Stock code: 5876

The Shanghai Commercial & Savings Bank, Ltd.

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
The Shanghai Commercial & Savings Bank, Ltd.

Opinion

We have audited the accompanying financial statements of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank"), which comprised the balance sheets as of June 30, 2018, December 31, 2017 and June 30, 2017, the statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 2018 and 2017, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of June 30, 2018, December 31, 2017 and June 30, 2017, and its financial performance and its cash flows for the six months ended June 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

Basis for Opinion

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

Key Audit Matters

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

Allowance for Credit Losses on Discounts and Loans

The Bank primarily engages in the crediting business. As of June 30, 2018, the Bank's balance of discounts and loans amounted to $671,090,084 thousand, which was significant to the accompanying financial statements. Starting from January 1, 2018, the Bank conducted its impairment assessment on discounts and loans following the requirement of International Financial Reporting Standard No. 9 as well as with reference to the related regulations. The Bank's management assesses the impairment on discounts and loans using the expected credit loss model. Assessing whether the credit risk has increased significantly since initial recognition is used so as to measure the amount of loss on impairment based on past experience, the current market situation and perceptiveness. In addition, for the case of loans which have generated credit impairment, the amount of impairment loss that may be recovered in the future is estimated. Refer to Notes 4, 5, 14 and 37 to the financial statements for disclosures related to impairment of loan portfolios. As the cash flow forecasts involved management's critical judgments in accounting estimations and the underlying assumptions, we then determined the impairment of loan portfolios as a key audit matter.

In response to the abovementioned key audit matter, we have performed the following procedures:

1. Understood and tested the Bank's internal control procedures that were relevant to loan impairment assessment;

2. Tested whether the method and important parameters (default rate, default loss rate and default exposure amount) adopted in the expected credit loss model properly reflect the actual situation and calculated the amount of impairment; and

3. Reviewed management's rationality of estimated future cash flows and the value of collateral held for loan cases which have incurred credit impairment.

Measurement of Deferred Income Taxes

As of June 30, 2018, the Bank's balances of deferred income tax liabilities and assets amounted to $8,932,532 thousand and $780,268 thousand, respectively, which are significant to the accompanying financial statements. The management periodically assesses the realizability and reversal timing of all temporary differences to recognize the deferred income tax assets and liabilities. Refer to Notes 4 and 32 to the financial statement for disclosures regarding deferred income taxes. As the realizability and reversal of temporary differences involves management's critical judgments for accounting estimations and the underlying assumptions, we determined the measurement of deferred income taxes to be a key audit matter.

In response to the abovementioned key audit matter, we have performed the following procedures:

1. Evaluated the financial forecast and underlying assumptions used by management supporting the realizability of deductible temporary differences and performed our own calculation of the deferred income tax assets recognized; and

2. Assessed the completeness and expected reversal timings of all taxable temporary differences and performed our own calculation of the deferred income tax liabilities recognized.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Shih-Tsung Wu and Chun-Hung Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 18, 2018

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

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

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

Codes	ASSETS	June 30, 2018 Amount	%	December 31, 2017 Amount	%	June 30, 2017 Amount	%
11000	Cash and cash equivalents (Note 6)	$ 30,132,160	3	$ 33,056,025	3	$ 21,867,254	2
11500	Due from the Central Bank and call loans to banks, net (Note 7)	80,257,138	7	85,249,801	8	89,302,439	8
12000	Financial assets measured at fair value through profit or loss (Note 8)	5,376,337	-	1,241,777	-	1,774,134	-
12100	Financial assets measured at fair value through other comprehensive income (Notes 9, 11 and 35)	178,301,965	16	-	-	-	-
12200	Debt instrument investments measured at amortized cost (Notes 10, 11 and 35)	81,532,814	7	-	-	-	-
12500	Securities purchased under resale agreements (Note 12)	195,282	-	195,061	-	120,038	-
13000	Receivables, net (Notes 13 and 34)	8,406,333	1	7,192,157	1	8,841,893	1
13200	Current income tax assets (Note 32)	91,138	-	37,267	-	37,267	-
13500	Discounts and loans, net (Notes 14 and 34)	661,947,546	59	630,998,058	58	610,302,943	58
14000	Available-for-sale financial assets, net (Notes 15 and 35)	-	-	153,412,275	14	173,816,878	17
14500	Held-to-maturity financial assets (Notes 16 and 35)	-	-	103,444,933	9	72,357,352	7
15000	Equity investments under the equity method (Note 17)	64,311,693	6	60,883,586	6	62,168,114	6
15500	Other financial assets, net (Note 18)	793	-	635	-	8,599	-
18500	Properties, net (Note 19)	12,072,700	1	12,124,251	1	12,351,624	1
19300	Deferred income tax assets (Note 32)	780,268	-	575,209	-	579,347	-
19500	Other assets, net (Note 20)	2,175,449	-	2,469,098	-	1,985,804	-
10000	Total assets	$ 1,125,581,616	100	$ 1,090,880,133	100	$ 1,055,513,686	100
Codes	**LIABILITIES AND EQUITY**						
21000	Due to the Central Bank and banks (Note 21)	$ 15,754,474	1	$ 8,331,836	1	$ 12,132,518	1
22000	Financial liabilities measured at fair value through profit or loss (Note 8)	513,155	-	317,780	-	401,032	-
22500	Securities sold under repurchase agreements (Note 22)	22,021,546	2	29,792,067	3	21,335,644	2
23000	Payables (Notes 23 and 34)	27,896,279	3	20,561,446	2	24,342,648	3
23200	Current income tax liabilities (Note 32)	901,396	-	796,857	-	857,320	-
23500	Deposits and remittances (Notes 24 and 34)	869,484,877	77	850,155,101	78	820,267,824	78
24000	Bank debentures (Note 25)	50,150,000	5	45,150,000	4	43,150,000	4
25500	Other financial liabilities (Note 26)	4,502,071	-	3,048,417	-	3,169,845	-
25600	Provisions (Notes 27 and 29)	1,235,885	-	1,132,371	-	1,038,126	-
29300	Deferred income tax liabilities (Note 32)	8,932,532	1	8,435,684	1	8,351,947	1
29500	Other liabilities (Notes 28 and 34)	749,259	-	748,775	-	705,045	-
20000	Total liabilities	1,002,141,474	89	968,470,334	89	935,751,949	89
	Equity (Note 30)						
31101	Ordinary shares	40,791,031	4	40,791,031	4	40,791,031	4
31500	Capital surplus	5,342,186	1	4,655,555	-	4,647,655	-
	Retained earnings						
32001	Legal reserve	47,832,994	4	44,117,426	4	44,117,426	4
32003	Special reserve	7,600,814	1	7,538,888	1	7,538,888	1
32005	Unappropriated earnings	16,654,529	1	21,066,873	2	14,987,248	1
32000	Total retained earnings	72,088,337	6	72,723,187	7	66,643,562	6
32500	Other equity	5,301,732	-	4,323,170	-	7,762,633	1
32600	Treasury shares	(83,144)	-	(83,144)	-	(83,144)	-
30000	Total equity	123,440,142	11	122,409,799	11	119,761,737	11
	Total liabilities and equity	$ 1,125,581,616	100	$ 1,090,880,133	100	$ 1,055,513,686	100

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

		For the Six Months Ended June 30			
		2018		2017	
Codes		Amount	%	Amount	%
41000	Interest revenue	$ 9,815,863	85	$ 8,506,405	79
51000	Interest expenses	3,431,263	30	2,697,248	25
	Net interest (Notes 31 and 34)	6,384,600	55	5,809,157	54
	Non-interest revenue				
49100	Service fee income, net (Notes 31 and 34)	1,333,990	12	1,243,805	12
49200	Gain on financial assets and liabilities measured at fair value through profit or loss (Notes 31 and 34)	(39,331)	-	577,335	5
49300	Realized gain on available-for-sale financial assets	-	-	214,253	2
49310	Realized gain on financial assets measured at fair value through other comprehensive income (Note 31)	37,725	-	-	-
49450	Gain on financial assets measured at amortized cost	(1,669)	-	-	-
49600	Foreign exchange gain, net	545,342	5	(129,502)	(1)
49700	Impairment loss on assets	(7,222)	-	-	-
49750	Share of profit of subsidiaries, associates and joint ventures for using equity method, net (Note 17)	3,250,020	28	3,051,272	28
49020	Other non-interest revenue (Note 34)	24,100	-	34,013	-
	Total non-interest revenue	5,142,955	45	4,991,176	46
	Net revenue	11,527,555	100	10,800,333	100
58200	Bad debt expense, commitment and guarantee liability provisions (Note 14)	300,000	3	269,989	3
	Operating expenses				
58500	Employee benefits(Notes 29, 31 and 34)	1,989,524	17	1,924,306	18
59000	Depreciation and amortization (Note 31)	202,995	2	229,503	2
59500	Other general and administrative	1,218,018	10	1,105,032	10
58400	Total operating expenses	3,410,537	29	3,258,841	30
61001	Profit before income tax	7,817,018	68	7,271,503	67
61003	Income tax expense (Note 32)	(1,167,315)	(10)	(1,047,799)	(10)
64000	Net income	6,649,703	58	6,223,704	57

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

		For the Six Months Ended June 30			
		2018		2017	
Codes		Amount	%	Amount	%
	Other comprehensive income				
	Items that will not be reclassified subsequently to profit or loss:				
65204	Gain on investments in equity instruments measured at fair value through other comprehensive income	(244,732)	(2)	-	-
65220	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 32)	10,843	-	-	-
65200	Subtotal of items that will not be reclassified subsequently to profit or loss	(233,889)	(2)	-	-
	Items that may be reclassified subsequently to profit or loss:				
65301	Exchange difference on translation for foreign operations	1,589,729	14	(3,508,603)	(32)
65308	Gain on investments in debt instruments measured at fair value through other comprehensive income	(1,190,305)	(10)	-	-
65302	Unrealized gain on available-for-sale financial assets	-	-	894,357	8
65307	Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	1,312,848	11	1,547,878	14
65320	Income tax relating to items that may be reclassified subsequently to profit or loss (Note 32)	(62,723)	(1)	489,552	5
65300	Subtotal of items that may be reclassified subsequently to profit or loss	1,649,549	14	(576,816)	(5)
65000	Other comprehensive income for the period, net of income tax	1,415,660	12	(576,816)	(5)
66000	Total comprehensive income for the period	$ 8,065,363	70	$ 5,646,888	52
	Earnings per share (Note 33)				
67500	Basic	$ 1.63		$ 1.53	
67700	Diluted	$ 1.63		$ 1.53	

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

STATEMENTS OF CHANGES IN EQUITY
For the Year Ended June30, 2017 and 2018
(In Thousands of New Taiwan Dollars)

		Share Capital		Retained Earnings			Other Equity				
Codes		Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Gain (Loss) on Financial Assets measured at Fair Value through Other Comprehensive Income	Treasury Shares	Total Equity
	Balance at January 1, 2017	$ 40,791,031	$ 4,647,655	$ 40,592,926	$ 7,480,146	$ 18,465,441	$ 2,442,274	$ 5,897,175	$ -	$ (83,144)	$ 120,233,504
	Appropriation of 2016 earnings										
B1	Legal reserve	-	-	3,524,500	-	(3,524,500)	-	-	-	-	-
B5	Special reserve	-	-	-	58,742	(58,742)	-	-	-	-	-
B9	Cash dividends	-	-	-	-	(6,118,655)	-	-	-	-	(6,118,655)
D1	Net profit for the six months ended June 30, 2017	-	-	-	-	6,223,704	-	-	-	-	6,223,704
D3	Other comprehensive income (loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	(2,911,028)	2,334,212	-	-	(576,816)
D5	Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	6,223,704	(2,911,028)	2,334,212	-	-	5,646,888
Z1	Balance at June 30, 2017	$ 40,791,031	$ 4,647,655	$ 44,117,426	$ 7,538,888	$ 14,987,248	$ (468,754)	$ 8,231,387	$ -	$ (83,144)	$ 119,761,737
A1	Balance at January 1, 2018	$ 40,791,031	$ 4,655,555	$ 44,117,426	$ 7,538,888	$ 21,066,873	$ (1,564,469)	$ 5,887,639	$ -	$ (83,144)	$ 122,409,799
A3	Effect of retrospective application and retrospective restatement	-	-	-	-	55,374	-	(5,887,639)	5,453,000	-	(379,265)
A5	Balance at January 1, 2018 as restated	40,791,031	4,655,555	44,117,426	7,538,888	21,122,247	(1,564,469)	-	5,453,000	(83,144)	122,030,534
	Appropriation of 2017 earnings										
B1	Legal reserve	-	-	3,715,568	-	(3,715,568)	-	-	-	-	-
B5	Cash dividends	-	-	-	61,926	(61,926)	-	-	-	-	-
B9	Share dividends	-	-	-	-	(7,342,386)	-	-	-	-	(7,342,386)
C17	Dividends not yet collected	-	686,631	-	-	-	-	-	-	-	686,631
D1	Net profit for the six months ended June 30, 2018	-	-	-	-	6,649,703	-	-	-	-	6,649,703
D3	Other comprehensive income for the six months ended June 30, 2018, net of income tax	-	-	-	-	10,843	896,017	-	508,800	-	1,415,660
D5	Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	6,660,546	896,017	-	508,800	-	8,065,363
Q1	Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	(8,384)	-	-	8,384	-	-
Z1	Balance at June 30, 2018	$ 40,791,031	$ 5,342,186	$ 47,832,994	$ 7,600,814	$ 16,654,529	$ (668,452)	$ -	$ 5,970,184	$ (83,144)	$ 123,440,142

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

Codes		For the Six Months Ended June 30 2018	For the Six Months Ended June 30 2017
	Cash flows from operating activities		
A00010	Net profit before income tax	$ 7,817,018	$ 7,271,503
A20010	Adjustments to reconcile net profit to net cash provided by operating activities		
A20100	Depreciation expenses	94,243	96,582
A20200	Amortization expenses	108,752	132,921
A20300	Bad debt expense, commitment and guarantee liability provisions	300,000	269,989
A21400	Expected credit impairment loss	7,222	-
A20400	(Gain) loss on financial assets and liabilities measured at fair value through profit or loss	426,924	(167,968)
A20900	Interest expenses	3,431,263	2,697,248
A21300	Dividend income	(17,670)	(22,828)
A21200	Interest revenue	(9,815,863)	(8,506,405)
A22400	Share of profit of subsidiaries, associates and joint ventures	(3,250,020)	(3,051,272)
A22500	Loss on disposal of properties and equipment, net	(345)	380
A29900	Other adjustments	(480,189)	235,889
A40000	Changes in operating assets and liabilities		
A41110	Increase in due from the Central Bank and call loans to banks	(780,471)	(6,236,502)
A41120	Decrease in financial assets measured at fair value through profit or loss	166,569	7,822,938
A41123	Increase in financial assets measured at fair value through other comprehensive income	(30,145,123)	-
A41125	Decrease in debt instrument investments measured at amortized cost	21,416,743	-
A41150	Increase in receivables	(900,036)	(1,654,372)
A41160	Increase in discounts and loans	(31,277,539)	(27,686,720)
A41170	Increase in available-for-sale financial assets	-	(9,105,570)
A41180	Increase in held-to-maturity financial assets	-	(10,131,654)
A41190	Decrease in other financial assets	(158)	(7,029)
A42110	Increase (decrease) in due to the Central Bank and banks	7,422,638	(948,168)
A42120	Increase (decrease) in financial liabilities measured at fair value through profit or loss	(213,915)	80,597
A42140	Increase (decrease) in securities sold under repurchase agreements	(7,770,521)	11,149,432
A42150	Increase (decrease) in payables	525,262	(1,109,288)
A42160	Increase in deposits and remittances	19,329,776	30,482,799
A42170	Increase (decrease) in other financial liabilities	1,453,652	(110,542)
A42180	Increase in employee benefit provisions	33,000	35,376
A42990	Increase (decrease) in other liabilities	42,197	(14,111)
A33000	Cash used in operations	(22,076,591)	(8,476,775)
A33100	Interest received	10,118,103	8,804,983
A33200	Dividends received	2,211,626	2,212,947
A33300	Interest paid	(3,277,655)	(2,610,694)
A33500	Income tax paid	(858,355)	(762,163)
AAAA	Net cash used in operating activities	(13,882,872)	(831,702)

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

Codes		For the Six Months Ended June 30 2018	2017
	Cash flows from investing activities		
B02700	Acquisition of properties	(42,693)	(26,871)
B02800	Proceeds from disposal of properties	694	200
B03700	Increase in refundable deposits	23,890	29,781
B06800	Decrease in other assets	161,218	469,746
BBBB	Net cash generated from investing activities	143,109	472,856
	Cash flows from financing activities		
C01400	Issuance of bank debentures	5,000,000	5,000,000
C03100	Decrease in guarantee deposits received	(43,571)	(11,303)
CCCC	Net cash generated from financing activities	4,956,429	4,988,697
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	86,615	(205,003)
EEE	Net increase (decrease) in cash and cash equivalents	(8,696,719)	4,424,848
E00100	Cash and cash equivalents at the beginning of the period	86,324,616	62,310,721
E00200	Cash and cash equivalents at the end of the period	$ 77,627,897	$ 66,735,569

Reconciliation of the cash and cash equivalents amounts in the statements of cash flows with the equivalent item reported in the balance sheets as of June 30, 2018 and 2017:

		2018	2017
E00210	Cash and cash equivalents in balance sheets	$ 30,132,160	$ 21,867,254
E00220	Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	47,300,455	44,748,277
E00230	Securities purchased under resale agreements which fall within the definition of cash and cash equivalents under IAS7	195,282	120,038
E00200	Cash and cash equivalents in statements of cash flows	$ 77,627,897	$ 66,735,569

(Concluded)

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

1. ORGANIZATION AND OPERATIONS

The Bank was incorporated in Taiwan and engages in commercial banking businesses under related laws and regulations.

The Bank has a head office in Taipei, 68 domestic branches 3 foreign branches located in Hong Kong, Vietnam and Singapore, and 3 representative offices located in Thailand, Cambodia and Indonesia.

The operations of the Bank's Trust Department include services related to planning, managing and operating a trust business under the Banking Act and Trust Enterprise Act.

