54
Income (loss) from discontinued operations before written off	2,386	6,245	(967)	4,782
Write-offs from transactions with related parties	(608)	(2,462)	(1,200)	(3,829)
Income (loss) from discontinued operations	$ 1,778	$ 3,783	$ (2,167)	$ 953
Income (loss) of discontinued operations attributable to:				
Owners of the Bank	$ 1,774	$ 3,774	$ (2,161)	$ 952
Non-controlling interests	4	9	(6)	1
	$ 1,778	$ 3,783	$ (2,167)	$ 953
Cash inflow from:	$ 14,917	$ 23,654	$ 20,616	$ 149,233
Operating activities	(11)	-	(13)	48,968
Investing activities	-	-	-	(221)
Financing activities	(2,245)	-	(2,379)	(8,358)
Net cash inflow	$ 12,661	$ 23,654	$ 18,224	$ 189,622

(Concluded)

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership June 30, 2019	% of Ownership December 31, 2018	% of Ownership June 30, 2018	Remark	Audited by CPA
The Bank	China Bills Finance Co. (CBF)	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	28.37	Founded in 1978	Yes
	IBTH	Holding company	100.00	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing	Leasing	100.00	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	100.00	Founded in 2000	Yes
	Chun Teng New Century Co., Ltd. (former IBTS)	Investment (former Security Firm)	99.75	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016 and still recognized using the equity method)	Yes
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	100.00	Founded in 2011 in mainland China	Yes
	IBT Tianjin International Leasing Corp.	Leasing	-	100.00	100.00	Founded in 2013 in mainland China	Note
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	Founded in 2014	Yes
Chun Teng New Century Co., Ltd (formerly IBTS)	IBTSH	Holding company	100.00	100.00	100.00	Founded in 2003 in the British Virgin Islands	Yes
IBTSH	IBTS HK	Investment	100.00	100.00	100.00	Founded in 2003 in Hong Kong	Yes
	IBTS Asia	Securities and investment	100.00	100.00	100.00	Founded in 2004 in Hong Kong	Yes
IBTH	EverTrust Bank	Banking	91.78	91.78	91.78	Founded in 1994 in California	Yes

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

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

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests June 30, 2019	December 31, 2018	June 30, 2018
CBF	Taipei	71.63%	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	June 30, 2019	December 31, 2018	June 30, 2018
<u>CBF</u>			
Equity attributable to:			
Owners of CBF	$ 6,570,905	$ 6,609,502	$ 6,461,174
Non-controlling interests of CBF	16,591,550	16,688,991	16,314,477
	$ 23,162,455	$ 23,298,493	$ 22,775,651

	For the Six Months Ended June 30	
	2019	2018
Net revenue	$ 1,015,379	$ 995,991
Net profit from continuing operations	$ 631,643	$ 722,288
Other comprehensive income (loss) for the period	290,037	(146,218)
Total comprehensive income for the period	$ 921,680	$ 576,070
Profit attributable to:		
Owners of CBF	$ 179,216	$ 204,904
Non-controlling interests of CBF	452,427	517,384
	$ 631,643	$ 722,288
Total comprehensive income attributable to:		
Owners of CBF	$ 261,496	$ 163,424
Non-controlling interests of CBF	660,184	412,646
	$ 921,680	$ 576,070
Net cash inflow (outflow) from:		
Operating activities	$ 9,909,287	$ (6,668,258)
Investing activities	(3,761)	(1,600)
Financing activities	(9,952,462)	6,761,430
Net cash inflow (outflow)	$ (46,936)	$ 91,572
Dividends paid to non-controlling interests of CBF	$ -	$ -

16. OTHER FINANCIAL ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Time deposits with original maturities more than 3 months	$ 110,614	$ 113,913	$ 10,372
Pledged deposits	753,553	527,500	525,000
Reserve account	39,117	49,598	66,882
Dismantling securities companies	621,601	614,919	-
Others	25,260	23,988	-
	$ 1,550,145	$ 1,329,918	$ 602,254

17. PROPERTY AND EQUIPMENT

	June 30, 2019	December 31, 2018	June 30, 2018
Carrying amounts of each class			
Land	$ 781,970	$ 781,970	$ 781,970
Buildings	1,344,999	1,369,375	1,393,047
Machinery and computer equipment	357,063	338,826	359,446
Transportation equipment	40,630	36,715	37,698
Office and other equipment	94,605	103,446	75,959
Lease improvement	211,797	233,827	210,088
Construction in progress and prepayments for equipment	51,366	87,501	91,299
	$ 2,882,430	$ 2,951,660	$ 2,949,507

The movements of property and equipment for the six months ended June 30, 2019 and 2018 are summarized as follows:

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2019	$ 781,970	$ 1,898,675	$ 747,969	$ 77,088	$ 282,253	$ 385,137	$ 87,501	$ 4,260,593
Additions	-	99	10,202	11,528	797	738	18,407	41,771
Disposals and scrapped	-	(2,429)	(5,343)	(10,631)	(2,624)	-	-	(21,027)
Reclassification	-	-	39,998	-	2,643	435	(54,571)	(11,495)
Effect of foreign currency exchange differences	-	-	760	(182)	658	1,888	29	3,153
Balance at June 30, 2019	$ 781,970	$ 1,896,345	$ 793,586	$ 77,803	$ 283,727	$ 388,198	$ 51,366	$ 4,272,995
Accumulated depreciation								
Balance at January 1, 2019	$ -	$ 529,300	$ 409,143	$ 40,373	$ 178,807	$ 151,310	$ -	$ 1,308,933
Disposals and scrapped	-	(960)	(5,337)	(9,457)	(2,624)	(596)	-	(18,974)
Depreciation expense	-	23,006	32,083	6,161	12,534	24,914	-	98,698
Reclassification	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	634	96	405	773	-	1,908
Balance at June 30, 2019	$ -	$ 551,346	$ 436,523	$ 37,173	$ 189,122	$ 176,401	$ -	$ 1,390,565
Carrying amounts								
Balance at June 30, 2019	$ 781,970	$ 1,344,999	$ 357,063	$ 40,630	$ 94,605	$ 211,797	$ 51,366	$ 2,882,430
Cost								
Balance at January 1, 2018	$ 848,222	$ 1,944,911	$ 732,062	$ 82,406	$ 241,495	$ 358,067	$ 140,912	$ 4,348,075
Additions	-	-	11,322	12,280	4,773	19,910	99,226	147,511
Disposals and scrapped	(66,252)	(45,624)	(1,821)	(17,265)	(1,802)	(28,158)	-	(160,922)
Reclassification	-	-	6,045	-	3,196	(3,665)	(148,888)	(143,312)
Effect of foreign currency exchange differences	-	-	598	(2,795)	947	2,842	49	1,641
Balance at June 30, 2018	$ 781,970	$ 1,899,287	$ 748,206	$ 74,626	$ 248,609	$ 348,996	$ 91,299	$ 4,192,993
Accumulated depreciation								
Balance at January 1, 2018	$ 48,038	$ 506,380	$ 356,323	$ 47,080	$ 163,702	$ 141,600	$ -	$ 1,263,123
Disposals and scrapped	(48,038)	(23,362)	(1,450)	(16,297)	(1,521)	(26,078)	-	(116,746)
Depreciation expense	-	23,222	33,451	6,011	9,701	21,892	-	94,277
Reclassification	-	-	1	-	4	(5)	-	-
Effect of foreign currency exchange differences	-	-	435	134	764	1,499	-	2,832
Balance at June 30, 2018	$ -	$ 506,240	$ 388,760	$ 36,928	$ 172,650	$ 138,908	$ -	$ 1,243,486
Carrying amounts								
Balance at June 30, 2018	$ 781,970	$ 1,393,047	$ 359,446	$ 37,698	$ 75,959	$ 210,088	$ 91,299	$ 2,949,507

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

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

18. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	June 30, 2019
Carrying amounts	
Buildings	$ 459,379
Transportation equipment	3,954
	$ 463,333

	For the Three Months Ended June 30, 2019	June 30, 2019
Additions to right-of-use assets	$ 1,812	$ 1,812
Depreciation charge for right-of-use assets		
Buildings	$ 40,469	$ 81,045
Transportation equipment	1,612	2,870
	$ 42,081	$ 83,915

b. Lease liabilities - 2019

	June 30, 2019
Carrying amounts	$ 472,763

Range of discount rate for lease liabilities was as follows:

	June 30, 2019
Buildings	1.30%-5.70%
Transportation equipment	2.28%-6.00%

c. Material lease-in activities - 2019

Due to the rental of buildings, the Bank had entered into various leasehold contracts with others. These contracts are gradually expiring before the end of October 2028. The rent is calculated based on the lease rate per square feet and is paid monthly. According to the contract, the Bank paid the deposit of $34,108 thousand on June 30, 2019.

d. Other lease information

	For the Six Months Ended June 30, 2019
Expenses relating to short-term leases	$ 7,136
Expenses relating to low-value asset leases	$ 1,776
Total cash outflow for leases	$ (95,875)

19. INTANGIBLE ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Carrying amounts of each class			
Computer software	$ 1,223,680	$ 1,287,701	$ 1,325,305
Goodwill	1,179,342	1,166,769	1,157,744
Others	1,724	2,830	3,931
	$ 2,404,746	$ 2,457,300	$ 2,486,980

The movements of intangible assets for the six months ended June 30, 2019 and 2018 are summarized as follows:

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2019	$ 2,120,054	$ 1,166,769	$ 7,506	$ 3,294,329
Additions	48,420	-	-	48,420
Disposals	(360)	-	-	(360)
Reclassification	(90,259)	-	-	(90,259)
Effect of foreign currency exchange differences	795	12,573	82	13,450
Balance at June 30, 2019	$ 2,078,650	$ 1,179,342	$ 7,588	$ 3,265,580
Accumulated amortization and impairment loss				
Balance at January 1, 2019	$ 832,353	$ -	$ 4,676	$ 837,029
Amortization	122,870	-	1,134	124,004
Disposals	(360)	-	-	(360)
Reclassification	(100,510)	-	-	(100,510)
Effect of foreign currency exchange differences	617	-	54	671
Balance at June 30, 2019	$ 854,970	$ -	$ 5,864	$ 860,834
Carrying amounts				
Balance at June 30, 2019	$ 1,223,680	$ 1,179,342	$ 1,724	$ 2,404,746

(Continued)

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2018	$ 1,885,101	$ 1,133,222	$ 7,289	$ 3,025,612
Additions	69,777	-	-	69,777
Reclassification	101,594	-	-	101,594
Effect of foreign currency exchange differences	1,064	24,522	158	25,744
Balance at June 30, 2018	$ 2,057,536	$ 1,157,744	$ 7,447	$ 3,222,727
Accumulated amortization and impairment loss				
Balance at January 1, 2018	$ 619,896	$ -	$ 2,349	$ 622,245
Amortization	111,478	-	1,081	112,559
Effect of foreign currency exchange differences	857	-	86	943
Balance at June 30, 2018	$ 732,231	$ -	$ 3,516	$ 735,747
Carrying amounts				
Balance at June 30, 2018	$ 1,325,305	$ 1,157,744	$ 3,931	$ 2,486,980

(Concluded)

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

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

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

20. OTHER ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Refundable deposits	$ 215,395	$ 433,155	$ 534,638
Life insurance cash surrender value	349,615	344,395	340,149
Prepayments	126,750	74,585	92,485
Others	213,188	238,084	199,424
	$ 904,948	$ 1,090,219	$ 1,166,696

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2019	December 31, 2018	June 30, 2018
Due to other banks	$ 35,577,997	$ 53,377,161	$ 62,576,646
Call loans from Central Bank	3,108,004	2,152,215	1,830,367
	$ 38,686,001	$ 55,529,376	$ 64,407,013

22. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENT

	June 30, 2019	December 31, 2018	June 30, 2018
Transactions instruments	$ 61,617,186	$ 62,123,793	$ 49,470,114
Government bonds	28,593,601	31,013,011	36,492,315
Corporate bonds	48,628,813	43,415,222	46,157,061
Bank notes payable	18,531,294	14,894,874	16,291,122
	$ 157,370,894	$ 151,446,900	$ 148,410,612
Date of agreements to repurchase	Before March 2020	Before June 2019	Before January 2019
Amount of agreements to repurchase	$ 157,472,773	$ 151,544,513	$ 148,505,664

