O-Bank and Subsidiaries

Consolidated Financial Statements for the
Nine Months Ended September 30, 2018 and 2017 and
Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
O-Bank

Introduction

We have reviewed the accompanying consolidated balance sheets of O-Bank and its subsidiaries (collectively, the "Group") as of September 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months ended September 30, 2018 and 2017 and for the nine months ended September 30, 2018 and 2017, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies "(collectively referred to as 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. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Notes 16 and 17 to the consolidated financial statements, the financial statements of some non-significant subsidiaries and some associates accounted for by using the equity method included in the consolidated financial statements were not reviewed. As of September 30, 2018 and 2017, combined total assets of these non-significant subsidiaries were NT$890,767 thousand and NT$16,097,517 thousand, respectively, representing 0.16% and 2.95%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT$117,310 thousand and NT$13,721,469 thousand, respectively, representing 0.02% and 2.74%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2018 and 2017 and for the nine months ended September 30, 2018 and 2017, the amounts of combined comprehensive income of these subsidiaries were NT$(10,633) thousand, NT$(2,460) thousand, NT$(45,427) thousand and NT$46,778 thousand, respectively, representing (2.65%), (0.69%), (3.20%) and 2.60%, respectively, of the consolidated total comprehensive income. For the nine months ended September 30, 2017, the share of comprehensive income of associates using the equity method was NT$11,683 thousand.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months and the nine months then ended September 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

October 30, 2018

Notice to Readers

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

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2018 (Reviewed)		December 31, 2017 (Audited)		September 30, 2017 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 44)	$ 8,029,528	1	$ 6,625,973	1	$ 6,814,762	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 6 and 7)	27,846,533	5	11,506,456	2	15,118,115	3
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 44)	140,870,916	25	154,136,983	29	153,199,453	28
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 44 and 48)	153,532,738	28	-	-	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 44 and 48)	499,911	-	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 10)	2,970,543	1	5,682,864	1	3,249,616	1
RECEIVABLES, NET (Notes 11 and 13)	20,775,623	4	21,202,093	4	21,874,973	4
CURRENT TAX ASSETS	401,326	-	301,362	-	319,580	-
DISCOUNTS AND LOANS, NET (Notes 12, 13 and 44)	196,129,041	35	180,086,186	33	176,784,262	32
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 14 and 44)	-	-	149,145,722	28	156,756,271	29
HELD-TO-MATURITY FINANCIAL ASSETS (Note 44)	-	-	499,821	-	499,792	-
OTHER FINANCIAL ASSETS (Note 18)	985,803	-	1,283,434	-	1,438,317	-
PROPERTY AND EQUIPMENT, NET (Note 19)	2,938,059	1	3,084,952	1	3,044,772	1
INTANGIBLE ASSETS, NET (Note 20)	2,455,429	-	2,403,367	-	2,449,535	-
DEFERRED TAX ASSETS (Note 40)	607,052	-	582,334	-	571,680	-
OTHER ASSETS (Note 21)	1,259,226	-	4,030,474	1	3,965,707	1
TOTAL	$ 559,301,728	100	$ 540,572,021	100	$ 546,086,835	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and banks (Note 22)	$ 58,101,637	10	$ 53,032,639	10	$ 81,107,870	15
Financial liabilities at fair value through profit or loss (Note 8)	1,106,642	-	791,018	-	2,154,232	1
Notes and bonds issued under repurchase agreement (Note 23)	153,722,301	28	189,821,968	35	176,232,186	32
Payables (Note 24)	5,081,898	1	5,022,681	1	4,471,967	1
Current tax liabilities	148,457	-	136,269	-	162,351	-
Deposits and remittances (Notes 25 and 43)	251,158,210	45	198,286,700	37	194,813,539	36
Bank notes payable (Note 26)	21,200,000	4	20,400,000	4	18,650,000	4
Other financial liabilities (Note 27)	18,371,969	3	22,337,877	4	18,339,594	3
Provisions (Notes 13 and 28)	1,900,306	-	1,874,368	-	1,838,420	-
Deferred income tax liabilities (Note 40)	317,159	-	216,007	-	215,373	-
Other liabilities (Note 30)	2,213,713	1	2,477,851	-	2,147,538	-
Total liabilities	513,322,292	92	494,397,378	91	500,133,070	92
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Common stock	24,130,063	4	24,130,063	5	24,130,063	4
Capital surplus	8,524	-	7,730	-	7,730	-
Retained earnings						
Legal reserve	3,184,667	1	2,880,297	1	2,880,297	1
Special reserve	1,215,831	-	1,229,536	-	1,229,536	-
Unappropriated earnings	545,902	-	1,014,567	-	998,138	-
Total retained earnings	4,946,400	1	5,124,400	1	5,107,971	1
Other equity interest	(84,987)	-	20,400	-	60,596	-
Total equity attributable to owners of the Bank	29,000,000	5	29,282,593	6	29,306,360	5
NON-CONTROLLING INTERESTS	16,979,436	3	16,892,050	3	16,647,405	3
Total equity (Note 31)	45,979,436	8	46,174,643	9	45,953,765	8
TOTAL	$ 559,301,728	100	$ 540,572,021	100	$ 546,086,835	100

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

(With Deloitte & Touche review report dated October 30, 2018)

O-BANK AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Note 32)	$ 2,380,283	122	$ 1,992,709	96	$ 6,720,221	115	$ 5,576,194	93
INTEREST EXPENSE (Notes 32 and 43)	(1,324,275)	(68)	(932,131)	(45)	(3,554,652)	(61)	(2,576,812)	(43)
NET INTEREST REVENUE	1,056,008	54	1,060,578	51	3,165,569	54	2,999,382	50
NET REVENUE OTHER THAN INTEREST INCOME								
Net service fee revenue (Notes 33 and 43)	411,323	21	429,853	21	1,371,323	24	1,361,026	23
Gains on financial assets or liabilities measured at fair value through profit or loss (Note 34)	439,087	22	312,147	15	1,573,927	27	142,150	2
Realized gain on financial assets at fair value through other comprehensive income (Note 35)	93,731	5	-	-	139,313	2	-	-
Realized gain on available-for-sale financial assets (Note 36)	-	-	197,574	9	-	-	346,207	6
Foreign exchange gain (loss), net	(77,960)	(4)	78,341	4	(512,404)	(9)	939,363	16
Share of profit of associates and joint ventures accounted for using equity method (Note 17)	-	-	-	-	-	-	15,621	-
Gains on financial assets at amortized cost (Note 18)	-	-	7,271	-	-	-	41,881	1
Other net revenue other than interest income	34,363	2	(2,158)	-	86,870	2	109,365	2
Total net revenue other than interest income	900,544	46	1,023,028	49	2,659,029	46	2,955,613	50
NET REVENUE	1,956,552	100	2,083,606	100	5,824,598	100	5,954,995	100
BAD DEBTS EXPENSE AND GUARANTEE LIABILITY PROVISION (Note 13)	(106,708)	(5)	(205,953)	(10)	(261,447)	(4)	(548,696)	(9)
OPERATING EXPENSES								
Employee benefits expenses (Notes 29, 37 and 43)	687,485	35	670,780	32	2,032,280	35	1,941,778	33
Depreciation and amortization expense (Note 38)	107,043	6	96,162	5	313,869	5	209,224	3
Other general and administrative expense (Notes 39 and 43)	398,701	20	322,621	15	1,080,988	19	869,074	15
Total operating expenses	1,193,229	61	1,089,563	52	3,427,137	59	3,020,076	51

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O-BANK AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	$ 656,615	34	$ 788,090	38	$ 2,136,014	37	$ 2,386,223	40
INCOME TAX EXPENSE (Note 40)	200,931	10	208,041	10	637,943	11	567,825	10
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	455,684	24	580,049	28	1,498,071	26	1,818,398	30
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 15)	2,005	-	(11,059)	(1)	2,958	-	(19,434)	-
PROFIT	457,689	24	568,990	27	1,501,029	26	1,798,964	30
OTHER COMPREHENSIVE INCOME (LOSS)								
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax:								
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	5,147	-	-	-	146,855	2	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 40)	(211)	-	-	-	2,630	-	-	-
Total components of other comprehensive income that will not be reclassified to profit or loss, net of tax	4,936	-	-	-	149,485	2	-	-
Components of other comprehensive income that will be reclassified to profit or loss:								
Exchange differences on translation	(61,093)	(3)	(21,495)	(1)	93,371	2	(433,051)	(7)
Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(219,791)	(11)	-	-	355,491	6
Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note 17)	-	-	-	-	-	-	6,892	-

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O-BANK AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	$ 18,911	1	$ -	-	$ (321,262)	(6)	$ -	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 40)	(18,583)	(1)	30,654	2	(2,807)	-	67,801	1
Total components of other comprehensive income that will be reclassified to profit or loss	(60,765)	(3)	(210,632)	(10)	(230,698)	(4)	(2,867)	-
Other comprehensive loss for the period, net of income tax	(55,829)	(3)	(210,632)	(10)	(81,213)	(2)	(2,867)	-
TOTAL COMPREHENSIVE INCOME	$ 401,860	20	$ 358,358	17	$ 1,419,816	24	$ 1,796,097	30
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Bank	$ 215,993	11	$ 300,726	14	$ 727,614	13	$ 1,047,200	17
Non-controlling interests	241,696	12	268,264	13	773,415	13	751,764	13
	$ 457,689	23	$ 568,990	27	$ 1,501,029	26	$ 1,798,964	30
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	$ 157,957	8	$ 34,037	2	$ 741,526	13	$ 823,081	14
Non-controlling interests	243,903	12	324,321	15	678,290	11	973,016	16
	$ 401,860	20	$ 358,358	17	$ 1,419,816	24	$ 1,796,097	30
EARNINGS PER SHARE (Note 41)								
From continuing and discontinued operations								
Basic	$0.09		$0.12		$0.30		$0.44	
Diluted	$0.09		$0.12		$0.30		$0.44	
From continuing operations								
Basic	$0.09		$0.13		$0.30		$0.45	
Diluted	$0.09		$0.13		$0.30		$0.45	

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

(With Deloitte & Touche review report dated October 30, 2018) (Concluded)

O-BANK AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank												
								Other Equity (Note 31)					
	Capital Stock (Note 31)			Retained Earnings (Note 31)									
	Stocks (Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Valuation of Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measures at Fair Value Through Other Comprehensive Income	Owners of the Bank	Non-controlling Interests (Note 31)	Total Equity
BALANCE AT JANUARY 1, 2017	2,390,506	$ 23,905,063	$ 3,193	$ 2,390,828	$ 1,173,293	$ 1,631,566	$ 5,195,687	$ 190,990	$ 93,725	$ -	$ 29,388,658	$ 16,482,451	$ 45,871,109
Appropriation of 2016 earnings													
Legal reserve	-	-	-	489,469	-	(489,469)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	56,243	(56,243)	-	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	(1,085,854)	(1,085,854)	-	-	-	(1,085,854)	-	(1,085,854)
Net profit for the for the nine months ended September 30, 2017	-	-	-	-	-	1,047,200	1,047,200	-	-	-	1,047,200	751,764	1,798,964
Other comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	-	-	(332,751)	108,632	-	(224,119)	221,252	(2,867)
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	1,047,200	1,047,200	(332,751)	108,632	-	823,081	973,016	1,796,097
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(808,062)	(808,062)
Issuance of common stock for cash	22,500	225,000	-	-	-	(49,062)	(49,062)	-	-	-	175,938	-	175,938
Issuance of common stock under employee stock options	-	-	4,537	-	-	-	-	-	-	-	4,537	-	4,537
BALANCE AT SEPTEMBER 30, 2017	2,413,006	$ 24,130,063	$ 7,730	$ 2,880,297	$ 1,229,536	$ 998,138	$ 5,107,971	$ (141,761)	$ 202,357	$ -	$ 29,306,360	$ 16,647,405	$ 45,953,765
BALANCE AT JANUARY 1, 2018	2,413,006	$ 24,130,063	$ 7,730	$ 2,880,297	$ 1,229,536	$ 1,014,567	$ 5,124,400	$ (216,266)	$ 236,666	$ -	$ 29,282,593	$ 16,892,050	$ 46,174,643
Effect of retrospective application	-	-	-	-	-	(208,457)	(208,457)	-	(236,666)	144,112	(301,011)	90,927	(210,084)
BALANCE AT JANUARY 1, 2017	2,413,006	24,130,063	7,730	2,880,297	1,229,536	806,110	4,915,943	(216,266)	-	144,112	28,981,582	16,982,977	45,964,559
Appropriation of 2017 earnings													
Legal reserve	-	-	-	304,370	-	(304,370)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(13,705)	13,705	-	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	(723,902)	(723,902)	-	-	-	(723,902)	-	(723,902)
Unclaimed dividends	-	-	329	-	-	-	-	-	-	-	329	1,174	1,503
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	465	-	-	-	-	-	-	-	465	-	465
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(683,005)	(683,005)
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	727,614	727,614	-	-	-	727,614	773,415	1,501,029
Other comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	20,784	20,784	61,939	-	(68,811)	13,912	(95,125)	(81,213)
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	748,398	748,398	61,939	-	(68,811)	741,526	678,290	1,419,816
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	5,961	5,961	-	-	(5,961)	-	-	-
BALANCE AT SEPTEMBER 30, 2018	2,413,006	$ 24,130,063	$ 8,524	$ 3,184,667	$ 1,215,831	$ 545,902	$ 4,946,400	$ (154,327)	$ -	$ 69,340	$ 29,000,000	$ 16,979,436	$ 45,979,436

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

(With Deloitte & Touche review report dated October 30, 2018)

O-BANK AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	$ 2,136,014	$ 2,386,223
Profit (loss) from discontinued operations before tax	3,012	(17,158)
Adjustments to reconcile profit (loss):		
Depreciation expense	142,739	131,268
Amortization expense	171,145	77,980
Expect credit losses/recognition of provisions	254,216	548,696
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(335,241)	297,347
Interest expense	3,554,652	2,576,815
Interest income	(6,728,841)	(6,000,653)
Dividends income	(107,444)	(84,065)
Share-based payments	-	4,537
Share of profit of associates and joint ventures accounted for using equity method	-	(4,791)
Gain on disposal of property and equipment	(2,422)	(1,599)
Gain on disposal of investments	-	(304,023)
Impairment loss on financial assets	-	4,448
Changes in operating assets and liabilities:		
Increase in due from the Central Bank and call loans to banks	(14,841,818)	(1,778,698)
Decrease (increase) in financial assets at fair value through profit or loss	13,824,964	(5,431,603)
Increase in financial assets at fair value through other comprehensive income	(3,071,866)	-
Decrease (increase) in receivables	154,702	(2,412,533)
Increase in discounts and loans	(16,421,304)	(14,532,674)
Increase in deposits from the Central Bank and banks	5,068,998	24,409,939
Increase (decrease) in financial liabilities at fair value through profit or loss	315,624	(223,640)
(Decrease) increase in notes and bonds issued under repurchase agreement	(36,099,667)	12,927,405
(Decrease) increase in payable	(135,854)	561,453
Increase in deposits and remittances	52,871,510	10,225,928
Net change in provisions	40,568	15,632
Cash inflow generated from operations	793,687	23,376,234
Interest received	6,735,251	5,862,291
Dividends received	103,125	107,057
Interest paid	(3,357,671)	(2,419,444)
Income taxes paid	(569,034)	(340,843)
Net cash flows from operating activities	3,705,358	26,585,295