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

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on August 18, 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 Financial Supervisory Commission (FSC)

   Aside from the following explanations, the applicable amendments to the financial issuer's financial reporting standards and the IFRSs approved and issued by the FSC will not result in significant changes in the Bank's accounting policies:

   - IFRS 9 "Financial Instruments" and related amendments

     IAS 39 "Financial Instruments: Recognition and Measurement" was replaced by IFRS 9 "Financial Instruments", which amended IFRS 7 "Financial Instruments: Disclosure" and other principles. The new regulations of IFRS 9 are about the recognition, measurement, and impairment of financial assets and general hedge accounting. For the related accounting policy, see Note 4.

     Recognition, measurement and impairment of financial assets

     The Bank analyzed the current facts and circumstances existing at January 1, 2018, the classification of existing financial assets was assessed on the date and retrospectively adjusted, and the comparison period was not restated.

On January 1, 2018, the measurement, carrying amounts and the changes in classifications of financial assets determined under IAS 39 and IFRS 9 are summarized as follows:

Financial Assets	Measurement IAS 39	Measurement IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9	Note
Derivatives	Held-for-trading financial assets	Mandatorily measured at fair value through profit or loss	$ 532,309	$ 523,797	
Hybrid instruments	Designated measured at fair value through profit or loss	Mandatorily measured at fair value through profit or loss	705,418	705,418	
Share investments	Held-for-trading financial assets	Investments in equity instruments measured at fair value through other comprehensive income	4,050	4,050	
	Available-for-sale financial assets	Mandatorily measured at fair value through profit or loss	561,098	561,098	2)
	Available-for-sale financial assets	Investments in equity instruments measured at fair value through other comprehensive income	3,005,644	2,757,110	1)
Beneficiary certificates	Available-for-sale financial assets	Mandatorily measured at fair value through profit or loss	3,577,093	3,577,093	2)
Bond investments	Available-for-sale financial assets	Mandatorily measured at fair value through profit or loss	184,622	184,622	2)
	Available-for-sale financial assets	Investments in debt instruments measured at fair value through other comprehensive income	142,843,675	142,843,675	
	Available-for-sale financial assets	Measured at amortized cost	3,240,144	3,238,754	3)
	Held-to-maturity investments	Measured at amortized cost	99,740,290	99,740,290	4)
	Held-to-maturity investments	Investments in debt instruments measured at fair value through other comprehensive income	3,704,643	3,704,643	5)
Accounts receivable and other receivables	Accounts receivable	Measured at amortized cost	7,192,157	7,178,081	6)
Discounts and loans	Loans and receivables	Measured at amortized cost	630,998,058	630,912,890	7)

	January 1, 2018 Carrying Amount (IAS 39)	Reclassification	Remeasurement	January 1, 2018 Carrying Amount (IFRS 9)	January 1, 2018 Retained Earnings Effects	January 1, 2018 Other Effects	Note
Financial assets measured at fair value through profit or loss	$ 1,241,777	$ -	$ (8,512)	$ 1,233,265	$ -	$ -	
Add: Reclassified from held-for-trading financial assets (IAS 39)							
Mandatorily	-	4,322,813	-	4,322,813	209,959	(209,959)	2)
Less: Reclassified to financial assets measured at fair value through other comprehensive income - equity instruments (IFRS 9)	-	(4,050)	-	(4,050)	-	-	
	1,241,777	4,318,763	(8,512)	5,552,028	209,959	(209,959)	
Financial assets measured at fair value through other comprehensive income							
Debt instruments							
Add: Reclassified from held-to-maturity financial assets (IAS 39)	-	3,704,643	-	3,704,643	-	-	5)
Add: Reclassified from available-for-sale financial assets (IAS 39)	-	142,843,675	-	142,843,675	(9,102)	9,102	
Equity instruments							
Add: Reclassified from financial assets measured at fair value through profit or loss (IAS 39)	-	4,050	-	4,050	-	-	
Add: Reclassified from available-for-sale financial assets (IAS 39)	-	3,005,644	(248,534)	2,757,110	-	(248,534)	1)
	-	149,558,012	(248,534)	149,309,478	(9,102)	(239,432)	
Financial assets at amortized cost							

	January 1, 2018 Carrying Amount (IAS 39)	Reclassification	Remeasurement	January 1, 2018 Carrying Amount (IFRS 9)	January 1, 2018 Retained Earnings Effects	January 1, 2018 Other Effects	Note
Add: Reclassified from available-for-sale financial assets	-	3,240,144	(1,390)	3,238,754	(1,390)	-	3)
Add: Reclassified from investments in held-to-maturity investments (IAS 39)	-	99,740,290	-	99,740,290	-	-	4)
	-	102,980,434	(1,390)	102,979,044	(1,390)	-	
Total	$ 1,241,777	$ 256,857,209	$ (258,436)	$ 257,840,550	$ 199,467	$ (449,391)	

1) Unlisted share investments were originally classified as available-for-sale financial assets under IAS 39. Because they are not held for trading, they are measured at fair value through other comprehensive income in accordance with IFRS 9 and are re-measured at fair value; therefore, the unrealized gain and loss on financial assets measured at fair value through other comprehensive income decreased by $248,534 thousand on January 1, 2018.

2) Share investments and beneficiary certificates were classified as available-for-sale financial assets under IAS 39. The Bank measured them measured at fair value through profit or loss, and reclassified the other equity - unrealized gain and loss on available-for-sale financial assets as retained earnings in the amount of $209,959 thousand.

3) Bond investments were classified as available-for-sale financial assets under IAS 39. The Bank assessed that the business model is for the purpose of collecting contractual cash flow under the current facts and circumstances existing as of January 1, 2018. And the cash flows at the time of original recognition were totally used to pay for the interest on the principal and the amount of the outstanding principal; therefore, such investments are measured at amortized cost in accordance with IFRS 9, and the Bank assessed the expected credit loss. The Bank determined the amortized cost on January 1, 2018 under the retroactive application of the effective interest method. And the Bank reduced the retained earnings by $1,390 thousand on January 1, 2018.

4) Bond investments were classified as financial assets held-to-maturity and at amortized cost under IAS 39. The cash flows at the time of original recognition were totally used to pay for the interest on the principal and the amount of the outstanding principal. And the Bank assessed that the business model is for the purpose of collecting contractual cash flow under the current facts and circumstances existing as of January 1, 2018; therefore, such investments are measured at amortized cost in accordance with IFRS 9, and the Bank assessed the expected credit loss.

5) Bond investments were classified as financial assets held-to-maturity and at amortized cost under IAS 39. The cash flows at the time of original recognition were totally used to pay for the interest on the principal and the amount of the outstanding principal. And the Bank assessed that the business model is for the purpose of collecting contractual cash flow by holding the financial assets under the current facts and circumstances existing as of January 1, 2018; therefore, such investments are measured at amortized cost in accordance with IFRS 9, and the Bank assessed the expected credit loss.

6) Receivables, which were classified as loans and receivables under IAS 39, are classified as financial assets at amortized cost in accordance with IFRS 9, and they are assessed for expected credit loss. Due to retrospective application, the expected credit loss increased by $14,076 thousand and the retained earnings decreased by $14,076 thousand on January 1, 2018.

7) Discounts and loans, which were classified as loans and receivables under IAS 39, are classified as financial assets at amortized cost in accordance with IFRS 9, and they are assessed for expected credit loss. Due to retrospective application, the expected credit loss increased by $85,168 thousand and the retained earnings decreased by $85,168 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, Amended or Revised Standards and Interpretations (the "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 "Amended by 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: FSC permits the Bank electing to apply the amendments in advance starting at January 1, 2018.

Note 3: Any plan amendment, curtailment or settlement on or after January 1, 2019 should be applied under this amendment.

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 leases

When applying IFRS 16 for the first time, the Bank will choose whether a contract signed or changed on or after January 1, 2019 will be assessed as a lease according to IFRS 16. Currently, lease contracts under IAS 17 and IFRIC are not allowed to be reassessed, which should be processed in accordance with the transitional provisions of IFRS 16.

The Bank as a lessee

When IFRS 16 is applied for the first time, except for the low-value target asset leases and short-term lease options, which are recognized under a straight-line basis, other leases will be recognized as the right-of-use assets and lease liabilities in the balance sheets. However, assets, which are eligible for use under the definition of investment real estate, will be presented as investments in real estate.

The comprehensive income statements will represent the depreciation expense of the right-of-use assets and the interest expense arising from the effective interest method on the lease liabilities separately.

In the cash flow statements, the principal amount of lease liabilities is expressed as financing activities, and the interest payment portion is classified as operating activities.

Prior to the application of IFRS 16, the operating leases were recognized as expenses on a straight-line basis. Operating lease cash flows are expressed in operating activities in the cash flow statements. Contracts classified as finance leases are recognized in the balance sheets as lease assets and lease payables.

The Bank planned to adjust the cumulative effects of the retroactive application of IFRS 16 to the retained earnings on January 1, 2019, without restating the comparative information.

At present, in accordance with the agreement of IAS 17 for operating leases, the measurement of lease liabilities on January 1, 2019 will be discounted by the remaining lease payments at the increased borrowing rate of the lessee at that date. All assets with use rights will be measured at the amount of lease liabilities on that date. The identified right-of-use assets will be subject to an IAS 36 impairment assessment.

For the leases classified as financing leases under IAS 17, the carrying amount of the lease assets and lease liabilities on January 1, 2019 will be the same as those on December 31, 2018.

The Bank as a lessor

No adjustments will be made to the leases in which the Bank acts as a lessor during the transition period for the application of IFRS 16 which will be applied starting from January 1, 2019

In addition to the above effects, as of the date of the publication of these financial statements, the Bank continues to evaluate the impact of other standards and interpretations on its financial status and financial performance, and the related impact will be disclosed when the assessment is completed.

c. IFRSs issued by the IASB but not yet approved by the FSC

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

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

As of the date on which the financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank's financial position and financial performance and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Statement of Compliance

These interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for an asset or liability.

When the Bank prepared the financial statements, its investments in subsidiaries and associates were accounted for using the equity method. To make the current loss and profit as well as the other comprehensive income and equity equal to the current loss and profit and the other comprehensive income and equity which are attributable to the owners of the Bank in the consolidated financial statements, "equity investments under the equity method", the "share of profit or loss of subsidiaries, associates and joint ventures", and the "share of the other comprehensive income of subsidiaries, associates and joint ventures" were adjusted.

Other Significant Accounting Policies

Except for the following, the accounting policies applied in these financial statements are consistent with those applied in the financial statements for the year ended December 31, 2017.

a. Retirement benefits

   Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined annual 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 the expected total annual earnings.

   The change in the tax rate arising from the amendments to the tax law during the period is consistent with the accounting principles of the transactions that are subject to the taxation, and is recognized in profit or loss, other comprehensive gains and losses or directly recognized in equity in the period in which they arise.

c. Financial instruments

   Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions o 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 measured 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 measured 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 derecognised on a trade date basis.

1) Measurement

2018

The Bank owns financial assets which are classified into the following specified categories: Financial assets measured at fair value through profit or loss (FVTPL), financial assets at amortized cost, investments in debt instruments measured at fair value through other comprehensive income (FVTOCI) and investments in equity instruments measured at fair value through other comprehensive income.

a) Financial assets measured at fair value through profit or loss

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

Financial assets measured at FVTPL are subsequently measured at fair value, with any gains or losses arising on re-measurement (excluding any dividends or interest arising from such financial assets) recognized in profit or loss. Fair value is determined in the manner described in Note 37.

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, accounts receivable at amortized cost and others, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. After the post-sale cost, exchange differences are recognized in profit or loss.

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

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

ii) Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

c) Investments in debt instruments measured at FVTOCI

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

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

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.

Investments in debt instruments measured 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 measured at FVTOCI

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

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

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

2017

The Bank owns financial assets which are classified into the following specified categories: Financial assets measured at FVTPL, held-to-maturity financial assets, available-for-sale financial assets and loans and receivables.

a) Financial assets measured at FVTPL

Financial assets measured at FVTPL are either classified as held for trading or designated as measured at FVTPL.

A financial asset is designated as measured at FVTPL on initial recognition when:

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

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

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

Refer to Note 37 for related disclosure.

Financial assets measured at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

b) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity other than those that the Bank, upon initial recognition, designates as measured at FVTPL, designates as available for sale, or which meet the definition of loans and receivables.

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

c) Available-for-sale financial assets (AFS)

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

AFS financial assets are measured at fair value. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on AFS equity instruments are recognized in profit or loss when the Bank's right to receive the dividends is established.

d) Loans and receivables

Loans and receivables (including due from the Central Bank and call loan to banks, securities purchased under resale agreements, receivables, discounts and loans, debt investments with no active market and other financial assets) are measured at amortized cost using the effective interest method less any impairment, except for short-term receivables when the effect of discounting is immaterial.

For the statements of cash flows, cash and cash equivalents include cash and cash equivalents in the balance sheets, due from the Central Bank and call loans to banks and securities purchased under resale agreements which fall within the definition of cash and cash equivalents under IAS 7 as approved by the FSC. Cash on hand and due from other banks are included in cash and cash equivalents on the balance sheets.

2) Impairment of financial assets

2018

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

For such financial assets, the Bank recognizes lifetime expected credit losses (i.e. ECLs) when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures 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 with the respective risks of default occurring as the weights. The 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

Under the guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the Banking Bureau of the FSC, the credit accounts are categorized into five groups: Normal credit assets, require special mention assets, substandard assets, doubtful assets and full-amount loss based on the clients' financial conditions. After assessing the value of the collateral, the Bank will assess the possibilities of recovery.

Under the above guidelines, in addition to the minimum standard allowance for all accounts, allowance is provided for accounts classified as normal (except government accounts), accounts with notice, accounts with warning, difficult accounts and uncollectible accounts at rates of 1%, 2%, 10%, 50%, and 100%, respectively.

According to the local statutes, the Bank's allowances for bad debts and guarantee liabilities for the "acquisition of residential home repair loans and construction loans" and "category one credit assets (including short-term trade financing) due from PRC businesses" should be at least 1.5%.

Uncollectible assets may be written off after the board of directors' approval.

2017

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

Financial assets at amortized cost, such as loans and receivables, are assessed for impairment on a collective basis even if they are assessed not to be impaired individually. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on loans and receivables.

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

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

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

The objective evidence of impairment of other financial assets includes significant financial difficulties or defaults of the issuer or debtor, increasing possibilities of debtors' bankruptcy or debt restructuring, and inactive market due to the issuer's financial difficulties.

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

In respect of AFS equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of financial assets that are carried at cost, where the carrying amount is reduced through the use of an allowance account. When financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Under the guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the Banking Bureau of the FSC, the credit accounts are categorized into five groups: Normal credit assets, require special mention assets, substandard assets, doubtful assets and full-amount loss based on the clients' financial conditions. After assessing the value of the collateral, the Bank will assess the possibilities of recovery.

Under the above guidelines, in addition to the minimum standard allowance for all accounts, allowance is provided for accounts classified as normal (except government accounts), accounts with notice, accounts with warning, difficult accounts and uncollectible accounts at rates of 1%, 2%, 10%, 50%, and 100%, respectively.

According to the local statutes, the Bank's allowance for bad debts and guarantee liabilities for the "acquisition of residential home repair loans and construction loans" and "category one credit assets (including short-term trade financing) due from to PRC businesses" should be at least 1.5%.

Uncollectible assets may be written off after the board of directors' approval.

3) Derecognition of financial assets

When the contractual rights from the cash flows of financial assets have lapsed or the financial assets and all the risks and rewards of the assets have been transferred to other enterprises, the financial assets are derecognized.

When a financial asset is totally derecognized, the difference between the carrying amount and the sum of any accumulated gain or loss recognized in other comprehensive income is recognized as profit or loss.

Before or on December 31, 2017, when a financial asset was totally derecognized, the difference between the carrying amount and the sum of any accumulated gain or loss recognized in other comprehensive income is recognized as at profit or loss.

Starting from January 1, 2018, when a financial asset at amortized cost is totally derecognized, the difference between the carrying amount and the consideration received is recognized as at profit or loss. When the investment in debt instruments measured at FVTOCI is totally derecognized, the difference between the carrying amount and the sum of any accumulated gain or loss recognized in other comprehensive income is recognized as at profit or loss. When the investment in equity

measured at FVTOCI is totally derecognized, the cumulative profit and loss is directly transferred to retained earnings, which is not reclassified as at profit or loss.
If the transferred assets are part of a larger financial asset and the transferred part is in line with the overall derecognition, the Bank will continue to recognize the relative fair value of the portion and the derecognized portion based on the transfer date, which will be the former of the larger financial assets. Before or on December 31, 2017, the difference between the carrying amount of the apportioned derecognition sections and consideration received is recognized as profit or loss. After or on January 1, 2018, the carrying amount allocated to the derecognized portion and the consideration received for the derecognized portion are treated as the overall derecognition. The Bank allocates the accumulated benefits or losses recognized in other comprehensive income to each of the components based on the relative fair value of the continuing component and the derecognized component.

Equity instruments

The debt and equity instruments issued by the Bank are classified as financial liabilities or equity based on the substance of the contractual agreements and the definition of financial liabilities and equity instruments.

The recovery of the Bank's own equity instruments is recognized and deducted under equity. The purchase, sale, issue or cancellation of the Bank's own equity instruments is not recognized in profit or loss.

Financial liabilities

1) Subsequent measurement

All financial liabilities are measured at amortized cost using effective interest rate, except for the following situations:

a) Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL are all held for trading and stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The method to determine fair value is stated in Note 37.

b) Financial guarantee contracts

2018

The financial guarantee contracts issued by the Bank are not measured at fair value through profit or loss, but are measured at the higher of the allowance for the expected credit losses and the amount after the amortization.

2017

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as measured at FVTPL, are subsequently measured at the higher of the best estimate of the obligation under the contract or the amount initially recognized less cumulative amortization recognized.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivatives

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following, the key accounting judgments, estimates and associated assumptions applied in these financial statements are consistent with those applied in the financial statements for the year ended December 31, 2017.

Estimated Impairment of Financial Assets - 2018

Estimates of impairment on loans and receivables, investments in debt instrument and financial guarantee contracts are based on the Bank's assumptions about default rates and expected loss rates. The Bank considers historical experience, current market conditions and forward-looking information to make assumptions and select input values for impairment assessments. For the important assumptions and input values used, see Note 37. If the actual cash flows in the future are less than expected, significant impairment losses may occur.

6. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand and working fund	$ 6,450,235	$ 6,351,970	$ 5,949,723
Notes and checks in clearing	3,228,947	3,031,515	1,067,219
Due from banks - domestic	9,600,105	5,591,332	1,339,996
Due from banks - foreign	10,852,873	18,081,208	13,510,316
	$ 30,132,160	$ 33,056,025	$ 21,867,254

The reconciliation of cash and cash equivalents reported in the statements of cash flows and the balance sheets as of December 31, 2017 is shown below. Refer to the statements of cash flows for the reconciliation for the period ended June 30, 2018 and 2017.

	December 31, 2017
Cash and cash equivalents balance on the balance sheets	$ 33,056,025
Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	53,073,530
Securities purchased under resale agreements which fall within the definition of cash and cash equivalents under IAS 7	195,061
Adjusted cash and cash equivalents balance on statements of cash flows	$ 86,324,616

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

	June 30, 2018	December 31, 2017	June 30, 2017
Call loans to banks	$ 50,740,913	$ 60,390,707	$ 64,535,900
Deposit reserves - I	10,530,119	7,216,386	8,062,812
Deposit reserves - II	18,823,383	17,480,443	16,563,539
Deposit reserves - foreign	162,723	162,265	140,188
	$ 80,257,138	$ 85,249,801	$ 89,302,439

Deposit reserves are statutory reserves and determined monthly at prescribed rates based on average balances of customers' deposits. The entire balance of deposit reserve - II is subject to withdrawal restrictions while no restrictions are placed on other deposit reserves.

Based on the expected credit loss model, the Bank assessed the allowance for due from the Central Bank and call loans to banks. Due to the low credit risk of due from the Central Bank and call loans to banks, the allowed loss is recognized as 12-month expected credit losses. On June 30, 2018, the allowance recognized for the due from the Central Bank and call loans to banks are recognized in the amount of $1,988 thousand.

Call loans to banks including an allowance for doubtful debt were $1,929 thousand on December 31, 2017 and $1,977 thousand on June 30, 2017.

8. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets measured at fair value through profit or loss			
Held-for-trading financial assets			
Commercial papers	$ -	$ 292,631	$ 257,069
Forward contracts	-	158,999	211,767
Option contracts	-	56,775	31,701
Currency swap contracts	-	-	179,893
Others	-	27,954	27,653
	-	536,359	708,083
Financial assets designated measured at fair value through profit or loss			
Structured corporate bond contracts	-	705,418	1,066,051
	-	1,241,777	1,774,134

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets measured at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	3,038,239	-	-
Corporate bonds	1,079,887	-	-
Stocks	656,372	-	-
Forward contracts	385,023	-	-
Option contracts	89,824	-	-
Currency swap contracts	51,121	-	-
Interest rate swap contracts	50,446	-	-
Others	25,425	-	-
	5,376,337	-	-
	$ 5,376,337	$ 1,241,777	$ 1,774,134
Financial liabilities measured at fair value through profit or loss			
Held-for-trading financial liabilities			
Forward contracts	$ 335,509	$ 80,549	$ 158,091
Option contracts	129,933	159,990	212,459
Others	47,713	77,241	30,482
	$ 513,155	$ 317,780	$ 401,032

(Concluded)

The Bank engages in derivative transactions mainly to accommodate customers' needs and manage its exposure positions.

The financial assets and liabilities' measured at fair value through profit or loss contract (nominal) amounts of derivative transactions were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Currency swap contracts	$ 33,808,840	$ 24,633,634	$ 20,999,646
Option contracts	11,686,569	16,250,270	24,514,017
Forward contracts	10,252,130	16,797,075	11,785,917
Interest rate swap contracts	863,624	2,592,341	2,227,230
Asset swap contracts	856,324	712,320	1,064,700
Futures contracts	34,722	-	-

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

	June 30, 2018
Financial assets measured at fair value through other comprehensive income	
Investments in equity instruments measured at fair value through other comprehensive income	
Shares	$ 4,313,518
Investments in debt instruments measured at fair value through other comprehensive income	
Government bonds	47,047,689
Bank debentures	44,029,648
Corporate bonds	38,290,993
Commercial papers	38,155,681
Treasury bonds	6,169,548
Asset backed securities	294,888
	173,988,447
	$ 178,301,965

The Bank invests in ordinary shares for medium- and long-term strategic purposes and expects to make a profit through long-term investments. The management of the Bank considers that if the short-term fair value fluctuations of these investments are included in profit or loss, they are inconsistent with the aforementioned long-term investment plans. Therefore, the designated investments are selected to be measured at FVTOCI. These investments were originally classified as available-for-sale financial assets under IAS 39. For reclassification and other information of 2018, refer to Note 3.

Bond investments were originally classified as available-for-sale financial assets under IAS 39. For reclassification and other information of 2018, refer to Note 3. The information of credit risk management and impairment assessment on investments in debt instruments measured at FVTOCI, see Note 11.

Part of the aforementioned financial assets measured at FVTOCI were sold under repurchase agreements as of June 30, 2018. The par value of bonds and commercial papers sold under repurchase agreements were $21,620,800 thousand.

The information of financial assets pledged measured at FVTOCI, see Note 35.

10. DEBT INSTRUMENT INVESTMENT MEASURED AT AMORTIZED COST - 2018

	June 30, 2018
Negotiable certificates of deposit	$ 68,935,000
Government bonds	7,236,403
Corporate bonds	2,596,638
Treasury bonds	1,694,126
Bank debentures`	1,072,053
Less: Loss allowance	(1,406)
	$ 81,532,814

For the information on financial assets' related credit risk management and impairment at amortized cost, see Note 11.
For more information on the pledged assets, see Note 35.

11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS - 2018

The investments in debt instruments are classified as financial assets measured at FVTOCI and financial assets at amortized cost, respectively.

June 30, 2018

	Measured at FVTOCI	Measured at Amortized Cost	Total
Total carrying amount	$ 174,826,527	$ 81,534,220	$ 256,360,747
Allowance loss	-	(1,406)	(1,406)
Amortized cost	174,826,527	81,532,814	256,359,341
Fair value adjustment	(838,080)	-	(838,080)
	$ 173,988,447	$ 81,532,814	$ 255,521,261

The policy which the Bank implements is to invest only in debt instruments with credit ratings investment grade and with low credit risk. Credit rating information is provided by independent rating agencies. The Bank tracks external rating information to monitor changes in credit risk of the investments in debt instruments and to review information such as the bond yield curve and the debtor's material information to assess whether the credit risk has increased significantly since the last assessment.

The Bank collects the historical default loss rate provided by the independent rating agencies, the debtor's current financial status and the industry's forward-looking forecast to makeup the 12-month expected credit loss or full-lifetime expected credit loss of the debt instrument investments. The current credit risk rating mechanism and the total carrying amount of each credit rating investment in debt instruments are as follows:

Credit Rating	Definition	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	June 30, 2018 Total Carrying Amount
Normal	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.00%-0.08%	$ 256,360,747

The information of changes in loss allowance under a credit risk assessment of investments in debt instruments measured at FVTOCI and at amortized cost is summarized as follows:

	Credit Ratings Normal (12-Month Expected Credit Loss)
Balance on January 1, 2018 (IAS 39)	$ -
The effects from Retrospective application of IFRS 9	1,390
Balance at January 1, 2018 (IFRS 9)	1,390
Purchase of new debt instruments	133
Exchange rate and other changes	(117)
Loss allowance at June 30, 2018	$ 1,406

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

Securities purchased under resale agreements as of June 30, 2018, December 31, 2017 and June 30, 2017 were $195,282 thousand, $195,061 thousand and $120,038 thousand, respectively. The aforementioned securities will be bought back one after another before July 27, 2018, January 24, 2018 and July 12, 2017 at $195,318 thousand, $195,111 thousand and $120,058 thousand, respectively.

13. RECEIVABLES, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Acceptances	$ 2,759,624	$ 2,279,844	$ 2,614,983
Accrued interest	2,292,892	1,945,260	1,806,265
Credit cards receivable	2,143,008	1,900,742	2,025,646
Accounts receivable - factoring	886,318	648,656	936,452
Advances by guarantees	266,426	261,226	273,230
Accounts receivable due from sales of securities	49,628	132,526	1,182,180
Others	426,553	423,289	338,814
	8,824,449	7,591,543	9,177,570
Less allowance for credit losses	(418,116)	(399,386)	(335,677)
	$ 8,406,333	$ 7,192,157	$ 8,841,893

The changes in the total carrying amount of receivables on the balance sheet date (including collections not included in loans) are as follows:

	12-Month Expected Credit Loss	Full-Lifetime Expected Credit Loss (Collectively)	Full-Lifetime Expected Credit Loss (Individually)	Full-Lifetime Expected Credit Loss (Non-Purchased or Original Credit Impairment on Financial Assets)	Total
Beginning on January 1, 2018	$ 6,754,978	$ 415,806	$ -	$ 466,555	$ 7,637,339
Changes due to financial assets recognized at the beginning of the period:					
Transfer to full-lifetime expected credit loss	(206,229)	360,751	-	(129,393)	25,129
Transfer to expected credit loss on financial assets	(8,548)	(7,767)	-	58,433	42,118
Transfer to 12-month expected credit loss	556,387	(52,576)	-	(1,421)	502,390
Financial assets derecognized in the current period	(776,647)	(114,958)	-	(3,287)	(894,892)
Purchased or original financial assets	1,187,124	76,684	-	3,505	1,267,313
Write-offs	(5)	(1,104)	-	(51,787)	(52,896)
Exchange rate and other changes	264,468	19,098	-	21,429	304,995
Balance on June 30, 2018	$ 7,771,528	$ 695,934	$ -	$ 364,034	$ 8,831,496

The assessment and changes in the allowance of receivables on the balance sheet date (including collections not included in loans) are as follows:

	12-Month Expected Credit Loss	Full-Lifetime Expected Credit Loss (Collectively)	Full-Lifetime Expected Credit Loss (Individually)	Full-Lifetime Expected Credit Loss (Non-Purchased or Original Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Receivables and other financial assets							
January 1, 2018	$ 184,162	$ 26,453	$ -	$ 248,643	$ 459,258	$ -	$ 459,258
Changes due to financial assets recognized at the beginning of the period:							
Transfer to full-lifetime expected credit loss	(785)	32,849	-	(51,803)	(19,739)	-	(19,739)
Transfer to expected credit loss on financial assets	(135)	(1,686)	-	49,592	47,771	-	47,771
Transfer to 12-month expected credit loss	3,646	(11,903)	-	(640)	(8,897)	-	(8,897)
Financial assets derecognized in the current period	(4,929)	(32,088)	-	(416)	(37,433)	-	(37,433)
Purchased or original financial assets	5,880	10,163	-	2,596	18,639	-	18,639
The difference of impairment under the guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	-	-	-
Write-offs	(5)	(1,104)	-	(51,787)	(52,896)	-	(52,896)
Recoveries after write-off	-	-	-	15,625	15,625	-	15,625
Exchange rate and other changes	1,138	163	-	1,534	2,835	-	2,835
June 30, 2018	$ 188,972	$ 22,847	$ -	$ 213,344	$ 425,163	$ -	$ 425,163

The changes in allowances for receivables and other financial assets are listed below:

	For the Year Ended December 31, 2017	For the Six Months Ended June 30, 2017
Beginning on January 1	$ 387,243	$ 387,243
Provisions	65,992	730
Write-offs	(33,776)	(18,679)
Recoveries	30,415	16,875
Effects of exchange rate changes	(4,692)	(3,326)
Balance on June 30	$ 445,182	$ 382,843

	December 31, 2017	
Items	Receivables	Allowance
With objective evidence of impairment		
Individually assessed	$ 43,334	$ 43,334
Collectively assessed	191,022	106,412
With no objective evidence of impairment		
Collectively assessed	5,111,869	295,436
Total	$ 5,346,225	$ 445,182

Items	June 30, 2017	
	Receivables	Allowance
With objective evidence of impairment		
Individually assessed	$ 44,414	$ 44,414
Collectively assessed	100,616	71,146
With no objective evidence of impairment		
Collectively assessed	5,700,462	267,283
Total	$ 5,845,492	$ 382,843

14. DISCOUNTS AND LOANS, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Loans	$ 660,235,491	$ 630,129,052	$ 610,707,372
Inward/outward documentary bills	8,380,916	7,455,583	6,369,855
Non-performing loans	1,727,019	1,865,649	1,602,864
	670,343,426	639,450,284	618,680,091
Discount and premium adjustments	746,658	741,351	725,499
Allowance for credit losses	(9,142,538)	(9,193,577)	(9,102,647)
	$ 661,947,546	$ 630,998,058	$ 610,302,943

The Bank discontinues accruing interest when loans are deemed non-performing. For the six months ended June 30, 2018 and 2017, the unrecognized interest revenue on the non-performing loans amounted to $19,270 thousand and $16,211 thousand, respectively.

For the six months ended June 30, 2018 and 2017, the Bank only had written off certain credits after completing the required legal procedures.

The changes in allowance for discounts and loans at the total carrying amount on the balance sheet date are summarized below:

	12-Month Expected Credit Loss	Full-Lifetime Expected Credit Loss (Collectively)	Full-Lifetime Expected Credit Loss (Individually)	Full-Lifetime Expected Credit Loss (Non-Purchased or Original Credit Impairment on Financial Assets)	Total
Beginning on January 1, 2018	$ 590,240,681	$ 42,119,603	$ -	$ 7,090,000	$ 639,450,284
Changes due to financial assets recognized at the beginning of the period:					
Transfer to full-lifetime expected credit loss	(12,178,205)	36,768,533	-	(1,317,650)	23,272,678
Transfer to expected credit loss on financial assets	(191,219)	(1,123,073)	-	163,162	(1,151,130)
Transfer to 12-month expected credit loss	7,232,342	(21,526,974)	-	(1,707,940)	(16,002,572)
Financial assets derecognized in the current period	(61,700,843)	(25,163,019)	-	(619,990)	(87,483,852)
Purchased or original financial assets	93,171,908	14,672,540	-	5,695	107,850,143
Write-offs	(8,277)	(64,945)	-	(434,957)	(508,179)
Exchange rate and other changes	4,639,014	272,883	-	4,157	4,916,054
Balance on June 30, 2018	$ 621,205,401	$ 45,955,548	$ -	$ 3,182,477	$ 670,343,426

The assessment and changes in allowance for discounts and loans on the balance sheet date are summarized below:

	12-Month Expected Credit Loss	Full-Lifetime Expected Credit Loss (Collectively)	Full-Lifetime Expected Credit Loss (Individually)	Full-Lifetime Expected Credit Loss (Non-Purchased or Original Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Discounts and loans							
January 1, 2018	$ 3,138,602	$ 3,912,453	$ -	$ 2,227,690	$ 9,278,745	$ -	$ 9,278,745
Changes due to financial assets recognized at the beginning of the period:							
Transfer to full-lifetime expected credit loss	(69,948)	1,762,633	-	(448,625)	1,244,060	-	1,244,060
Transfer to expected credit loss on financial assets	(791)	(27,956)	-	443,202	414,455	-	414,455
Transfer to 12-month expected credit loss	18,671	(733,063)	-	(549,563)	(1,263,955)	-	(1,263,955)
Financial assets derecognized in the current period	(401,801)	(291,616)	-	(85,007)	(778,424)	-	(778,424)
Purchased or original financial assets	542,720	71,049	-	1,374	615,143	-	615,143
The difference of impairment under the guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	-	-	-
Write-offs	(8,277)	(64,945)	-	(434,957)	(508,179)	-	(508,179)
Recoveries after write-off	-	-	-	67,722	67,722	-	67,722
Exchange rate and other changes	47,143	21,477	-	4,351	72,971	-	72,971
June 30, 2018	$ 3,266,319	$ 4,650,032	$ -	$ 1,226,187	$ 9,142,538	$ -	$ 9,142,538

	For the Year Ended December 31, 2017	For the Six Months Ended June 30, 2017
Beginning on January 1	$ 9,082,012	$ 9,082,012
Provisions	531,850	261,923
Write-offs	(479,721)	(255,481)
Recoveries	253,550	149,255
Effects of exchange rate changes	(194,114)	(135,062)
Balance on June 30	$ 9,193,577	$ 9,102,647

Items	December 31, 2017 Total	December 31, 2017 Allowances
With objective evidence of impairment		
Individually assessed	$ 2,158,672	$ 513,423
Collectively assessed	5,001,433	1,718,283
With no objective evidence of impairment		
Collectively assessed	632,290,179	6,961,871
Total	$ 639,450,284	$ 9,193,577

Items	June 30, 2017	
	Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 2,225,343	$ 555,620
Collectively assessed	5,270,000	1,993,675
With no objective evidence of impairment		
Collectively assessed	611,184,748	6,553,352
Total	$ 618,680,091	$ 9,102,647

The details of bad debt expense, commitment and guarantee liability provisions for the six months ended June 30, 2018 and 2017 are listed below:

Items	For the Six Months Ended June 30	
	2018	2017
Provisions of loans and discounts	$ 231,279	$ 261,923
Provisions of guarantee liabilities	68,380	7,336
Provisions of receivables	341	730
Total	$ 300,000	$ 269,989

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31, 2017	June 30, 2017
Bank debentures	$ 41,898,143	$ 41,641,030
Government bonds	39,089,680	47,167,027
Business paper	24,758,245	39,692,489
Corporate bonds	37,189,005	31,818,460
Beneficiary certificates	3,585,605	7,601,107
Shares	3,566,742	3,301,168
Treasury bonds	2,979,877	2,051,609
Asset backed securities	321,818	520,498
Negotiable certificates of deposit	23,160	23,490
	$ 153,412,275	$ 173,816,878

Part of the aforementioned available-for-sale financial assets were sold under repurchase agreements as of December 31 and June 30, 2017. The par value of bonds and commercial papers sold under repurchase agreements were $28,773,500 thousand and $20,049,000 thousand, respectively.

Part of the aforementioned asset backed securities were invested in Structured Investment Vehicles (SIV). The Bank had recognized impairment losses in prior years amounted to $92,737 thousand and realized gains on available-for-sale financial assets amounted to $52,724 thousand due to the liquidation and disposal of SIV in August 2017.

For more information on the pledged assets, see Note 35

16. HELD-TO-MATURITY FINANCIAL ASSETS

	For the Year Ended December 31, 2017	For the Six Months Ended June 30, 2017
Negotiable certificates of deposits	$ 98,800,000	$ 69,300,000
Corporate bonds	2,356,690	1,098,914
Government bonds	2,288,243	959,136
Treasury bonds	-	999,302
Total	$ 103,444,933	$ 72,357,352

For more information on the pledged assets, see Note 35.