23. PAYABLES

	June 30, 2019	December 31, 2018	June 30, 2018
Investment settlements payable	$ 179,771	$ 107,965	$ 597,242
Settlement accounts payable - execution of customer orders	98,579	84,724	87,679
Dividends payable	771,614	-	1,407,007
Acceptances	178,750	225,582	186,509
Accrued interest	1,010,226	894,253	781,348
Accrued expenses	664,567	941,904	569,582
Collections for others	117,305	146,221	127,097
Factored receivables	1,782,634	1,821,591	1,873,569
Checks clearing payables	137,432	1,159,621	97,454
Others	176,600	254,576	472,183
	$ 5,117,478	$ 5,636,437	$ 6,199,670

24. DEPOSITS AND REMITTANCES

	June 30, 2019	December 31, 2018	June 30, 2018
Deposits			
Checking	$ 4,520,054	$ 5,114,611	$ 3,477,100
Demand	46,645,249	35,746,655	33,298,762
Time	207,936,564	211,109,170	189,678,312
Export remittance	12,448	6	561
Savings deposits	9,845,990	9,832,879	5,333,330
	$ 268,960,305	$ 261,803,321	$ 231,788,065

25. BANK NOTES PAYABLE

	June 30, 2019	December 31, 2018	June 30, 2018
First subordinate debenture bonds issued in 2011; fixed 2.30% interest rate; maturity: August 26, 2018; interest paid annually and repayment of the principal at maturity	$ -	$ -	$ 950,000
Second subordinate debenture bonds issued in 2011; fixed 2.30% interest rate; maturity: October 28, 2018; interest paid annually and repayment of the principal at maturity	-	-	3,350,000
First subordinate debenture bonds issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repayment of the principal at maturity	1,650,000	1,650,000	1,650,000
First subordinate debenture bonds issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repayment of the principal at maturity	2,300,000	2,300,000	2,300,000
First subordinate debenture bonds issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repayment of the principal at maturity	1,300,000	1,300,000	1,300,000
Second subordinate debenture bonds issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repayment of the principal at maturity	1,000,000	1,000,000	1,000,000
Third subordinate debenture bonds issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repayment of the principal at maturity	600,000	600,000	600,000
Fourth subordinate debenture bonds issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repayment of the principal at maturity	1,500,000	1,500,000	1,500,000

(Continued)

	June 30, 2019	December 31, 2018	June 30, 2018
First subordinate debenture bonds issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repayment of the principal at maturity	$ 1,000,000	$ 1,000,000	$ 1,000,000
First subordinate debenture bonds A issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repayment of the principal at maturity	1,500,000	1,500,000	1,500,000
First subordinate debenture bonds B issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repayment of the principal at maturity	1,500,000	1,500,000	1,500,000
First subordinate debenture bonds issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repayment of the principal at maturity	2,000,000	2,000,000	2,000,000
Second subordinate debenture bonds A issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000	750,000
Second subordinate debenture bonds B issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repayment of the principal at maturity	1,000,000	1,000,000	1,000,000
First subordinate debenture bonds A issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	700,000	700,000
Second subordinate debenture bonds B issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repayment of the principal at maturity	1,050,000	1,050,000	1,050,000
First subordinate debenture bonds A issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repayment of the principal at maturity	2,500,000	-	-
	$ 20,350,000	$ 17,850,000	$ 22,150,000

(Concluded)

26. OTHER FINANCIAL LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Bank loans	$ 10,037,538	$ 9,713,242	$ 11,109,383
Commercial papers payable	2,999,243	999,881	3,949,406
Structured products	700,797	-	-
Funds obtained from the government - intended for specific types of loans	3,815,935	4,321,291	4,993,606
	$ 17,553,513	$ 15,034,414	$ 20,052,395

a. Bank loans

	June 30, 2019	December 31, 2018	June 30, 2018
Short-term loans	$ 5,766,580	$ 5,068,874	$ 5,186,605
Long-term loans	4,270,958	4,644,368	5,922,778
	$ 10,037,538	$ 9,713,242	$ 11,109,383
Interest rate interval			
New Taiwan dollars	1.21%-1.60%	1.15%-1.50%	1.21%-1.50%
U.S. dollars	2.52%-4.15%	3.71%-5.00%	2.08%-4.34%
Renminbi	4.79%-6.18%	4.99%-6.18%	4.99%-6.18%

b. Commercial paper payable

	June 30, 2019	December 31, 2018	June 30, 2018
Commercial paper payable	$ 3,000,000	$ 1,000,000	$ 3,950,000
Less: Unamortized discount	(757)	(119)	(594)
	$ 2,999,243	$ 999,881	$ 3,949,406
Interest rate interval	0.56%-1.26%	0.65%-1.23%	0.44%-1.19%

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

	June 30, 2019	December 31, 2018	June 30, 2018
Funds obtained from the government - intended for specific types of loans	$ 3,815,935	$ 4,321,291	$ 4,993,606

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.

27. PROVISIONS

	June 30, 2019	December 31, 2018	June 30, 2018
Provisions for employee benefits	$ 304,876	$ 293,645	$ 313,372
Reserve for losses on guarantees	1,534,175	1,497,762	1,476,101
Reserve for claims outstanding	-	-	35,771
Reserve for financing limits	79,723	78,021	86,966
	$ 1,918,774	$ 1,869,428	$ 1,912,210

Refer to Note 13 for the details and changes in the reserve for losses on guarantees and financing quota preparation.

28. RETIREMENT BENEFIT PLANS

Draw Plan

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

The amount to be paid in accordance with the percentage specified in the proposed plan for the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018 was recognized in the consolidated statements of comprehensive income in the total amounts of $17,672 thousand, $17,502 thousand, $32,908 thousand, and $36,071 thousand, respectively.

Welfare Plan

The retirement expense recognized under defined benefit plans for the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018 are calculated using the respective 2018 and 2017 annually determined discount rates as of December 31, 2018 and 2017 and amounted to $2,149 thousand, $3,444 thousand, $4,277 thousand, and $6,679 thousand, respectively.

29. OTHER LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Guarantee deposits received	$ 1,968,538	$ 1,981,734	$ 1,888,159
Advance revenue	114,173	119,378	98,928
Others	361,784	299,730	135,202
	$ 2,444,495	$ 2,400,842	$ 2,122,289

30. EQUITY

a. Capital stock

	June 30, 2019	December 31, 2018	June 30, 2018
Number of stock authorized (in thousands)	3,500,000	3,500,000	3,000,000
Amount of capital stock authorized	$ 35,000,000	$ 35,000,000	$ 35,000,000
Number of stocks issued and fully paid (in thousands)			
Common stock	2,413,006	2,413,006	2,413,006
Preferred stock	300,000	300,000	-
Amount of stocks issued	$ 27,130,063	$ 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'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 29, 2018, and finished the registration on December 21, 2018. The rights and obligations of Series A preferred stockholders are as follows:

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

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

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

	June 30, 2019	December 31, 2018	June 30, 2018
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)			
Treasury stock transactions	$ 3,193	$ 3,193	$ 3,193
Stock-based payments	4,537	4,537	4,537
Must be used to offset a deficit			
Unclaimed dividends	649	308	377
May not be used for any purpose			
Share of changes in capital surplus of associates or joint ventures	1,378	465	465
	$ 9,757	$ 8,503	$ 8,572

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 35.

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 Banking 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 2018 and 2017 were approved in stockholders' meetings on June 14, 2019 and June 14, 2018, respectively. The appropriations and dividends per share were as follows:

	2018 Appropriation of Earnings	**2017 Appropriation of Earnings**
Legal reserve	$ 183,014	$ 304,370
Special reserve appropriated (reversed)	415,504	(13,705)
Cash dividends - common stock	-	723,902
Preferred stock dividends	11,527	-

d. Other equity items

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

	For the Six Months Ended June 30	
	2019	**2018**
Balance at January 1	$ (92,806)	$ (216,266)
Exchange differences arising on translating the financial statements of foreign operations	100,994	143,692
Income tax related to gains arising on translating the financial statements of foreign operations	(10,978)	(18,088)
Balance at June 30	$ (2,790)	$ (90,662)

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

	For the Six Months Ended June 30	
	2019	**2018**
Balance at January 1 (IAS 39)		$ -
Effect of IFRS 9 retrospective application		144,112
Balance at January 1 (IFRS 9)	$ (67,175)	144,112
Recognized during the period		
Unrealized gain (loss) - debt instruments	241,065	(142,534)
Unrealized gain (loss) - equity instruments	173,890	90,655
Loss allowance of debt instruments	1,479	(2,584)
Other comprehensive income recognized in the period	416,434	(54,463)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(116,783)	(16,652)
Balance at June 30	$ 232,476	$ 72,997

e. Non-controlling interests

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1 (IAS 39)		$ 16,892,050
Effect of IFRS 9 retrospective application		90,927
Balance at January 1 (IFRS 9)	$ 17,129,584	16,982,977
Attribute to non-controlling interests		
Net profit for the period	471,412	531,719
Capital surplus	2,307	1,174
Exchange differences arising on translation of foreign entities	4,835	9,132
Unrealized gains and losses on FVTOCI	211,518	(108,499)
Income tax related to remeasurements of defined benefit plans	(23)	2,035
Subsidiary issue cash dividends	(759,963)	(683,005)
Balance at June 30	$ 17,059,670	$ 16,735,533

31. NET INTEREST REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest revenue				
Discounts and loans	$ 1,570,369	$ 1,421,625	$ 3,109,456	$ 2,659,163
Investments in marketable securities	515,263	501,853	1,030,085	966,771
Installment sales and leases	248,241	289,605	513,274	588,077
Due from the Central Bank and call loans to banks	77,166	36,765	164,325	75,831
Others	26,592	24,725	63,301	50,096
	2,437,631	2,274,573	4,880,441	4,339,938
Interest expense				
Deposits	855,356	551,322	1,691,568	1,023,622
Due to the Central Bank and banks	150,439	179,610	331,112	329,567
Bank notes payable	94,503	105,322	185,464	209,235
Notes and bonds issued under repurchase agreement	247,281	210,502	493,690	426,269
Others	98,176	123,408	200,849	241,684
	1,445,755	1,170,164	2,902,683	2,230,377
	$ 991,876	$ 1,104,409	$ 1,977,758	$ 2,109,561

32. NET SERVICE FEE REVENUE (CHARGE)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Service fee				
Guarantee business	$ 220,581	$ 181,863	$ 421,005	$ 352,263
Loan business	66,450	30,163	137,882	52,786
Underwrite business	74,834	65,793	151,108	134,873
Trust business	7,235	2,024	13,839	3,448
Lease business	61,681	88,836	106,944	142,865
Credit examining business	68,487	168,891	182,194	254,894
Import and export business	6,251	15,328	12,988	23,031
Factoring business	13,001	25,849	25,179	47,593
Insurance agent	31,171	1,556	71,853	2,403
Others	15,467	10,022	28,263	32,111
	565,158	590,325	1,151,255	1,046,267
Service charge				
Others	34,229	45,327	73,900	86,267
	$ 530,929	$ 544,998	$ 1,077,355	$ 960,000

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Realized gain profit or loss				
Bills	$ 12,668	$ 24,073	$ 27,012	$ 50,223
Stocks	24,982	63,050	97,596	20,488
Bonds	10,268	5,226	22,787	(2,974)
Derivatives	582,824	320,093	890,706	166,599
	630,742	412,442	1,038,101	234,336
Gains (losses) on valuation				
Bills	(14,471)	23,395	15,738	15,566
Stocks	(10,728)	(109,027)	23,131	(38,365)
Bonds	(2,681)	(33,242)	14,196	(30,660)
Derivatives	65,361	711,202	(7,746)	521,920
	37,481	592,328	45,319	468,461
Interest revenue	277,321	209,702	540,584	432,043
	$ 945,544	$ 1,214,472	$ 1,624,004	$ 1,134,840

34. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Realized income - debt instruments	$ 60,826	$ 2,693	$ 98,704	$ 24,673
Dividend revenue	19,957	18,885	22,145	20,909
	$ 80,783	$ 21,578	$ 120,849	$ 45,582

35. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Short-term employee benefits				
Salaries and wages	$ 556,805	$ 586,551	$ 1,133,977	$ 1,107,989
Directors' remuneration and fees	7,533	23,951	37,115	41,646
Labor insurance and national health insurance	40,892	42,508	79,203	75,560
Others	43,963	28,036	89,043	73,687
Post-employment benefits				
Pension	19,821	23,023	37,185	45,913
	$ 669,014	$ 704,069	$ 1,376,523	$ 1,344,795

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

The amounts and accrual rates of employees' compensation and remuneration of directors for the six months ended June 30, 2019 and 2018 were as follows:

Accrual rate

	For the Six Months Ended June 30	
	2019	2018
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Employees' compensation	$ 3,750	$ 5,500	$ 11,062	$ 8,600
Remuneration of directors	$ 7,501	$ 11,000	$ 22,125	$ 17,200

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

The employees' compensation and remuneration of directors for 2018 and 2017, which were approved by the Board on February 27, 2019 and February 27, 2018, respectively, were as follows:

	2018		2017	
	Cash	**Stock**	**Cash**	**Stock**
Bonuses for employees	$ 14,632	$ -	$ 15,919	$ -
Bonuses for directors	29,265	-	31,838	-

There are no differences between the 2018 and 2017 actual amounts of employees' compensation and remuneration of directors and supervisors paid and the 2018 and 2017 amount recognized in the annual consolidated financial statements.