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O-BANK AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss designated as such at initial recognition	$ -	$ (938,921)
Proceeds from disposal of financial assets at fair value through profit or loss designated as such at initial recognition	-	596,787
Acquisition of available-for-sale financial assets	-	(178,606,490)
Proceeds from disposal of available-for-sale financial assets	-	147,997,069
Proceeds from repayments of held-to-maturity financial assets	-	5,045,000
Proceeds from disposal of financial assets at cost	-	52,590
Acquisition of property and equipment	(226,623)	(357,613)
Proceeds from disposal of property and equipment	61,241	5,406
Decrease (increase) in refundable deposits	2,722,795	(311,907)
Acquisition of intangible assets	(129,623)	(167,189)
Increase in other financial assets	(875,710)	-
Decrease in other assets	43,664	265,886
Net cash flows from (used in) investing activities	1,595,744	(26,419,382)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(778,625)	(1,168,668)
Decrease in commercial papers payable	(850,000)	(1,475,401)
Proceeds from issuing bank notes payable	1,750,000	2,000,000
Repayments of bank notes payable	(950,000)	(800,000)
(Decrease) increase in long-term debt	(1,126,791)	2,162,444
Decrease in other financial liabilities	(1,210,434)	(10,423)
(Decrease) increase in other liabilities	(261,297)	263,520
Dividends paid to owners of the Company	(723,902)	(1,085,854)
Proceeds from issuing shares	-	175,938
Dividends paid to non-controlling interests	(683,005)	(808,062)
Net cash flows used in financing activities	(4,834,054)	(746,506)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(277,555)	677,339
NET INCREASE IN CASH AND CASH EQUIVALENTS	189,493	96,746
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	17,606,425	19,285,672
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 17,795,918	$ 19,382,418

(Continued)

O-BANK AND SUBSIDIARIES

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

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

	September 30	
	2018	**2017**
Cash and cash equivalents reported in the statement of financial position	$ 8,029,528	$ 6,814,762
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	6,795,847	9,318,040
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	2,970,543	3,249,616
Cash and cash equivalents at end of period	$ 17,795,918	$ 19,382,418

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

(With Deloitte & Touche review report dated October 30, 2018) (Concluded)

1. GENERAL INFORMATION

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

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

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

As of September 30, 2018, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and Digital Wealth Management Department. It also has six domestic branches - Taipei VieShow Branch, Zhongxiao Dunhua Branch, Hsinchu Branch, Taichung Branch 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. On April 19, 2016, the Board passed a resolution to apply for stock listing on the Taiwan Stock Exchange ("TWSE"). The TWSE approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEx to the TWSE on May 5, 2017.

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

As of September 30, 2018, December 31, 2017 and September 30, 2017, the Bank had 1,443, 1,464 and 1,440 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board and authorized for issue on October 30, 2018.

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

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

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

- IFRS 9 "Financial Instruments" and related amendments

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

Classification, measurement and impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1) IFRS 16 “Leases”

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

Definition of a lease

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

The Group as lessee

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

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

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

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

3) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

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

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

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

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

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

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

Note 2: The 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.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

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

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

Basis of Preparation

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

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

Basis of Consolidation

Principles for preparing consolidated financial statements

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

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

Other Significant Accounting and Reporting Policies

Except as described in the following paragraphs, the other significant accounting and reporting policies used in the preparation of these consolidated financial statements are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2017.

a. Employee benefits

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

b. Taxation

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

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

c. Goodwill

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

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

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

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

d. Financial instruments - 2018

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

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

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

Financial assets

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

1) Measurement category

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

   a) Financial assets at FVTPL

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

      Financial assets at FVTPL are subsequently measured at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 49.

   b) Financial assets at amortized cost

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

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

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

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

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

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

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

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

c) Investments in debt instruments at FVTOCI

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

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

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

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

d) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

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

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

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

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

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

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

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

Furthermore, under Rule No. 10300329440 issued by the FSC that banks should make at least 1.5% provisions before December 31, 2016 for loans for house purchases, renovations and constructions, respectively.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, the critical accounting judgments and key sources of estimation uncertainty in these consolidated financial statements are the same as those in the consolidated financial statements for year ended December 31, 2017.

a. Estimated impairment of financial assets - 2018

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

b. Guarantee provisions assessment

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

c. Business model assessment for financial assets - 2018

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment requires judgment and consideration of all relevant evidence, including the way in which asset performance is measured, the risk that affects performance, and the manner in which the relevant manager's compensation is determined. The Group monitors financial assets at amortized cost and at fair value through other comprehensive income, and when such assets are derecognized prior to their maturity, the Group understands the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model whereby a prospective change to the classification of those assets would be proper.

6. CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand and petty cash	$ 107,388	$ 58,709	$ 62,060
Checking for clearing	192,586	297,376	210,560
Due from banks	7,729,554	6,269,888	6,542,142
	$ 8,029,528	$ 6,625,973	$ 6,814,762

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

	December 31, 2017
Cash and cash equivalents reported in the statement of financial position	$ 6,625,973
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	5,297,588
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	5,682,864
Cash and cash equivalents at end of period	$ 17,606,425

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

	September 30, 2018	December 31, 2017	September 30, 2017
Reserves for deposits - Type A	$ 15,343,424	$ 2,431,670	$ 1,855,618
Call loans	6,795,847	5,297,588	9,318,040
Reserves for deposits - Type B	4,675,941	3,567,242	3,715,130
Others	1,031,321	209,956	229,327
	$ 27,846,533	$ 11,506,456	$ 15,118,115

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

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets mandatorily classified as at FVTPL			
Convertible bonds - domestic	$ 6,340,039	$ -	$ -
Convertible bonds - overseas	307,903	-	-
Structured debt	576,027	-	-
	7,223,969	-	-
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	1,016,987	-	-
Forward contracts	100,432	-	-
Interest rate swap contracts	54,619	-	-
Cross-currency swap contracts	30,551	-	-
	1,202,589	-	-
Non-derivative financial assets			
Short-term instruments	83,881,296	-	-
Negotiable certificates of deposit	46,519,117	-	-
Stocks and beneficiary certificates	825,271	-	-
Government bonds	1,218,188	-	-
When-issued bonds	486	-	-
	132,444,358	-	-
	$ 140,870,916	$ -	$ -
Financial assets designated as at fair value through profit or loss			
Convertible bonds - domestic	$ -	$ 7,015,753	$ 7,302,387
Convertible bonds - overseas	-	423,447	307,783
Structured debt	-	590,880	602,125
	-	8,030,080	8,212,295

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets held for trading			
Derivative financial instruments			
Foreign exchange swap contracts	$ -	$ 483,678	$ 526,963
Forward contracts	-	23,273	309,168
Interest rate swap contracts	-	35,278	31,253
Asset swap contracts	-	153,396	149,461
	-	695,625	1,016,845
Non-derivative financial assets			
Short-term instruments	-	102,246,486	101,776,364
Negotiable certificates of deposit	-	42,102,749	41,573,821
Stocks and beneficiary certificates	-	597,071	578,952
Corporate bonds	-	15,369	-
When-issued bonds	-	449,603	-
Other bonds	-	-	41,176
	-	145,411,278	143,970,313
	$ -	$ 154,136,983	$ 153,199,453
Financial liabilities held for trading			
Derivative financial instruments			
Foreign exchange swap contracts	$ 816,922	$ 539,449	$ 303,927
Forward contracts	59,038	108,647	554,158
Interest rate swap contracts	130,364	134,299	139,146
Others	912	1,378	1,074
	1,007,236	783,773	998,305
Non-derivative financial liabilities			
Commercial paper contracts	556	7,245	12,421
When-issued bonds	98,850	-	1,143,506
	99,406	7,245	1,155,927
	$ 1,106,642	$ 791,018	$ 2,154,232

(Concluded)

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

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

	September 30, 2018	December 31, 2017	September 30, 2017
Interest rate swap contracts	$ 17,015,070	$ 20,368,572	$ 20,965,506
Foreign exchange swap contracts	81,157,992	100,298,853	94,891,240
Forward contracts	4,987,455	3,242,398	17,978,546
Asset swap contracts	6,181,100	6,905,000	7,257,800
Cross - currency swap contracts	837,626	-	-
Purchase commitments	500,000	500,000	500,000

As of September 30, 2018, December 31, 2017 and September 30, 2017, financial instruments at fair value through profit and loss in the amount of $55,457,297 thousand, $74,676,800 thousand and $67,312,766 thousand were under agreement to repurchase, respectively.

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

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

	September 30, 2018
Current	
Investments in equity instruments at FVTOCI	$ 2,902,180
Investments in debt instruments at FVTOCI	
Domestic government bonds	52,138,992
Bank notes payable	33,581,714
Corporate bonds	61,356,564
Overseas government bonds	1,387,020
American mortgage backed securities	2,166,268
	$ 153,532,738

a. Investments in equity instruments at FVTOCI

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

The Group disposed stock classified as at FVTOCI for invested management purpose. The fair value of stocks classified as at FVIOCI that were disposed of was $2,610,931 thousand and the accumulated gain related to the sold assets of $5,961 thousand, was transferred from equity to retained earnings.

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

b. Investments in debt instruments at FVTOCI

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

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

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

4) The Group has sold investments in debt instruments at FVTOCI on the condition of buying them back were in the amount of $91,742,578 thousand on September 30, 2018.

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

The Group's securities purchased under resale agreements and bond investments are all government bonds. As of September 30, 2018, December 31, 2017 and September 30, 2017, the bonds purchased under agreements to resell were in the amount of $2,971,923 thousand, $5,684,543 thousand and $3,250,658 thousand, respectively. As of September 30, 2018, December 31, 2017 and September 30, 2017, bonds purchased under agreements to resell were sold under agreements to repurchase in the amount of $2,837,000 thousand, $5,680,000 thousand and $3,250,000 thousand, respectively.

11. RECEIVABLES, NET

	September 30, 2018	December 31, 2017	September 30, 2017
Lease payments receivable	$ 13,374,548	$ 12,765,418	$ 12,867,330
Investment settlements receivable	626,943	345,750	189,962
Interest receivable	1,862,476	1,869,330	1,923,265
Factored receivables	4,331,356	4,592,967	3,917,414
Acceptances	134,909	248,592	346,903
Settlements receivable - trusteeship	95,957	6,179	-
Accounts receivable	1,506,286	1,974,917	3,029,554
Others	175,274	895,352	1,008,200
	22,107,749	22,698,505	23,282,628
Less: Allowance for possible losses	561,672	645,358	628,602
Unrealized interest revenue	770,454	851,054	779,053
Receivables, net	$ 20,775,623	$ 21,202,093	$ 21,874,973

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

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

Refer to Note 48 for the impairment loss analysis of receivables in 2018.

12. DISCOUNTS AND LOANS, NET

	September 30, 2018	December 31, 2017	September 30, 2017
Short-term	$ 62,942,313	$ 63,392,465	$ 61,262,587
Medium-term	124,105,513	110,257,040	111,189,678
Long-term	11,392,638	8,169,281	6,063,118
Export bill negotiated	47,925	175,106	81,818
Accounts receivable financing	462,945	358,704	283,089
Overdue loans	24,741	415,442	555,502
	198,976,075	182,768,038	179,435,792
Less: Allowance for credit losses	2,847,034	2,681,852	2,651,530
	$ 196,129,041	$ 180,086,186	$ 176,784,262

The balance of the overdue loans of the Group as of September 30, 2018, December 31, 2017 and September 30, 2017 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to $345 thousand and $5,307 thousand for the nine months ended September 30, 2018 and 2017, respectively. For the nine months ended September 30, 2018 and 2017, the Group wrote off credits only upon completing the required legal procedures.

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

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

Refer to Note 48 for the impairment loss analysis of discounts and loans in 2018.

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

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

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance at January 1, 2018 per IAS 39	$ 257,337	$ 51,027	$ 293,133	$ 601,497	$ 43,861	$ 645,358
Adjustment on initial application of IFRS 9	615	199,964	25,506	226,085	-	226,085
Balance at January 1, 2018 per IFRS 9	257,952	250,991	318,639	827,582	43,861	871,443
Transfers						
To 12-month ECLs	4,255	(3,832)	(423)	-	-	-
To lifetime ECLs	(3,959)	3,959	-	-	-	-
To credit-impaired financial assets	(51)	(35,881)	35,932	-	-	-
New financial assets purchased	4,241	35	66	4,342	-	4,342
Derecognition of financial assets	(12,504)	(9)	(1,760)	(14,273)	-	(14,273)

(Continued)

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Change in model or risk parameters	$ (152)	$ (5)	$ 34	$ (123)	$ -	$ (123)
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	158,657	158,657
Write-offs	-	-	(460,925)	(460,925)	-	(460,925)
Withdrawal after write-offs	-	-	13,620	13,620	-	13,620
Exchange rate or other changes	(5,663)	(7,791)	7,689	(5,765)	(5,304)	(11,069)
Balance at September 30, 2018	$ 244,119	$ 207,467	($ 87,128)	$ 364,458	$ 197,214	$ 561,672

(Concluded)

Allowance for Discounts and Loans, Net	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	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	(1,668)	1,668	-	-	-	-
To credit-impaired financial assets	(81)	(23)	104	-	-	-
New financial assets purchased	85,196	12,239	80,272	177,707	-	177,707
Derecognition of financial assets	(353,722)	(36,638)	(63,308)	(453,668)	-	(453,668)
Change in model or risk parameters	(116,677)	(22,954)	(45,169)	(184,800)	-	(184,800)
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	681,313	681,313
Write-offs	(693)	(221)	(251,559)	(252,473)	-	(252,473)
Withdrawal after write-offs	-	-	17,418	17,418	-	17,418
Exchange rate or other changes	5,516	1,425	9,110	16,051	5,737	21,788
Balance at September 30, 2018	$ 209,159	$ 56,710	$ 362,417	$ 628,340	$ 2,218,694	$ 2,847,034

Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	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)	-	-	-	-
New financial assets purchased	34,772	2,076	10,261	47,109	-	47,109
Derecognition of financial assets	(72,679)	(6,222)	-	(78,901)	-	(78,901)
Change in model or risk parameters	(19,923)	(776)	-	(20,699)	-	(20,699)
Difference between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	(55,217)	(55,217)
Withdrawal after write-offs	-	-	-	-	12,112	12,112
Exchange rate or other changes	949	129	-	1,078	311	1,389
Balance at September 30, 2018	$ 77,706	$ 17,111	$ 10,261	$ 105,078	$ 1,451,232	$ 1,556,310

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

	For the Nine Months Ended September 30, 2017			
	Receivables	Discounts and Loans	Reserve for Losses on Guarantees	Total
Balance at January 1, 2017	$ 517,921	$ 2,452,080	$ 1,511,876	$ 4,481,877
Allowance for bad debts (Note)	269,175	299,393	28,927	597,495
Write-offs	(148,556)	(29,402)	-	(177,958)
Effects of exchange rate changes	(9,938)	(70,541)	(2,349)	(82,828)
Balance at September 30, 2017	$ 628,602	$ 2,651,530	$ 1,538,454	$ 4,818,586

Note: Allowance for bad debts does not include the recovery from written-off credits. As of September 30, 2017, the recovery from written-off credits amounted to $48,799 thousand.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017	September 30, 2017
Domestic government bonds	$ 49,286,274	$ 56,525,760
Bank notes payable	34,465,318	30,659,462
Corporate bonds	58,516,809	63,261,862
Stock and beneficiary securities	3,655,311	2,373,915
Overseas government bonds	988,259	1,002,728
American mortgage backed securities	2,233,751	2,932,544
	$ 149,145,722	$ 156,756,271

As of December 31, 2017 and September 30, 2017, available-for-sale financial assets were sold under agreement to repurchase in the amount of $104,407,677 thousand and $99,688,418 thousand, respectively.