17. EQUITY INVESTMENTS UNDER THE EQUITY METHOD

	June 30, 2018		December 31, 2017		June 30, 2017	
Equity Method	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship
Investment in subsidiaries						
Domestic investments						
SCSB Asset Management Ltd.	$ 1,594,397	100.00	$ 1,637,786	100.00	$ 1,561,258	100.00
China Travel Service (Taiwan)	324,126	99.99	316,327	99.99	303,046	99.99
SCSB Life Insurance Agency	133,364	100.00	191,579	100.00	162,083	100.00
SCSB Property Insurance Agency	56,440	100.00	57,959	100.00	56,940	100.00
SCSB Marketing Ltd.	7,260	100.00	7,780	100.00	7,030	100.00
	2,115,587		2,211,431		2,090,357	
Foreign investments						
Shancom Reconstruction Inc.	61,585,367	100.00	58,089,977	100.00	59,498,067	100.00
Wresqueue Limitada	327,175	100.00	312,375	100.00	314,629	100.00
Paofoong Insurance Company Ltd.	283,564	40.00	269,803	40.00	265,061	40.00
	62,196,106		58,672,155		60,077,757	
Total	$ 64,311,693		$ 60,883,586		$ 62,168,114	

The Bank invested in Paofoong Insurance Company (Hong Kong) Ltd. by holding 40% shares directly and 60% indirectly by Shancom Reconstruction Inc. Therefore, Paofoong Insurance Company (Hong Kong) Ltd. was recorded as a subsidiary.

Among the foreign companies which the Bank invested in, balance of Shancom Reconstruction Inc. and Wresqueue Limitada were calculated according to the unqualified-opinion financial reports for the sample periods audited and issued by foreign accountants, while balances of Paofoong Insurance Company (Hong Kong) Ltd. was calculated according to the unaudited financial reports of the periods dated June 30, 2018 and 2017. Among the domestic companies which the Bank invested in, balances of China Travel Service, SCSB Asset management Ltd., SCSB Life Insurance Agency, SCSB Property Insurance Agency and SCSB Marketing Ltd. were calculated according to the unaudited financial reports of the same periods; the carrying value of Kuo Hai to zero has been decreased operating losses for years.

The financial statements of the aforementioned investees are in significant if audited.

On September 18, 2017, the Bank agreed to purchase 80.01% of the shares of AMK Microfinance (AMK).

The deal was approved by the FSC and MOEAIC in November 2017 and January 2018, respectively. Also, it had been approved by the Cambodian authorities on July 9, 2018. Refer to Note 36 of the Bank's consolidated financial statements for the six months ended June 30, 2018.

18. OTHER FINANCIAL ASSETS, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Non-performing receivables	$ 7,047	$ 45,796	$ 47,166
Bills purchased, net	793	635	8,599
	7,840	46,431	55,765
Allowance for non-performing receivables	(7,047)	(45,796)	(47,166)
	$ 793	$ 635	$ 8,599

The amount of non-performing credit card receivables is made up of unsettled transactional for forward exchange contracts and credit cards receivables.

The balance of credit cards receivable which were reported as non-performing was $7,047 thousand, $2,463 thousand and $2,752 thousand as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively. The unrecognized interest revenue on the receivables amounted to $160 thousand and $32 thousand for the six months ended June 30, 2018 and 2017, respectively.

19. PROPERTIES, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Land	$ 9,559,664	$ 9,559,664	$ 9,664,925
Buildings and improvements	2,147,245	2,193,953	2,313,490
Office equipment	213,114	208,310	211,687
Transportation equipment	15,603	13,955	14,689
Miscellaneous equipment	119,419	130,714	139,573
Construction-in-progress and prepayments	17,655	17,655	7,260
	$ 12,072,700	$ 12,124,251	$ 12,351,624

	Six Months Ended June 30, 2018				
Items	Balance at January 1, 2018	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at June 30, 2018
Cost					
Land	$ 9,559,664	$ -	$ -	$ -	$ 9,559,664
Buildings and improvements	4,244,114	-	-	-	4,244,114
Office equipment	1,049,052	33,512	(229)	871	1,083,206
Transportation equipment	57,017	4,040	(2,795)	-	58,262
Miscellaneous equipment	541,000	5,141	(588)	306	545,859
	15,450,847	$ 42,693	$ (3,612)	$ 1,177	15,491,105
Accumulated depreciation					
Buildings and improvements	2,050,161	$ 46,708	$ -	$ -	2,096,869
Office equipment	840,742	28,890	(172)	632	870,092
Transportation equipment	43,062	2,200	(2,603)	-	42,659
Miscellaneous equipment	410,286	16,445	(488)	197	426,440
	3,344,251	$ 94,243	$ (3,263)	$ 829	3,436,060
Construction-in-progress and prepayments	17,655	$ -	$ -	$ -	17,655
Net amount	$ 12,124,251				$ 12,072,700

Items	Six Months Ended June 30, 2017 Balance at January 1, 2017	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at June 30, 2017
Cost					
Land	$ 9,664,925	$ -	$ -	$ -	$ 9,664,925
Buildings and improvements	4,330,278	-	-	-	4,330,278
Office equipment	1,025,594	16,262	(8,449)	(1,940)	1,031,467
Transportation equipment	54,518	5,020	(1,370)	-	58,168
Miscellaneous equipment	534,933	5,589	(25)	(676)	539,821
	15,610,248	$ 26,871	$ (9,844)	$ (2,616)	15,624,659
Accumulated depreciation					
Buildings and improvements	1,970,399	$ 46,389	$ -	$ -	2,016,788
Office equipment	799,078	29,456	(7,959)	(795)	819,780
Transportation equipment	42,831	1,932	(1,284)	-	43,479
Miscellaneous equipment	381,843	18,805	(21)	(379)	400,248
	3,194,151	$ 96,582	$ (9,264)	$ (1,174)	3,280,295
Construction-in-progress and prepayments	7,260	$ -	$ -	$ -	7,260
Net amount	$ 12,423,357				$ 12,351,624

The Bank did not recognize any impairment losses on the properties on June 30, 2018, December 31, 2017 and June 30, 2017.

Depreciation expense of properties is computed using the straight-line method over the useful lives below:

Buildings and improvements	
Branches	43-55 years
Air conditioning and machine rooms	9 years
Office equipment	3-8 years
Transportation equipment	5-10 years
Miscellaneous equipment	5-20 years

The Bank's land, buildings, and improvements insured amounted to $6,914,080 thousand.

20. OTHER ASSETS, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Prepaid expenses	$ 958,923	$ 1,385,957	$ 727,855
Refundable deposits, net of $17,360 thousand impairment loss	732,929	609,293	603,401
Deferred charges	183,106	237,444	287,847
Temporary payments and suspense	156,963	90,759	202,656
Computer software	115,473	117,685	135,906
Others	28,055	27,960	28,139
	$ 2,175,449	$ 2,469,098	$ 1,985,804

21. DUE TO THE CENTRAL BANK AND BANKS

	June 30, 2018	December 31, 2017	June 30, 2017
Due to banks	$ 675,917	$ 644,109	$ 562,682
Call loans from banks	11,581,191	3,505,624	7,098,167
Deposit transfer from Chunghwa Post Co., Ltd.	2,739,467	3,383,529	3,747,072
Overdraft on banks	757,899	798,574	724,597
	$ 15,754,474	$ 8,331,836	$ 12,132,518

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of June 30, 2018, December 31, 2017 and June 30, 2017 were $22,021,546 thousand, $29,792,067 thousand and $21,335,644 thousand, respectively. The aforementioned securities will be sold back by May 3, 2019, September 21, 2018 and December 28, 2017 at $22,030,599 thousand, $29,803,070 thousand and $21,345,705 thousand, respectively.

23. PAYABLES

	June 30, 2018	December 31, 2017	June 30, 2017
Dividends payable	$ 18,498,283	$ 11,842,528	$ 17,112,139
Accounts payable	3,919,351	3,719,056	2,391,499
Liabilities on bank acceptances	2,869,420	2,325,602	2,647,628
Accrued interest	1,422,758	1,268,942	1,111,266
Accrued expenses	706,013	1,019,524	690,395
Other accounts payable	97,459	87,414	77,606
Others	382,995	298,380	312,115
	$ 27,896,279	$ 20,561,446	$ 24,342,648

24. DEPOSITS AND REMITTANCES

	June 30, 2018	December 31, 2017	June 30, 2017
Time deposits	$ 362,272,644	$ 344,427,574	$ 319,891,121
Savings deposits	266,835,054	267,627,332	261,788,638
Demand deposits	220,737,637	221,263,402	222,834,957
Checking deposits	10,394,257	9,958,661	8,751,566
Negotiable certificates of deposit	9,003,700	6,417,900	6,760,300
Remittances	241,585	460,232	241,242
	$ 869,484,877	$ 850,155,101	$ 820,267,824

25. BANK DEBENTURES

	June 30, 2018	December 31, 2017	June 30, 2017
The subordinate bank debenture - 7 year maturity; first issued in 2010; maturity date is on December 2017	$ -	$ -	$ 3,000,000
The subordinate bank debenture - 7 year maturity, first issued in 2012; maturity date is on April 2019	4,000,000	4,000,000	4,000,000
The subordinate bank debenture - 7 year maturity, second issued in 2012; maturity date is on May 2019	1,000,000	1,000,000	1,000,000
The subordinate bank debenture - 7 to 10 year maturity, third issued in 2012; maturity date is on November 2019 to 2022	5,000,000	5,000,000	5,000,000
The subordinate bank debenture - 7 to 10 year maturity, fourth issued in 2012; maturity date is on December 2019 to 2022	10,000,000	10,000,000	10,000,000
The subordinate bank debenture - 7 to 10 year maturity; first issued in 2014; maturity date is on March 2021 to 2024	6,700,000	6,700,000	6,700,000
The subordinate bank debenture - 7 year maturity; second issued in 2014; maturity date is on November 2021	3,300,000	3,300,000	3,300,000
The subordinate bank debenture - 7 year maturity; first issued in 2015; maturity date is on June 2022	2,150,000	2,150,000	2,150,000
The subordinate bank debenture - 8.5 year maturity; first issued in 2015; maturity date is on June 2024	3,000,000	3,000,000	3,000,000
The subordinate bank debenture - 7 to 10 year maturity; first issued in 2017; maturity date is on June 2024 to 2027	5,000,000	5,000,000	5,000,000
The subordinate bank debenture - 7 to 10 year maturity; second issued in 2017; maturity date is on December 2024 to 2027	5,000,000	5,000,000	-
The subordinate bank debenture - 7 to 10 year maturity; first issued in 2018; maturity date is on June 2025 to 2028	5,000,000	-	-
	$ 50,150,000	$ 45,150,000	$ 43,150,000

The first issuance of the 2010 subordinated bank debenture bears a fixed interest rate of 1.5% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2012 subordinated bank debenture bears a fixed interest rate of 1.48% with the interest paid annually and the repayment of principal at maturity.

The second issuance of the 2012 subordinated bank debenture bears a fixed interest rate of 1.54% with the interest paid annually and the repayment of principal at maturity.

The third issuance of the 2012 bank debenture can be classified into two types, Types A and B, in accordance with the issued terms and methods of interest accrual. Their terms and methods of interest accrual are as follows: Type A, seven-years of subordinate bank debenture at a fixed annual interest rate of 1.43%; Type B, ten-years of subordinate bank debenture at a fixed annual interest rate of 1.55%. Their interests are paid annually with the repayment of principals at maturity.

The fourth issuance of the 2012 bank debenture can be classified into two types, Types A and B, in accordance with the issued terms and methods of interest accrual. Their terms and methods of interest accrual are as follows: Type A, seven-years of subordinate bank debenture at a fixed annual interest rate of 1.43%; Type B, ten-years of subordinate bank debenture at a fixed annual interest rate of 1.55%. Their interests are paid annually with the repayment of principals at maturity.

The first issuance of the 2014 bank debenture can be classified into two types, Types A and B, in accordance with the issued terms and methods of interest accrual. Their terms and methods of interest accrual are as follows: Type A, seven-years of subordinate bank debenture at a fixed annual interest rate of 1.70%; Type B, ten-years of subordinate bank debenture at a fixed annual interest rate of 1.85%. Their interests are paid annually with the repayment of principals at maturity.

The second issuance of the 2014 subordinated bank debenture bears a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2015 subordinated bank debenture bears a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The second issuance of the 2015 subordinated bank debenture bears a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2017 subordinated bank debenture can be classified into two types, Types A and B, in accordance with the issued terms and methods of interest accrual. Their terms and methods of interest accrual are as follows: Type A, seven-years of subordinated bank debenture at a fixed annual interest rate of 1.50%; Type B, ten-years of subordinated bank debenture at a fixed annual interest rate of 1.85%. Their interests are paid annually with the repayment of principals at maturity.

The second issuance of the 2017 bank debenture can be classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms and methods of interest accrual are as follows: Type A, seven years of subordinate bank debenture at a fixed annual interest rate of 1.30%; Type B, ten years of subordinate bank debenture at a fixed annual interest rate of 1.55%. Their interests are paid annually with repayment of principals at maturity.

The first issuance of the 2018 bank debenture can be classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms and methods of interest accrual are as follows: Type A, seven years of subordinate bank debenture at a fixed annual interest rate of 1.25%; Type B, ten years of subordinate bank debenture at a fixed annual interest rate of 1.45%. Their interests are paid annually with repayment of principals at maturity.

26. OTHER FINANCIAL LIABILITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Appropriated loan funds	$ 1,776,818	$ 2,077,200	$ 2,416,248
Principals of structured instruments	2,725,253	971,217	753,597
	$ 4,502,071	$ 3,048,417	$ 3,169,845

27. PROVISIONS

	June 30, 2018	December 31, 2017	June 30, 2017
Reserve for guarantees liabilities	$ 598,156	$ 596,361	$ 604,723
Reserve for employee benefits	562,692	529,692	427,015
Reserve for financing commitment	68,635	-	-
Others	6,402	6,318	6,388
	$ 1,235,885	$ 1,132,371	$ 1,038,126

Changes in financing commitment and guarantee liability provisions were as follows:

	12-Month Expected Credit Loss	Full-Lifetime Expected Credit Loss (Collectively)	Full-Lifetime Expected Credit Loss (Individually)	Full-Lifetime Expected Credit Loss (Non-Purchased or Original Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under the Guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Commitment and guarantee liability provisions							
January 1, 2018	$ 552,903	$ 39,545	$ -	$ 3,913	$ 596,361	$ -	$ 596,361
Changes due to financial assets recognized at the beginning of the period:							
Transfer to full-lifetime expected credit loss	(252)	77,687	-	-	77,435	-	77,435
Transfer to expected credit loss on financial assets	-	(48,621)	-	-	(48,621)	-	(48,621)
Transfer to 12-month expected credit loss	3,966	(71,750)	-	-	(67,784)	-	(67,784)
Financial assets derecognized in the current period	(39,235)	(101,844)	-	(6,619)	(147,698)	-	(147,698)
Purchased or original financial assets	61,016	177,604	-	16,428	255,048	-	255,048
The difference of impairment under the guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	-	-	-
Exchange rate and other changes	633	959	-	458	2,050	-	2,050
June 30, 2018	$ 579,031	$ 73,580	$ -	$ 14,180	$ 666,791	$ -	$ 666,791

The movements of reserve for possible losses on guarantees were as follows:

	For the Year Ended December 31, 2017	For the Six Months Ended June 30, 2017
Beginning balance	$ 604,785	$ 604,785
Reserve for possible losses on guarantees	2,086	7,336
Exchange differences	(10,510)	(7,398)
Ending balance	$ 596,361	$ 604,723

28. OTHER LIABILITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Guarantee deposits received	$ 305,019	$ 348,590	$ 345,850
Deferred revenue	140,293	137,268	137,452
Interest received in advance	160,483	146,667	100,959
Temporary receipt	70,619	40,973	34,101
Others	72,845	75,277	86,683
	$ 749,259	$ 748,775	$ 705,045

29. EMPLOYEE BENEFITS

Employee benefit expenses in respect of the Bank's defined benefit retirement plans for six months ended June 20, 2018 and 2017 were calculated using the respective year's actuarially determined pension cost discount rate as of December 31, 2017 and 2016. The employee benefit expenses for the periods ended June 20, 2018 and 2017 were as follows:

	For the Six Months Ended June 30	
	2018	2017
Defined benefit plan	$ 92,885	$ 96,680
Employee preferential interest deposits	33,000	33,000
Other long-term employee benefits	410	309
	$ 126,295	$ 129,989

30. EQUITY

a. Share capital

	June 30, 2018	December 31, 2017	June 30, 2017
Ordinary shares			
Authorized shares (in thousands)	6,000,000	6,000,000	6,000,000
Authorized capital	$ 60,000,000	$ 60,000,000	$ 60,000,000
Issued and paid shares (in thousands)	4,079,103	4,079,103	4,079,103
Issued capital	$ 40,791,031	$ 40,791,031	$ 40,791,031

Issued ordinary shares with a par value of $10 entitle the holder with the right to vote and to receive dividends.

b. Capital surplus

	June 30, 2018	December 31, 2017	June 30, 2017
Share premiums	$ 2,647,583	$ 2,647,583	$ 2,647,583
Treasury share transactions	2,006,754	2,006,754	1,998,854
Proportionate shares in equity-method investees' surplus from donated assets	1,218	1,218	1,218
Dividends not yet collected	686,631	-	-
	$ 5,342,186	$ 4,655,555	$ 4,647,655

Under the Company Act, capital surplus is only allowed to offset a deficit. However, the capital surplus from shares issued in excess of par (including additional paid-in capital from the issuance of ordinary shares, conversion of bonds and treasury share transactions) and donations may be capitalized, which however is limited to a certain percentage of the Bank's paid-in capital.

The capital surplus from investments of equity method are not allowed to be used for any purpose.

Since the shares held by subsidiaries were reclassified as treasury shares, cash dividend distributed to subsidiaries was then recorded as "capital surplus - treasury shares" according to the shareholding ratio.