Information for 2019 and 2018 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.

36. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Property and equipment	$ 49,329	$ 47,499	$ 98,390	$ 94,267
Right-of-use assets	42,081	-	83,915	-
Intangible assets	62,878	58,287	124,004	112,559
	$ 154,288	$ 105,786	$ 306,309	$ 206,826

37. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Taxation	$ 64,559	$ 64,318	$ 134,644	$ 115,306
Rental	10,843	56,441	13,965	109,009
Management fees	11,331	12,194	23,155	21,943
Computer operating and consulting fees	70,202	38,683	134,035	79,497
Entertainment	12,757	12,650	26,521	27,542
Professional services	20,618	29,853	42,733	53,088
Advertisement	30,704	36,710	50,049	71,505
Others	88,248	100,017	203,847	204,397
	$ 309,262	$ 350,866	$ 628,949	$ 682,287

38. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Current tax				
In respect of the current period	$ 190,195	$ 202,130	$ 439,425	$ 412,939
Income tax on unappropriated earnings	5,226	-	12,537	-
In respect of prior periods	(8,432)	(7,756)	(8,432)	(18,339)
	186,989	194,374	443,530	394,600
Deferred tax				
In respect of the current period	(2,885)	77,992	(27,944)	45,039
Effect of tax rate change	-	(2,627)	-	(2,627)
	(2,885)	75,365	(27,944)	42,412
Income tax expense recognized in profit or loss	$ 184,104	$ 269,739	$ 415,586	$ 437,012

The Income Tax Act in the Republic of China was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. Gains and losses of the deferred income tax to be recognized in profit or loss are recognized in which the tax rate changes in the period. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings has been reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Deferred tax				
Recognized in other comprehensive income				
Translation of foreign operations	$ 4,773	$ 44,482	$ 14,959	$ 19,728
Losses on remeasurements of defined benefit plans	-	-	(8)	-
Unrealized gain (loss) on financial assets at FVTOCI	33,874	(4,950)	69,115	(37,196)
Effect of tax rate change	-	(1,149)	-	(1,149)
Income tax recognized in other comprehensive expense (income)	$ 38,647	$ 38,383	$ 84,066	$ (18,617)

c. Assessment of the income tax returns

The income tax returns of the Bank through 2016 have been assessed by the tax authorities. The income tax returns of the Bank's subsidiary IBTM and IBT Leasing Co., Ltd. through 2017 have been assessed. The income tax returns of other subsidiaries through 2016 have been assessed by the tax authorities, except the Bank's subsidiary CBF for 2015. The Bank disagreed with the tax authorities' assessment of its 2016 tax return and plan to re-examine. The approved content of 2014 was incorrectly calculated and corrective actions have been applied.

39. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Basic earnings per share				
From continuing operations	$ 0.10	$ 0.14	$ 0.30	$ 0.21
From discontinued operations	-	-	-	-
Total basic earnings per share	$ 0.10	$ 0.14	$ 0.30	$ 0.21
Diluted earnings per share				
From continuing operations	$ 0.10	$ 0.14	$ 0.30	$ 0.21
From discontinued operations	-	-	-	-
Total diluted earnings per share	$ 0.10	$ 0.14	$ 0.30	$ 0.21

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

Net Profit (Loss) for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Profit for the period attributable to owners of the Bank	$ 266,018	$ 333,104	$ 738,310	$ 511,621
Less: Declared preferred stock dividend	11,527	-	11,527	-
Earnings used in the computation of basic earnings per share	254,491	333,104	726,783	511,621
Less: Profit (loss) for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	1,774	3,774	(2,161)	952
Earnings used in the computation of basic and diluted earnings per share from continuing operations	$ 252,717	$ 329,330	$ 728,944	$ 510,669

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

Stock (In Thousand Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Weighted average number of common stocks in computation of basic earnings per share	2,413,006	2,413,006	2,413,006	2,413,006
Effect of potentially dilutive common stocks:				
Employees' compensation issued to employees	455	1,014	1,658	1,292
Weighted average number of common stocks used in the computation of diluted earnings per share	2,413,461	2,414,020	2,414,664	2,414,298

If the Group 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.

40. RELATED PARTY TRANSACTIONS

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

a. The related parties and their relationships with the Bank

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

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

1) Deposits

	Ending Balance	Interest Expense	Rate (%)
For the six months ended June 30, 2019			
Associates	$ 18,454	$ 13	0.00 -0.45
Others	3,638,129	34,023	0.00 -6.56
	$ 3,656,583	$ 34,036	
For the six months ended June 30, 2018			
Associates	$ 4,652	$ 1	0.00 -0.25
Others	1,449,889	20,794	0.00 -6.56
	$ 1,454,541	$ 20,795	

2) Loan

	Maximum Balance	Ending Balance	Interest Income	Rate (%)
For the three months ended June 30, 2019				
Others	$ 430,000	$ 430,000	$ 3,077	1.44
For the three months ended June 30, 2018				
Others	$ -	$ -	$ -	-

June 30, 2019

Category	Name	Maximum Balance (Note 1)	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Difference of Terms of the Trans-actions with Unrelated Parties
Others	TCC	$ 430,000	$ 430,000	$ 430,000	$ -	Real estate	None

June 30, 2018

Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Difference of Terms of the Trans-actions with Unrelated Parties
Others	-	$ -	$ -	$ -	$ -	-	-

Note: The maximum daily total balance for each category of loan.

3) Commission and fee revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Others	$ 14	$ 14	$ 17	$ 25

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

4) Other expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Others	$ -	$ -	$ 4,800	$ 4,800

Other expenses are donations.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the six months ended June 30, 2019 and 2018 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Short-term employee benefits	$ 63,566	$ 56,634	$ 127,723	$ 129,625
Post-employment benefits	2,443	1,508	4,974	3,173
Stock-based payments	5	-	335	-
	$ 66,014	$ 58,142	$ 133,032	$ 132,798

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

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets at fair value through profit or loss	$ 15,560,296	$ 15,059,868	$ 15,695,316
Financial assets at fair value through other comprehensive income	2,345,426	2,140,376	2,373,699
Loans	7,121,202	9,067,994	8,593,751
Debt instruments measured at amortized costs	-	166,680	166,660
Pledged time deposits	753,553	751,000	755,155
Compensation account for payments	39,117	49,598	66,882
	$ 25,819,594	$ 27,235,516	$ 27,651,463

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of other financial assets and due from banks) and negotiable certificates of deposits (part of financial assets at fair value through profit or loss and debt instrument investments measured at amortized cost) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above financial assets at FVTOCI were bond investments and were mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the U.S.A. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limits with Federal Home Loan Bank of San Francisco. Restricted assets were provided not merely as collateral for bank overdraft mortgage guarantee, short-term loans, issuance of commercial promissory notes, commercial paper issued, contract security deposit and administrative reliefs but were also pledged for the Central Bank's bond bidding.

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Except for other disclosures, As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group had commitments as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Office decorating and contracts of computer software			
Amount of contracts	$ 117,315	$ 146,125	$ 158,925
Payments for construction in progress and prepayments for equipment	51,366	87,501	91,299

b. The Group as lessee

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

As of December 31, 2018 and June 30, 2018, refundable deposits paid under operating lease amounted to $33,183 thousand and $38,138 thousand, respectively.

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

	December 31, 2018	June 30, 2018
Up to 1 year	$ 162,811	$ 163,757
Over 1 year to 5 years	325,856	309,142
Over 5 years	82,714	105,323
	$ 571,381	$ 578,222

c. Highlite Industries, Inc. (the "Highlite") was suspected of using false transactions to apply for loan financing with the Bank, which caused loss to the Bank. The Bank has filed a criminal suit against the Highlite and related parties

43. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	June 30, 2019	December 31, 2018	June 30, 2018
Trust assets			
Petty cash	$ 100	$ 100	$ -
Bank deposits	1,541,254	2,799,410	1,586,021
Financial assets	2,544,919	1,072,855	587,385
Interest receivable	41	51	46
Prepayments	1,215	1,267	1,534,211
Real estate	7,761,780	9,165,624	1,991,310
Other assets	29,490	32,292	422,250
Total trust assets	$ 11,878,799	$ 13,071,599	$ 6,121,223
Trust capital and liability			
Payables	$ 1,588	$ 1,542	$ 228
Advance revenue	1,267	839	-
Taxes payable	2,940	4,233	-
Receipts under custody	-	106	-
Guarantee deposits received	70,411	76,680	-
Other liabilities	979	968	-
Trust capital	11,640,800	12,828,013	6,136,882
Provisions and accumulated profit and loss	160,814	159,218	(15,887)
Trust capital and liability	$ 11,878,799	$ 13,071,599	$ 6,121,223

Income Statements of Trust Accounts

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Trust revenue				
Interest revenue	$ 2,068	$ 269	$ 12,054	$ 440
Rent revenue	29,437	-	58,901	-
Other revenue	7	-	8	-
Trust expenses				
Management fees	307	264	512	362
Fees	26	88	50	109
Other expenses	3,274	178	6,520	178
Tax	3,541	15,680	7,147	15,680
Income tax expense	183	20	1,157	35
	$ 24,181	$ (15,961)	$ 55,557	$ (15,924)

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

Trust Property List

	June 30, 2019	December 31, 2018	June 30, 2018
Petty cash	$ 100	$ 100	$ -
Bank deposits	1,541,254	2,799,410	1,586,021
Stocks	228,378	228,378	228,378
Funds	2,316,541	844,477	359,007
Land	6,917,446	8,320,001	1,899,207
Real estate	844,334	845,623	92,103
Interest receivable	41	51	46
Prepayments	1,215	1,267	1,534,211
Refundable deposits	-	-	422,250
Other	29,490	32,292	-
	$ 11,878,799	$ 13,071,599	$ 6,121,223

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

	June 30, 2019		December 31, 2018		June 30, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Financial assets at amortized costs	$ 500,000	$ 500,141	$ 499,939	$ 501,732	$ 499,880	$ 503,373
Financial liabilities						
Bank notes payable	20,350,000	20,406,381	17,850,000	17,906,381	22,150,000	22,205,855

2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

Financial Instrument Items at Fair Value	June 30, 2019 Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized costs	$ 500,141	$ -	$ 500,141	$ -
Financial liabilities				
Bank notes payable	20,406,381	20,406,381	-	-

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	June 30, 2018 Total	Level 1	Level 2	Level 3
Financial assets				
Held-for-maturity financial assets	$ 503,373	$ -	$ 503,373	$ -
Financial liabilities				
Bank notes payable	22,205,855	22,205,855	-	-

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

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

1) The fair value hierarchy of the financial instruments as of June 30, 2019, December 31, 2018 and June 30, 2018 were as follows:

(In Thousands of New Taiwan Dollars)

Item	June 30, 2019 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial instruments at fair value through profit or loss				
Stocks and beneficial certificates	$ 351,013	$ 272,806	$ -	$ 78,207
Bills	87,373,384	-	87,373,384	-
Convertible bonds and structured bonds	9,560,026	186,738	1,305,702	8,067,586
Others	65,266,663	-	65,266,663	-
Financial assets at fair value through other comprehensive income				
Equity instruments	2,008,734	1,084,394	136,182	788,158
Debt instruments	140,967,897	-	140,967,897	-
Liabilities				
Financial liabilities at fair value through profit or loss	1,941	-	1,941	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	355,719	-	355,719	-
Liabilities				
Financial liabilities at fair value through profit or loss	327,231	-	327,231	-