Refer to Note 44 for 2017 information relating to available-for-sale financial assets pledged as security.

15. DISCONTINUED OPERATIONS

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

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

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest income	$ 5,621	$ 6,209	$ 15,228	$ 8,768
Interest expense	-	-	-	(3)
Net interest revenue	5,621	6,209	15,228	8,765
Net revenue other than interest income				
Net service fee revenue	52	77	78	88
Losses on financial assets or liabilities measured at fair value through profit or loss	(464)	(13,028)	(2,234)	(21,188)
Foreign exchange gain (loss), net	1,080	(744)	4,644	(8,638)

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Share of profit of associates and joint ventures accounted for using equity method	$ -	$ -	$ -	$ 1,009
Other net revenue other than interest income	2,779	4,911	5,629	25,764
Net revenue other than interest income	3,447	(8,784)	8,117	(2,965)
Net revenue	9,068	(2,575)	23,345	5,800
Operating expenses				
Employee benefits expenses	1,930	1,757	5,787	10,857
Depreciation and amortization expense	5	8	15	24
Others general and administrative expenses	2,893	3,989	8,467	10,381
Total operating expenses	4,828	5,754	14,269	21,262
Income tax expense	-	2,276	54	2,276
Income (loss) from discontinued operations before write-off	4,240	(10,605)	9,022	(17,738)
Write-offs from transactions with related parties	(2,235)	(454)	(6,064)	(1,696)
Income (loss) from discontinued operations	$ 2,005	$ (11,059)	$ 2,958	$ (19,434)
Income (loss) from discontinued operations attributable to:				
Owners of the Bank	$ 1,999	$ (11,030)	$ 2,951	$ (19,384)
Non-controlling interests	6	(29)	7	(50)
	$ 2,005	$ (11,059)	$ 2,958	$ (19,434)
Net cash flows from (used in) operating activities	$ (16,792)	$ (6,417)	$ 132,441	$ 70,171
Net cash flows from (used in) investing activities	(50,222)	20,396	(1,254)	48,968
Net cash flows used in financing activities	221	-	-	(221)
Effects of exchange rate changes on cash and cash equivalents	(2,171)	(2,414)	(10,529)	(8,357)
Net increase (decrease) in cash and cash equivalents	$ (68,964)	$ 11,565	$ 120,658	$ 110,561

(Concluded)

16. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership September 30, 2018	% of Ownership December 31, 2017	% of Ownership September 30, 2017	Remark	Review by CPA
The Bank	CBF	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	28.37	Founded in 1978	Yes
	IBTH	Holding company	100.00	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing	Leasing	100.00	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	100.00	Founded in 2000	No
	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)	No
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	100.00	Founded in 2011 in mainland China	Yes
	IBT Tianjin International Leasing Corp.	Leasing	100.00	100.00	100.00	Founded in 2013 in mainland China (commonly held with IBT VII)	Yes
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	Founded in 2014	No
Chun Teng New Century Co., Ltd (former IBTS)	IBTSH	Holding company	100.00	100.00	100.00	Founded in 2003 in the British Virgin Islands	No
IBTSH	IBTS HK	Investment	100.00	100.00	100.00	Founded in 2003 in Hong Kong	No.
	IBTS Asia	Securities and investment	100.00	100.00	100.00	Founded in 2004 in Hong Kong	No.
IBTH	EverTrust Bank	Banking	91.78	91.78	91.78	Founded in 1995 in California	Yes

IBT Leasing, IBT International Leasing Corp. and IBT Tianjin International Leasing Corp. were non-significant subsidiaries in 2017. Therefore, its financial statements were unreviewed. IBT Leasing, IBT International Leasing Corp. and IBT Tianjin International Leasing Corp. were significant subsidiaries in 2018. Therefore, its financial statements were reviewed.

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

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

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

The summarized financial information below represents amounts before intragroup eliminations:

	September 30, 2018	December 31, 2017	September 30, 2017
CBF			
Equity attributable to:			
Owners of CBF	$ 6,554,704	$ 6,531,896	$ 6,365,623
Non-controlling interests of CBF	16,550,626	16,493,036	16,309,400
	$ 23,105,330	$ 23,024,932	$ 22,675,023

	For the Nine Months Ended September 30	
	2018	2017
Net interest revenue	$ 275,159	$ 352,625
Net profit from continuing operations	$ 1,048,763	$ 1,023,769
Other comprehensive income (loss) for the period	(143,014)	342,282
Total comprehensive income for the period	$ 905,749	$ 1,366,051
Profit attributable to:		
Owners of CBF	$ 297,521	$ 290,431
Non-controlling interests of CBF	751,242	733,338
	$ 1,048,763	$ 1,023,769
Total comprehensive income attributable to:		
Owners of CBF	$ 256,950	$ 387,533
Non-controlling interests of CBF	648,799	978,518
	$ 905,749	$ 1,366,051
Net cash inflow (outflow) from:		
Operating activities	$ 19,228	$ (9,958,433)
Investing activities	12,603	(1,705,465)
Financing activities	(89,831)	10,701,485
Net cash outflow	$ (58,000)	$ (962,413)
Dividends paid to non-controlling interests of CBF	$ 683,005	$ 808,062

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

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

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

The share of the other comprehensive income of associates and joint ventures are recognized and disclosed in accordance with financial statements which were not reviewed by accountants.

18. OTHER FINANCIAL ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
Time deposits with original maturities more than 3 months	$ 76,396	$ 10,150	$ 10,305
Pledged deposits	525,000	97,955	36,834
Dismantling securities companies	305,585	-	-
Others	78,822	1,988	110,861
Financial assets measured at cost			
Domestic stocks	-	513,720	588,219
Foreign stocks	-	659,621	692,098
	$ 985,803	$ 1,283,434	$ 1,438,317

Because the fair value of financial assets measured at cost could not be reliably measured, the Group did not evaluate the fair value on the balance sheet date. The Group disposed of certain financial assets measured at cost with carrying amounts of $24,624 thousand during the nine months ended September 30, 2017, recognizing a disposal gain of $20,677 thousand.

19. PROPERTY AND EQUIPMENT

	September 30, 2018	December 31, 2017	September 30, 2017
Carrying amounts of each class			
Land	$ 781,970	$ 800,184	$ 822,716
Buildings	1,381,436	1,438,531	1,450,352
Machinery and computer equipment	350,171	375,739	386,445
Transportation equipment	39,783	35,326	36,761
Office and other equipment	106,135	77,793	79,327
Lease improvement	245,313	216,467	202,945
Construction in progress and prepayments for equipment	33,251	140,912	66,226
	$ 2,938,059	$ 3,084,952	$ 3,044,772

The movements of property and equipment for the nine months ended September 30, 2018 and 2017 are summarized as follows:

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2018	$ 848,222	$ 1,944,911	$ 732,062	$ 82,406	$ 241,495	$ 358,067	$ 140,912	$ 4,348,075
Additions	-	-	18,551	15,439	11,144	48,164	133,325	226,623
Disposal and scrapped	(66,252)	(45,624)	(3,685)	(20,074)	(4,229)	(27,995)	(18,917)	(186,776)
Reclassification	-	-	6,655	-	31,893	10,314	(222,132)	(173,270)
Effect of foreign currency exchange differences	-	-	(853)	(105)	845	2,620	63	2,570
Balance at September 30, 2018	$ 781,970	$ 1,899,287	$ 752,730	$ 77,666	$ 281,148	$ 391,170	$ 33,251	$ 4,217,222
Accumulated depreciation								
Balance at January 1, 2018	$ 48,038	$ 506,380	$ 356,323	$ 47,080	$ 163,702	$ 141,600	$ -	$ 1,263,123
Disposal and scrapped	(48,038)	(23,362)	(3,298)	(18,331)	(3,958)	(30,970)	-	(127,957)
Depreciation expense	-	34,833	49,807	9,035	15,223	33,841	-	142,739
Reclassification	-	-	604	-	(598)	(6)	-	-
Effect of foreign currency exchange differences	-	-	(877)	99	644	1,392	-	1,258
Balance at September 30, 2018	$ -	$ 517,851	$ 402,559	$ 37,883	$ 175,013	$ 145,857	$ -	$ 1,279,163
Carrying amounts								
Balance at September 30, 2018	$ 781,970	$ 1,381,436	$ 350,171	$ 39,783	$ 106,135	$ 245,313	$ 33,251	$ 2,938,059
Cost								
Balance at January 1, 2017	$ 848,222	$ 1,912,301	$ 576,009	$ 92,841	$ 214,116	$ 258,188	$ 1,026,389	$ 4,928,066
Additions	-	6,100	20,414	11,843	9,536	15,439	294,281	357,613
Disposal and scrapped	-	-	(7,993)	(18,944)	(2,226)	(2,804)	-	(31,967)
Reclassification	-	24,690	200,359	-	21,610	64,968	(1,254,361)	(942,734)
Effect of foreign currency exchange differences	-	-	(2,811)	(657)	(2,723)	(1,087)	(83)	(7,361)
Balance at September 30, 2017	$ 848,222	$ 1,943,091	$ 785,978	$ 85,083	$ 240,313	$ 334,704	$ 66,226	$ 4,303,617
Accumulated depreciation								
Balance at January 1, 2017	$ 25,506	$ 458,290	$ 364,918	$ 55,591	$ 151,605	$ 100,985	$ -	$ 1,156,895
Disposal and scrapped	-	-	(7,866)	(16,211)	(1,960)	(2,123)	-	(28,160)
Depreciation expense	-	34,449	44,773	9,314	13,236	29,496	-	131,268
Effect of foreign currency exchange differences	-	-	(2,292)	(372)	(1,895)	3,401	-	(1,158)
Balance at September 30, 2017	$ 25,506	$ 492,739	$ 399,533	$ 48,322	$ 160,986	$ 131,759	$ -	$ 1,258,845
Carrying amounts								
Balance at September 30, 2017	$ 822,716	$ 1,450,352	$ 386,445	$ 36,761	$ 79,327	$ 202,945	$ 66,226	$ 3,044,772

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

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

20. INTANGIBLE ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
Carrying amounts of each class			
Computer software	$ 1,292,334	$ 1,262,856	$ 1,291,796
Goodwill	1,159,715	1,133,222	1,150,339
Others	3,380	7,289	7,400
	$ 2,455,429	$ 2,403,367	$ 2,449,535

The movements of intangible assets for the nine months ended September 30, 2018 and 2017 are summarized as follows:

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2018	$ 1,885,101	$ 1,133,222	$ 7,289	$ 3,025,612
Additions	129,623	-	-	129,623
Reclassification	59,047	-	-	59,047
Effect of foreign currency exchange differences	944	26,493	171	27,608
Balance at September 30, 2018	$ 2,074,715	$ 1,159,715	$ 7,460	$ 3,241,890
Accumulated amortization and impairment loss				
Balance at January 1, 2018	$ 619,896	$ -	$ 2,349	$ 622,245
Amortization	169,503	-	1,642	171,145
Reclassification	(7,893)	-	-	(7,893)
Effect of foreign currency exchange differences	875	-	89	964
Balance at September 30, 2018	$ 782,381	$ -	$ 4,080	$ 786,461
Carrying amounts				
Balance at September 30, 2018	$ 1,292,334	$ 1,159,715	$ 3,380	$ 2,455,429
Cost				
Balance at January 1, 2017	$ 756,267	$ 1,224,683	$ 7,882	$ 1,988,832
Additions	167,189	-	-	167,189
Reclassification	937,223	-	-	937,223
Effect of foreign currency exchange differences	(3,792)	(74,344)	(482)	(78,618)
Balance at September 30, 2017	$ 1,856,887	$ 1,150,339	$ 7,400	$ 3,014,626
Accumulated amortization and impairment loss				
Balance at January 1, 2017	$ 489,821	$ -	$ -	$ 489,821
Amortization	77,980	-	-	77,980
Effect of foreign currency exchange differences	(2,710)	-	-	(2,710)
Balance at September 30, 2017	$ 565,091	$ -	$ -	$ 565,091
Carrying amounts				
Balance at September 30, 2017	$ 1,291,796	$ 1,150,339	$ 7,400	$ 2,449,535

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

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

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

21. OTHER ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
Refundable deposits	$ 557,050	$ 3,284,633	$ 3,269,359
Life insurance cash surrender value	341,469	331,481	335,706
Settlement payments	-	-	78,855
Prepayments	170,978	83,191	100,023
Others	189,729	331,169	181,764
	$ 1,259,226	$ 4,030,474	$ 3,965,707

22. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	September 30, 2018	December 31, 2017	September 30, 2017
Due to other banks	$ 56,573,713	$ 50,644,279	$ 78,683,124
Call loans from Central Bank	1,527,924	2,388,360	2,424,746
	$ 58,101,637	$ 53,032,639	$ 81,107,870

23. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENT

	September 30, 2018	December 31, 2017	September 30, 2017
Transactions instruments	$ 55,248,544	$ 73,913,268	$ 66,499,806
Government bonds	30,636,245	44,006,703	39,326,412
Corporate bonds	49,446,288	52,474,842	52,811,747
Bank notes payable	18,391,224	19,427,155	17,594,221
	$ 153,722,301	$ 189,821,968	$ 176,232,186
Date of agreements to repurchase	March 2019	August 2018	August 2018
Amount of agreements to repurchase	$ 153,814,170	$ 189,938,375	$ 176,329,047

24. PAYABLES

	September 30, 2018	December 31, 2017	September 30, 2017
Investment settlements payable	$ 952,016	$ 579,579	$ 883,922
Settlement accounts payable - execution of customer orders	95,950	84,006	78,858
Acceptances	134,909	248,591	346,903
Accrued interest	812,074	617,723	602,381
Accrued expenses	733,140	906,054	675,303
Collections for others	151,578	151,750	155,775
Factored receivables	1,762,686	1,726,584	929,406
Others	439,545	708,394	799,419
	$ 5,081,898	$ 5,022,681	$ 4,471,967

25. DEPOSITS AND REMITTANCES

	September 30, 2018	December 31, 2017	September 30, 2017
Deposits			
Checking	$ 4,168,794	$ 2,990,647	$ 2,770,889
Demand	33,437,557	29,434,943	26,082,687
Time	206,454,125	161,489,043	163,695,468
Export remittance	21,884	11,261	32,452
Savings deposits	7,075,850	4,360,806	2,232,043
	$ 251,158,210	$ 198,286,700	$ 194,813,539

26. BANK NOTES PAYABLE

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

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Subordinate debenture bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	$ 1,300,000	$ 1,300,000	$ 1,300,000
Subordinate debenture bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	1,000,000	1,000,000	1,000,000
Subordinate debenture bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000	600,000
Subordinate debenture bonds forth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate debenture bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	2,000,000	2,000,000
Subordinate debenture bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000	-
Subordinate debenture bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	1,000,000	-
Subordinate debenture bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	-	-
Subordinate debenture bonds B second issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	1,050,000	-	-
	$ 21,200,000	$ 20,400,000	$ 18,650,000

(Concluded)

27. OTHER FINANCIAL LIABILITIES

	September 30, 2018	December 31, 2017	September 30, 2017
Bank loans	$ 11,135,122	$ 13,040,538	$ 12,131,406
Commercial papers payable	2,449,499	3,299,557	1,324,423
Funds obtained from the government - intended for specific types of loans	4,787,348	5,997,782	4,883,765
	$ 18,371,969	$ 22,337,877	$ 18,339,594

a. Bank loans

	September 30, 2018	December 31, 2017	September 30, 2017
Short-term loans	$ 5,620,940	$ 6,399,565	$ 5,925,892
Long-term loans	5,514,182	6,640,973	6,205,514
	$ 11,135,122	$ 13,040,538	$ 12,131,406
Interest rate interval			
New Taiwan dollars	1.20%-1.50%	1.21%-1.50%	1.20%-1.60%
U.S. dollars	2.33%-5.94%	0.98%-7.71%	0.95%-3.85%
Renminbi	5.22%-6.18%	3.60%-6.18%	2.71%-6.20%

b. Commercial papers payable

	September 30, 2018	December 31, 2017	September 30, 2017
Commercial papers payable	$ 2,450,000	$ 3,300,000	$ 1,325,000
Less: Unamortized discount	(501)	(443)	(577)
	$ 2,449,499	$ 3,299,557	$ 1,324,423
Interest rate interval	0.60%-1.188%	0.49%-1.24%	0.48%-1.24%

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

	September 30, 2018	December 31, 2017	September 30, 2017
Funds obtained from the government - intended for specific types of loans	$ 4,787,348	$ 5,997,782	$ 4,883,765

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

28. PROVISIONS

	September 30, 2018	December 31, 2017	September 30, 2017
Provisions for employee benefits	$ 318,180	$ 295,725	$ 290,874
Reserve for losses on guarantees	1,489,153	1,569,551	1,538,454
Reserve for claims outstanding	25,816	9,092	9,092
Reserve for financing limits	67,157	-	-
	$ 1,900,306	$ 1,874,368	$ 1,838,420

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

29. RETIREMENT BENEFIT PLANS

Draw Plan

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

The amount to be paid in accordance with the percentage specified in the proposed plan for the three months ended September 30, 2018 and 2017 and the nine months ended September 30, 2018 and 2017 was recognized in the consolidated statements of comprehensive income in the total amounts of $15,623 thousand, $23,631 thousand, $54,857 thousand, and $51,607 thousand, respectively.

Welfare Plan

The retirement expense recognized under defined benefit plans for the three months ended September 30, 2018 and 2017 and the nine months ended September 30, 2018 and 2017 are calculated using the respective 2017 and 2016 annually determined discount rates as of December 31, 2017 and 2016 and amounted to $5,359 thousand, $3,194 thousand, $12,038 thousand, and $10,034 thousand, respectively.

30. OTHER LIABILITIES

	September 30, 2018	December 31, 2017	September 30, 2017
Guarantee deposits received	$ 1,962,696	$ 1,923,253	$ 1,862,374
Advance revenue	116,489	108,800	104,797
Others	134,528	445,798	180,367
	$ 2,213,713	$ 2,477,851	$ 2,147,538

31. EQUITY

a. Common stock

Common stock

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

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

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

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

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

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

2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities. The Bank's cancellation of preferred stock dividend declaration shall not be an event of default. Undeclared or underdeclared 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.

4) Series A preferred stockholders have no voting rights at the annual stockholders' meeting and cannot elect directors. The aforesaid stockholders, however, 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

	September 30, 2018	December 31, 2017	September 30, 2017
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)			
Treasury stock transactions	$ 3,193	$ 3,193	$ 3,193
Stock-based payments	4,537	4,537	4,537
Must be used to offset a deficit			
Unclaimed dividends	329	-	-
May not be used for any purpose			
Share of changes in capital surplus of associates or joint ventures	465	-	-
	$ 8,524	$ 7,730	$ 7,730

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

c. Retained earnings and dividends 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, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Board as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 37.

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

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

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

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

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

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

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

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the Nine Months Ended September 30	
	2018	**2017**
Balance at January 1	$ (216,266)	$ 190,990
Exchange differences arising on translating the financial statements of foreign operations	81,595	(381,411)
Income tax related to gains arising on translating the financial statements of foreign operations	(19,656)	48,660
Balance at September 30	$ (154,327)	$ (141,761)

2) Unrealized gains (losses) on valuation of available-for-sale financial assets

	For the Nine Months Ended September 30	
	2018	2017
Balance at January 1	$ 236,666	$ 93,725
Unrealized gain arising on revaluation of available-for-sale financial assets	-	385,260
Cumulative gain reclassified to profit or loss on sale of available-for-sale financial assets	-	(283,346)
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	-	6,718
Effect of IFRS 9 retrospective application	(236,666)	-
Balance at September 30	$ -	$ 202,357

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

	For the Nine Months Ended September 30, 2018
Balance at January 1 per IAS 39	$ -
Effect of IFRS 9 retrospective application	144,112
Balance at January 1 per IFRS 9	144,112
Recognized during the period	
Unrealized gain (loss) - debt instruments	(128,811)
Unrealized gain (loss) - equity instruments	63,358
Loss allowance of debt instruments	(3,358)
Other comprehensive income recognized in the period	(68,811)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(5,961)
Balance at September 30,	$ 69,340

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2018	2017
Balance at January 1 (IAS 39)	$ 16,892,050	$ 16,482,451
Effect of IFRS 9 retrospective application	90,927	-
Balance at January 1 (IFRS 9)	16,982,977	16,482,451
Attribute to non-controlling interests		
Net profit for the period	773,415	751,764
Unclaimed dividends	1,174	-
Unrealized gains and losses on FVTOCI	(106,984)	-
Income tax related to non-reclassified items	2,035	-
Exchange differences arising on translation of foreign entities	9,824	(25,142)
Unrealized gains and losses on available-for-sale financial assets	-	246,394
Subsidiary issue cash dividends	(683,005)	(808,062)
Ending balance	$ 16,979,436	$ 16,647,405

32. NET INTEREST REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest income				
Discounts and loans	$ 1,508,790	$ 1,170,033	$ 4,167,953	$ 3,308,006
Investments in marketable securities	508,442	468,325	1,475,213	1,334,287
Installment sales and leases	283,444	309,569	871,521	789,953
Due from the Central Bank and call loans to banks	45,590	32,810	121,421	65,163
Others	34,017	11,972	84,113	78,785
	2,380,283	1,992,709	6,720,221	5,576,194
Interest expense				
Deposits	684,332	399,455	1,707,954	1,086,942
Due to the Central Bank and banks	194,842	143,671	524,409	383,333
Bank notes payable	115,756	86,948	324,991	259,130
Notes and bonds issued under repurchase agreement	216,345	191,835	642,614	538,015
Others	113,000	110,222	354,684	309,392
	1,324,275	932,131	3,554,652	2,576,812
	$ 1,056,008	$ 1,060,578	$ 3,165,569	$ 2,999,382

33. NET SERVICE FEE REVENUE (CHARGE)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Service fee				
Guarantee business	$ 181,421	$ 160,845	$ 533,684	$ 469,123
Loan business	24,133	31,905	76,919	130,939
Agency income	60,889	73,088	195,762	211,972
Trust business	1,733	1,613	5,181	6,441
Lease business	77,221	74,702	220,086	198,781
Credit examining business	69,073	75,605	323,967	258,846
Import and export business	8,315	7,447	31,346	24,708
Factoring business	21,634	12,562	69,227	42,593
Others	19,364	22,096	53,878	78,208
	463,783	459,863	1,510,050	1,421,611
Service charge				
Others	52,460	30,010	138,727	60,585
	$ 411,323	$ 429,853	$ 1,371,323	$ 1,361,026

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Realized gain profit or loss				
Bills	$ 17,213	$ 33,067	$ 67,436	$ 103,540
Stocks	(9,497)	103,661	10,991	160,503
Bonds	6,668	(499)	3,694	(2,605)
Derivatives	329,209	1,106	495,808	(647,912)
	343,593	137,335	577,929	(386,474)
Gains (losses) on valuation				
Bills	14,262	2,571	18,524	(42,580)
Stocks	(25,347)	(27,408)	(63,712)	12,796
Bonds	(2,075)	1,167	(32,735)	125
Derivatives	(137,962)	(26,103)	383,958	(141,351)
Others	20,136	137	31,440	26,962
	(130,986)	(49,636)	337,475	(144,048)
Interest revenue	226,480	224,448	658,523	672,672
	$ 439,087	$ 312,147	$ 1,573,927	$ 142,150

35. REALIZED GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Realized gain - debt instruments	$ 17,668	$ 42,341
Dividends revenue	76,063	96,972
	$ 93,731	$ 139,313

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

	For the Three Months Ended September 30, 2017	For the Nine Months Ended September 30, 2017
Net profit on disposal - stocks	$ 132,288	$ 273,030
Net profit on disposal - bonds	5,109	10,316
Dividends revenue	60,177	62,861
	$ 197,574	$ 346,207

37. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Short-term employee benefits				
Salaries and wages	$ 407,035	$ 363,892	$ 1,203,559	$ 1,123,277
Award expenses	172,969	188,452	484,434	486,508
Labor insurance and national health insurance	37,235	59,527	112,795	114,301
Directors' remuneration and fees	18,728	10,837	60,374	56,005
Others	30,536	21,247	104,223	95,509
Post-employment benefits				
Pension	20,982	26,825	66,895	61,641
Stock-based payments				
Equity delivery	-	-	-	4,537
	$ 687,485	$ 670,780	$ 2,032,280	$ 1,941,778

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

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

Accrual rate

	For the Nine Months Ended September 30	
	2018	2017
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Employees' compensation	$ 3,650	$ 4,575	$ 12,250	$ 15,625
Remuneration of directors	$ 7,300	$ 9,150	$ 24,500	$ 31,250

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

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

	2017		2016	
	Cash	**Stock**	**Cash**	**Stock**
Employees' compensation	$ 15,919	$ -	$ 24,111	$ -
Remuneration of directors	31,838	-	48,223	-

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

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

38. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Property and equipment	$ 48,457	$ 49,734	$ 142,724	$ 131,244
Intangible assets	58,586	46,428	171,145	77,980
	$ 107,043	$ 96,162	$ 313,869	$ 209,224

39. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Taxation	$ 58,161	$ 42,826	$ 173,467	$ 111,792
Rental	58,164	63,746	167,173	165,672
Management fees	9,175	10,915	31,118	27,663
Computer operating and consulting fees	72,024	29,539	151,521	79,456
Entertainment	15,262	17,911	42,804	38,853
Professional services	28,323	39,695	81,411	64,184
Advertisement	23,479	26,267	94,984	78,777
Others	134,113	91,722	338,510	302,677
	$ 398,701	$ 322,621	$ 1,080,988	$ 869,074

40. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Current tax				
In respect of the current period	$ 85,468	$ 189,071	$ 498,407	$ 549,808
In respect of prior periods	918	(3,517)	(17,421)	(9,424)
	86,386	185,554	480,986	540,384
Deferred tax				
In respect of the current period	114,545	22,487	159,584	27,441
Effect of tax rate change	-	-	(2,627)	-
	114,545	22,487	156,957	27,441
Income tax expense recognized in profit or loss	$ 200,931	$ 208,041	$ 637,943	$ 567,825

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

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Deferred tax				
Recognized in other comprehensive income				
Translation of foreign operations	$ 1,878	$ (22,476)	$ 21,606	$ (75,158)
Unrealized gains (losses) on valuation of available-for-sale financial assets	-	(8,178)	-	7,357
Fair value remeasurement of available-for-sale financial assets	11,234	-	(25,962)	-
Effect of tax rate change	5,682	-	4,533	-
Income tax recognized in other comprehensive expense (income)	$ 18,794	$ (30,654)	$ 177	$ (67,801)

c. Assessment of the income tax returns

The income tax returns of the Bank through 2015 have been assessed by the tax authorities. The income tax returns of the Bank's subsidiary CBF through 2016 (except for 2015) have been assessed. The income tax returns of other subsidiaries through 2016 have been assessed by the tax authorities.

41. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Basic earnings per share				
From continuing operations	$ 0.09	$ 0.13	$ 0.30	$ 0.45
From discontinued operations	-	(0.01)	-	(0.01)
Total basic earnings per share	$ 0.09	$ 0.12	$ 0.30	$ 0.44
Diluted earnings per share				
From continuing operations	$ 0.09	$ 0.13	$ 0.30	$ 0.45
From discontinued operations	-	(0.01)	-	(0.01)
Total diluted earnings per share	$ 0.09	$ 0.12	$ 0.30	$ 0.44

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 September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Earnings used in the computation of basic and diluted earnings per share from continuing operations	$ 213,995	$ 311,735	$ 724,663	$ 1,066,584
Profit (loss) for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	1,998	(11,009)	2,951	(19,384)
Earnings used in the computation of basic and diluted earnings per share	$ 215,993	$ 300,726	$ 727,614	$ 1,047,200

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Weighted average number of common stocks in computation of basic earnings per share	2,413,006	2,413,006	2,413,006	2,402,786
Effect of potentially dilutive common stocks:				
Employees' compensation issued to employees	441	527	1,759	2,350
Weighted average number of common stocks used in the computation of diluted earnings per share	2,413,447	2,413,533	2,414,765	2,405,136

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

42. STOCK-BASED PAYMENT AGREEMENTS

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

43. RELATED PARTY TRANSACTIONS

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

a. The related parties and their relationships with the Bank

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

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

1) Deposits

	Ending Balance	Interest Expense	Rate (%)
For the nine months ended September 30, 2018			
Associates	$ 6,059	$ 3	0.00-0.15
Others	1,520,038	31,842	0.00-6.56
	$ 1,526,097	$ 31,845	
For the nine months ended September 30, 2017			
Associates	$ 2,113	$ 46	0.15
Others	1,187,845	10,972	0.00-6.56
	$ 1,189,958	$ 11,018	

2) Directors acting as the guarantor of a loan balance

	Ending Balance	Rate (%)
December 31, 2017	$ 475,000	1.436
September 30, 2017	$ 570,000	1.435

3) Service fee

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Associates	$ -	$ -	$ -	$ 6
Others	9	-	34	6
	$ 9	$ -	$ 34	$ 12

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

4) Other expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Others	$ -	$ -	$ 4,800	$ 4,400

Other expenses are donations.

5) Rental income and others

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Others	$ -	$ -	$ -	$ 230

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

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three months and the nine months ended September 30, 2018 and 2017 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	$ 48,813	$ 65,965	$ 198,918	$ 191,527
Post-employment benefits	3,196	1,459	6,369	4,067
Stock-based payments	-	-	-	1,290
	$ 52,009	$ 67,424	$ 205,287	$ 196,884

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

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

44. PLEDGED ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
Due from banks	$ 222,232	$ 228,875	$ 455,930
Financial assets at fair value through profit or loss	13,398,574	13,393,710	14,150,924
Financial assets at fair value through other comprehensive income	2,385,195	-	-
Loans	8,361,020	8,919,490	9,265,928
Debt instrument investments measured at amortized cost	166,670	-	-
Available-for-sale financial assets	-	2,254,810	2,295,909
Held-to-maturity financial assets	-	149,946	149,938
Pledged time deposits	525,000	34,834	36,834
Compensation account for payments	54,672	65,109	110,852
	$ 25,113,363	$ 25,046,774	$ 26,466,315

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

45. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	September 30, 2018	December 31, 2017	September 30, 2017
Office decorating and contracts of computer software			
Amount of contracts	$ 123,018	$ 159,256	$ 127,663
Payments for construction in progress and prepayments for equipment	33,251	140,912	66,226

b. The Bank as lessee

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

As of September 30, 2018, December 31, 2017 and September 30, 2017, refundable deposits paid under operating lease amounted to $32,061 thousand, $35,070 thousand and $30,237 thousand, respectively.

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

	September 30, 2018
Up to 1 years	$ 147,501
Over 1 year to 5 years	337,956
Over 5 years	91,076
	$ 576,533

c. The Bank's clients believe that the Bank engaged in improper sales of complicated and risky financial products and caused losses to them. The arbitration was submitted to the ROC Arbitration Association on May 16, 2017, requesting the Bank to compensate the damage in the amount of US$2,816 thousand and, from May 19, 2017 until the date of settlement, at an interest rate of 5% per annum. The oral argument was finished. Tribunal will adjudicate no later than January 2019. When the arbitral awards result comes out, the Bank will comply with it.

46. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	September 30, 2018	December 31, 2017	September 30, 2017
Trust assets			
Petty cash	$ 100	$ -	$ -
Bank deposits	679,716	350,848	415,278
Financial assets	634,743	360,484	269,193
Interest receivable	9	-	-
Prepayments	2,092	-	-
Real estate	5,033,311	1,957,995	1,957,995
Other assets	33,170	-	-
Total trust assets	$ 6,383,141	$ 2,669,327	$ 2,642,466
Trust capital and liability			
Payables	$ 414	$ -	$ -
Unearned receipts	1,731	-	-
Taxes payable	3,580	-	-
Receipts under custody	3,528	-	-
Deposits received	79,802	-	-
Other liabilities	488	-	-
Trust capital	6,157,476	2,699,327	2,642,466
Provisions and accumulated profit and loss	136,122	-	-
Trust capital and liability	$ 6,383,141	$ 2,669,327	$ 2,642,466

Income Statements of Trust Accounts

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Trust revenue				
Interest revenue	$ 234	$ 21	$ 674	$ 308
Rent revenue	27,073	-	27,073	-
Other revenue	48	-	48	-
Trust expenses				
Management fees	93	55	455	57
Fees	92	89	201	108
Other expenses	3,142	-	3,320	-
Tax	8,165	-	23,845	-
Income tax expense	25	-	60	17
	$ 15,838	$ (123)	$ (86)	$ 126

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

Trust Property List

	September 30, 2018	December 31, 2017	September 30, 2017
Petty cash	$ 100	$ -	$ -
Bank deposits	679,716	350,848	415,278
Stocks	228,378	228,378	228,378
Funds	406,365	132,106	40,815
Land	4,187,687	1,865,892	1,865,892
Real estate	845,624	92,103	92,103
Interest receivable	9	-	-
Prepayments	2,092	-	-
Other	33,170	-	-
	$ 6,383,141	$ 2,669,327	$ 2,642,466

47. FINANCIAL INSTRUMENTS

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

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

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

	September 30, 2018		December 31, 2017		September 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Financial assets at amortized costs	$ 499,911	$ 502,825	$ -	$ -	$ -	$ -
Held-to-maturity financial assets	-	-	499,821	505,448	499,792	505,890
Financial liabilities						
Bank notes payable	21,200,000	21,238,161	20,400,000	20,464,560	18,650,000	18,762,780

2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

Financial Instrument Items at Fair Value	September 30, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized costs	$ 502,825	$ -	$ 502,825	$ -
Financial liabilities				
Bank notes payable	21,238,161	21,238,161	-	-

Financial Instrument Items at Fair Value	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-for-maturity financial assets	$ 505,448	$ -	$ 505,448	$ -
Financial liabilities				
Bank notes payable	20,464,560	20,464,560	-	-

Financial Instrument Items at Fair Value	September 30, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-for-maturity financial assets	$ 505,890	$ -	$ 505,890	$ -
Financial liabilities				
Bank notes payable	18,762,780	18,762,780	-	-

Refer to quoted market prices for fair value if there are public quotation on amortized cost financial assets, held-to-maturity financial assets and bank 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 September 30, 2018, December 31, 2017 and September 30, 2017 were as follows:

(In Thousands of New Taiwan Dollars)

Item	September 30, 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	$ 825,271	$ 755,488	$ -	$ 69,783
Bonds	1,218,674	115,974	1,102,700	-
Bills	83,881,296	-	83,881,296	-
Convertible bonds and structured bonds	7,223,969	-	1,047,360	6,176,609
Others	46,519,117	-	46,519,117	-
Financial assets at fair value through other comprehensive income				
Stocks	2,902,180	1,760,028	125,209	1,016,943
Bonds	150,630,558	-	150,630,558	-
Liabilities				
Financial liabilities at fair value through profit or loss	99,406	-	99,406	-

(Continued)

Item	September 30, 2018 Total	Level 1	Level 2	Level 3
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	$ 1,202,589	$ -	$ 1,202,589	$ -
Liabilities				
Financial liabilities at fair value through profit or loss	1,007,236	-	1,007,236	-

(Concluded)

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

Item	September 30, 2017 Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 578,952	$ 539,552	$ -	$ 39,400
Bonds	41,176	11,090	30,086	-
Bills	101,776,364	-	101,776,364	-
Others	41,573,821	-	41,573,821	-
Financial assets designated as fair value through profit or loss	8,212,295	-	1,109,887	7,102,408

(Continued)

Item	September 30, 2017 Total	Level 1	Level 2	Level 3
Available-for-sale financial assets				
Stocks	$ 2,373,915	$ 2,373,915	$ -	$ -
Bonds	154,382,356	-	154,382,356	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	1,155,927	-	1,155,927	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	1,016,845	-	867,384	149,461
Liabilities				
Financial liabilities at fair value through profit or loss	998,305	-	998,305	-

(Concluded)

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

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

a) Marking-to-market

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

i. Ensure the consistency and completeness of market data.

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

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

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

b) Marking-to-model

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

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

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

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

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

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

For the nine months ended September 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 (liabilities) at fair value through profit or loss	9,152	(3,632)	-	5,520
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	(30,890)	(30,890)
Purchases	6,317,800	-	-	6,317,800
Disposal	(7,041,700)	-	(24,976)	(7,066,676)
Ending balance	$ 6,176,609	$ 69,783	$ 1,016,943	$ 7,263,335

For the nine months ended September 30, 2017

(In Thousands of New Taiwan Dollars)

Name	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/ Sold	Transfer Out of Level 3	
Non-derivative financial instruments							
Financial assets at fair value through profit or loss							
Held-for-trading financial assets	$ 65,026	$ -	$ -	$ -	$ (25,626)	$ -	$ 39,400
Financial assets designated as fair value through profit or loss	10,390,780	145,714	8,036,900	-	(11,470,986)	-	7,102,408
Derivative financial instruments							
Financial assets at fair value through profit or loss Assets	211,644	(62,183)	-	-	-	-	149,461

4) Transfers between Level 1 and Level 2

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

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

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

For the nine months ended September 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	$ 866	$ (866)	$ -	$ -
Financial assets at fair value through other comprehensive income	-	-	35,880	(35,880)

For the nine months ended September 30, 2017

(In Thousands of New Taiwan Dollars)

Item	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Financial assets at fair value through profit or loss Derivative financial instruments	$ 1073	$ (1,073)	$ -	$ -

48. FINANCIAL RISK MANAGEMENT

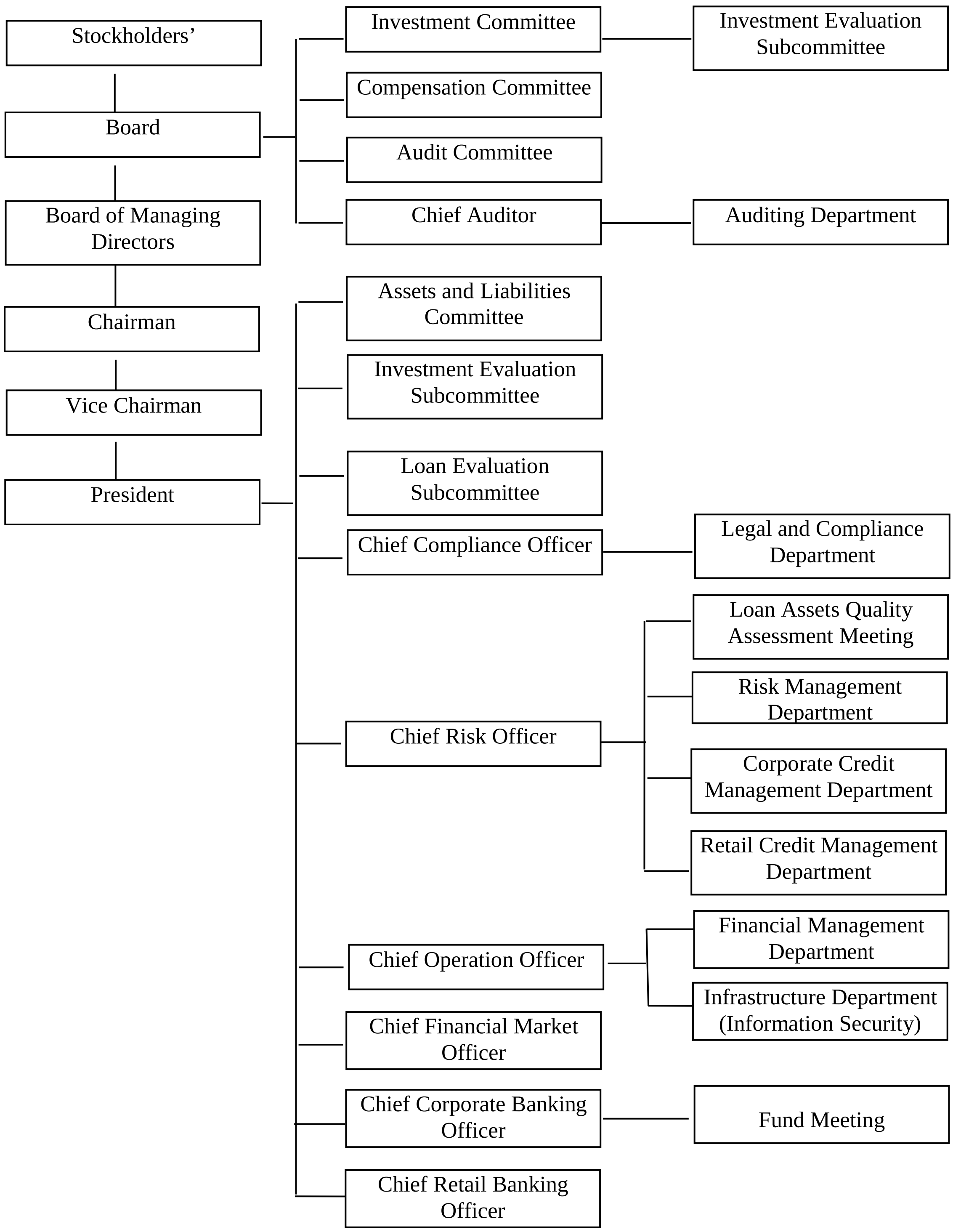
a. Overview

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

b. Risk management framework

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

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



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

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

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

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

   a) Loan assets quality assessment meeting

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

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

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

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

   b) Investment assets quality assessment meeting

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

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

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

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

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

c. Credit risk

1) Sources and definition of credit risk

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

2) Strategy/objectives/policies and procedures

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

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

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

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

d) Credit risk management process:

   i. Risk identification

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

   ii. Risk measurement

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

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

      ii) Portfolio management:

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

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

         - It achieves the optimal profits.

iii. Risk communication

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

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

iv. Risk monitoring

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

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

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

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

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

3) Credit risk management and framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6) Maximum exposure to credit risk

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

Off-balance Sheet Item	**Maximum Exposure Amount**		
	September 30, 2018	**December 31, 2017**	**September 30, 2017**
Financial guarantees and irrevocable documentary letter of credit			
Contract amounts	$ 121,236,376	$ 111,469,765	$ 109,516,224
Maximum exposure amounts	121,236,376	111,469,765	109,516,224
Agreed financing	54,343,070	42,433,043	45,881,976

7) Concentrations of credit risk exposure

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

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

a) By industry

Credit Risk Profile by Industry Sector	September 30, 2018		December 31, 2017		September 30, 2017	
	Amount	%	Amount	%	Amount	%
Financial intermediary	$ 64,054,815	21	$ 59,655,064	21	$ 23,657,932	8
Real estate	58,343,244	19	53,500,098	19	39,188,405	11
The printed circuit board component manufacturing	42,915,838	14	41,991,831	15	13,321,837	5

b) By counterparty

Credit Risk Profile by Industry Sector	September 30, 2018		December 31, 2017		September 30, 2017	
	Amount	%	Amount	%	Amount	%
Private sector	$ 185,451,221	93	$ 173,620,086	95	$ 172,835,175	96
Natural person	13,524,855	7	9,147,952	5	6,600,617	4

c) By geographical area

Credit Risk Profile by Industry Sector	September 30, 2018		December 31, 2017		September 30, 2017	
	Amount	%	Amount	%	Amount	%
Domestic	$ 119,865,711	60	$ 115,392,955	63	$ 111,703,811	62
Other Asia area	35,661,306	18	30,208,123	17	28,824,737	16
America	34,426,729	17	31,586,509	17	32,618,276	18

8) Credit quality and impairment assessment of financial assets

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

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

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

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

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

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

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

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

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

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

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

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

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses. The investments in debt instruments of the Bank and its subsidiaries are at normal credit levels as of September 30, 2018, so the Bank and its subsidiaries opted to recognize the expected credit losses on a 12-month basis. The Bank and its subsidiaries' expected credit loss rate is in the range of 0.0014%-0.405%.