According to Ref. 10602420200, the dividends not yet collected timely should be recognized as capital surplus and only used to make up for the losses.

c. Appropriation of earnings and dividend policy

According to the Bank's Articles, a legal reserve shall be appropriated at the amount equal to 30% of earnings after tax. The legal reserve shall be appropriated until it reaches the Bank's paid-in capital. The remaining profit together with undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. However, under the Banking Law, if legal reserve is less than its paid-in capital, the Bank may distribute cash earnings only up to 15% of its paid-in capital. For the basis of the employees' and directors' remuneration estimates, see Note 31 (e) "Employee benefitsexpense".

The Bank has made special reserves for the adoption of IFRS in accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs."

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on June 15, 2018 and June 16, 2017, respectively. The appropriations of earnings and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (In NT Dollars)**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 3,715,568	$ 3,524,500		
Special reserve	61,926	58,742		
Cash dividends - ordinary shares	7,342,386	6,118,655	$ 1.80	$ 1.50
	$ 11,119,880	$ 9,701,897	$ 1.80	$ 1.50

The cash dividends from the 2017 earnings appropriation were not yet paid nor were they recorded as dividends payable accordingly as of June 30, 2018; for the relevant information, refer to Note 23.

d. Special reserve

The Bank has made a special reserve in the amount of $1,256,859 thousand due to its transfer of cumulative translation adjustments reported in equity to retained earnings upon first-time IFRS adoption. There was no change in the balance of the special reserve for the six-month period ended June 30, 2018.

With Rule No. 10510001510 issued by the FSC on May 25, 2016, public banks shall make a special reserve for 0.5% to 1.0% of net profit when making the appropriations of earnings of 2016 to 2018 to cope with staff transformation for financial technology development. Public banks may reverse the same amount of transfer or resettle the expense starting from 2017. The relevant special reserve of the retained earnings in 2017 and 2016 as approved in the shareholders' meetings on June 15, 2018 and June 16, 2017 were $61,926 thousand and 58,742 thousand, respectively.

e. Treasury shares

Purpose	Beginning Balance (in thousands)	Increase	Decrease	Ending Balance (in thousands)
For the six months ended June 30, 2018				
Shares held by subsidiaries	11,397	-	-	11,397
For the six months ended June 30, 2017				
Shares held by subsidiaries	11,397	-	-	11,397

Under the Company Act, the Bank is not allowed to buy more back than 5% of its issued stocks. In addition, the total cost of treasury shares may not exceed the sum of the retained earnings and realized capital surplus. The Bank is not allowed to exercise shareholders' rights on these shares before resold. The shares held by its subsidiaries are treated as treasury shares. However, the subsidiaries may still exercise shareholders' rights on these shares, except for voting rights and subscription rights on new shares by cash. Under the Securities and Exchange Act, the Bank shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to receive dividends, to vote and to subscribe new shares by cash.

31. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

a. Interest revenue, net

	For the Six Months Ended June 30	
	2018	2017
Interest revenue		
Discounts and loans	$ 7,606,314	$ 6,708,253
Securities investments	1,547,064	1,285,291
Due from banks	556,103	335,913
Credit and revolving	44,838	44,161
Others	61,544	132,787
	9,815,863	8,506,405
Interest expense		
Deposits	2,833,422	2,191,177
Bank debentures	370,380	312,933
Due to banks	127,684	132,541
Securities sold under repurchase agreements	59,630	35,915
Structured bond instruments	30,951	8,581
Others	9,196	16,101
	3,431,263	2,697,248
	$ 6,384,600	$ 5,809,157

b. Service fee income, net

	For the Six Months Ended June 30	
	2018	2017
Service fee income		
Trust and custody services	$ 493,961	$ 427,863
Commission income	164,759	155,575
Loan service fees	195,198	142,616
Guarantees	141,679	123,853
Credit card related fees	118,300	118,370
Remittance related fees	77,348	81,738
Exchange related fees	76,019	78,764
Others	278,511	307,603
	1,545,775	1,436,382
Service charge		
Credit card service charge	62,070	61,245
Nominee and brokerage service charge	40,036	37,882
Interbank service charge	29,284	28,608
Custody service charge	18,013	28,706
Others	62,382	36,136
	211,785	192,577
	$ 1,333,990	$ 1,243,805

c. Gain (loss) on financial assets and liabilities measured at FVTPL

	For the Six Months Ended June 30, 2018		
	Realized (Loss) Gain	Unrealized (Loss) Gain	Total
Financial assets mandatorily measured at FVTPL	$ 2,003,873	$ (9,122)	$ 1,994,751
Held-for-trading financial liabilities	(1,616,280)	(417,802)	(2,034,082)
	$ 387,593	$ (426,924)	$ (39,331)

	For the Six Months Ended June 30, 2017		
	Realized (Loss) Gain	Unrealized (Loss) Gain	Total
Held-for-trading financial assets	$ 3,776,747	$ 23,067	$ 3,799,814
Financial assets designated measured at FVTPL	-	6,230	6,230
Held-for-trading financial liabilities	(3,367,380)	138,671	(3,228,709)
	$ 409,367	$ 167,968	$ 577,335

d. Realized gain or loss on financial assets measured at FVTOCI - 2018

	For the Six Months Ended June 30, 2018
Disposal of debt instruments	$ 35,025
Dividend income	2,700
	$ 37,725

e. Employee benefits expense

	For the Six Months Ended June 30	
	2018	2017
Short-term employee benefits	$ 1,681,615	$ 1,624,630
Retirement benefits		
Defined contribution plan	33,932	31,099
Defined benefit plan	92,885	96,680
Other employee benefits	181,092	171,897
	$ 1,989,524	$ 1,924,306

For the six months ended June 30, 2018 and 2017, the numbers of employees of the Bank were 2,503 and 2,454, respectively.

The amendments stipulate the distribution of employees' compensation and remuneration of directors at the rates of no less than 1‰ and no higher than 6‰, respectively, of net profit before income tax, employees' compensation and directors' remuneration. For the six months ended June 30, 2017 and 2018, the employees' compensation and the directors' remuneration which were estimated within the aforementioned ranges, respectively, were as follows:

	For the Six Months Ended June 30	
	2018	2017
Employees' compensation	$ 17,001	$ 17,007
Remuneration of directors	$ 27,498	$ 27,498

If there is a change in the amounts after the annual financial statements were authorized for issue, the difference is recorded as a change in the accounting estimate.

The employees' compensation and the remuneration of directors for 2017 and 2016, which have been approved in the shareholders' meetings on March 24, 2018 and March 25, 2017, respectively, were as follows:

	2017		2016	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 38,000	$ -	$ 34,000	$ -
Remuneration of directors	58,000	-	52,000	-

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved in the shareholders' meetings in 2018 and 2017 were available on the Market Observation Post System website of the Taiwan Stock Exchange.

e. Depreciation and amortization

	For the Six Months Ended June 30	
	2018	2017
Depreciation expenses	$ 94,243	$ 96,582
Amortization expenses	108,752	132,921
	$ 202,995	$ 229,503

32. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Six Months Ended June 30	
	2018	2017
Current tax		
In respect of the current year	$ 1,174,821	$ 965,786
In respect of prior periods	(23,593)	(38,316)
	1,151,228	927,470
Deferred tax		
In respect of the current year	(9,423)	131,458
In respect of prior periods	25,510	(11,129)
	16,087	120,329
Income tax expense recognized in profit or loss	$ 1,167,315	$ 1,047,799

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

b. Income tax expense recognized in other comprehensive income

	For the Six Months Ended June 30	
	2018	2017
Deferred income tax expense		
Arising on income and expenses recognized in other comprehensive income		
Exchange differences on translating foreign operations	$ (280,630)	$ 558,614
Unrealized gain or loss on available-for-sale financial assets	-	(69,062)
Unrealized gain or loss on financial assets measured at FVTOCI	217,907	-
Defined benefit plans remeasurement	10,843	-
Deferred income tax expense (benefit) recognized in other comprehensive income	$ (51,880)	$ 489,552

c. Income tax assessments

The income tax returns through 2016 (except for that of 2015) were approved by the tax authorities.

33. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Six Months Ended June 30	
	2018	**2017**
Basic earnings per share	$ 1.63	$ 1.53
Diluted earnings per share	$ 1.63	$ 1.53

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Six Months Ended June 30	
	2018	**2017**
Earnings used in the computation of basic and diluted earnings per share	$ 6,649,703	$ 6,223,704

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Six Months Ended June 30	
	2018	**2017**
Weighted average number of ordinary shares in computation of basic earnings per share	4,067,706	4,067,706
Effect of potentially dilutive ordinary shares:		
Employees' compensation	1,816	1,708
Weighted average number of ordinary shares used in the computation of diluted earnings per share	4,069,522	4,069,414

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

34. RELATED-PARTY TRANSACTIONS

Besides the information disclosed in other notes, the significant transactions and account balances with related parties are summarized as follows:

a. The Bank's related parties

Related Party	Relationship with the Bank
China Travel Service (Taiwan)	Subsidiary
SCSB Life Insurance Agency	Subsidiary
SCSB Property Insurance Agency	Subsidiary
SCSB Asset Management Ltd.	Subsidiary
SCSB Marketing Ltd.	Subsidiary
Shancom Reconstruction Inc.	Subsidiary
Wresqueue Limitada	Subsidiary
CTS Travel International Ltd.	Indirect subsidiary
SCSB Leasing (China) Co., Ltd.	Indirect subsidiary
Krinein Company (Krinein)	Indirect subsidiary
Empresa Inversiones Generales, S.A. (Empresa)	Indirect subsidiary
Shanghai Commercial Bank, HK (SCB)	Third-tier subsidiary
The SCSB Cultural & Educational Foundation	Fund donated by the Bank which exceed 1/3 of total fund
The SCSB Charity Foundation	Fund donated by the Bank which exceed 1/3 of total fund
Silks Place Taroko	Investment under equity method held by subsidiary
Hung Ta Investment Corporation	The chairman and the Bank's chairman are related by marriage
Hung Shen Investment Corporation	The chairman and the Bank's chairman are related by marriage
GTM Corporation	The director of the Bank is the director of the related party
Chi-Li Investment Co., Ltd.	The director of the Bank is the director of the related party
Chang Ho Hsing Co., Ltd.	The director of the Bank is the director of the related party
Goldsun Co., Ltd.	The director of the Bank is the director of the related party
Qin Mao Consultants Ltd.	The chairman and the Bank's director are related by marriage
Lian Yi Investment Co., Ltd.	The director and the Bank's director are related by marriage
Other related parties	The Bank's directors, managers, and general manager's spouses are the relatives within the second degree of relationship of the chairman and general manager of the related parties

b. Significant transactions and account balances

1) Due from foreign banks

	June 30, 2018	December 31, 2017	June 30, 2017
Shanghai Commercial Bank (HK)	$ 437,767	$ 221,537	$ 155,780

The interest income arising from the above transactions were $219 thousand and $117 thousand for the six months ended June 30, 2018 and 2017, respectively.

2) Due to banks

	June 30, 2018	December 31, 2017	June 30, 2017
Shanghai Commercial Bank (HK)	$ 20	$ 24	$ 17

3) Guarantees

	Maximum Balance	Ending Balance	Reserve for Possible Losses on Guarantees	Interest Rate (%)	Collateral
June 30, 2018					
China Travel Service (Taiwan)	$ 4,000	$ 4,000	$	1.00	Real estate
December 31, 2017					
China Travel Service (Taiwan)	$ 4,000	$ 4,000	$	1.00	Real estate
June 30, 2017					
China Travel Service (Taiwan)	$ 4,000	$ 4,000	$ -	1.00	Real estate

4) Deposits

	June 30, 2018			For the Six Months Ended June 30, 2018
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Empresa	$ 2,547,856	$ 791,707	0.75-2.35	$ 8,314
Krinein	806,568	455,339	0.75-2.35	4,384
Employees	440,435	225,820	0.00-9.96	1,769
SCSB Asset Management Ltd.	410,368	337,577	0.08-1.03	1,701
The SCSB Cultural & Educational Foundation	311,664	304,770	0.01-1.07	951
Supervisors and related management	280,255	184,459	0.00-2.66	594
SCSB Life Insurance Agency	253,515	169,457	0.00-1.01	821
Shancom Reconstruction Inc.	173,384	173,384	0.25-2.35	1,588
Others	247,163	201,916	0.00-3.40	986
	$ 5,471,208	$ 2,844,429		$ 21,108

	December 31, 2017			For the Year Ended December 31, 2017
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Empresa	$ 2,479,479	$ 762,922	0.45-1.40	$ 11,114
Krinein	780,094	438,783	0.45-1.40	6,101
Employees	440,089	216,980	0.00-9.96	3,027
Supervisors and related management	424,455	196,145	0.00-3.40	931
SCSB Asset Management Ltd.	409,308	409,217	0.08-1.08	2,904
The SCSB Cultural & Educational Foundation	332,374	311,573	0.01-1.24	1,921
SCSB Life Insurance Agency	258,763	218,605	0.00-1.08	1,618
Shancom Reconstruction Inc.	167,080	167,080	0.13-1.40	2,264
Others	249,233	232,374	0.01-3.50	1,661
	$ 5,540,875	$ 2,953,679		$ 31,541

	June 30, 2017			For the Six Months Ended June 30, 2017
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Empresa	$ 2,541,299	$ 776,478	0.45-1.40	$ 5,913
Krinein	799,544	446,580	0.45-1.40	3,106
SCSB Asset Management Ltd.	321,891	320,768	0.08-1.08	1,426
The SCSB Cultural & Educational Foundation	318,204	307,123	0.01-1.24	953
Employees	362,972	194,839	0.00-9.96	1,520
SCSB Life Insurance Agency	258,763	175,474	0.00-1.08	814
Shancom Reconstruction Inc.	170,049	170,049	0.13-1.40	1,123
Supervisors and related management	120,388	57,582	0.00-3.40	422
Others	315,443	275,075	0.00-3.50	793
	$ 5,208,553	$ 2,723,968		$ 16,070

5) Accrued receivables (accounted for as receivables)

	June 30, 2018	December 31, 2017	June 30, 2017
SCSB Life Insurance Agency	$ 45,981	$ 35,188	$ 16,352
SCSB Property Insurance Agency	331	657	312
	$ 46,312	$ 35,845	$ 16,664

6) Interest receivable (accounted for as receivables)

	June 30, 2018	December 31, 2017	June 30, 2017
Supervisors and related management	$ 94	$ 103	$ 104

7) Interest payable (accounted for as payables)

	June 30, 2018	December 31, 2017	June 30, 2017
Empresa	$ 4,186	$ 2,433	$ 2,446
Krinein	2,408	1,399	1,407
Shancom Reconstruction Inc.	917	533	535
SCSB Life Insurance Agency	72	87	-
Others	823	661	608
	$ 8,406	$ 5,113	$ 4,996

8) Guarantee deposits received (accounted for as other liabilities)

	June 30, 2018	December 31, 2017	June 30, 2017
The SCSB Cultural & Educational Foundation	$ 211	$ 211	$ 211
SCSB Life Insurance Agency	197	197	197
SCSB Property Insurance Agency	197	197	197
China Travel Service (Taiwan)	180	180	180
Others	67	67	67
	$ 852	$ 852	$ 852

9) Service fees (accounted for as service fee income, net)

	For the Six Months Ended June 30	
	2018	2017
SCSB Life Insurance Agency	$ 135,076	$ 149,876
SCSB Property Insurance Agency	5,682	5,697
	$ 140,758	$ 155,573

10) Rental income (accounted for other revenue, net)

	For the Six Months Ended June 30	
	2018	2017
The SCSB Cultural & Educational Foundation	$ 421	$ 421
SCSB Life Insurance Agency	395	395
SCSB Property Insurance Agency	395	395
China Travel Service (Taiwan)	369	369
Others	127	124
	$ 1,707	$ 1,704

For the rental contracts with related parties, the rental is determined in proportion to similar rentals in the area, based on a reference of the rentals in the neighborhood, and is received on a monthly basis.

11) Administrative and operating expense (accounted for as other general administrative expenses)

	For the Six Months Ended June 30	
	2018	2017
SCSB Marketing	$ 34,761	$ 31,732
China Travel Service (Taiwan)	434	460
	$ 35,195	$ 32,192

12) Loans

June 30, 2018

Category	Name	Maximum Balance	Ending Balance	Performance: Normal Loans	Performance: Non-performing Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	For the Six Months Ended June 30, 2018 Interest Income
Loans for personal house mortgages	Supervisors and related management (2)	$ 20,575	$ 12,377	$ 12,377	-	Real estate	1.86-2.09	None	$ 153
Others	Supervisors and related management (4)	88,139	71,246	71,246	-	Real estate	1.68-2.66	None	804
	Silks Place Taroko	5,000	-	-	-	Real estate	1.63	None	6
		$ 113,714	$ 83,623	$ 83,623					$ 963

December 31, 2017

Category	Name	Maximum Balance	Ending Balance	Performance: Normal Loans	Performance: Non-performing Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	For the Year Ended December 31, 2017 Interest Income
Loans for personal house mortgages	Supervisors and related management (2)	$ 24,296	$ 16,184	$ 16,184	-	Real estate	1.86-2.10	None	$ 423
Others	Supervisors and related management (4)	80,114	74,754	74,754	-	Real estate	1.68-2.67	None	1,416
	CX Technology				-				
	Silks Place Taroko	10,000			-	Real estate	1.63	None	15
		$ 114,410	$ 90,938	$ 90,938					$ 1,854

June 30, 2017

Category	Name	Maximum Balance	Ending Balance	Performance: Normal Loans	Performance: Non-performing Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	For the Six Months Ended June 30, 2017 Interest Income
Loans for personal house mortgages	Supervisors and related management (2)	$ 30,693	$ 19,951	$ 19,951	-	Real estate	1.86-2.10	None	$ 232
Others	Supervisors and related management (4)	81,492	76,340	76,340	-	Real estate	1.68-2.67	None	644
	Silks Place Taroko	5,000	-	-	-	Real estate	1.63	None	7
		$ 117,185	$ 96,291	$ 96,291					$ 883

Employee deposits and loans have interest rates that are better than ordinary rates but within regulated limits, while other related party transactions have similar terms as non-related party transactions.