Item	December 31, 2018 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Stocks and beneficial certificates	$ 359,716	$ 288,217	$ -	$ 71,499
Bonds	99,970	-	99,970	-
Bills	75,261,511	-	75,261,511	-
Convertible bonds and structured bonds	7,813,915	293,692	1,021,828	6,498,395
Others	67,139,658	-	67,139,658	-
Financial assets at fair value through other comprehensive income				
Equity instruments	2,954,899	1,963,220	135,161	856,518
Debt instruments	146,997,853	-	146,997,853	-
Liabilities				
Financial liabilities at fair value through profit or loss	4,924	-	4,924	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	837,844	-	837,844	-
Liabilities				
Financial liabilities at fair value through profit or loss	788,348	-	788,348	-

Item	June 30, 2018 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial instruments at fair value through profit or loss				
Stocks and beneficial certificates	$ 1,001,791	$ 933,760	$ -	$ 68,031
Bonds	643,901	-	643,901	-
Bills	72,132,488	-	72,132,488	-
Convertible bonds and structured bonds	7,329,921	174,826	1,079,300	6,075,795
Others	58,234,026	-	58,234,026	-
Financial assets at fair value through other comprehensive income				
Equity instruments	2,722,430	1,537,372	129,177	1,055,881
Debt instruments	143,205,277	902,493	142,302,784	-
Liabilities				
Financial liabilities at fair value through profit or loss	4,100	-	4,100	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	1,577,334	-	1,577,334	-
Liabilities				
Financial liabilities at fair value through profit or loss	1,238,055	-	1,238,055	-

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

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

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

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

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

For the six months ended June 30, 2019

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Compre-hensive Income Equity Instruments	Total
	Convertible Bonds	Equity Instruments		
Beginning balance	$ 6,498,395	$ 71,499	$ 856,518	$ 7,426,412
Recognition in profit or loss - financial assets at fair value through profit or loss	10,991	6,708	-	17,699
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	(62,127)	(62,127)
Purchases	5,587,400	-	-	5,587,400
Disposal	(4,029,200)	-	(92,514)	(4,121,714)
Transfer to Level 3	-	-	86,281	86,281
Ending balance	$ 8,067,586	$ 78,207	$ 788,158	$ 8,933,951

For the six months ended June 30, 2018

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Compre-hensive Income Equity Instruments	Total
	Convertible Bonds	**Equity Instruments**		
Beginning balance	$ 6,891,357	$ 34,628	$ -	$ 6,925,985
Effect of retrospective application (IFRS 9)	-	38,787	1,072,809	1,111,596
Recognition in profit or loss - financial assets at fair value through profit or loss	3,438	(5,384)	-	(1,946)
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	5,602	5,602
Purchases	4,339,700	-	-	4,339,700
Disposal	(5,158,700)	-	(22,530)	(5,181,230)
Ending balance	$ 6,075,795	$ 68,031	$ 1,055,881	$ 7,199,707

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses on June 30, 2019 and 2018, were profit of $10,991 thousand and loss of $3,438 thousand, respectively.

Some of the Group's investment targets were withdrawn for the six months ended June 30, 2019. After evaluation, there is no fair market price for reference, so they have been transferred from Level 1 to Level 3. There was no transfer from Level 3 for the six months ended June 30, 2018.

4) Transfers between Level 1 and Level 2

The Group had no significant transfers between Level 1 and Level 2 for the six months ended June 30, 2019 and 2018.

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 evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; and bonds and convertible corporate bonds for asset swaps which have no quoted market prices are evaluated using the future cash flows discounted model. In order to calculate the zero coupon yield curve, the Group uses LIBOR rate and U.S. dollar swap rate plus margin. If there was a 10% or 1 basis point 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 2019 and 2018 periods would be as follows:

For the six months ended June 30, 2019

(In Thousands of New Taiwan Dollars)

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	$ 1,199	$ (1,199)	$ -	$ -
Equity instruments	10%	7,821	(7,821)	85,854	(85,854)

For the six months ended June 30, 2018

(In Thousands of New Taiwan Dollars)

Item	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at fair value through profit or loss	$ 4,333	$ (4,333)	$ -	$ -
Financial assets at fair value through other comprehensive income	-	-	108,631	(108,631)

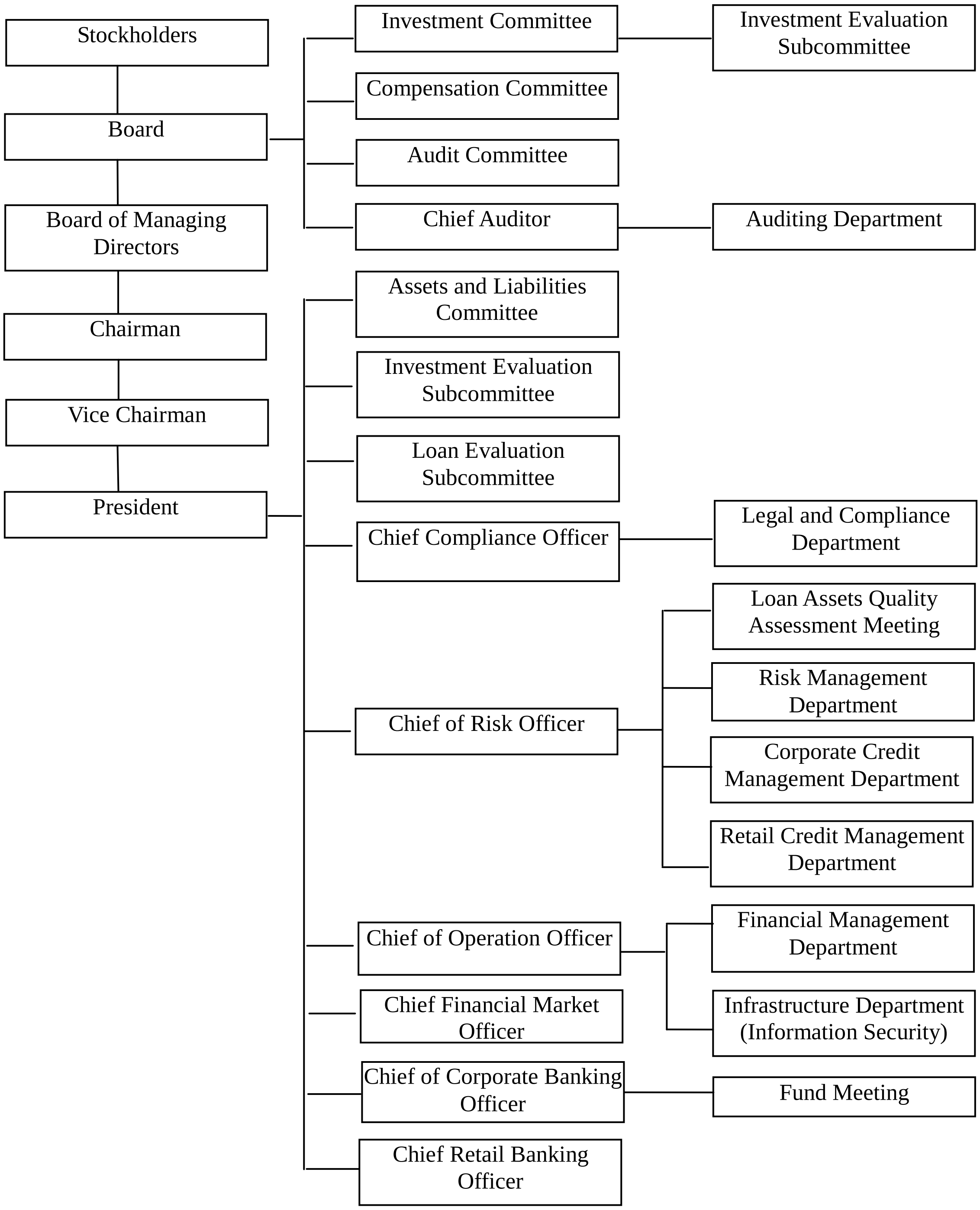
45. FINANCIAL RISK MANAGEMENT

a. Overview

For anticipating the potential expected and unexpected risk, the Group establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness by ensuring that all operating risks are controlled to an acceptable extent. The Group continues to engage actively in maintaining capital adequacy ratio with in the accordance to the regulator’s requirements and monitors regulations to meet the Basel III international standards of the Basel Commission.

b. Risk management framework

The ultimate responsibility for setting the Bank's risk management rests with the board of directors. The Auditing Department, Audit Committee, Investment Committee and Compensation Committee are set up under the board of directors. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the President, will 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 bank-wide risk mechanism to supervise and monitor the effectiveness of risk management across the Bank.



1) Assets and Liabilities Committee: Responsible for overseeing and reviewing of significant issues and policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, as well as review the allocation of asset and liability and capital adequacy. It holds assets and liabilities management meeting once a month.

2) Loan Evaluation Subcommittee: Responsible for reviewing and approving the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department. After approval, the provisions should still be submitted to the competent authority for review based on regulations.

3) Investment Evaluation Subcommittee: Responsible for assessing and reviewing the investment cases forwarded by the ministry of investment, which shall still be submitted to the Investment Review Committee as required and also need to be submitted to the standing committee for consideration and approval.

4) Assets assessment meetings of loan and investment assets 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 review the adequacy of allowance provision for bad debts, and guarantee liabilities.

      iii. The abovementioned assessment of loan assets shall be submitted to the board of directors with the consent of general manager after the resolution of the allowance for bad debts and guarantees.

   b) Investment assets quality assessment meeting

      i. Assess the current status of each 5-8 investment asset quality, and choose the strategy and course of actions to be taken.

      ii. Discuss the investment results provided by evaluation staff. The composition of evaluation results is consisted of each investor’s period, industries, economic recycle and evaluation methods referred to suggested by accounting principles.

      iii. Assess the probable loss of investment assets and discuss the recognition of investment loss case, as well as submit the proposal to the board of directors.

      iv Tracking of investors who are still in operation, but their investments have generated losses.

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

c. Credit risk

1) Sources and definition of credit risk

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

2) Strategy/objectives/policies and procedures of credit risk

a) Credit risk management strategy: The Bank implements the relevant provisions of the principles of credit risk management and establishes the credit risk management mechanism to ensure that credit risk control is within effective but affordable range, and also to maintain adequate capital, 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 minimize potential financial losses and pursue optimal rewards.

Sound risk management systems and control processes, strengthened information integration, analysis and early warning validation, are required in performing make credit management and monitoring functions to ensure compliance with laws and regulations, and the Bank's standards, as well as maintaining high credit standards and asset quality.

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

d) Credit risk management process:

i. Risk identification

Credit risk management process begins with the identification of existing and potential risks, including all the transactions in banking book and trading book, balance sheet and off-balance sheet transactions, along. With financial innovation, new types of credit businesses become increasingly complex; thus, before undertaking existing and new credit businesses, business executives should be fully aware of the complexity involved in the business of credit risk 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 scales are used evaluate the probabilities of default and major operational difficulties of investees in the next year. Risk ratings need to be scaled when individual credit and investment accounts are approved. The continuous change in the credit status is due to the change in credit or investment household. Therefore, risk rating scales must be frequently reevaluated and updated for verification according to its credit changes.

ii) The purpose of portfolio management:

- Develop and monitor the Bank's credit portfolio to ensure the risk of loan is within the tolerable scope,
- "Concentration risks" are concentration-limited, which means avoiding the concentration of risks and achieving risk dispersion.
- Achieve the optimal target profits.

iii. Risk communication

i) Internal reporting: Risk management unit should establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain actual, 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 content of above communication may include asset quality, portfolio rating classification status, and all kinds of exception reports.

ii) External disclosure: To comply with the principles of requirements for capital adequacy supervisory review and market discipline, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency for providing 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 the changes in credit risk of borrower or counterparty or issuer (i.e. bonds issuer and guarantor of issuers of equity related products, derivatives counterparties' credit rating information and credit information), which serve as timely detection of problems on assets or transactions, and 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 on nationalities, 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) Audit Committee: Responsible for the stipulation and amendment on issues relating to internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.

c) 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.

d) 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 need to be submitted to the competent level for review.

e) 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.

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

g) 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 for credit and guarantee amount control, proper release and other release matters.