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

Allowance for Impairment Loss	Credit Rating Performing (12-month ECLs)
Balance at January 1, 2018 per IAS 39	$ -
Adjustment on initial application of IFRS 9	44,061
Balance at January 1, 2018 per IFRS 9	44,061
New financial assets purchased	3,191
Derecognition of financial assets	(9,980)
Change in model or risk parameters	(443)
Exchange rate or other changes	177
Balance at September 30, 2018	$ 37,006

In addition to the above assets, credit quality analysis of other financial assets are as follows:

a) Credit analysis for receivables and discounts and loans

	September 30, 2018				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Receivables	$ 20,753,866	$ 297,139	$ 286,290	$ -	$ 21,337,295
Allowance for credit losses	(244,119)	(207,467)	87,128	-	(364,458)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	(197,214)	(197,214)
Net total	$ 20,509,747	$ 89,672	$ 373,418	$ (197,214)	$ 20,775,623

	September 30, 2018				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Discounts and loans	$ 186,792,411	$ 11,239,918	$ 943,746	$ -	$ 198,976,075
Allowance for credit losses	(209,159)	(56,710)	(362,471)	-	(628,340)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	(2,218,694)	(2,218,694)
Net total	$ 186,583,252	$ 11,183,208	$ 581,275	$ (2,218,694)	$ 196,129,041

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

September 30, 2017	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D) With Objective Evidence of Impairment	Loss Recognized (D) With No Objective Evidence of Impairment	Net Total (A)+(B)+(C)-(D)
Balance sheet items							
Receivables (Note)	$ 22,314,891	$ -	$ 967,737	$ 23,282,628	$ 282,487	$ 346,115	$ 22,654,026
Discounts and loans	177,768,910	-	1,666,882	179,435,792	361,466	2,290,064	176,784,262

Note: Receivables means the amount of gross receivables.

b) Credit analysis for marketable securities

	September 30, 2018		
	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 150,239,853	$ 499,911	$ 150,739,764
Allowance for impairment loss	(37,006)	-	(37,006)
Amortized cost	150,202,847	$ 499,911	150,702,758
Fair value adjustment	427,711		427,711
	$ 150,630,558		$ 151,130,469

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

September 30, 2017	Neither Past Due Nor Impaired Amount (A)	Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D) With Objective Evidence of Impairment	Loss Recognized (D) With No Objective Evidence of Impairment	Net Total (A)+(B)+(C)-(D)
Available-for-sale financial assets							
Bonds	$ 154,382,356	$ -	$ -	$ 154,382,356	$ -	$ -	$ 154,382,356
Equity investments	2,356,134	-	22,899	2,379,033	5,118	-	2,373,915
Held-to-maturity financial assets							
Bonds	499,792	-	-	499,792	-	-	499,792
Other financial assets							
Equity investments	1,367,824	-	738,663	2,106,487	826,170	-	1,280,317

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

10) Analysis of impairment for financial assets

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

Receivables

Type of Impairment Assessment		December 31, 2017 Accounts Receivables	December 31, 2017 Allowance for Credit Losses	September 30, 2017 Accounts Receivables	September 30, 2017 Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 421,691	$ 280,181	$ 967,737	$ 282,487
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed for impairment	22,276,814	365,177	22,314,891	346,115

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

Discounts and loans

Type of Impairment Assessment		December 31, 2017 Discounts and Loans	December 31, 2017 Allowance for Credit Losses	September 30, 2017 Discounts and Loans	September 30, 2017 Allowance for Credit Losses
With objective evidence of impairment	Individually assessed for impairment	$ 1,443,492	$ 375,969	$ 1,666,882	$ 361,466
	Collectively assessed for impairment	-	-	-	-
With no objective evidence of impairment	Collectively assessed	181,324,546	2,305,883	177,768,910	2,290,064

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

d. Liquidity risk

1) Source and definition of liquidity risk

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

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

2) Management strategy and principles of liquidity risk

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

b) Manage current assets to ensure that the Bank and its subsidiaries have enough instantly-realized assets to deal with currency risks.

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

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

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

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

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

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

As of September 30, 2018, December 31, 2017 and September 30, 2017, the liquidity reserve ratio was 45.43%, 37.37% and 43.76%, 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:

September 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	$ 49,926,432	$ 7,730,749	$ 444,456	$ -	$ -	$ 58,101,637
Financial liabilities at fair value through profit or loss	99,406	-	-	-	-	99,406
Notes and bonds issued under repurchase agreement	120,418,403	32,788,210	607,557	-	-	153,814,170
Payables	2,057,299	117,734	2,227,207	625,198	54,460	5,081,898
Deposits and remittances	52,951,628	77,689,214	53,108,006	44,283,299	23,126,063	251,158,210
Bank notes payable	-	3,350,000	-	1,650,000	16,200,000	21,200,000
Other financial liabilities	5,151,311	1,447,823	701,223	3,007,137	8,064,475	18,371,969
	$ 230,604,479	$ 123,123,730	$ 57,088,449	$ 49,565,634	$ 47,444,998	$ 507,827,290

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

September 30, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	$ 68,690,890	$ 11,962,575	$ 454,405	$ -	$ -	$ 81,107,870
Financial liabilities at fair value through profit or loss	1,155,927	-	-	-	-	1,155,927
Notes and bonds issued under repurchase agreement	141,286,156	32,525,353	2,478,166	39,372	-	176,329,047
Payables	2,144,158	107,951	1,449,181	640,052	130,625	4,471,967
Deposits and remittances	45,600,511	57,754,880	44,755,983	22,427,694	24,274,471	194,813,539
Bank notes payable	-	-	-	950,000	17,700,000	18,650,000
Other financial liabilities	7,112,441	907,000	570,973	575,612	9,173,568	18,339,594
	$ 265,990,083	$ 103,257,759	$ 49,708,708	$ 24,632,730	$ 51,278,664	$ 494,867,944

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:

September 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	$ 2,823	$ 35,522	$ 9,763	$ 10,930	$ -	$ 59,038
Foreign currency swap contracts	224,801	162,262	253,868	175,991	-	816,922
Others	912	-	-	-	-	912
Non-deliverable						
Interest rate swap contracts	-	1,035	2,453	7,278	119,598	130,364
	$ 228,536	$ 198,819	$ 266,084	$ 194,199	$ 119,598	$ 1,007,236

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

September 30, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	$ 121,494	$ 378,189	$ 54,411	$ 64	$ -	$ 554,158
Currency swap contracts	57,737	72,219	155,784	18,187	-	303,927
Others	1,074	-	-	-	-	1,074
	180,305	450,408	210,195	18,251	-	859,159
Non-deliverable						
Interest rate swap contracts	-	-	-	12,232	126,914	139,146
	$ 180,305	$ 450,408	$ 210,195	$ 30,483	$ 126,914	$ 998,305

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.

September 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	$ 618,680	$ 1,058,842	$ 133,753	$ -	$ 7,449	$ 1,818,724
Other guarantees	39,903,002	66,922,707	7,372,950	5,085,093	133,900	119,417,652
Agreed financing amount	1,793,583	2,296,752	3,445,128	6,890,255	39,917,352	54,343,070
	$ 42,315,265	$ 70,278,301	$ 10,951,831	$ 11,975,348	$ 40,058,701	$ 175,579,446

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

September 30, 2017	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 1,333,510	$ 941,865	$ 70,358	$ 60,072	$ 17,459	$ 2,423,264
Other guarantees	27,164,307	71,002,990	5,021,658	3,592,770	311,235	107,092,960
Agreed financing amount	1,522,736	1,899,545,	2,849,317	5,698,634	33,911,744	45,881,976
	$ 30,020,553	$ 73,844,400	$ 7,941,333	$ 9,351,476	$ 34,240,438	$ 155,398,200

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and process

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

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

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

3) Market risk management organization and framework

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

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

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

4) Market risk report and evaluation system

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

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

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

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

5) Value at risk

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

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

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

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	September 30, 2018			December 31, 2017			September 30, 2017		
	Average	**High**	**Low**	**Average**	**High**	**Low**	**Average**	**High**	**Low**
Currency exchange rate risk	$ 1,057	$ 7,992	$ 105	$ 2,150	$ 8,317	$ 86	$ 2,515	$ 8,317	$ 143
Fair value risk resulting from interest rate	2,938	8,991	-	1,896	13,446	-	1,986	13,446	-
Fair value resulting from stock price	9,027	14,004	3,068	10,439	18,766	4,039	11,295	18,766	4,039

6) Foreign currency rate risk information

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

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

	September 30, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 2,863,085	30.5585	$ 87,491,535
JPY	1,147,252	0.2691	308,717
HKD	8,117,166	3.9062	31,706,867
EUR	17,788	35.4953	631,390
AUD	1,906	22.0586	42,044
RMB	2,969,361	4.4446	13,197,742
Financial liabilities			
Monetary item			
USD	2,825,754	30.5585	86,350,740
JPY	1,254,302	0.2691	337,524
HKD	6,404,734	3.9062	25,017,852
EUR	10,748	35.4953	381,503
AUD	8,624	22.0586	190,234
RMB	2,614,587	4.4446	11,620,896

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

	September 30, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 2,982,272	30.3093	$ 90,390,687
JPY	776,426	0.2693	209,086
HKD	5,276,679	3.8799	20,472,857
EUR	21,553	35.8013	771,623
AUD	2,671	23.7455	63,427
RMB	2,581,947	4.5593	11,771,876
Financial liabilities			
Monetary item			
USD	2,076,626	30.3093	62,941,152
JPY	434,811	0.2693	117,092
HKD	5,259,228	3.8799	20,405,149
EUR	15,245	35.8013	545,808
AUD	8,031	23.7455	190,709
RMB	2,784,864	4.5593	12,697,041

f. Bank book interest risk

1) Source and definition of bank book interest risk

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

2) Bank book interest risk management strategy and process

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

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

3) Bank book interest risk management organization and framework

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

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

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

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

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

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

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

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

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

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

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	For the Nine Months Ended September 30			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Assets				
Cash and cash equivalents - due from banks	$ 1,077,523	2.32	$ 821,232	1.64
Call loans to banks	9,347,801	1.29	6,494,600	0.99
Due from the Central Bank	4,170,119	0.65	3,231,522	0.71
Financial assets at fair value through profit or loss	43,060,072	0.60	39,428,313	0.57
Securities purchased under resell agreements	352,045	0.20	91,637	0.13
Discounts and loans	174,187,948	2.53	149,335,263	2.24
Available-for-sale financial assets	-	-	34,878,621	1.50
Held-to-maturity financial assets	-	-	928,663	0.96
Financial assets at fair value through other comprehensive income	45,069,413	1.54	-	-
Financial assets at amortized costs	499,861	1.15	-	-
Receivables	3,853,252	1.23	3,080,639	1.23

(Continued)

	For the Nine Months Ended September 30			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Liabilities				
Deposits from the Central Bank and banks	$ 36,079,355	1.66	$ 37,116,200	1.14
Demand deposits	37,148,658	0.47	22,993,049	0.33
Time deposits	170,356,562	1.11	108,307,101	0.94
Notes and bonds issued under repurchase agreement	5,707,412	0.81	4,216,998	0.51
Bank notes payable	20,880,769	2.08	17,136,447	2.02
Other financial liabilities	5,097,644	-	5,248,717	-

(Concluded)

China Bills Finance Corporation (CBF)

	For the Nine Months Ended September 30			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Assets				
Cash and cash equivalents (including time deposit)	$ 802,753	0.17	$ 768,974	0.09
Call loans to banks	13,297	0.20	28,227	3.28
Financial assets at fair value through profit or loss - bonds and bills	92,114,220	0.56	98,364,521	0.57
Financial assets at fair value through other comprehensive income-bond investment	96,627,076	1.33	-	-
Available-for-sale financial assets - bond investment	-	-	95,647,994	1.32
Financial assets at fair value through profit or loss - mixed financial assets	6,451,927	1.48	-	-
Financial assets designated at fair value through profit or loss-bond investment	-		8,955,715	1.58
Securities purchased under resell agreements	4,964,861	0.35	5,722,582	0.12
Liabilities				
Call loans to banks	17,367,372	0.57	19,426,239	0.46
Bank overdrafts	1,777	1.75	7,709	1.75
Notes and bonds issued under repurchase agreement	160,137,713	0.51	160,922,159	0.43
Commercial papers payable	1,897,070	0.58	2,809,524	0.58

49. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

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

b. Capital assessment program

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

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

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 4.