Under the provisions of Articles 32 and 33 of the Banking Act, the Bank shall not make unsecured loans to related party, except for consumer loans under certain limits and government loans. Secured loans to a related party should be fully guaranteed, and the relevant terms should not be superior to other similar credit clients.

c. Compensation of directors, supervisors and management personnel

The compensation of key management personnel for the period ended June 30, 2018 and 2017 was as follows:

	For the Six Months Ended June 30	
	2018	2017
Salaries and other short-term employee benefits	$ 61,184	$ 58,967
Bonuses of employees	75,679	66,752
Remuneration of directors and supervisors	27,498	27,498
Retirement benefits	6,914	6,698
	$ 171,275	$ 159,915

35. PLEDGED ASSETS

Under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), on June 30, 2018, December 31, 2017 and June 30, 2017, the assets listed below had been provided as collateral for day-term overdrafts with the pledged amount adjustable at any time.

	June 30, 2018	December 31, 2017	June 30, 2017	Guarantee Purpose
Financial assets at amortized cost	$ 15,000,000	$ -	$ -	Day-term overdraft with the pledge
Held-to-maturity financial assets	-	15,000,000	15,000,000	Day-term overdraft with the pledge

On June 30, 2018, December 31, 2017 and June 30, 2017, the assets listed below were provided as refundable deposits for operating guarantees and for executing legal proceedings against defaulting borrowers as required by the court.

	June 30, 2018	December 31, 2017	June 30, 2017	Guarantee Purpose
Financial assets measured at FVTOCI	$ 324,228	$ -	$ -	Operating guarantee
Held-to-maturity financial assets	-	43,590	44,604	Operating guarantee
Available-for-sale financial assets	-	261,448	148,368	Operating guarantee

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. In addition to those disclosed in other notes, significant commitments and contingencies of the Bank as of June 30, 2018, December 31, 2017 and June 30, 2017 were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Receivables under custody	$ 27,152,020	$ 27,196,931	$ 25,692,769
Consigned travelers' checks	219,446	234,878	232,550
Guarantee notes payable	125,481,688	91,904,226	112,306,426
Assets under trust	148,397,560	141,528,949	146,624,151
Securities in custody	14,021,458	13,275,911	9,704,347
Government bonds in brokerage accounts	38,007,500	23,499,500	38,505,500
Short-term bills in brokerage accounts	972,900	1,312,500	1,052,600

b. Operational risk and legal risk

Items	Reason and Amount	
	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Chief director and staff indicted by prosecutor for breaking law in the conduct of operational activities in recent year	None	None
Violating the law and being punished by authorities in the recent year	1. Fined NT$1 million by the Banking Bureau under its letter dated October 25, 2017 (Ref. No. 10620004740) for violating anti-money laundering rules. 2. Fined NT$2 million by the Banking Bureau under its letter dated October 25, 2017 (Ref. No. 10620004740) for violating banking transaction operations due to the actions of a teller in receipt of instructions from the fraudulent account on the communications application, LINE.	None
Deficiency corrected by authorities in the recent year	None	None
Punished by authorities according to Bank Law No. 61-1 in the recent year	Corrected by the Banking Bureau under its letter dated October 25, 2017 (Ref. No. 10620004741) in response to the member of Yuanlin illegally keeping the application documents of the customer's stamped Taiwan (foreign) currency current deposit withdrawal slip in violation of rules and regulations.	None
Single or whole security events due to fraudulence, accident or against "Outlines Governing the Security Maintenance and Administration of Financial Institutions" which caused losses amounting to NT $50 million in the recent year	None	None
Others	None	None

37. FINANCIAL INSTRUMENTS

a. Fair value information - financial instruments not measured at fair value

1) Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Bank's management considers that the carrying amounts of financial instruments not measured at fair values are approximates of their fair values or the fair values could not otherwise be reliably measured:

	June 30, 2018		December 31, 2017		June 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Financial assets at amortized cost	$ 81,532,814	$ 81,529,096	$ -	$ -	$ -	$ -
Held-to-maturity financial assets	-	-	103,444,933	103,504,650	72,357,352	72,364,343
Financial liabilities						
Bank debentures	50,150,000	50,276,135	45,150,000	45,073,224	43,150,000	43,064,190

2) Fair value measurements recognized in the balance sheets

	June 30, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized cost	$ 81,529,096	$ 4,655,010	$ 76,874,086	$ -
Financial liabilities				
Bank debentures	50,276,135	-	50,276,135	-

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 103,504,650	$ 941,624	$ 102,563,026	$ -
Financial liabilities				
Bank debentures	45,073,224	-	45,073,224	-

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 72,364,343	$ 959,536	$ 71,404,807	$ -
Financial liabilities				
Bank debentures	43,064,190	-	43,064,190	-

3) The evaluation method and assumptions used in measuring fair value

The fair value of financial assets and liabilities are determined as follows:

a) The fair value of financial assets with standard clauses and terms is quoted market price.

b) The fair value of financial instruments other than the above is determined by the discounted cash flow analysis or other generally accepted pricing models.

b. Fair value information - financial instruments measured at fair value

1) Fair value level

Information of the financial instruments measured at fair value categorized by level is as follows:

Financial Instruments Measured at Fair Value	June 30, 2018 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss				
Shares	$ 656,372	$ 656,372	$ -	$ -
Bond investments	1,079,887	253,702	-	826,185
Others	3,038,239	3,038,239	-	-
Financial assets measured at fair value through other comprehensive income				
Investments in equity instruments	4,313,518	2,723,103		1,590,415
Investments in debt instruments	173,988,447	55,124,184	118,102,624	761,639
	$ 183,076,463	$ 61,795,600	$ 118,102,624	$ 3,178,239
Derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss	$ 601,839	$ 37,475	$ 516,101	$ 48,263
Liabilities				
Financial liabilities measured at fair value through profit or loss	$ 513,155	$ 144	$ 473,157	$ 39,854

Financial Instruments Measured at Fair Value	December 31, 2017 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss				
Held-for-trading financial assets				
Shares	$ 4,050	$ 4,050	$ -	$ -
Financial assets designated measured at fair value through profit or loss on initial recognition	705,418	-	-	705,418
Available-for-sale financial assets				
Shares	3,566,742	1,746,407	-	1,820,335
Bonds	118,498,646	51,089,823	66,485,712	923,111
Others	31,346,887	3,608,765	27,738,122	
	$ 154,121,743	$ 56,449,045	$ 94,223,834	$ 3,448,864

Derivative instruments

Assets				
Financial assets measured at fair value through profit or loss	$ 544,040	$ 15,946	$ 497,349	$ 30,745
Liabilities				
Financial liabilities measured at fair value through profit or loss	$ 323,964	$ -	$ 291,701	$ 32,263

Financial Instruments Measured at Fair Value	June 30, 2017 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss				
Held-for-trading financial assets				
Shares	$ 1,677	$ 1,677	$ -	$ -
Commercial papers	179,893	-	179,893	-
Financial assets designated measured at fair value through profit or loss on initial recognition	1,066,051	-	-	1,066,051
Available-for-sale financial assets				
Shares	3,301,168	1,395,427	-	1,905,741
Bonds	121,147,015	47,819,384	72,338,242	989,389
Others	49,368,695	7,624,597	41,744,098	-
	$ 175,064,499	$ 56,841,085	$ 114,262,233	$ 3,961,181
Derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss	$ 526,513	$ 17,049	$ 466,701	$ 42,763
Liabilities				
Financial liabilities measured at fair value through profit or loss	$ 401,032	$ -	$ 365,229	$ 35,803

There are no transfers of financial instruments between Level 1 and Level 2 fair value measurement for the six months ended June 30, 2018 and 2017.

2) Reconciliation of Level 3 fair value measurements of financial assets and liabilities for the six months ended June 30, 2018 and 2017

For the six months ended June 30, 2018

Items	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
Assets								
Financial assets measured at fair value through profit or loss								
Financial assets mandatorily measured at fair value through profit or loss	$ 736,163	$ 32,264	$ -	$ 489,328	$ -	$ (231,105)	$ (152,202)	$ 874,448
Financial assets measured at fair value through other comprehensive income	2,743,446		(216,313)		-	(175,079)	-	2,352,054
Liabilities								
Financial liabilities measured at fair value through profit or loss								
Held-for-trading financial liabilities	32,263	22,286	-	-	-	(8,512)	(6,183)	39,854

For the six months ended June 30, 2017

Items	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
Assets								
Financial assets measured at fair value through profit or loss								
Held-for-trading financial assets	$ 29,305	$ 5,356	$ -	$ 8,102	$ -	$ -	$ -	$ 42,763
Financial assets designated measured at fair value through profit or loss	768,160	6,519	-	456,300	-	(164,928)	-	1,066,051
Available-for-sale financial assets	2,461,136	-	(14,228)	580,196	-	(131,974)	-	2,895,130
Liabilities								
Financial liabilities measured at fair value through profit or loss								
Held-for-trading financial liabilities	23,181	8,571	-	4,051	-	-		35,803

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Bonds	Valuation was based on observable market prices or assessed by cash-flow method through observable elements.
Derivatives	Valuation was based on widely-adapted pricing techniques. The inputs were assessed by observable elements in the market.
Others	Valuation was based on observable market prices or assessed by cash-flow method through observable elements.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

Fair value evaluation for instruments categorized as Level 3 included but was not limited to instruments classified as measured at fair value through profit or loss, equity securities investments, derivatives, and held-to-maturity financial assets.

Most financial instruments with fair value measurements categorized as Level 3 only possess single, unobservable inputs. Non-active market debt instruments possess unobservable inputs. The non-active market equity instruments are independent and, thus, are irrelevant to each other. The table of quantified information of significant unobservable inputs is as follows:

	Fair Value	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Notes
Non-derivative financial assets					
Financial assets measured at fair value through profit or loss					
Bonds	$ 826,185	Counterparty quote and check with other quotations	Discount lack of market liquidity	0%-10%	The higher of the discount lack of liquidity, and the lower the fair value.
Financial assets measured at fair value through other comprehensive					

income Shares	1,590,415	1. Market approach 2. Net asset value method	1. Multiplier of PBR Market liquidity reduction 2. Market liquidity reduction	1. 0.37-10.02 10%-19% 2. 10%-19%	1. The higher of the multiplier, and the higher of the fair value. The higher the liquidity reduction, and the lower of the fair value. 2. The higher the liquidity reduction, and the lower of the fair value.
Bonds	761,639	1. Counterparty quote 2. Discounted cash flow method	Discount rate	0%-10%	The higher of the discount rate, and the lower of the fair value.
Derivative financial assets					
Financial assets measured at fair value through profit or loss Interest rate exchange	48,263	Discounted cash flow method	Discount rate	0%-10%	The higher of the discount rate, and the lower of the fair value.
Derivative financial liabilities					
Financial liabilities measured at fair value through profit or loss Sell options	39,854	Black-Scholes Model	Volatility	0%-15%	The higher of the volatility, and the higher of the fair value.

5) Sensitivity analysis of alternative assumptions of Level 3 fair value measurement

The Bank reasonably measured the fair values of its financial instruments; however, using different valuation models, evaluation methods and underlying assumptions may lead to different results. For financial instruments classified as Level 3 fair value measurements, if the parameters were to go up 1%, the influence on net income or other comprehensive income would be as follows:

June 30, 2018

	Changes in Fair Value Reflected in Profit or Loss		**Changes in Fair Value Reflect in Other Comprehensive Income**	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets measured at fair value through profit or loss Financial assets mandatorily measured at fair value through profit or loss	$ -	$ (2,441)	$ -	$ -
Financial assets measured at fair value through other comprehensive income	-	-	15,904	(27,074)

December 31, 2017

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets measured at fair value through profit or loss				
Held-for-trading financial assets	$ 19,351	$ (3,902)	$ -	$ -
Financial assets designated as at fair value	-	(1,530)	-	-
Available-for-sale financial assets	-	-	18,139	(29,708)
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	42	(19,351)	-	-

June 30, 2017

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets measured at fair value through profit or loss				
Held-for-trading financial assets	$ 26,588	$ (3,082)	$ -	$ -
Financial assets designated as at fair value	-	(2,096)	-	-
Available-for-sale financial assets	-	-	-	(34,484)
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	149	(26,588)	-	-

For financial instruments classified as having Level 3 fair value measurements, if the parameters were to go down 1%, the influence of net income or other comprehensive income would be as follows:

June 30, 2018

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	$ 2,441	$ -	$ -	$ -
Financial assets measured at fair value through other comprehensive income	-	-	27,074	(15,904)

December 31, 2017

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets measured at fair value through profit or loss				
Held-for-trading financial assets	$ 17,772	$ (5,767)	$ -	$ -
Financial assets designated as at fair value	1,530	-	-	-
Available-for-sale financial assets	-	-	31,777	(18,139)
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	1,987	(17,772)	-	-

June 30, 2017

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets measured at fair value through profit or loss				
Held-for-trading financial assets	$ 21,081	$ (4,478)	$ -	$ -
Financial assets designated as at fair value	2,096	-	-	-
Available-for-sale financial assets	-	-	36,582	-
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Held-for-trading financial liabilities	1,724	(21,081)	-	-

c. Financial risk management

1) Risk management

The Bank's objective in risk management is to establish a risk control mechanism weighing the entire risk of the Bank, restrictions from laws and regulations, to diversify, transfer and avoid risk, and to pursue the maximum benefits of the Bank's customers, shareholders, and employees. The Bank's major risks include credit risk, market risk (interest rate, exchange rate and equity securities), operational risk, liquidity risk and so on.

The Bank established written risk management policies and procedures that are considered and approved by the board of directors to identify, measure, monitor, and control the credit risk, market risk, and liquidity risk.

The Bank's risk management department performs the Bank's risk management activities pursuant to the policies approve by the board of directors. Risk management department works with other business departments in order to identify, evaluate, and avoid any financial risks. The board of directors formulates the written policies for risk management; the policy included specific exposures such as currency risk, interest rate risk, credit risk, operational risk, derivative and non-derivative financial instruments. In addition, the department of internal audit is responsible for independent review of risk management and control environment.

2) Credit risk

Credit risk is the risk of counterparties' failure to fulfill their contractual obligations causing the Bank's financial losses. Both in-balance-sheet and off-balance-sheet items are exposed to credit risks. For the Bank's credit exposures, in-balance-sheet items mainly consisted of discounts and loans, credit card business, due from and call loans to banks, debt investments, and derivative instruments. Off-balance sheet items mainly consisted of financial guarantee, acceptances, letters of credit, loan commitments, and other services which also generate credit exposure.

To ensure that the credit risk is controlled within a tolerable range, the Bank established an internal standard for credit risk. In that standard, all transactions are analyzed whether in the banking book or in the trading book, and either in-balance-sheet or off-balance-sheet, to identify the inherent and potential risks. The Bank examines and confirms credit risk in accordance with the rules before launching new products and business. Furthermore, the Bank also establishes a risk management system for complicated credit business such as factoring, credit derivative financial instruments and so on.

The Bank's foreign operation units adopt policies and standards same with above to assess their asset quality and provision for contingent loss, and also include policies that comply with the regulations of the local financial supervisory commission.

a) Procedures of credit risk management

Each major business applies procedures and methods for credit risk management as follows:

i. Credit business (including loan commitments and guarantees)

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i) The credit risk has increased significantly after original recognition

The Bank assesses the change in the risk of default over the expected duration of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since original recognition. For this assessment, the Bank's considerations (including forward-looking information) show that the credit risk has increased significantly since original recognition and can be corroborated. The main considerations include:

- Changes in internal and external credit ratings (e.g. external TCRI ratings are above the high risk level).
- Information of overdue status (e.g. if the payment is overdue for more than 30 days).
- Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.
- Significant changes in actual or expected results of the debtor's operations.
- The credit risk of other financial instruments of the same debtor has increased significantly.

ii) The definition of default and credit impairment on financial assets

The Bank's definition of default on financial assets is the same as the judgment of credit impairment on financial assets. If one or more of the following conditions are met, the Bank determines that the financial assets have defaulted and have credit impairment:

- Changes in internal and external credit ratings (e.g. external TCRI ratings are above the high risk level).
- Information of overdue status (e.g. if the payment is overdue for more than 30 days).
- The debtor has become bankrupt or may file for bankruptcy or financial restructuring.

- The debtor has died or been dissolved.

- Contracts of other debt instruments of the debtor have defaulted.

- The active market of the financial assets disappeared due to financial difficulties.

- The debtor's creditor gives the borrower a concession that would not have been considered due to economic or contractual reasons related to the debtor's financial difficulties.

- There is a purchase or initiation of financial assets at a significant discount reflecting that credit losses have occurred.

The aforementioned default and credit impairment definitions apply to all financial assets held by the Bank and are consistent with the definitions used for the internal credit risk management purposes of the financial assets and are applied to the relevant impairment assessment model.

iii) Measurement of expected credit loss

For the objective of assessing expected credit loss, credit assets are classified according to the credit risk characteristics (such as the purpose of the borrowing, the nature of the industry, the type of collateral and the state of the borrowing) into two categories: corporate finance and personal finance. Further to this, the credit risk characteristics are divided according to each category.

The 12-month expected credit loss amounts of the Bank's financial instruments whose credit risk has not significantly increased since original recognition are used to measure the allowance loss of the financial instruments; for financial instruments whose credit risk has increased significantly or which have had credit impairment since original recognition, such financial instruments are measured at the amount of full-lifetime expected credit losses.

The estimation method and significant assumptions used to assess expected credit losses have not changed significantly since June 30, 2018.

iv) Forward-looking information considerations

When measuring the expected credit losses, the Bank uses forward-looking economic factors that affect credit risk and takes such forward-looking information regarding expected credit losses into consideration. Based on professional economic judgment, the Bank uses the statistical analysis results of GDP growth rate to provide forecast information of economic factors on a quarterly basis and re-evaluates such data on each financial reporting date.

2017

The classification of credit assets and credit quality levels are as follows:

i) Classification of credit assets

Credit assets are divided into accounts which are classified as normal accounts, accounts with notices, accounts with warnings, difficult accounts and uncollectible accounts according to the conditions of the credit assets and the length of time for which the accounts were overdue. The Bank compiles with the "Regulations Governing the Producers for Banking Institutions to Evaluate Assets and Deal with

Non-performing/Non-accrual Loans" and "Credit Asset Valuation Guidelines" to manage credit issues related to non-performing loans.

ii) Credit quality rating

The Bank establishes a credit quality rating guide (either using internal rating models or credit rating table) based on the business characteristics, scale and other factors and uses it in its risk management.

In order to assess the corporate clients' credit risk, the Bank develops a credit rating model by using statistical methods or professional judgments and by considering clients' information. The model is reviewed regularly to determine whether the computation agrees to the actual situation, and makes adjustments to each parameter to optimize the calculation results.