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

4) The scope and characteristics of credit risk reports and measurement system

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

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

In order to understand the risk appetite and its changes in the financial environment and the impact on capital adequacy, the Bank handles 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 continues 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 risk avoidance

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 credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

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

Off-balance Sheet Item	Maximum Exposure Amount		
	June 30, 2019	December 31, 2018	June 30, 2018
Financial guarantees and irrevocable documentary letter of credit			
Contract amounts	$ 129,404,780	$ 121,652,586	$ 120,018,581
Maximum exposure amounts	129,404,780	121,652,586	120,018,581
Agreed financing	56,218,596	51,883,120	52,316,781

7) Concentration of credit risk exposure

Concentration 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 characteristics. The emergence of concentrations of credit risk includes the nature of operating activities property of the debtor. The Group does not concentrate its transactions on single customer or counterparty but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On June 30, 2019, December 31, 2018 and June 30, 2018, the Group's significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Financial intermediary	$ 87,580,301	28	$ 69,975,701	23	$ 68,908,235	23
Real estate	60,589,742	19	58,336,211	19	50,711,755	17
The printed circuit board component manufacturing	33,150,294	11	37,442,251	12	46,175,455	15

b) By counterparty

Credit Risk Profile by Industry Sector	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Private sector	$ 185,666,493	90	$ 183,749,738	92	$ 185,119,654	94
Natural person	21,197,795	10	16,540,441	8	11,610,305	6

c) By geographical area

Credit Risk Profile by Industry Sector	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Domestic	$ 127,121,185	61	$ 122,863,558	61	$ 119,063,256	61
Other Asia area	32,357,474	16	35,143,990	18	35,725,385	18
America	38,194,700	18	34,140,109	17	33,609,244	17

8) Credit quality and impairment assessment of financial assets

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

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

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

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

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

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

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

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

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

b) Credit risk management for investments in debt instruments

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

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

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses.

The Group's current credit risk grading mechanism is as follows:

Category	**Description**	**Basis for Recognizing Expected Credit Losses (ECLs)**
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECLs - credit-impaired

The gross carrying amounts of debt instrument investments by credit category and the corresponding expected loss rates were as follows:

June 30, 2019

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0189%-0.3930%	$ 138,806,240
Doubtful	0.1917%-0.2270%	1,400,048
In default	-	-

December 31, 2018

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0014%-0.4050%	$ 146,682,749
Doubtful	-	-
In default	-	-

June 30, 2018

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0014%-0.6750%	$ 142,816,211
Doubtful	-	-
In default	-	-

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the three months ended June 30, 2019 and 2018, grouped by credit rating, is reconciled are summarized as follows:

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Total
Balance at January 1, 2019	$ 35,671	$ -	$ 35,671
Transfers			
From performing to doubtful	(923)	923	-
Net remeasurement	(1,485)	9,090	7,605
New financial assets purchased	1,628	-	1,628
Derecognition	(1,734)	-	(1,734)
Change in model or risk parameters	(638)	-	(638)
Change in exchange rates or others	80	-	80
Balance at June 30, 2019	$ 32,599	$ 10,013	$ 42,612

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

a) Credit analysis for receivables and discounts and loans

June 30, 2019

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss under Regulations	Total
Receivables	$ 16,638,689	$ 237,433	$ 468,757	$ -	$ 17,344,879
Allowance for credit losses	(185,635)	(88,276)	(248,584)	-	(522,495)
Difference of impairment loss under regulations	-	-	-	(30,861)	(30,861)
Net total	$ 16,453,054	$ 149,157	$ 220,173	$ (30,861)	$ 16,791,523

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss under Regulations	Total
Discounts and loans	$ 187,865,864	$ 16,194,487	$ 2,803,937	$ -	$ 206,864,288
Allowance for credit losses	(247,248)	(31,148)	(975,042)	-	(1,253,438)
Difference of impairment loss under regulations	-	-	-	(2,113,985)	(2,113,985)
Net total	$ 187,618,616	$ 16,163,339	$ 1,828,895	$ (2,113,985)	$ 203,496,865

December 31, 2018

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss under Regulations	Total
Receivables	$ 20,765,683	$ 304,253	$ 371,269	$ -	$ 21,441,205
Allowance for credit losses	(218,853)	(111,931)	(227,909)	-	(558,693)
Difference of impairment loss under regulations	-	-	-	(52,561)	(52,561)
Net total	$ 20,546,830	$ 192,322	$ 143,360	$ (52,561)	$ 20,829,951

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss under Regulations	Total
Discounts and loans	$ 183,751,973	$ 15,147,609	$ 1,390,597	$ -	$ 200,290,179
Allowance for credit losses	(203,195)	(49,620)	(334,761)	-	(587,576)
Difference of impairment loss under regulations	-	-	-	$ (2,364,553)	(2,364,553)
Net total	$ 183,548,778	$ 15,097,989	$ 1,055,836	$ (2,364,553)	$ 197,338,050

June 30, 2018

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss under Regulations	Total
Receivables	$ 19,648,454	$ 232,442	$ 296,430	$ -	$ 20,177,326
Allowance for credit losses	(228,149)	(184,124)	(88,748)	-	(501,021)
Difference of impairment loss under regulations	-	-	-	(44,711)	(44,711)
Net total	$ 19,420,305	$ 48,318	$ 207,682	$ (44,711)	$ 19,631,594

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss under Regulations	Total
Discounts and loans	$ 184,413,598	$ 11,355,348	$ 961,014	$ -	$ 196,729,960
Allowance for credit losses	(213,255)	(34,560)	(366,353)	-	(614,168)
Difference of impairment loss under regulations	-	-	-	(2,142,191)	(2,142,191)
Net total	$ 184,200,343	$ 11,320,788	$ 594,661	$ (2,142,191)	$ 193,973,601

b) Credit analysis for marketable securities

June 30, 2019

	At FVTOCI	At Amortized Cost
Gross carrying amount	$ 140,206,288	$ 500,000
Allowance for impairment loss	(42,612)	-
Amortized cost	140,163,676	$ 500,000
Fair value adjustment	804,221	
	$ 140,967,897	

December 31, 2018

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

June 30, 2018

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

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

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

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Group had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

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

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

2) Management strategy and principles of liquidity risk

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

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

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

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

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

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

g) In addition to the monitoring of the capital requirements, under normal business conditions, the 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 Bank’s operating environment and conditions, and can continue to play its role effectively.

As of June 30, 2019, December 31, 2018 and June 30, 2018, the liquidity reserve ratios were 47.64%, 45.61% and 40.27%, respectively.

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

June 30, 2019	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	$ 36,240,696	$ 2,445,305	$ -	$ -	$ -	$ 38,686,001
Financial liabilities at fair value through profit or loss	1,941	-	-	-	-	1,941
Securities sold under agreements to repurchase	134,745,993	20,952,534	1,579,239	195,007	-	157,472,773
Accounts payable	1,073,115	154,485	2,026,989	683,400	1,179,489	5,117,478
Deposits	61,692,181	80,772,495	56,129,108	41,770,806	28,595,715	268,960,305
Financial bonds	-	1,650,000	-	2,300,000	16,400,000	20,350,000
Other financial liabilities	7,050,577	1,692,859	991,973	810,788	7,007,316	17,553,513
	$ 240,804,503	$ 107,667,678	$ 60,727,309	$ 45,760,001	$ 53,182,520	$ 508,142,011

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

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

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

June 30, 2019	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	$ 12,721	$ 2,780	$ 30,082	$ 1,804	$ -	$ 47,387
Foreign currency swap contracts	45,570	80,297	28,973	11,932	-	166,772
Others	15,886	718		-	-	16,604
	74,177	83,795	59,055	13,736	-	230,763
Non-deliverable						
Interest rate swap contracts	-	168	-	-	96,300	96,468
	$ 74,177	$ 83,963	$ 59,055	$ 13,736	$ 96,300	$ 327,231

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

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

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

June 30, 2019	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	$ 542,069	$ 1,176,616	$ 194,254	$ 507	$ 7,423	$ 1,920,869
Other guarantee amounts	47,473,320	68,133,205	7,831,804	3,865,803	179,779	127,483,911
Agreed financing amount	1,632,652	3,265,304	4,897,955	9,795,911	36,626,774	56,218,596
	$ 49,648,041	$ 72,575,125	$ 12,924,013	$ 13,662,221	$ 36,813,976	$ 185,623,376

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 604,084	$ 840,096	$ 328,568	$ -	$ 7,389	$ 1,780,137
Other guarantee amounts	41,321,550	65,333,900	7,089,769	5,998,775	128,455	119,872,449
Agreed financing amount	1,613,326	2,311,405	3,467,107	6,934,213	37,557,069	51,883,120
	$ 43,538,960	$ 68,485,401	$ 10,885,444	$ 12,932,988	$ 37,692,913	$ 173,535,706

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

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 a potential loss on the balance sheet of financial instruments classified in trading book.

2) Market risk management strategy and process

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

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

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

3) Market risk management organization and framework

a) 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 of directors, are the top stipulation in market risk management.

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

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

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products' type (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.

O-Bank

	June 30, 2019			December 31, 2018			June 30, 2018		
	Average	High	Low	Average	High	Low	Average	High	Low
Currency exchange rate risk	$ 1,372	$ 3,108	$ 20	$ 960	$ 7,992	$ 105	$ 1,114	$ 3,300	$ 105
Fair value risk resulting from interest rate	1,682	5,410	121	2,551	8,991	-	2,991	8,991	-
Fair value resulting from stock price	6,272	14,831	812	7,114	14,004	321	10,320	14,004	4,915

6) Foreign currency rate risk information

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

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

	June 30, 2019		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 3,644,887	31.0800	$ 113,283,218
JPY	2,277,785	0.2884	656,799
HKD	8,370,284	3.9813	33,324,779
EUR	18,461	35.3707	652,978
AUD	686	21.7887	14,947
RMB	2,495,890	4.5211	11,284,103
Financial liabilities			
Monetary item			
USD	3,554,770	31.0800	110,482,383
JPY	4,002,587	0.2884	1,154,146
HKD	5,909,267	3.9813	23,526,683
EUR	11,887	35.3707	420,452
AUD	10,835	21.7887	236,080
RMB	1,893,688	4.5211	8,561,501

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

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

f. Bank book interest rate risk

1) Source and definition of bank book interest rate risk

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

2) Bank book interest rate risk management strategy and process

The Bank controls this interest rate 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 rate risk within the limit.

3) Bank book interest rate risk management organization and framework

a) The Board of Directors: It is the top bank book interest rate 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 of directors are the top stipulation in bank book interest rate risk.

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

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

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

The Risk Management Department set the regulation with bank book interest rate risk as follow, limit of position, annual stop buying maximum loss limit, FS Sensitivity limit, duration limit, Individual Investment Target Warning Limits, Individual Investment Target stop buying limit, Tier I Capital 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 rate 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 it also 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 Six Months Ended June 30			
	2019		2018	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
Interest-earning assets				
Due from banks - cash and cash equivalents and other financial assets	$ 1,111,031	2.89	$ 828,792	2.27
Call loans to banks	16,596,445	1.71	8,756,555	1.34
Due from the Central Bank	5,014,437	0.66	3,989,875	0.64
Financial assets at fair value through profit or loss	63,398,976	0.64	40,633,607	0.59
Securities purchased under resell agreements	65,989	0.15	403,915	0.18
Discounts and loans	180,043,982	2.66	172,248,696	2.46
Financial assets at fair value through other comprehensive income	41,490,092	1.87	44,090,342	1.51
Financial assets at amortized costs	499,964	1.14	499,846	1.14
Receivables	3,419,291	1.17	3,739,279	1.16

(Continued)

	For the Six Months Ended June 30			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-bearing liabilities				
Deposits from the Central Bank and banks	$ 24,870,505	2.15	$ 39,140,670	1.45
Demand deposits	45,243,054	0.47	37,486,433	0.47
Time deposits	202,126,200	1.40	160,245,462	1.05
Securities sold under repurchase agreements	3,472,943	0.47	6,476,108	0.93
Bank notes payable	18,195,304	2.04	20,419,337	2.05
Other financial liabilities	3,996,035	-	5,331,458	-

(Concluded)

China Bills Finance Corporation (CBF)

	For the Six Months Ended June 30			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents (including certificate of deposit)	$ 823,121	0.12	$ 825,180	0.21
Call loans to banks	9,282	0.21	12,928	0.22
Financial assets at fair value through profit or loss - bonds and bills	91,271,320	0.61	95,334,957	0.56
Financial assets at fair value through other comprehensive income-bond investment	97,019,361	1.34	96,388,286	1.33
Financial assets at fair value through profit or loss - mixed financial assets	7,069,230	1.54	6,683,629	1.46
Securities purchased under resell agreements	856,056	0.35	5,346,592	0.34
Interest-bearing liabilities				
Due to other banks	16,846,355	0.76	17,788,545	0.54
Bank overdrafts	1,819	1.82	1,634	1.75
Securities (bills and bonds) sold under repurchase agreements	155,719,441	0.63	163,541,365	0.49
Commercial paper payable	1,477,901	0.63	2,103,315	0.53