2) Concentration of credit extensions

September 30, 2018

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (unclassified other financial service)	$ 6,303,035	21.73
2	B Company (unclassified other financial service)	4,490,556	15.48
3	C Company (short term accommodation activities)	3,410,962	11.76
4	D Company (ocean transportation)	3,345,361	11.54
5	E Company (LCD and component manufacturing)	3,193,571	11.01
6	F Company (real estate development)	3,166,930	10.92
7	G Company (real estate development)	2,537,888	8.75
8	H Company (manufacture of chemical material)	2,181,433	7.52
9	I Company (unclassified other financial service)	2,113,126	7.29
10	J Company (real estate development)	2,083,006	7.18

December 31, 2017

(In Thousands of New Taiwan Dollars or in %)

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

September 30, 2017

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (unclassified other financial service)	$ 6,481,705	22.12
2	B Company (ocean transportation)	3,759,382	12.83
3	C Company (LCD and component manufacturing)	3,563,308	12.16
4	D Company (real estate development)	3,448,441	11.77
5	E Company (paper manufacturing)	2,390,895	8.16
6	F Company (real estate development)	2,335,980	7.97
7	G Company (semiconductor packaging and testing)	2,304,101	7.86
7	H Company (manufacture of chemical material)	2,215,153	7.56
9	I Company (short term accommodation activities)	2,017,368	6.88
10	J Company (real estate development)	1,949,285	6.65

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
September 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	$ 148,311,576	$ 11,108,287	$ 4,658,911	$ 59,710,457	$ 223,789,231
Interest rate-sensitive liabilities	80,884,626	55,505,793	42,790,993	38,926,395	218,107,807
Interest rate-sensitive gap	67,426,950	(44,397,506)	(38,132,082)	20,784,062	5,681,424
Net worth					26,571,602
Ratio of interest rate-sensitive assets to liabilities					102.60%
Ratio of interest rate sensitivity gap to net worth					21.38%

December 31, 2017

(In Thousands of New Taiwan Dollars or in %)

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

September 30, 2017

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 128,390,144	$ 12,534,432	$ 20,342,847	$ 36,202,996	$ 197,470,419
Interest rate-sensitive liabilities	88,099,483	41,565,819	21,705,991	40,265,642	191,636,935
Interest rate-sensitive gap	40,290,661	(29,031,387)	(1,363,144)	(4,062,646)	5,833,484
Net worth					27,815,040
Ratio of interest rate-sensitive assets to liabilities					103.04%
Ratio of interest rate sensitivity gap to net worth					20.97%

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

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

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

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

Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
September 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	$ 1,490,069	$ 20,406	$ 25,784	$ 809,396	$ 2,345,655
Interest rate-sensitive liabilities	1,666,042	546,250	120,094	3,101	2,335,487
Interest rate-sensitive gap	(175,973)	(525,844)	(94,310)	806,295	10,168
Net worth					60,951
Ratio of interest rate-sensitive assets to liabilities					100.44%
Ratio of interest rate sensitivity gap to net worth					16.68%

December 31, 2017

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

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

September 30, 2017

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

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,607,703	$ 37,618	$ 2,910	$ 579,237	$ 2,227,468
Interest rate-sensitive liabilities	1,627,649	574,971	63,303	-	2,265,923
Interest rate-sensitive gap	(19,946)	(537,353)	(60,393)	579,237	(38,455)
Net worth					37,027
Ratio of interest rate-sensitive assets to liabilities					98.30%
Ratio of interest rate sensitivity gap to net worth					(103.85%)

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 Nine Months Ended September 30, 2018	For the Nine Months Ended September 30, 2017
Return on total assets	Before income tax	0.30	0.42
	After income tax	0.23	0.37
Return on equity	Before income tax	3.22	4.10
	After income tax	2.50	3.57
Net income ratio		20.73	30.11

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 nine months ended September 30, 2018 and 2017.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
September 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	$ 267,692,707	$ 64,809,790	$ 21,464,136	$ 24,272,935	$ 20,272,774	$ 23,135,366	$ 113,737,706
Main capital outflow on maturity	303,326,972	26,356,880	26,715,205	71,208,501	45,315,367	52,177,175	81,553,834
Gap	(35,634,265)	38,452,910	(5,251,069)	(46,935,576)	(25,042,593)	(29,041,809)	32,183,872

December 31, 2017

(In Thousands of New Taiwan Dollars)

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

September 30, 2017

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 251,296,607	$ 46,035,214	$ 20,099,246	$ 23,655,222	$ 26,584,496	$ 27,437,100	$ 107,485,329
Main capital outflow on maturity	281,036,453	28,348,363	40,221,076	56,392,180	45,580,459	32,852,862	77,641,513
Gap	(29,739,846)	17,686,851	(20,121,830)	(32,736,958)	(18,995,963)	(5,415,762)	29,843,816

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
September 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	$ 3,715,626	$ 1,031,328	$ 897,444	$ 567,848	$ 402,469	$ 816,537
Main capital outflow on maturity	4,042,600	1,433,593	1,107,739	652,157	314,025	535,086
Gap	(326,974)	(402,265)	(210,295)	(84,309)	88,444	281,451

December 31, 2017

(In Thousands of U.S. Dollars)

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

September 30, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 4,210,671	$ 1,220,231	$ 1,042,194	$ 687,735	$ 278,585	$ 981,926
Main capital outflow on maturity	4,583,542	1,696,731	1,146,440	823,219	320,626	596,526
Gap	(372,871)	(476,500)	(104,246)	(135,484)	(42,041)	385,400

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

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

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)
September 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	$ 999,249	$ 330,060	$ 198,069	$ 59,351	$ 52,660	$ 359,109
Main capital outflow on maturity	1,029,182	388,491	266,283	147,560	73,378	153,470
Gap	(29,933)	(58,431)	(68,214)	(88,209)	(20,718)	205,639

December 31, 2017

(In Thousands of U.S. Dollars)

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

September 30, 2017

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 965,598	$ 252,613	$ 220,369	$ 45,193	$ 27,194	$ 420,229
Main capital outflow on maturity	1,013,684	392,972	321,273	96,627	39,106	163,706
Gap	(48,086)	(140,359)	(100,904)	(51,434)	(11,912)	256,523

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.

China Bills Finance Corporation

a. Asset quality

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

Item \ Period	September 30, 2018	December 31, 2017	September 30, 2017
Balance of guarantees and endorsement credits overdue within 3 months	$ -	$ -	$ -
Nonperforming debts (include overdue receivables)	-	-	-
Credits under observation	-	-	-
Overdue receivables	-	-	-
Ratio of nonperforming debts	0.00%	0.00%	0.00%
Ratio of nonperforming debts and credits under observation	0.00%	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	$ 1,050,537	$ 1,001,604	$ 1,011,804
Actual provision for credit losses and reserve for losses on guarantees	1,310,077	1,429,477	1,429,477

b. The principal operation

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

Item \ Period	September 30, 2018	December 31, 2017	September 30, 2017
Balance of guarantees and endorsement securities	$ 104,898,200	$ 99,741,800	$ 100,757,800
Ratio of guarantees and endorsement securities to net worth (Note)	4.79	4.72	4.76
Short-term bills and bonds sold under agreement to repurchase	$ 149,859,450	$ 174,073,575	$ 165,727,616
Ratio of short-term bills and bonds sold under agreement to repurchase to net worth (Note)	6.84	8.24	7.84

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	September 30, 2018		December 31, 2017		September 30, 2017	
Credit of the common interested party	$ -		$ -		$ -	
Credit ratio of the interested party (Credit of the common interested party ÷ Total credit)	-		-		-	
Credit ratio of pledged stocks (Credit of pledged stocks ÷ Total credit)	18.40		19.05		17.89	
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	31.10	1) Finance and insurance industry	31.07	1) Finance and insurance industry	31.07
	2) Manufacturing industry	25.46	2) Manufacturing industry	24.61	2) Manufacturing industry	25.63
	3) Real estate industry	24.97	3) Real estate industry	25.58	3) Real estate industry	24.69

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

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

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

e. Interest rate sensitivity information of the balance sheet

September 30, 2018

(In Millions of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 83,885	$ 10,361	$ 9,373	$ 89,769	$ 193,388
Interest rate-sensitive liabilities	171,161	608	-	-	171,769
Interest rate-sensitive gap	(87,276)	9,753	9,373	89,769	21,619
Net worth					23,105
Ratio of interest rate-sensitive assets to liabilities (%)					112.59
Ratio of interest rate sensitivity gap to net worth (%)					93.57

December 31, 2017

(In Millions of New Taiwan Dollars or in %)

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

September 30, 2017

(In Millions of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 104,270	$ 11,312	$ 10,067	$ 91,068	$ 216,717
Interest rate-sensitive liabilities	192,273	2,478	39	-	194,790
Interest rate-sensitive gap	(88,003)	8,834	10,028	91,068	21,927
Net worth					22,675
Ratio of interest rate-sensitive assets to liabilities (%)					111.26
Ratio of interest rate sensitivity gap to net worth (%)					96.70

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

September 30, 2018

(In Millions of New Taiwan Dollars)

Items	Period	0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 41,020	$ 35,192	$ 6,427	$ 1,203	$ -
	Bonds	1,181	3,473	3,934	8,170	89,769
	Due from banks	249	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	1,618	1,152	-	-	-
	Total	44,068	39,817	10,361	9,373	89,769
Cash provided by	Borrowing	22,001	-	-	-	-
	Securities sold under agreement to repurchase	116,372	32,788	608	-	-
	Eligible capital	-	-	-	-	23,105
	Total	138,373	32,788	608	-	23,105
Net cash flows		(94,305)	7,029	9,753	9,373	66,664
Accumulated cash flows		(94,305)	(87,276)	(77,523)	(68,150)	(1,486)

December 31, 2017

(In Millions of New Taiwan Dollars)

Items	Period	0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 49,385	$ 47,488	$ 8,489	$ 1,259	$ -
	Bonds	1,034	2,589	4,390	7,558	88,435
	Due from banks	308	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	4,382	1,301	-	-	-
	Total	55,109	51,378	12,879	8,817	88,435
Cash provided by	Borrowing	21,137	-	-	-	-
	Securities sold under agreement to repurchase	133,441	39,040	1,479	16	-
	Eligible capital	-	-	-	-	23,025
	Total	154,578	39,040	1,479	16	23,025
Net cash flows		(99,469)	12,338	11,400	8,801	65,410
Accumulated cash flows		(99,469)	(87,131)	(75,731)	(66,930)	(1,520)

September 30, 2017

(In Millions of New Taiwan Dollars)

Items \ Period		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 45,623	$ 49,947	$ 7,688	$ 3,393	$ -
	Bonds	686	4,868	3,624	6,674	91,068
	Due from banks	395	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	2,551	200	-	-	-
	Total	49,255	55,015	11,312	10,067	91,068
Cash provided by	Borrowing	28,152	1,000	-	-	-
	Securities sold under agreement to repurchase	131,169	31,952	2,478	39	-
	Eligible capital	-	-	-	-	22,675
	Total	159,321	32,952	2,478	39	22,675
Net cash flows		(110,066)	22,063	8,834	10,028	68,393
Accumulated cash flows		(110,066)	(88,003)	(79,169)	(69,141)	(748)

g. Matters requiring special notation

(In Thousands of New Taiwan Dollars)

Causes	September 30, 2018	December 31, 2017	September 30, 2017
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None	None
Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws	None	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT$50 million dollars	None	None	None
Other	None	None	None

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

51. ADDITIONAL DISCLOSURES

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

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

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

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

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

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

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

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

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

9) Sale of nonperforming loans: None

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

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

12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Bank exercises significant influence.” Uncovering

13) Derivative instrument transactions: Note 8

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

52. OPERATING SEGMENT FINANCIAL INFORMATION

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

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

b. Overseas: Overseas banking business.

c. Leasing: Leasing business.

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

e. Others: Other non-core businesses.

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

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the nine months ended September 30, 2018							
Net interest revenue							
From unaffiliated segment	$ 1,645,178	$ 699,748	$ 577,157	$ 273,916	$ 25	$ (30,455)	$ 3,165,569
From other segment	(8,579)	-	333	1,243	395	6,608	-
	$ 1,636,599	$ 699,748	$ 577,490	$ 275,159	$ 420	$ (23,847)	$ 3,165,569
Net revenue other than interest income							
From unaffiliated segment	$ 1,218,802	$ 37,213	$ 154,547	$ 1,238,114	$ (10,445)	$ -	$ 2,638,231
From other segment	27,213	-	-	-	-	(6,415)	20,798
	$ 1,246,015	$ 37,213	$ 154,547	$ 1,238,114	$ (10,445)	$ (6,415)	$ 2,659,029
Net profit from continuing operations	$ 727,614	$ 268,631	$ 96,815	$ 1,048,763	$ (21,687)	$ (619,107)	$ 1,501,029
Identifiable assets	$ 333,653,836	$ 26,775,841	$ 15,488,547	$ 197,400,531	$ 216,697	$ (14,233,724)	$ 559,301,728
Depreciation and amortization expense	$ 282,019	$ 13,534	$ 11,838	$ 6,315	$ 163	$ -	$ 313,869
Capital expenditures	$ 172,920	$ 41,954	$ 10,236	$ 1,510	$ 3	$ -	$ 226,623
For the nine months ended September 30, 2017							
Net interest revenue							
From unaffiliated segment	$ 1,469,436	$ 657,861	$ 529,215	$ 342,226	$ 644	$ -	$ 2,999,382
From other segment	(14,009)	-	1	10,399	991	2,618	-
	$ 1,455,427	$ 657,861	$ 529,216	$ 352,625	$ 1,635	$ 2,618	$ 2,999,382
Net revenue other than interest income							
From unaffiliated segment	$ 1,384,083	$ 67,595	$ 256,642	$ 1,222,874	$ 13,574	$ -	$ 2,944,768
From other segment	31,645	-	-	-	-	(20,800)	(10,845)
	$ 1,415,728	$ 67,595	$ 256,642	$ 1,222,874	$ 13,574	$ (20,800)	$ 2,955,613
Net profit from continuing operations	$ 1,047,200	$ 223,646	$ 112,073	$ 1,023,769	$ 1,660	$ (589,950)	$ 1,818,398
Identifiable assets	$ 301,769,759	$ 25,176,612	$ 15,735,243	$ 219,810,187	$ 239,813	$ (16,644,779)	$ 546,086,835
Depreciation and amortization expense	$ 172,486	$ 13,305	$ 16,694	$ 6,597	$ 142	$ -	$ 209,224
Capital expenditures	$ 333,928	$ 17,783	$ 1,900	$ 3,961	$ 14	$ -	$ 357,586