For individual personal clients' credit loans and partial mortgage loans, internal credit rating model is used in the credit evaluation; other credits are assessed on a case by case basis.

The clients are assessed and ranked annually. In addition, to ensure the rationality of the credit rating system, the design, process and associated risk factors are reviewed and the models are evaluated based on the actual defaults on an annual basis.

ii. Due from and call loans to bank

The Bank assesses the credit position of counterparties and consults a credit rating agency for credit rating information and sets limits to the credit facilities.

iii. Debt investments and derivative financial instruments

For the credit risk management of debt investments, the Bank identifies credit risk by using information from external institutions about credit ratings, quality of debts, region, and the risk of counterparties.

Most of the Bank's counterparties in derivative transactions are assessed at higher than investment grade, and the Bank controls the investments according to counterparties' facilities (including call loans); counterparties that do not have credit ratings or are not assessed at investment grade are reviewed case by case. Counterparties which are non-financial or non-banking clients are assessed according to the general procedures for the approval of credit facilities and control of credit exposure situations of the counterparties.

b) Policies of credit risk hedging or mitigation

i. Collateral

The Bank applies series of policies to decrease credit risks in its lending business. Among those policies is to request collateral from creditors. To secure the creditor's rights, the Bank has established procedures for pledges, valuations, management, and disposals of collateral. The contracts between the Bank and the borrowers clearly state the protocols, including but not limited to the security of credit, procedures for collateral and for offsets. Collateral for business other than loan borrowings vary by the nature of the related financial instruments. Only asset-backed securities and other similar financial instruments are secured by a pool of financial assets.

ii. Limitation of credit risk and credit concentration management

The credit policies of the Bank regulate the credit limitations, as applied to a single counterparty or group, to avoid excessive credit concentration. The Bank further implements concentration policies, which monitor and manage the credit limitation and concentration in one single counterparty, different enterprises, related parties, industries, and countries. The policies are based on individual criteria in different categories including but not limited to industries, enterprises, and share-pledge related loans.

iii. Other mechanisms for credit risk management

To further decrease credit risks, the contracts also proclaim that the Bank may decrease the balances, shorten the maturity period, demand immediate payback, or use borrowers' assets in the Bank to offset their liabilities.

In most circumstances, the Bank applies gross settlement with counterparties. However, to further decrease credit risks, the Bank applies net settlement or even terminates transactions with certain counterparties when default may occur.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effects in respect of the financial assets recognized in the Bank's balance sheet:

June 30, 2018

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Financial instruments with credit impairment under IFRS 9					
Receivables	$ 364,034	$ 1,245,256	$ -	$ 371,538	$ 1,616,794
Discounts and loans	3,182,477	5,450,745	-	67,197,280	72,648,025

December 31, 2017

	Maximum Exposure to Credit Risk Mitigated by Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Receivables	$ 1,001,320	$ -	$ 325,008	$ 1,326,328
Discounts and loans	430,443,329	-	67,827,337	498,270,666
Held-for-trading financial assets - bonds	-	-	699,996	699,996
Available-for-sale financial assets - bonds	-	-	4,885,811	4,885,811

June 30, 2017

	Maximum Exposure to Credit Risk Mitigated by Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Receivables	$ 1,208,952	$ -	$ 522,845	$ 1,731,797
Discounts and loans	414,152,134	-	71,584,067	485,736,201
Held-for-trading financial assets - short-term bills	-	-	179,898	179,898
Available-for-sale financial assets				
Bonds	-	-	6,324,149	6,324,149
Short-term bills	-	-	10,100,926	10,100,926

c) Credit risk exposures

The maximum exposure of the Bank's assets in the balance sheet is equivalent to the book value, while the pledged assets and other credit instruments are not considered. The off-balance sheet items related to the maximum credit exposure (without considering collateral or other credit enhancements and irrevocable maximum exposure) are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Developed and non-cancelable loan commitments	$ 14,127,067	$ 13,858,240	$ 11,371,462
Non-cancelable credit card commitments	689,367	723,940	999,309
Issued but unused letters of credit	9,039,756	8,100,576	9,322,313
Other guarantees	46,863,113	43,779,152	41,586,990

The Bank assessed that it could continually control and minimize credit risk exposure of off-balance-sheet items because it adopts stricter procedures and regularly audits credit accounts.

The total carrying amounts of the financial assets with the largest credit risk exposure are as follows:

	June 30, 2018			
	12-Month ECLs	Full-Lifetime ECLs - Unimpaired	Full-Lifetime ECLs - Impaired	Total
Discounts and loans				
Consumer banking				
Residential mortgage loans	$ 187,171,879	$ 2,977,539	$ 740,128	$ 190,889,546
Small scale credit loans	1,411,942	19,876	17,236	1,449,054
Others	22,571,178	188,093	105,216	22,864,487
Corporate banking				
Secured	227,647,920	33,137,213	1,536,757	262,321,890
Unsecured	182,402,482	9,632,827	783,140	192,818,449
Total	$ 621,205,401	$ 45,955,548	$ 3,182,477	$ 670,343,426
Accounts receivable (including non-performing credit card receivables)				
Credit cards	$ 3,034,100	$ 63,936	$ 72,879	$ 3,170,915
Others	4,737,428	631,998	291,155	5,660,581
Total	$ 7,771,528	$ 695,934	$ 364,034	$ 8,831,496
Debt instruments measured at fair value through other comprehensive income	$ 174,826,527	$ -	$ -	$ 174,826,527
Investments in debt instruments at amortized cost	$ 81,534,220	$ -	$ -	$ 81,534,220

d) Information on concentration of credit risk

Concentration of credit risk exists if transaction counterparties are significantly concentrated on same individuals or groups engaged in activities with similar economic characteristics, which may lead their ability to fulfill contractual obligations being affected by similar changes in economic or other conditions.

Concentration of credit risk can be on assets, liabilities or off-balance sheet items and can arise in the course of the enforcement and implementation of transactions (regardless of products or service) or in the combination of exposures across categories, including credit, due from and call loans to banks, marketable securities, receivables and derivatives, etc. The Bank maintained a diversified loan portfolio to mitigate the credit risk concentration to same customers; total transaction of same customers in discounts and loans and the balance of non-accrual loans are not material. The Bank's most significant concentrations of credit risk of discounts and loans and non-accrual loans by business, region, and collateral were summarized as follows:

i. Industry

	June 30, 2018		December 31, 2017		June 30, 2017	
Industry	Amount	% to Total	Amount	% to Total	Amount	% to Total
Private sector	$ 400,285,695	60	$ 397,144,365	62	$ 386,693,869	63
Consumer	247,118,794	37	232,985,879	36	225,382,477	36
Financial institution	16,146,158	2	3,780,626	1	2,267,342	-
Others	6,792,779	1	5,566,414	1	4,336,403	1
	$ 670,343,426	100	$ 639,450,284	100	$ 618,680,091	100

ii. Region

	June 30, 2018		December 31, 2017		June 30, 2017	
Region	Amount	% to Total	Amount	% to Total	Amount	% to Total
Taiwan	$ 567,150,560	85	$ 540,073,011	84	$ 522,443,509	84
Asia area (Except Taiwan)	89,739,080	13	86,884,052	14	85,597,255	14
Others	13,453,786	2	12,493,221	2	10,639,327	2
	$ 670,343,426	100	$ 639,450,284	100	$ 618,680,091	100

iii. Collateral

	June 30, 2018		December 31, 2017		June 30, 2017	
Collateral	Amount	% to Total	Amount	% to Total	Amount	% to Total
Unsecured	$ 156,972,510	23	$ 143,999,487	23	$ 138,270,252	22
Secured						
Properties	404,415,736	61	386,510,976	60	371,573,996	60
Guarantees	65,202,622	10	65,653,220	10	68,210,392	11
Financial collateral	23,393,288	3	21,152,050	3	18,822,155	3
Movable properties	5,081,816	1	5,083,199	1	5,302,670	1
Other collateral	15,277,454	2	17,051,352	3	16,500,626	3
	$ 670,343,426	100	$ 639,450,284	100	$ 618,680,091	100

e) Information on credit risk quality

Part of the financial assets held by the Bank, including cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets measured at fair value through profit or loss, investments in bills and bonds with resale agreements, guarantee deposits paid, security businesses, clearing and settlement funds, etc. are assessed with very low credit risk because the counterparties have good credit ratings.

In addition to the above, the credit analysis of the remaining financial assets is as follows:

a) Credit analysis of discounts and loans and receivables

December 31, 2017	Neither Past Due Nor Impaired				Overdue but Unimpaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit cards	$ 1,138,410	$ 590,339	$ 68,632	$ 1,797,381	$ 43,898	$ 61,895	$ 1,903,174	$ 54,761	$ 153,871	$ 1,694,542
Others	2,646,780	2,834,591	54,729	5,536,100	25,604	172,461	5,734,165	94,985	141,565	5,497,615
Discount and loans	399,724,446	171,189,472	54,047,553	624,961,471	7,328,708	7,160,105	639,450,284	2,231,706	6,961,871	630,256,707

June 30, 2017	Neither Past Due Nor Impaired				Overdue but Unimpaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit cards	$ 1,275,770	$ 584,989	$ 57,664	$ 1,918,423	$ 41,989	$ 66,290	$ 2,026,702	$ 57,416	$ 24,953	$ 1,944,333
Others	3,221,860	3,661,929	28,947	6,912,736	206,558	78,740	7,198,034	58,144	242,330	6,897,560
Discount and loans	392,376,175	159,309,537	51,991,377	603,677,089	7,507,659	7,495,343	618,680,091	2,549,295	6,553,352	609,577,444

b) Credit quality analysis of discounts and loans that are neither past due nor impaired

December 31, 2017	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mention	Total
Consumer banking				
Housing mortgages	$ 170,702,780	$ 4,684,742	$ 55,095	$ 175,442,617
Small scale credit loans	1,027,455	85,683	1,753	1,114,891
Others	21,014,231	666,962	1,947	21,683,140
Corporate banking				
Secured	95,742,767	114,509,786	38,355,788	248,608,341
Unsecured	111,237,213	51,242,299	15,632,970	178,112,482
Total	$ 399,724,446	$ 171,189,472	$ 54,047,553	$ 624,961,471

June 30, 2017	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mention	Total
Consumer banking				
Housing mortgages	$ 163,021,135	$ 5,057,779	$ 56,962	$ 168,135,876
Small scale credit loans	1,043,196	152,371	2,151	1,197,718
Others	20,317,414	582,795	1,994	20,902,203
Corporate banking				
Secured	99,325,270	104,814,835	38,613,212	242,753,317
Unsecured	108,669,160	48,701,757	13,317,058	170,687,975
Total	$ 392,376,175	$ 159,309,537	$ 51,991,377	$ 603,677,089

c) Delays caused by loan processing and other administrative issues may result in financial assets overdue but not impaired.

The aging analysis of financial assets that were overdue but not impaired is as follows:

Items	December 31, 2017		
	Overdue Last a Month	Overdue One to Three Months	Total
Receivables			
Credit cards	$ 40,542	$ 3,356	$ 43,898
Others	19,676	5,928	25,604
Discounts and loans			
Consumer banking			
Housing mortgages	1,799,140	1,044,229	2,843,369
Small scale credit loans	8,429	5,906	14,335
Others	82,106	118,582	200,688
Corporate banking			
Secured	1,787,503	1,277,217	3,064,720
Unsecured	703,021	502,575	1,205,596

Items	June 30, 2017		
	Overdue Last a Month	Overdue One to Three Months	Total
Receivables			
Credit cards	$ 39,042	$ 2,947	$ 41,989
Others	140,410	66,148	206,558
Discounts and loans			
Consumer banking			
Housing mortgages	2,001,643	1,157,027	3,158,670
Small scale credit loans	9,899	6,154	16,053
Others	209,224	100,045	309,269
Corporate banking			
Secured	1,685,986	478,850	2,164,836
Unsecured	1,435,786	423,045	1,858,831

d) Credit quality analysis of security investments

(Amount in Thousands of New Taiwan Dollars)

December 31, 2017	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Substandard	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 47,220,435	$ 20,579,999	$ 36,765,613	$ 12,404,846	$ 1,527,753	$ 118,498,646	$ -	$ -	$ 118,498,646	$ -	$ 118,498,646
Shares	4,071	-	-	-	3,562,671	3,566,742	-	-	3,566,742	-	3,566,742
Bills	2,987,553	-	24,773,729	-	-	27,761,282	-	-	27,761,282	-	27,761,282
Others	-	-	-	-	3,585,605	3,585,605	-	-	3,585,605	-	3,585,605
Held-to-maturity financial assets											
Bonds	3,004,646	1,375,887	264,400	-	-	4,644,933	-	-	4,644,933	-	4,644,933
Bills	98,800,000	-	-	-	-	98,800,000	-	-	98,800,000	-	98,800,000
Financial assets designated as at fair value											
Bonds	-	-	260,218	-	445,200	705,418	-	-	705,418	-	705,418

(Amount in Thousands of New Taiwan Dollars)

June 30, 2017	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Recognized Losses Amount (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Substandard	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 53,956,800	$ 20,083,616	$ 33,651,114	$ 11,879,004	$ 1,576,481	$ 121,147,015	$	$ 91,260	$ 121,238,275	$ 91,260	$ 121,147,015
Shares	-	-	-	-	10,902,275	10,902,275	-	-	10,902,275	-	10,902,275
Bills	2,052,253	-	39,715,335	-	-	41,767,588	-	-	41,767,588	-	41,767,588
Held-to-maturity financial assets											
Bonds	1,098,914	689,383	269,753	-	-	2,058,050	-	-	2,058,050	-	2,058,050
Bills	70,299,302	-	-	-	-	70,299,302	-	-	70,299,302	-	70,299,302
Financial assets measured at fair value through profit or loss											
Bonds	-	-	153,451	-	912,600	1,066,051	-	-	1,066,051	-	1,066,051

3) Market risk

a) The sources and definition of market risk

Market risk is the risk resulting from changes in fair value and future cash flows of on- and off-balance-sheet financial instruments caused by changes in market prices, interest rates, foreign exchange rate, including equity securities price and commodity price. Changes in above risk elements can cause risks to shift the net profit of the Bank or its investment structures.

The Bank's financial instruments are exposed to price, interest rate and foreign exchange rate risks. Major market price risk positions of equity securities include domestic listed shares and funds. Major interest risks include bonds and interest rate derivative instruments such as fixed and floating interest rate swap and bond options whereas the major foreign exchange risks include foreign currency positions held by the Bank.

b) Market risk management policies

The Bank monitors its market risk positions and tolerable loss according to the risk management objectives and limits approved by the board of directors.

The Bank also builds a market risk information system, which enables the Bank to effectively monitor the management of facilities, assessment of gains and losses, analysis of sensitivity factors of the Bank's financial instrument positions, etc. The results of the monitoring, assessment and analysis are reported in risk control meetings and serve as references for the decision making of management.

The Bank splits market risk exposure into trading and held-for-fixed-income portfolios which are controlled by both the Bank's operation and risk management sections. Routine control reports are reviewed by the Bank's board of directors and relevant committees.

c) Market risk management process

i. Recognition and measurement

The Bank's operation and risk management sections both identify market risk factors of exposure positions, which are used to measure market risks. Market risk factors include interest rates, foreign exchange rates and market price of equity securities, and exposures, gains and losses and sensitivity (PVO1, Delta, Beta) etc. Measurement of investment portfolio is affected by interest rate risk, foreign exchange risk and price of equity securities.

ii. Monitoring and reporting

The Bank's risk management department regularly reviews market risk management objective, positions and control of gains and losses, sensitivity analysis and pressure test and reports to the board of directors. Therefore, the board of directors could well understand market risk control. The Bank has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management, and the department should report to relevant committee regularly.

d) Interest rate management policies

i. Definition of interest rate risk

Interest rate risk represents risks of variation of fair value of trading position and loss in earnings resulting from interest rate variation. Major relevant products include interest rate-related financial securities and derivatives instrument.

ii. Purpose of interest risk management

Interest rate risk management enhances the Bank's ability to measure, control and avoid negative influence of interest rate variation on earnings and economic values of balance sheet items. In addition, it enhances capital efficiency and strengthens operation.

iii. Procedures of interest risk management

The Bank carefully chooses investment target through conducting research about issuer's credit, financial status, country risks and interest rate trend. The Bank also establishes trading amount limit and stop-loss limit including limit for trading department, trading personnel and trading commodity, etc. according to trading book operation policies and market status which are approved by top management and the board of directors.

The Bank identifies re-pricing risk of interest rate and yield curve risk and measures possible effects on the Bank's earnings and economic values of changes in interest rate. On a monthly basis, the Bank reports the analysis and monitoring of limit on interest rate risk position and various interest rate management objectives to the Strategy Management Committee and the board of directors.

Report to the Strategy Management Committee is required when certain risk management objective has exceeded limit in order to resolve response action.

iv. Measurement methods

The Bank measures risks of price reset periods gap from difference in maturity date and price reset date of assets, liabilities, and off-balance sheet items. The Bank also established interest rate sensitivity monitoring index for major periods in order to maintain long-term profitability and business growth. Such interest rate indexes and results of pressure test are reviewed by management personnel periodically. In addition, the Bank regularly uses the DV01 to measure portfolio affected by interest rate.

e) Foreign exchange rate risk management

i. Definition of foreign exchange risk

Foreign exchange risk means losses resulting from transferring currencies at different times. The Bank's foreign exchange rate risk results mainly from spot and forward foreign exchange business. The Bank's foreign exchange rate risk is relatively insignificant due to the fact that customers' positions are basically settled immediately on transaction date.

ii. Policies, procedures and measurement method for foreign exchange rate risk management

In order to control foreign exchange rate risk within tolerable range, the Bank has established trading limit, stop-loss limit and maximum loss for trading department and trading personnel and the risk is controlled within the tolerable range.