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 is subject to the competent authorities. The calculation of the ratio mentioned above is in accordance with the competent authority regulations.

b. Capital assessment program

Various capital ratios and leverage ratio calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets, and the target achievement rate in the capital ratio are performed on a regular basis. Actions are taken when various capital ratios and leverage ratio have deteriorated.

c. Capital adequacy ratio

O-Bank

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

<table>
<tr><th colspan="3" rowspan="2">Year
Items</th><th colspan="2">June 30, 2019</th></tr>
<tr><th>Own Capital Adequacy Ratio</th><th>Consolidated Capital Adequacy Ratio</th></tr>
<tr><td rowspan="4">Eligible capital</td><td colspan="2">Common stocks equity</td><td>$ 24,902,949</td><td>$ 43,042,556</td></tr>
<tr><td colspan="2">Other Tier 1 capital</td><td>627,022</td><td>2,177,983</td></tr>
<tr><td colspan="2">Tier 2 capital</td><td>5,214,499</td><td>8,422,288</td></tr>
<tr><td colspan="2">Eligible capital</td><td>30,744,470</td><td>53,642,827</td></tr>
<tr><td rowspan="9">Risk-weighted assets</td><td rowspan="3">Credit risk</td><td>Standard</td><td>202,474,107</td><td>316,927,132</td></tr>
<tr><td>Internal rating based approach</td><td>-</td><td>-</td></tr>
<tr><td>Asset securitization</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">Operational risk</td><td>Basic indicator approach</td><td>8,071,238</td><td>9,260,225</td></tr>
<tr><td>Standard/alternative standardized approach</td><td>-</td><td>-</td></tr>
<tr><td>Advanced measurement approach</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Market risk</td><td>Standard</td><td>12,108,213</td><td>77,861,388</td></tr>
<tr><td>Internal model approach</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Total risk-weighted assets</td><td>222,653,558</td><td>404,048,745</td></tr>
<tr><td colspan="3">Capital adequacy ratio</td><td>13.81%</td><td>13.28%</td></tr>
<tr><td colspan="3">Ratio of common stockholders' equity to risk-weighted assets</td><td>11.18%</td><td>10.65%</td></tr>
<tr><td colspan="3">Ratio of Tier 1 capital to risk-weighted assets</td><td>11.47%</td><td>11.19%</td></tr>
<tr><td colspan="3">Leverage ratio</td><td>7.19%</td><td>6.86%</td></tr>
</table>

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

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 2019 and 2018, the Bank and the Group's capital adequacy ratio shall not be lower than 10.5% and 9.875%, respectively. The ratio of Tier 1 capital shall not be lower than 8.5% and 7.875%, respectively. The ratio of common stockholders' equity shall not be lower than 7.0% and 6.375%, respectively. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

China Bills Finance Corporation

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

Items / Year		June 30, 2019	June 30, 2018
Eligible capital	Tier 1 capital	$ 22,602,086	$ 22,084,578
	Tier 2 capital	105,866	-
	Tier 3 capital	249,067	203,969
	Eligible capital	22,957,019	22,288,547
Risk-weighted assets	Credit risk	116,363,830	110,647,816
	Operational risk	3,991,085	4,145,623
	Market risk	57,586,430	58,541,646
	Total risk-weighted assets	177,941,345	173,335,085
Capital adequacy ratio (Note 1)		12.90	12.86
Ratio of Tier 1 capital to risk-weighted assets (Note 1)		12.70	12.74
Ratio of Tier 2 capital to risk-weighted assets (Note 1)		0.06	-
Ratio of Tier 3 capital to risk-weighted assets (Note 1)		0.14	0.12
Ratio of common stockholders' equity to total assets (Note 1)		6.82	6.80

Note:

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

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

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

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

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 5.

2) Concentration of credit extensions

June 30, 2019

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (real estate development)	$ 5,478,994	16.49
2	B Company (personal insurance)	5,000,000	15.05
3	C Company (ocean transportation)	3,003,285	9.04
4	D Company (LCD and component manufacturing)	2,838,705	8.54
5	E Company (accommodation industry)	2,749,226	8.27
6	F Company (real estate development)	2,662,640	8.01
7	G Company (retail sale of other food, beverages and tobacco in specialized stores)	2,483,148	7.47
8	H Company (real estate development)	2,411,257	7.26
9	I Company (chemistry manufacturing)	2,205,000	6.64
10	J Company (trusts, funds and other financial vehicles)	2,091,311	6.29

December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (real estate development)	$ 6,363,353	19.89
2	B Company (personal insurance)	4,536,476	14.18
3	F Company (real estate development)	3,376,930	10.56
4	E Company (accommodation industry)	3,344,736	10.46
5	C Company (ocean transportation)	3,194,081	9.98
6	D Company (LCD and component manufacturing)	2,563,619	8.01
7	H Company (real estate development)	2,538,157	7.93
8	N Company (chemistry manufacturing)	2,417,984	7.56
9	J Company (trusts, funds and other financial vehicles)	2,109,623	6.59
10	M Company (real estate development)	2,045,098	6.39

June 30, 2018

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (real estate development)	$ 7,466,896	25.89
2	B Company (personal insurance)	4,200,000	14.56
3	D Company (LCD and component manufacturing)	3,888,238	13.48
4	C Company (ocean transportation)	3,450,950	11.96
5	F Company (real estate development)	2,996,930	10.39
6	E Company (accommodation industry)	2,601,183	9.02
7	H Company (real estate development)	2,460,096	8.53
8	K Company (real estate development)	2,093,726	7.26
9	L Company (paper manufacturing)	2,069,174	7.17
10	M Company (real estate development)	2,033,406	7.05

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
June 30, 2019

(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	$ 158,358,769	$ 11,679,152	$ 21,877,235	$ 38,070,706	$ 229,985,862
Interest rate-sensitive liabilities	79,156,072	61,466,243	36,652,499	42,005,602	219,280,416
Interest rate-sensitive gap	79,202,697	(49,787,091)	(14,775,264)	(3,934,896)	10,705,446
Net worth					30,109,093
Ratio of interest rate-sensitive assets to liabilities					104.88%
Ratio of interest rate sensitivity gap to net worth					35.56%

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%

June 30, 2018

(In Thousands of New Taiwan Dollars or in %)

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

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 (In U.S. Dollars)
June 30, 2019

(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	$ 1,425,410	$ 68,915	$ 8,160	$ 905,046	$ 2,407,531
Interest rate-sensitive liabilities	1,530,862	564,423	209,749	23,183	2,328,217
Interest rate-sensitive gap	(105,452)	(495,508)	(201,589)	881,863	79,314
Net worth					85,379
Ratio of interest rate-sensitive assets to liabilities					103.41%
Ratio of interest rate sensitivity gap to net worth					92.90%

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%

June 30, 2018

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

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

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

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

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

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

c. Liquidity risk

1) Profitability

(In %)

Items		For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Return on total assets	Before income tax	0.25	0.22
	After income tax	0.22	0.17
Return on equity	Before income tax	2.61	2.28
	After income tax	2.26	1.76
Net income ratio		25.04	21.86

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

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

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

Note 4: Income before (after) income tax represents income for the six months ended June 30, 2019 and 2018.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (In New Taiwan Dollars)
June 30, 2019

(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	$ 259,136,258	$ 75,498,459	$ 18,174,393	$ 22,659,672	$ 17,696,509	$ 20,723,218	$ 104,384,007
Main capital outflow on maturity	296,957,975	14,512,267	35,502,094	67,823,150	39,451,902	46,393,088	93,275,474
Gap	(37,821,717)	60,986,192	(17,327,701)	(45,163,478)	(21,755,393)	(25,669,870)	11,108,533

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

June 30, 2018

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 263,036,871	$ 59,490,039	$ 22,542,914	$ 25,089,887	$ 24,125,480	$ 25,378,678	$ 106,409,873
Main capital outflow on maturity	293,715,374	30,142,835	25,973,908	62,914,661	50,011,276	44,149,291	80,523,403
Gap	(30,678,503)	29,347,204	(3,430,994)	(37,824,774)	(25,885,796)	(18,770,613)	25,886,470

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

Maturity Analysis of Assets and Liabilities (In U.S. Dollars)
June 30, 2019

(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	$ 3,785,785	$ 1,397,517	$ 899,534	$ 451,467	$ 179,611	$ 857,656
Main capital outflow on maturity	4,018,352	1,772,676	931,055	483,797	295,239	535,585
Gap	(232,567)	(375,159)	(31,521)	(32,330)	(115,628)	322,071

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

June 30, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 4,207,477	$ 1,317,283	$ 759,674	$ 730,294	$ 498,782	$ 901,444
Main capital outflow on maturity	4,528,118	1,736,320	1,301,111	544,939	403,429	542,319
Gap	(320,641)	(419,037)	(541,437)	185,355	95,353	359,125

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 (In U.S. Dollars)
June 30, 2019

(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	$ 1,573,778	$ 931,358	$ 227,796	$ 14,414	$ 28,429	$ 371,781
Main capital outflow on maturity	1,572,612	916,400	273,195	151,706	62,032	169,279
Gap	1,166	14,958	(45,399)	(137,292)	(33,603)	202,502

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

June 30, 2018

(In Thousands of U.S. Dollars)

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

China Bills Finance Corporation

a. Asset quality

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

Period / Item	June 30, 2019	December 31, 2018	June 30, 2018
Balance of guarantees and endorsement credits overdue within 3 months	$ -	$ -	$ -
Non-performing debts (include overdue receivables)	-	-	-
Credits under observation	-	-	-
Overdue receivables	-	-	-
Ratio of non-performing debts	0.00%	0.00%	0.00%
Ratio of non-performing debts and credits under observation	0.00%	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	1,197,866	1,045,899	1,051,583
Actual provision for credit losses and reserve for losses on guarantees	1,310,077	1,310,077	1,310,077

b. The principal operation

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

Period / Item	June 30, 2019	December 31, 2018	June 30, 2018
Balance of guarantees and endorsement securities	$ 106,655,900	$ 104,434,900	$ 104,996,400
Ratio of guarantees and endorsement securities to net worth (Note)	4.86	4.77	4.79
Short-term bills and bonds sold under agreement to repurchase	$ 153,320,549	$ 147,142,872	$ 143,799,054
Ratio of short-term bills and bonds sold under agreement to repurchase to net worth (Note)	6.99	6.72	6.57

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

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

d. Concentrations of credit extensions

(In Thousands of New Taiwan Dollars or in %)

Item \ Period	June 30, 2019			December 31, 2018			June 30, 2018		
Credit of the common interested party	$ -			$ -			$ -		
Credit ratio of the interested party (Credit of the common interested party ÷ Total credit)	-			-			-		
Credit ratio of pledged stocks (Credit of pledged stocks ÷ Total credit)	19.95			19.80			21.24		
Loan concentration by industry		**Type of Industry**	**%**		**Type of Industry**	**%**		**Type of Industry**	**%**
(The concentration of listed industries were the Top 3 of all industries)	1)	Finance and insurance industry	35.06	1)	Finance and insurance industry	36.16	1)	Finance and insurance industry	35.05
	2)	Manufacturing industry	22.76	2)	Manufacturing industry	22.25	2)	Manufacturing industry	23.15
	3)	Real estate industry	23.17	3)	Real estate industry	22.94	3)	Real estate industry	22.65

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

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

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

e. Interest rate sensitivity information of the balance sheet

June 30, 2019

(In Millions of New Taiwan Dollars or in %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 82,614	$ 8,314	$ 12,481	$ 90,471	$ 193,880
Interest rate-sensitive liabilities	168,547	1,578	195	-	170,320
Interest rate-sensitive gap	(85,933)	6,736	12,286	90,471	23,560
Net worth					23,162
Ratio of interest rate-sensitive assets to liabilities (%)					113.83
Ratio of interest rate sensitivity gap to net worth (%)					101.72

December 31, 2018

(In Millions of New Taiwan Dollars or in %)

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

June 30, 2018

(In Millions of New Taiwan Dollars or in %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 87,422	$ 12,816	$ 10,118	$ 83,956	$ 194,312
Interest rate-sensitive liabilities	170,902	677	28	-	171,607
Interest rate-sensitive gap	(83,480)	12,139	10,090	83,956	22,705
Net worth					22,776
Ratio of interest rate-sensitive assets to liabilities (%)					113.23
Ratio of interest rate sensitivity gap to net worth (%)					99.69