TABLE 1

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Note 4)	Note
													Item	Value			
1	IBT Leasing	Lei Xin Construction	Accounts receivable - short-term accommodations	No	$ 112,960	$ 91,560	$ 91,560	2-8	2	$ -	Working capital turnover	$ 5,668	Real estate	$ 124,389	$ 199,060	$ 796,238	
		Teroko Textile Corp.	Accounts receivable - short-term accommodations	No	46,667	11,667	11,667	2-8	2	-	Working capital turnover	245	Stock	-	199,060	796,238	
		An Chieh Bao Corp.	Accounts receivable - short-term accommodations	No	33,968	8,738	8,738	2-8	1	50,000	Working capital turnover	26	Margin	7,500	199,060	1,990,596	
		Kaiju Aluminum Industry Co., Ltd.	Accounts receivable - short-term accommodations	No	23,591	12,308	12,308	2-8	1	30,000	Working capital turnover	178	Real estate	24,288	199,060	1,990,596	
		Kaiju Aluminum Industry Co., Ltd.	Accounts receivable - short-term accommodations	No	23,591	12,308	12,308	2-8	2	-	Working capital turnover	178	Real estate	24,288	199,060	796,238	
		General Energy Solutions	Accounts receivable - short-term accommodations	No	15,730	5,762	5,762	2-8	2	-	Working capital turnover	55	Margin	2,000	199,060	796,238	
		San Rong Fisheries Corp.	Accounts receivable - short-term accommodations	No	20,952	18,225	18,225	2-8	2	-	Working capital turnover	9,257	Margin	5,000	199,060	796,238	
		Sanyueh Development Co., Ltd.	Accounts receivable - short-term accommodations	No	165,000	165,000	165,000	2-8	2	-	Working capital turnover	3,465	Real estate	88,310	199,060	796,238	
		Kuang Ming Shipping Corp.	Accounts receivable - short-term accommodations	No	96,700	67,000	67,000	2-8	2	-	Working capital turnover	1,407	-	-	199,060	796,238	
		Power Home Construction	Accounts receivable - short-term accommodations	No	188,100	188,100	188,100	2-8	2	-	Working capital turnover	3,950	Real estate	231,671	199,060	796,238	
		Inhon International Corp.	Accounts receivable - short-term accommodations	No	47,506	24,942	24,942	2-8	2	-	Working capital turnover	553	Margin	10,000	199,060	796,238	
		Huimin Environmental Tech. Corp.	Accounts receivable - short-term accommodations	No	30,000	10,938	10,938	2-8	2	-	Working capital turnover	159	-	-	199,060	796,238	
		Da Peng Electronic Industry Co., Ltd.	Accounts receivable - short-term accommodations	No	30,000	25,080	25,080	2-8	2	-	Working capital turnover	275	Margin	12,000	199,060	796,238	
		General Energy Solutions	Accounts receivable - short-term accommodations	No	58,000	50,964	50,964	2-8	1	77,159	Working capital turnover	655	Margin	5,800	199,060	1,990,596	
		Shinex Machinery Engineering Inc.	Accounts receivable - short-term accommodations	No	30,000	24,375	24,375	2-8	2	-	Working capital turnover	512	-	-	199,060	796,238	
		An Chieh Bao Corp.	Accounts receivable - short-term accommodations	No	40,000	37,446	37,446	2-8	2	-	Working capital turnover	660	Margin	6,000	199,060	796,238	
		Sanyueh Development Co., Ltd.	Accounts receivable - short-term accommodations	No	90,000	-	-	2-8	2	-	Working capital turnover	-	-	-	199,060	796,238	
		Jiin Ming Industry Co., Ltd.	Accounts receivable - short-term accommodations	No	40,000	-	-	2-8	2	-	Working capital turnover	-	-	-	199,060	796,238	
2	IBT International Leasing Corp.	Qing Dao Lian Sheng Industry Corp	Entrusted loans	Yes	177,668	164,430	164,430	6-16	2	-	Working capital turnover	3,535	Real estate	195,888	187,764	751,054	
		San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	Yes	216,920	-	-	6-16	2	-	Working capital turnover	-	-	-	187,764	751,054	
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	65,573	31,022	31,022	6-16	2	-	Working capital turnover	155	Real estate	89,611	187,764	751,054	
		Shanghai Kuang Di Entertainment Co., Ltd.	Entrusted loans	No	54,037	27,629	27,629	6-16	2	-	Working capital turnover	138	Real estate	41,459	187,764	751,054	
		Shanghai Qiaoyou Garment Co., Ltd.	Entrusted loans	No	37,345	17,872	17,872	6-16	2	-	Working capital turnover	89	Real estate	26,150	187,764	751,054	
		Qiangsheng (Shanghai) Multimedia Co., Ltd.	Entrusted loans	No	62,184	56,119	56,119	6-16	2	-	Working capital turnover	236	Real estate and margin	60,305	187,764	751,054	
		Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loans	No	88,834	62,184	-	6-16	2	-	Working capital turnover	-	Real estate	68,565	187,764	751,054	
3	IBT Tianjin International Leasing Corp.	San Yuan Construction (Qing Dao) Development Corp.	Entrusted loans	Yes	65,075	-	-	9-11	2	-	Working capital turnover	-	-	-	15,619	62,478	

(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 NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
1	IBT Leasing	IBT International Leasing Corp.	b	$ 15,924,770	$ 12,831,457	$ 12,831,457	$ 7,277,914	$ -	644.60	$ 23,887,154	No	No	Yes
2	IBT Leasing	IBT Tianjin International Leasing Corp.	c	15,924,770	4,528,366	2,586,834	103,847	-	129.95	23,887,154	No	No	Yes

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

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

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

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

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2018				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
IBT Holdings	Stocks							
	EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US$ 156,731	91.78	US$ 156,731	
IBT Management Corp.	Open type beneficiary certificate							
	Taishin Ta-Chong Money Market Fund	-	Financial asset at fair value through profit or loss	750	10,630	-	10,630	
	Uni Money Market Fund	-	Financial asset at fair value through profit or loss	803	10,571	-	10,571	
	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at fair value through profit or loss	15,319	130,518	0.20	130,518	
	Stocks							
	Gatetech Technology Co., Ltd.	-	Financial asset at fair value through other comprehensive income	92	1,181	0.18	1,181	
IBT Leasing Co., Ltd.	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	1,877,635	100.00	1,877,635	
	IBT Tianjin International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	60,916	39.00	60,916	
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	409,691	100.00	409,691	Note
IBT VII Venture Capital Co., Ltd.	Stocks							
	IBT Tianjin International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	95,278	61.00	95,278	
	EirGenix Co., Ltd.	-	Financial asset at fair value through profit or loss	722	22,786	0.58	22,786	
	TAIRX Corp.	-	Financial asset at fair value through profit or loss	1,842	37,890	2.74	37,890	
	Meridigen Corp.	-	Financial asset at fair value through profit or loss	500	10,204	0.56	10,204	
	Femcosteel Tech Co., Ltd.	-	Financial asset at fair value through profit or loss	1,498	30,863	3.63	30,863	
	Shihlian China Holdings Corp.	-	Financial asset at fair value through profit or loss	9,135	36,816	0.24	36,816	
	HSINER Co., Ltd.		Financial asset at fair value through profit or loss	330	10,737	0.59	10,737	
	O-Bank “Successful One”		Financial asset at fair value through profit or loss	14,000	119,280	4.67	119,280	
	Polaris Co., Ltd.	-	Financial asset at fair value through profit or loss	140	5,952	0.05	5,952	

Note: Unreviewed by certified public accountant.

O-BANK AND SUBSIDIARIES

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

Period			September 30, 2018					December 31, 2017				
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 21,623	$ 80,353,931	0.03	$ 936,553	4,331.28	$ 415,307	$ 68,463,348	0.61	$ 814,680	196.16
	Unsecured		-	90,794,333	-	1,502,943	-	-	91,147,921	-	1,520,555	-
Consumer banking	Housing mortgage (Note 4)			6,729,630	-	101,612	-	-	5,001,783	-	75,027	-
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans		3,119	2,609,265	0.12	26,316	843.73	135	559,979	0.02	5,627	4,168.15
	Other	Secured	-	-	-	-	-	-	-	-	-	-
		Unsecured	-	-	-	-	-	-	-	-	-	-
Total lending business			24,742	180,487,159	0.01	2,567,424	10,376.78	415,442	165,173,031	0.25	2,415,889	581.52
			Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			-	-	-	-	-	-	-	-	-	-
Factored accounts receivable without recourse (Note 5)			-	4,331,356	-	46,937	-	-	4,592,967	-	51,390	-

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

Period			September 30, 2017				
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 555,306	$ 67,273,879	0.83	$ 818,786	147.45
	Unsecured		-	91,343,191	-	1,510,027	-
Consumer banking	Housing mortgage (Note 4)		-	2,829,106	-	42,437	-
	Cash card		-	-	-	-	-
	Small-scale credit loans		196	292,989	0.07	2,950	1,505.10
	Other	Secured	-	-	-	-	-
		Unsecured	-	-	-	-	-
Total lending business			555,502	161,739,165	0.34	2,374,200	427.40
			Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			-	-	-	-	-
Factored accounts receivable without recourse (Note 5)			-	3,917,414	-	47,890	-

(Continued)

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

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

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

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

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

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

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

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

(Concluded)

O-BANK AND SUBSIDIARIES

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

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2018	Accumulated Inward Remittance of Earnings as of September 30, 2018
					Outflow	Inflow					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 24,446,781 (US$ 800,000)	Note 1 c.	$ 210,792 (US$ 6,898)	$ -	$ -	$ 210,972 (US$ 6,898)	1.39	$ -	$ 210,972 (US$ 6,898)	$ -
Shinlien Brine Huaian Co.	Production of glass materials	977,871 (US$ 32,000)	Note 1 c.	10,176 (US$ 333)	-	-	10,176 (US$ 333)	1.39	-	10,176 (US$ 333)	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	586,723 (US$ 19,200)	Note 1 c.	61,117 (US$ 2,000)	-	-	61,117 (US$ 2,000)	2.09	-	61,117 (US$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	44,417 (RMB 10,000)	Note 1 c.	15,279 (US$ 500)	-	-	15,279 (US$ 500)	2.09	-	15,279 (US$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	241,186 (RMB 54,300)	Note 1 c.	61,117 (US$ 2,000)	-	-	61,117 (US$ 2,000)	2.175	-	61,117 (US$ 2,000)	-
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	132,318 (US$ 4,330)	Note 1 c.	17,877 (US$ 585)	-	-	17,877 (US$ 585)	2.17	-	17,877 (US$ 585)	-
Topping Cuisine International Holding, Ltd.	Food retailing	158,904 (US$ 5,200)	Note 1 c.	17,877 (US$ 585)	-	-	17,877 (US$ 585)	2.17	-	17,877 (US$ 585)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,112 (US$ 200)	Note 1 c.	122 (US$ 4)	-	-	122 (US$ 4)	2.17	-	122 (US$ 4)	-
Beauty Essential International, Ltd.	Cosmetic retailing	91,675 (US$ 3,000)	Note 1 c.	24,019 (US$ 786)	-	-	24,019 (US$ 786)	2.64	-	24,019 (US$ 786)	-

Accumulated Investment in Mainland China as of September 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$418,376 (US$13,691)	$418,376 (US$13,691)	Note 3

(Continued)

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2018	Accumulated Inward Remittance of Earnings as of September 30, 2018
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 1,375,132 (US$ 45,000)	Note 1 d.	$ 916,754 (US$ 30,000)	$ 458,377 (US$ 15,000)	$ -	$ 1,375,132 (US$ 45,000)	100.00	$ 231,027 (Note 2)	$ 1,877,635	$ -
IBT Tianjin International Leasing Corp.	Leasing	611,170 (US$ 20,000)	Note 1 d.	238,356 (US$ 7,800)	-	-	238,356 (US$ 7,800)	100.00 (Note 5)	(29,657) (Note 2)	60,916	-

Accumulated Investment in Mainland China as of September 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,613,488 (US$52,800)	$1,613,488 (US$52,800)	Note 4

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2018	Accumulated Inward Remittance of Earnings as of September 30, 2018
					Outflow	Inflow					
IBT Tianjin International Leasing Corp.	Leasing	$ 611,170 (US$ 20,000)	Note 1 d.	$ 372,813 (US$ 12,200)	$ -	$ -	$ 372,813 (US$ 12,200)	61.00	$ (46,386)	$ 95,278	$ -

Accumulated Investment in Mainland China as of September 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$372,813 (US$12,200)	$372,813 (US$12,200)	$245,814

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.)

(Continued)

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: The 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 2017, so it is not under “the regulation of investing or technology-cooperation in China”.

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

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

(Concluded)

TABLE 6

O-BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
1	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Deposits	$ 771,628	Note 2	0.14
2	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing, IBTVC7 and CBF	a	Interest expense	8,579	Note 2	0.15
3	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited and IBTS Asia (HK) Limited	a	Payables	523	Note 2	-
4	The Bank	IBTM and CBF	a	Other net revenue other than interest	27,213	-	0.47
5	Chun Teng New Century	The Bank	b	Cash and cash equivalents	467,094	Note 2	0.08
6	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	3,481	Note 2	0.06
7	Chun Teng New Century	The Bank	b	Accounts receivable	103	Note 2	-
8	Chun Teng New Century	IBT Leasing	c	Discontinued operations - other operation and administrative expenses	544	-	0.01
9	IBTM	The Bank	b	Accounts receivable	8	Note 2	-
10	IBTM	The Bank	b	Cash and cash equivalents	56,190	Note 2	0.01
11	IBTM	The Bank	b	Interest revenue	395	Note 2	0.01
12	IBTM	The Bank	b	Other operating and administrative expenses	694	Note 2	0.01
13	IBTM	IBTVC7	c	Advisory services incomes	9,112	Note 2	0.16
14	CBF	The Bank	b	Interest revenue	1,243	Note 2	0.02
15	CBF	The Bank	b	Other operation and administrative expenses	26,519	-	0.46

(Continued)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
16	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	$ 239,450	Note 2	0.04
17	IBTS Asia (HK) Limited	The Bank	b	Interest revenue	3,075	Note 2	0.05
18	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	393	Note 2	-
19	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	6,995	Note 2	-
20	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	52	Note 2	-
21	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	19	Note 2	-
22	IBTL	The Bank	b	Cash and cash equivalents	687	Note 2	-
23	IBTL	The Bank	b	Interest revenue	107	Note 2	-
24	IBTL	Chun Teng New Century	c	Other net revenue other than interest	544	Note 2	0.01
25	IBTVC7	The Bank	b	Cash and cash equivalents	1,212	Note 2	-
26	IBTVC7	The Bank	b	Interest revenue	226	Note 2	-
27	IBTVC7	IBTM	c	Other operating and administrative expenses	9,112	-	0.16

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

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

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

(Concluded)