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

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

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

f. The use of funding sources table

June 30, 2019

(In Millions of New Taiwan Dollars)

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 42,996	$ 35,932	$ 6,295	$ 1,419	$ -
	Bonds	1,137	1,474	2,019	11,062	90,471
	Due from banks	215	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	860	-	-	-	-
	Total	45,208	37,406	8,314	12,481	90,471
Cash provided by	Borrowing	17,099	-	-	-	-
	Securities sold under agreement to repurchase	130,658	20,790	1,578	195	-
	Eligible capital	-	-	-	-	23,162
	Total	147,757	20,790	1,578	195	23,162
Net cash flows		(102,549)	16,616	6,736	12,286	67,309
Accumulated cash flows		(102,549)	(85,933)	(79,197)	(66,911)	(398)

December 31, 2018

(In Millions of New Taiwan Dollars)

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

June 30, 2018

(In Millions of New Taiwan Dollars)

Items \ Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 41,714	$ 37,664	$ 7,678	$ -	$ -
	Bonds	200	1,373	5,138	10,118	83,956
	Due from banks	399	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	4,133	1,939	-	-	-
	Total	46,446	40,976	12,816	10,118	83,956
Cash provided by	Borrowing	27,899	-	-	-	-
	Securities sold under agreement to repurchase	110,637	32,366	677	28	-
	Eligible capital	-	-	-	-	22,776
	Total	138,536	32,366	677	28	22,776
Net cash flows		(92,090)	8,610	12,139	10,090	61,180
Accumulated cash flows		(92,090)	(83,480)	(71,341)	(61,251)	(71)

g. Matters requiring special notation

(In Thousands of New Taiwan Dollars)

Causes	June 30, 2019	December 31, 2018	June 30, 2018
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None	None
Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws	None	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT$50 million dollars	None	None	None
Other	None	None	None

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

48. CASH FLOWS INFORMATION

a. None cash flow trade

The cash dividends allotted by the Bank as determined by the shareholders' meeting were not issued in June 30, 2019 and 2018, refer to Note 23 and Note 30c.

b. Changes in liabilities from financing activities

For the six months ended June 30, 2019

	January 1, 2019	Cash Inflow (Outflow)	None Cash Add Leasing	None Cash Other	June 30, 2019
Bank notes payable	$ 17,850,000	$ 2,500,000	$ -	$ -	$ 20,350,000
Lease liabilities	542,298	(86,963)	-	17,428	472,763
Other financial liabilities	15,034,414	2,519,099	-	-	17,553,513
Other liabilities	2,400,842	43,621	-	32	2,444,495
	$ 35,827,554	$ 4,975,757	$ -	$ 17,460	$ 40,820,771

For the six months ended June 30, 2018

	January 1, 2018	Cash Inflow (Outflow)	None Cash Other	June 30, 2018
Bank notes payable	$ 20,400,000	$ 1,750,000	$ -	$ 22,150,000
Other financial liabilities	22,337,877	(2,285,482)	-	20,052,395
Other liabilities	2,477,851	(355,562)	-	2,122,289
	$ 45,215,728	$ (891,044)	$ -	$ 44,324,684

49. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees and

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

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

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

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

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

5) Acquisition of individual real estate at costs of at least NT $300 million or 10% of the paid-in

capital: None

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

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

8) Receivables from related parties amounting to at least NT $300 million or 10% of the paid-in capital: Table 4 (attached)

9) Sale of non-performing loans: Table 5 (attached)

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 7 (attached)

13) Derivative instrument transactions: Note 8

c. Investment in mainland China: Table 8 (attached)

d. Business relationships and significant transactions among the Group: Table 9 (attached)

50. OPERATING SEGMENT FINANCIAL INFORMATION

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

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

b. Overseas: Overseas banking business.

c. Leasing: Leasing business.

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

e. Others: Other non-core businesses.

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

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the six months ended June 30, 2019							
Net interest							
From unaffiliated segment	$ 988,799	$ 544,950	$ 356,776	$ 87,242	$ (9)	$ 94	$ 1,977,852
From other segment	(1,756)	-	2	-	97	1,563	(94)
	$ 987,043	$ 544,950	$ 356,778	$ 87,242	$ 88	$ 1,657	$ 1,977,758
Net revenue other than interest							
From unaffiliated segment	$ 1,939,985	$ 26,705	$ 171,816	$ 949,366	$ 3,904	$ -	$ 3,091,776
From other segment	21,775	-	(2,665)	(21,229)	2,575	(622,083)	(621,627)

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
	$ 1,961,760	$ 26,705	$ 169,151	$ 928,137	$ 6,479	$ (622,083)	$ 2,470,149
Income from continuing operation	$ 738,310	$ 230,420	$ 208,878	$ 631,643	$ (1,675)	$ (595,687)	$ 1,211,889
Identifiable assets	$ 324,534,249	$ 29,212,206	$ 13,407,861	$ 196,870,215	$ 223,789	$ (141,275)	$ 564,107,045
Depreciation and amortization	$ 252,500	$ 28,254	$ 19,638	$ 12,334	$ 571	$ (6,988)	$ 306,309
Capital expenditures	$ 29,424	$ 1,233	$ 7,620	$ 3,494	$ -	$ -	$ 41,771

(Continued)

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the six months ended June 30, 2018							
Net interest							
From unaffiliated segment	$ 1,103,149	$ 449,940	$ 365,332	$ 191,115	$ 25	$ -	$ 2,109,561
From other segment	(6,119)	-	333	1,243	4,543	-	-
	$ 1,097,030	$ 449.940	$ 365,665	$ 192,358	$ 4,568	$ -	$ 2,109,561
Net revenue other than interest							
From unaffiliated segment	$ 824,130	$ 29,178	$ 115,137	$ 803,632	$ (5,632)	$ -	$ 1,766,445
From other segment	23,380	-	-	-	-	(31,340)	(7,960)
	$ 847,510	$ 29,178	$ 115,137	$ 803,632	$ (5,632)	$ (31,340)	$ 1,758,485
Income from continuing operation	$ 511,621	$ 173,504	$ 39,140	$ 722,288	$ (12,435)	$ (391,731)	$ 1,042,387
Identifiable assets	$ 319,691,465	$ 25,910,175	$ 15,440,783	$ 197,396,293	$ 1,249,570	$ (15,328,420)	$ 544,359,866
Depreciation and amortization	$ 185,627	$ 8,470	$ 8,451	$ 4,173	$ 105	$ -	$ 206,826
Capital expenditures	$ 113,968	$ 29,965	$ 3,048	$ 525	$ 5	$ -	$ 147,511

(Concluded)

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Notes 4 and 5)	Note
													Item	Value			
1	IBT Leasing	Lei Xin Construction	Account receivable - short-term accommodations	No	$ 91,560	$ 68,660	$ 68,660	2-8	2	$ -	Working capital turnover	$ 6,866	Real estate	$ 124,389	$ 227,021	$ 908,084	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	8,601	1,245	1,245	2-8	1	30,000	Working capital turnover	22	Real estate	24,288	227,021	2,270,211	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	8,601	1,245	1,245	2-8	2	-	Working capital turnover	22	Real estate	24,288	227,021	908,084	
		General Energy Solutions	Account receivable - short-term accommodations	No	2,324	-	-	2-8	2	-	Working capital turnover	-	Margin	-	227,021	908,084	
		San Rong Fisheries Corp.	Account receivable - short-term accommodations	No	13,080	13,080	13,080	2-8	2	-	Working capital turnover	13,080	-	-	227,021	908,084	
		Shanyue development Co., Ltd.	Account receivable - short-term accommodations	No	165,000	165,000	165,000	2-8	2	-	Working capital turnover	2,970	Real estate	88,310	227,021	908,084	
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	167,100	110,000	110,000	2-8	2	-	Working capital turnover	1,782	Performance bond	11,000	227,021	908,084	
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	66,587	37,414	37,414	2-8	2	-	Working capital turnover	1,014	Margin	10,000	227,021	908,084	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	30,000	19,896	19,896	2-8	2	-	Working capital turnover	259	-	-	227,021	908,084	
		Power Home Construction	Account receivable - short-term accommodations	No	82,500	61,902	61,902	2-8	2	-	Working capital turnover	805	Real estate	96,949	227,021	908,084	
		General Energy Solutions	Account receivable - short-term accommodations	No	43,994	29,750	29,750	2-8	1	77,159	Working capital turnover	311	Margin	5,800	227,021	2,270,211	
		Shinex Machinery Engineering Inc.	Account receivable - short-term accommodations	No	15,668	2,299	2,299	2-8	2	-	Working capital turnover	41	-	-	227,021	908,084	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	29,691	13,745	13,745	2-8	2	-	Working capital turnover	101	Margin	6,000	227,021	908,084	
		Advanced Wireless and Antenna Inc.	Account receivable - short-term accommodations	No	28,231	17,555	17,555	2-8	2	-	Working capital turnover	428	Margin	6,000	227,021	908,084	
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	120,000	112,800	112,800	2-8	2	-	Working capital turnover	2,030	Stock	64,800	227,021	908,084	
		Taroko Recreation Management Co., Ltd.	Account receivable - short-term accommodations	No	70,000	70,000	-	2-8	2	-	Working capital turnover	-	Stock	-	227,021	908,084	
2	IBT International Leasing Corp.	Qingdao Liansheng Industry Co., Ltd.	Entrusted loans	Yes	84,768	-	-	6-16	2	-	Working capital turnover	-	-	-	228,306	913,226	
		Shanghai Kuang Di Entertainment Co., Ltd.	Entrusted loans	No	19,687	5,019	5,019	6-16	2	-	Working capital turnover	20	Real estate	42,236	228,306	913,226	
		Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loans	No	63,350	53,848	53,848	6-16	2	-	Working capital turnover	1,077	Real estate	69,852	228,306	913,226	
		Suzhou Dong Sheng Machine Co., Ltd.	Entrusted loans	No	41,878	31,350	31,350	6-16	2	-	Working capital turnover	125	Real estate	35,775	228,306	913,226	
		Suzhou Leading Car Service Co., Ltd.	Entrusted loans	NO	52,038	52,038	-	6-16	2	-	Working capital turnover	-	Margin	6,788	228,306	913,226	
		Nanjing Forland automobile leasing Co., Ltd.	Entrusted loans	No	52,038	52,038	-	6-16	2	-	Working capital turnover	-	Margin	6,788	228,306	913,226	
		Shanghai Qiaoyou Garment Co., Ltd.	Entrusted loans	No	12,456	-	-	6-16	2	-	Working capital turnover	-	-	-	228,306	913,226	
		Qiangsheng (Shanghai) Multimedia Co., Ltd.	Entrusted loans	No	47,790	-	-	6-16	2	-	Working capital turnover	-	-	-	228,306	913,226	
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	19,980	-	-	6-16	2	-	Working capital turnover	-	-	-	228,306	913,226	

(Continued)

Note 1: Explanation:

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

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

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

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

(Concluded)

O-BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(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	$ 18,161,686	$ 15,220,159	$ 14,899,494	$ 5,478,213	$ -	656.30	$ 27,242,530	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 AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2019				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$ 168,634	91.78	US$ 168,634	
IBT Management Corp.	Open type beneficiary certificate							
	Taishin Ta-Chong Money Market Fund	-	Financial asset at FVTPL	750	10,671	-	10,671	
	Uni Money Market Fund	-	Financial asset at FVTPL	803	10,611	-	10,611	
	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	15,319	141,241	5.11	141,241	
	Stocks							
	Gatetech Technology Co., Ltd.	-	Financial asset at FVTOCI	92	788	0.18	788	
IBT Leasing Co., Ltd.	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	2,168,911	95.00	2,168,911	
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	447,444	100.00	447,444	
IBT VII Venture Capital Co., Ltd.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	14,000	129,080	4.67	129,080	
	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	114,153	5.00	114,153	
	EirGenix Co., Ltd.	-	Financial asset at FVTPL	593	18,531	0.40	18,531	
	TAIRX Corp.	-	Financial asset at FVTPL	1,842	36,564	2.74	36,564	
	Meridigen Corp.	-	Financial asset at FVTPL	500	9,108	0.55	9,108	
	Femcosteel Tech Co., Ltd.	-	Financial asset at FVTPL	1,298	35,825	3.13	35,825	
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	9,135	41,756	0.21	41,756	Note 1
	New Applied Materials Co., Ltd.	-	Financial asset at FVTPL	330	8,503	0.59	8,503	
	Polaris Co., Ltd.	-	Financial asset at FVTPL	140	2,029	0.05	2,029	
	BioResource Internailtional, Inc.	-	Financial asset at FVTPL	1,105	74,140	5.72	74,140	Note 2

Note 1: 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.

Note 2: The securities are transferred within the Group and are listed in the financial asset at FVTOCI when they are combined.

TABLE 4

O-BANK AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
JUNE 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Bank	CBF	Subsidiaries	$ 300,975 Note	-	$ -	-	$ 300,975	$ -

Note: Dividend receivable.

O-BANK AND SUBSIDIARIES

SALES OF NON-PERFORMING LOANS
JUNE 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Sales of non-performing loans

Trade Date	Trade Name	Creditor Composition Content	Book Value	Price	Dispose of Profit and Loss	With Agreed Conditions	The Relationship Between the Transaction Object and The Bank
June 21, 2019	TANG, YIU PONG	Corporate loan	$ 116,525	$ 116,525	$ -	None	None

2. Sales of non-performing loans in a single batch of claims amounting to more than $1 billion (excluding those sold to related parties): None.

TABLE 6

O-BANK AND SUBSIDIARIES

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE
JUNE 30, 2019 AND 2018
(In Thousands of New Taiwan Dollars or in %)

Period			June 30, 2019					December 31, 2018				
Items			Non-performing Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Non-performing Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 364,628	$ 89,351,600	0.41%	$ 1,227,001	336.51%	$ 21,623	$ 85,631,246	0.03%	$ 1,036,438	4,793.22%
	Unsecured		-	81,868,356	-	1,648,290	-	-	85,108,167	-	1,480,041	-
Consumer banking	Housing mortgage (Note 4)		-	10,678,228	-	158,853	-	-	8,074,049	-	121,111	-
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans		8,270	4,077,179	0.20%	48,897	591.26%	5,714	3,245,770	0.18%	33,214	581.27%
	Other	Secured	-	-	-	-	-	-	-	-	-	-
		Unsecured	-	-	-	-	-	-	-	-	-	-
Total lending business			372,898	185,975,363	0.20%	3,083,041	826.78%	27,337	182,059,232	0.02%	2,670,804	9,769.92%
			Non-performing Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Non-performing Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			-	-	-	-	-	-	-	-	-	-
Factored accounts receivable without recourse (Note 5)			-	2,646,283	-	27,590	-	-	4,714,725	-	50,500	-
			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)			314			-		-			-	
Total			314			-		-			-	

(Continued)

Period			June 30, 2018				
Items			Non-performing Loans (Note 1)	Outstanding Loan Balance	Ratio of Non-performing Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 21,623	$ 73,480,398	0.03	$ 865,316	4,001.83%
	Unsecured		112,438	98,151,390	0.11	1,504,030	1,337.65%
Consumer banking	Housing mortgage (Note 4)		-	6,006,219	-	90,093	-
	Cash card		-	-	-	-	-
	Small-scale credit loans		1,124	1,762,013	0.06	17,790	1,581.33%
	Other	Secured	-	-	-	-	-
		Unsecured	-	-	-	-	-
Total lending business			135,185	179,400,020	0.08	2,477,229	1,832.46%
			Nonperforming Receivables	**Outstanding Receivable Balance**	**Ratio of Nonperforming Receivables**	**Allowance for Possible Losses**	**Coverage Ratio**
Credit cards			-	-	-	-	-
Factored accounts receivable without recourse (Note 5)			-	3,992,858	-	43,969	-
			Exempt from Reporting the Total Balance of Overdue Loans			**Exempt from Reporting the Total Balance of Overdue Account Receivable**	
Exempt amount - due to debt negotiation and performance (Note 6)			$ -			$ -	
Debt settlement plan and rehabilitative program (Note 7)			2,721			-	
Total			2,721			-	

Note 1: Non-performing 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 Non-performing/Non-accrued Loans.” Non-performing 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 non-performing loans: Non-performing loans ÷ Outstanding loan balance.
Ratio of non-performing credit card receivables: Non-performing credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Non-performing loans.
Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Non-performing 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 non-performing receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

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

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

(Concluded)

O-BANK AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(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	$ 6,503,928	$ 179,216	382,532	-	382,532	28.48	
IBT Holdings Corp.	California, America	Holding company	100.00	5,284,433	211,460	10,869	-	10,869	100.00	
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	2,270,211	203,957	264,300	-	264,300	100.00	
IBT Management Corp.	Taipei City, Taiwan	Investment consulting	100.00	219,893	(1,671)	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	355,997	(965)	318,281	-	318,281	99.75	
Financial assets at FVTOCI										
Mosa Industrial Corp.	Yunlin City, Taiwan	Precision instruments manufacturing	0.25	23,780	-	445	-	445	0.25	
TTBio Corporation Inc.	Taichung City, Taiwan	Medical equipment manufacturing	7.48	54,210	-	1,799	-	1,799	7.48	
TaiRx	Taipei City, Taiwan	Biotech research and development	4.82	64,532	-	5,093	-	5,093	7.55	
Chipwell Tech Corporation	Hsinchu City, Taiwan	Electronic parts and components manufacturing	2.61	2,190	-	391	-	391	2.61	
Reber Genetics Co., Ltd.	Taipei City, Taiwan	Biotech research and development	3.17	9,318	-	3,481	-	3,481	4.76	
Nissho Co., Ltd.	New Taipei City, Taiwan	LED printer delivery head	1.01	649	-	410	-	410	1.01	
Vaxgenetics Co., Ltd.	Taipei City, Taiwan	Biotech research and development	0.98	1,555	-	1,008	-	1,008	0.98	
Knowledge Freeway Co., Ltd	Taipei City, Taiwan	Retail sale of computer software	19.20	14,047	-	1,251	-	1,251	25.02	
New Applied Materials Co., Ltd.	Taoyuan City, Taiwan	Wholesale of electronic materials	0.28	3,962	-	154	-	154	0.28	
Progate Group Corporation	Taipei City, Taiwan	Wholesale of electronic materials	4.35	19,949	-	1,444	-	1,444	4.35	
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information software services industry	0.50	1,768	-	300	-	300	0.50	
Shihlien China Holding Co., Ltd.	Hong Kong	Chemical industries	1.21	238,512	-	61,317	-	61,317	1.42	
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	52,281	-	6,997	-	6,997	8.82	
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	45,872	-	244	-	244	2.18	
Topping Cuisine International Holdings Limited	Cayman Island	Retail restaurant management	2.17	22,083	-	500	-	500	2.17	
Beauty Essentials International Ltd. (Samoa)	Samoa	Cosmetic products wholesaler	2.41	52,450	-	25,974	-	25,974	2.41	

TABLE 8

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of 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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2019	Accumulated Inward Remittance of Earnings as of June 30, 2019
					Outflow	Inflow					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 24,864,030 (US$ 800,000)	Note 1 c.	$ 214,390 (US$ 6,898)	$ -	$ -	$ 214,390 (US$ 6,898)	1.39	$ -	$ 214,390 (US$ 6,898)	$ -
Shinlien Brine Huaian Co.	Production of glass materials	994,561 (US$ 32,000)	Note 1 c.	10,350 (US$ 333)	-	-	10,350 (US$ 333)	1.39	-	10,350 (US$ 333)	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	478,601 (US$ 15,399)	Note 1 c.	62,160 (US$ 2,000)	-	-	62,160 (US$ 2,000)	2.60	-	62,160 (US$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	45,250 (RMB 10,000)	Note 1 c.	15,540 (US$ 500)	-	-	15,540 (US$ 500)	2.09	-	15,540 (US$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	245,705 (RMB 54,300)	Note 1 c.	62,160 (US$ 2,000)	-	-	62,160 (US$ 2,000)	2.175	-	62,160 (US$ 2,000)	-
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	134,577 (US$ 4,330)	Note 1 c.	18,182 (US$ 585)	-	-	18,182 (US$ 585)	2.17	-	18,182 (US$ 585)	-
Topping Cuisine International Holding, Ltd.	Food retailing	161,616 (US$ 5,200)	Note 1 c.	18,182 (US$ 585)	-	-	18,182 (US$ 585)	2.17	-	18,182 (US$ 585)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,216 (US$ 200)	Note 1 c.	124 (US$ 4)	-	-	124 (US$ 4)	2.17	-	124 (US$ 4)	-
Beauty Essential International, Ltd.	Cosmetic retailing	93,240 (US$ 3,000)	Note 1 c.	24,429 (US$ 786)	-	-	24,429 (US$ 786)	2.64	-	24,429 (US$ 786)	-
Meike information technology	Cosmetic retailing information technology	52,836 (US$ 1,700)	Note 1 c.	0 (US$ 0)	497 (US$ 16)	-	497 (US$ 16)	0.93	-	497 (US$ 16)	-

(Continued)

Accumulated Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$426,014 (US$13,707)	$426,014 (US$13,707)	Note 3

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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2019	Accumulated Inward Remittance of Earnings as of June 30, 2019
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 2,020,202 (US$ 65,000)	Note 1 d.	$ 1,641,026 (US$ 52,800)	$ -	$ -	$ 1,641,026 (US$ 52,800)	100.00	$ 171,723 (Note 2)	$ 2,168,911	$ -

Accumulated Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,641,026 (US$52,800)	$1,641,026 (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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2019	Accumulated Inward Remittance of Earnings as of June 30, 2019
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 2,020,202 (US$ 65,000)	Note 1 d.	$ 379,176 (US$ 12,200)	$ -	$ -	$ 379,176 (US$ 12,200)	5.00	$ 9,038	$ 114,153	$ -

Accumulated Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$379,176 (US$12,200)	$379,176 (US$12,200)	$268,466

(Continued)

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.

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 Tianjin International Leasing Corp. was merged by IBT Leasing Co., Ltd. of January 1, 2019. IBT Leasing Co., Ltd. holds 95% stock of IBT International Leasing Corp. directly and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 6: The accumulated investment amount of IBT Tianjin International Leasing Corp., which recognizes the investment profit and loss and the book value of the investment at the end of the period, is expressed as 95% held by IBT Leasing Co., Ltd.

(Concluded)

TABLE 9

O-BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
1	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Deposits	$ 230,851	Note 2	0.04
2	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Interest expense	1,662	Note 2	0.04
3	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, and IBTS Asia (HK) Limited	a	Payables	518	Note 2	-
4	The Bank	CBF	a	Dividend receivable	300,975	Note 2	0.05
5	The Bank	IBTM and CBF	a	Other net revenue other than interest	21,775	-	0.49
6	Chun Teng New Century	The Bank	b	Cash and cash equivalents	47,504	Note 2	0.01
7	Chun Teng New Century	The Bank	b	Accounts receivable	8	Note 2	-
8	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	76	Note 2	-
9	Chun Teng New Century	IBT Leasing	c	Discontinued operations - operation expenses	364	-	0.01
10	IBTM	The Bank	b	Accounts receivable	7	Note 2	-
11	IBTM	The Bank	b	Cash and cash equivalents	53,837	Note 2	0.01
12	IBTM	The Bank	b	Interest revenue	97	Note 2	-
13	IBTM	The Bank	b	Other operating and administrative expenses	457	-	0.01
14	IBTM	The Bank	b	Interest expense	9	Note 2	-
15	IBTM	IBTVC7	c	Consultancy service income	3,028	Note 2	0.07
16	CBF	The Bank	b	Dividend payable	300,975	Note 2	0.05
17	CBF	The Bank	b	Interest expense	84	Note 2	-

(Continued)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
18	CBF	The Bank	b	Other operating and administrative expenses	$ 21,255	-	0.48
19	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	20,873	Note 2	-
20	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	217	Note 2	-
21	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	244	Note 2	-
22	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	106,758	Note 2	0.02
23	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	1,243	Note 2	0.03
24	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	286	Note 2	-
25	IBTL	The Bank	b	Cash and cash equivalents	278	Note 2	-
26	IBTL	The Bank	b	Interest revenue	1	Note 2	0.01
27	IBTL	Chun Teng New Century	c	Other net revenue other than interest	364	-	-
28	IBTVC7	The Bank	b	Cash and cash equivalents	1,601	Note 2	-
29	IBTVC7	The Bank	b	Interest revenue	1	Note 2	-
30	IBTVC7	IBTM	c	Other operating and administrative expenses	3,028	-	0.07

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

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

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

(Concluded)