The Bank undertakes pressure test on a seasonal basis and uses 3% fluctuation in major foreign exchange rate (USD) as the sensitivity threshold and reports test results to the Assets and Liabilities Management Committee.

f) Equity securities price risk management

i. Definition of equity securities price risk

The market risk of equity securities held by the Bank includes individual and general risk from price fluctuation of both individual equity security and the entire equity security market.

ii. Purpose of equity security price risk management

The main purpose of equity security price risk management is to prevent financial status from deteriorating and to avoid decrease in earnings due to violent fluctuation in equity security prices, and to enhance capital efficiency and strengthen operation.

iii. Procedures of equity security price risk management

The Bank regularly uses β value to measure the degree of influence on investment portfolio system risk. Stop-loss point is set according to the policy approved by the Assets and Liabilities Management Committee. Stop-loss action must be taken when limit is reached, otherwise the investment department must submit request to top management personnel for approval.

iv. Measurement method

The Bank's control of security price risk is based on risk values.

g) Market valuation technique

The Bank assesses its exposures to market risk and the anticipated loss under market pressures by using assumptions on several market position changes. Limits of various financial instruments are set by the board of directors and monitored by the Assets and Liabilities Management Committee. The Bank also performs sensitivity analysis based on major risk factors of various financial products in order to monitor the changes in various market risk factors of financial products.

i. Sensitivity analysis

i) Interest rate risk

The Bank has assessed the possible impact on income if global yield curve move between -100 to +100 base points simultaneously on June 30, 2018, December 31, 2017 and June 30, 2017.

ii) Foreign exchange rate risk

The Bank assesses the possible impact on income when exchange rates of NTD against various currencies fluctuate between -3% and +3% while other factors remain unchanged.

iii) Equity securities price risk

The Bank has assessed the possible impact on income when equity security prices on June 30, 2018, December 31, 2017 and June 30, 2017 rise or fall by 10% while other factors remain unchanged.

The analysis assumed that the trends of equity instruments are consistent with historical data.

ii. Sensitivity analysis is summarized as follows:

June 30, 2018			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange rate risk	Foreign currency appreciates 3% against NTD	$ 1,844,069	$ (3,720)
	Foreign currency depreciates 3% against NTD	(1,844,069)	3,720
Interest rate risk	Interest rate curve shifts up 100BPS	(3,645,215)	(10,335)
	Interest rate curve shifts down100BPS	3,645,215	10,335
Equity price risk	Equity price appreciates 10%	278,606	127,260
	Equity price depreciates 10%	(278,606)	(127,260)

December 31, 2017			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange rate risk	Foreign currency appreciates 3% against NTD	$ 1,758,054	$ 29,702
	Foreign currency depreciates 3% against NTD	(1,758,054)	(29,702)
Interest rate risk	Interest rate curve shifts up 100BPS	(3,202,950)	(33,984)
	Interest rate curve shifts down100BPS	3,202,950	33,984
Equity price risk	Equity price appreciates 10%	280,136	179
	Equity price depreciates 10%	(280,136)	(179)

June 30, 2017			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange rate risk	Foreign currency appreciates 3% against NTD	$ 1,773,993	$ 37,572
	Foreign currency depreciates 3% against NTD	(1,773,993)	(37,572)
Interest rate risk	Interest rate curve shifts up 100BPS	(3,673,129)	(42,233)
	Interest rate curve shifts down100BPS	3,673,129	42,233
Equity price risk	Equity price appreciates 10%	378,698	154
	Equity price depreciates 10%	(378,698)	(154)

4) Liquidity risk

a) The sources and definition of liquidity risk

Liquidity risk is the possibility that the Bank is unable to liquidate assets or obtain financing to fulfill matured financial liabilities which may result in financial loss. Liquidity risk may be present when, for example, deposits are withdrawn in advance of the original date of settlement, the market becomes worse and borrowing from other banks becomes difficult, the clients' credit deteriorates leading to the occurrence of defaults, liquidation of financial instruments becomes difficult, early redemption of interest-sensitive instruments happens, etc. The aforementioned factors may reduce cash balance to be used in the areas of loans, trading, and investment. In some extreme circumstances, the lack of liquidity may lead to the decrease in the overall assets and liabilities, and the need to liquidate the Bank's assets and the possibility of being unable to fulfill loan commitments. Liquidity risks include inherent risks that may be affected by some specific industry events or overall market condition. These events include but are not limited to credit, merger and acquisitions, systemic breakdown and natural disasters.

b) The management policies are as follows:

The Bank's management procedures are monitored by the independent department of risk management and the procedures are as follows:

i. Regular financing and monitoring of cash flows to ensure the fulfillment of the requirements in the future.

ii. Maintaining appropriate position of high liquidity assets which are easily realizable.

iii. Monitoring of liquidity ratios of the balance sheet accounts according to the internal management purposes and external monitoring rules.

iv. Managing the maturity date of debt instruments.

The procedures for monitoring and reporting liquidity risk are applied and measured based on the estimated cash flows (the time gap is based on how the Bank manages the liquidity risk) of 1 day, 10 days, and 1 month. Estimates of future cash flows are based on the maturity analysis of financial assets and liabilities. The risk management department also monitors the use of loan commitment, discount facilities, guarantee letters, and other types of contingent liabilities, and furthermore reports the related information to the risk management committee and the board of directors regularly.

The Bank holds certain position of highly liquid interest bearing assets to fulfill its obligation and for future needs. To manage the liquidity risk, the Bank holds the following assets: Cash and cash equivalents, due from the Central Bank and banks, and financial assets measured at fair value through profit or loss, etc.

c) Maturity analysis

The Bank analyzed cash outflows of non-derivative financial liabilities according to the remaining terms from date of the balance sheet to maturity date of the contract. The disclosure of cash outflows of non-derivative financial liabilities is based on the cash flows of contracts so that the items could not correspond with all items in the balance sheet.

June 30, 2018	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Developed and non-cancelable loan commitments	$ 11,755,362	$ 1,538,766	$ 1,041,105	$ 1,419,241	$ -	$ 15,754,474
Non-cancelable credit card commitments	16,900,769	4,821,390	241,266	58,121	-	22,021,546
Issued but unused letters of credit	27,359,562	96,571	327,267	112,787	92	27,896,279
Other guarantees	501,736,267	149,667,015	96,656,280	113,958,192	7,467,123	869,484,877
Developed and non-cancelable loan commitments	-	-	-	5,000,000	45,150,000	50,150,000
Non-cancelable credit card commitments	2,725,253	-	1,776,818	-	-	4,502,071

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Developed and non-cancelable loan commitments	$ 2,512,294	$ 3,200,893	$ 780,019	$ 1, 838,630	$ -	$ 8,331,836
Non-cancelable credit card commitments	23,183,519	6,461,947	135,398	11,203	-	29,792,067
Issued but unused letters of credit	20,084,266	180,692	222,513	73,886	89	20,561,446
Other guarantees	491,859,956	170,933,202	79,488,589	100,356,686	7,516,668	850,155,101
Developed and non-cancelable loan commitments	-	-	-	-	45,150,000	45,150,000
Non-cancelable credit card commitments	2,077,200	-	971,217	-	-	3,048,417

June 30, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Developed and non-cancelable loan commitments	$ 7,334,966	$ 1,488,641	$ 1,245,608	$ 2,063,303	$ -	$ 12,132,518
Non-cancelable credit card commitments	19,175,657	1,996,696	157,187	6,104	-	21,335,644
Issued but unused letters of credit	23,888,989	69,449	283,321	100,828	61	24,342,648
Other guarantees	472,749,881	144,825,224	86,274,153	109,105,430	7,313,136	820,267,824
Developed and non-cancelable loan commitments	-	-	3,000,000	-	40,150,000	43,150,000
Non-cancelable credit card commitments	753,597	-	2,416,248	-	-	3,169,845

The Bank evaluated the contractual maturity date to comprehend all derivative financial instruments on the balance sheet. Because the maturity analysis of derivative financial liabilities is based on the contractual cash flows, the amounts would not correspond with related items on the balance sheet. Maturity analysis of derivative financial liabilities is as follows:

i. Derivative financial liabilities in net settlement

June 30, 2018	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
Foreign exchange derivatives	$ 44,252	$ 15,103	$ 10,248	$ 20,355	$ -	$ 89,958
Rate derivatives	-	-	121	23,682	16,050	39,853

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
Foreign exchange derivatives	$ 65,149	$ 38,509	$ 21,863	$ 14,572	$ -	$ 140,093
Rate derivatives	2,781	1,115	-	1,411	21,888	27,195

June 30, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
Foreign exchange derivatives	$ 33,146	$ 69,737	$ 34,945	$ 41,879	$ -	$ 179,707
Rate derivatives	171	-	-	11,403	27,466	39,040

ii. Derivative financial liabilities in total settlement

June 30, 2018	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 3,509,006	$ 4,803,296	$ 3,182,487	$ 4,732,657	$ -	$ 16,227,446
Cash outflow	3,585,409	4,951,387	3,241,735	5,010,979	-	16,789,510

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 11,574,994	$ 2,175,167	$ 767,805	$ 1,285,641	$ -	$ 15,803,607
Cash outflow	11,775,128	2,204,761	782,456	1,341,156	-	16,103,501

June 30, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 11,580,592	$ 3,139,868	$ 2,677,761	$ 2,943,371	$ -	$ 20,341,592
Cash outflow	11,934,622	3,187,758	2,802,214	2,953,838	-	20,878,432

The analysis of cash outflows of off-balance-sheet items is illustrated according to the remaining terms from date of the balance sheet to maturity date of the contract. For financial guarantee contracts, the largest amount is categorized under the nearest time-zone of being asked to fulfill the guarantees. The disclosure of cash outflows of off-balance-sheet items is based on the cash flows of contracts so that part items could not correspond with all items in the balance sheet.

June 30, 2018	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Developed and non-cancelable loan commitments	$ 240,863	$ 23,060	$ 640,513	$ 1,558,062	$ 11,664,569	$ 14,127,067
Non-cancelable credit card commitments	66,455	132,841	199,296	290,775	-	689,367
Issued but unused letters of credit	3,095,873	4,751,385	955,558	163,090	73,850	9,039,756
Other guarantees	6,393,868	9,895,918	5,028,715	10,479,092	15,065,520	46,863,113

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Developed and non-cancelable loan commitments	$ 462,269	$ 545,745	$ 785,050	$ 1,160,470	$ 10,904,706	$ 13,858,240
Non-cancelable credit card commitments	69,788	139,503	209,291	305,358	-	723,940
Issued but unused letters of credit	3,104,447	3,923,988	715,471	271,530	85,140	8,100,576
Other guarantees	5,004,188	8,793,636	5,794,198	8,510,093	15,677,037	43,779,152

June 30, 2018	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Developed and non-cancelable loan commitments	$ 77,411	$ 172,421	$ 190,860	$ 1,490,187	$ 9,440,583	$ 11,371,462
Non-cancelable credit card commitments	96,333	192,567	288,900	421,509	-	999,309
Issued but unused letters of credit	2,297,709	5,707,515	1,007,469	176,611	133,009	9,322,313
Other guarantees	3,785,879	8,880,831	4,133,882	10,649,131	14,137,267	41,586,990

d. Transfer of financial assets

In the daily transactions of the Bank, most of the transferred financial assets not eligible for full derecognition are repurchase notes and bonds. The cash flows of the transactions have been transferred to outsiders and the liabilities for repurchasing the transferred financial assets in a fixed amount have been recognized; the Bank may repurchase the transferred financial assets in the future. The Bank is not eligible to conduct, sell, or pledge the transferred financial assets during the effective period prior to derecognition. However, the Bank is still exposed to the interest risks and credit risks. As a result, the transferred financial assets are not derecognized. The following tables show the transferred financial assets not qualified for derecognition and related financial liabilities.

June 30, 2018

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Financial assets measured at fair value through other comprehensive income - repurchase agreements	$ 22,290,387	$ 22,021,546	$ 22,290,387	$ 22,021,546	$ 268,841

December 31, 2017

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Available-for-sale financial assets - purchased call options	$ 29,738,732	$ 29,792,067	$ 29,738,732	$ 29,792,067	$ (53,335)

June 30, 2017

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Available-for-sale financial assets - purchased call options	$ 20,476,401	$ 21,335,644	$ 20,476,401	$ 21,335,644	$ (859,243)

38. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average amount and average interest rate of interest-earning assets and interest-bearing liabilities that are affected by interest rate fluctuations were as follows:

Average balances were calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

	For the Six Months Ended June 30, 2018	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 15,999,398	0.95
Due from the Central Bank and call loans to banks	97,724,309	0.98
Financial assets measured at fair value through profit or loss	8,836	1.05
Securities purchased under agreement to resell	171,440	0.31
Credit card revolving balances	674,689	13.29
Discounts and loans (excluding non-performing loans)	648,339,353	2.33
Financial assets measured at fair value through other comprehensive income - investments in debt instruments	165,069,158	1.55
Financial assets at amortized cost	102,455,008	0.52
Bills purchased	3,637	1.64

(Continued)

	For the Six Months Ended June 30, 2018	
	Average Balance	Average Rate (%)
Interest-bearing liabilities		
Due to the Central Bank and banks	$ 15,952,877	1.60
Securities sold under agreement to repurchase	34,421,368	0.35
Negotiable certificates of deposits	7,965,212	0.46
Demand deposits	217,908,557	0.20
Savings deposits	133,484,999	0.31
Time deposits	365,159,945	0.98
Time-savings	134,858,695	1.02
Bank debentures	45,427,778	1.60
Structured deposit instruments principal	2,770,496	2.23

(Concluded)

	For the Six Months Ended June 30, 2017	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 12,363,075	0.16
Due from the Central Bank and call loans to banks	82,722,848	0.88
Financial assets measured at fair value through profit or loss	3,955,382	1.54
Securities purchased under agreement to resell	33,076	0.32
Credit card revolving balances	697,274	12.67
Discounts and loans (excluding non-performing loans)	591,318,261	2.25
Available-for-sale financial assets	160,284,077	1.49
Held-to-maturity financial assets	71,548,224	0.58
Bills purchased	5,186	2.29
Interest-bearing liabilities		
Due to the Central Bank and banks	12,735,898	2.08
Securities sold under agreement to repurchase	21,647,392	0.33
Negotiable certificates of deposits	5,575,352	0.49
Demand deposits	228,866,500	0.12
Savings deposits	129,438,001	0.31
Time deposits	292,014,559	0.84
Time-savings	134,135,473	1.04
Bank debentures	38,650,000	1.62
Structured deposit instruments principal	1,795,783	0.96

39. CAPITAL MANAGEMENT

All the Bank's risks were included in the scope of assessment of capital adequacy according to "Regulations Governing the Capital Adequacy". The business objectives and project budget are approved by the board of directors, and furthermore the Bank considered the development strategy, capital adequacy, debt ratio, and dividend policy in its assessments. The contents are included in stress test, estimate of capital adequacy ratio to ensure achieving the objective of capital adequacy and strengthening of the capital structure.

According to the Banking Law and related regulations, the Bank should maintain a capital adequacy ratio of at least 9.875% for a stable financial position. If the capital adequacy ratio falls below the required capital adequacy ratio, the Central Regulator would restrict the distribution of earnings.

The following table which lists the equity capital, risk-weighted assets, and risk exposure as of June 30, 2018, December 31, 2017 and June 30, 2017 was prepared according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks" that was modified by the Financial Supervisory Commission of the ROC. (Ref. No. 10200362920) on January 9, 2014.

The Bank conformed to the regulation on capital management as of June 30, 2018, December 31, 2017 and June 30, 2017.

	June 30, 2018	December 31, 2017	June 30, 2017
Analysis items			
Equity capital			
Ordinary equity	$ 96,277,606	$ 96,267,310	$ 91,015,078
Other Tier I capital			-
Tier II capital	12,031,175	9,416,196	7,811,050
Equity capital	$ 108,308,781	$ 105,683,506	$ 98,826,128
Risk-weighted assets			
Credit risk			
Standardized approach	$ 714,228,862	$ 684,131,737	$ 686,118,119
Credit valuation adjustment	63,421	52,918	45,100
Internal rating based approach	N/A	N/A	N/A
Synthetic securitization	117,955	128,727	206,037
Operational risk			
Basic indicator approach	37,712,634	37,712,634	36,834,395
Standardized approach/alternative standardized approach	N/A	N/A	N/A
Advanced measurement approach	N/A	N/A	N/A
Market risk			
Standardized approach	30,771,568	24,654,615	32,342,735
Internal models approach	N/A	N/A	N/A
Total risk-weighted assets	$ 782,894,440	$ 746,680,631	$ 755,546,386
Capital adequacy ratio	13.83%	14.15%	13.08%
Ratio of ordinary equity to risk-weighted assets	12.30%	12.89%	12.05%
Ratio of Tier I capital to risk-weighted assets	12.30%	12.89%	12.05%
Leverage ratio	8.21%	8.49%	8.27%

40. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

a. Assets quality: As stated in Table 1

b. Concentration of credit risks

Top 10 credit extensions of the Bank were as follows:

Ranking	June 30, 2018		
	Enterprise Group with Industry Sector	**Credit Amount**	**Credit Amount / Stockholders' equity (%)**
1	A Group (real estate selling and leasing)	$ 6,943,757	5.63
2	B Group (general management agency)	5,752,868	4.66
3	C Group (chemical material and chemical product wholesale)	5,664,579	4.59
4	D Group (computer manufacturing)	5,078,243	4.11
5	E Group (computer manufacturing)	4,651,685	3.77
6	F Group (apparel manufacturing)	4,451,875	3.61
7	G Group (metallic furniture manufacturing)	4,298,520	3.48
8	H Group (wiring and cable system manufacturing)	3,473,258	2.81
9	I Company (retail industry via e-shopping and mail order)	3,441,584	2.79
10	J Group (television program design and broadcasting)	3,224,700	2.61

Ranking	December 31, 2017		
	Enterprise Group with Industry Sector	**Credit Amount**	**Credit Amount / Stockholders' equity (%)**
1	A Group (real estate activities for sale and rental with own or leased property)	$ 6,984,188	5.71
2	B Group (general management agency)	6,047,732	4.94
3	F Group (apparel manufacturing)	4,384,764	3.58
4	E Group (computer manufacturing)	4,197,543	3.43
5	G Group (metallic furniture manufacturing)	3,892,169	3.18
6	C Group (chemical material and chemical product wholesale)	3,510,810	2.87
7	D Group (computer manufacturing)	3,507,761	2.87
8	J Group (television program design and broadcasting)	3,329,000	2.72
9	H Group (wiring and cable system manufacturing)	3,305,735	2.70
10	K Group (packaging and testing of semi-conductors)	3,000,000	2.45

Ranking	June 30, 2017		
	Enterprise Group with Industry Sector	**Credit Amount**	**Credit Amount / Stockholders' equity (%)**
1	B Group (general management agency)	$ 6,573,438	5.49
2	A Group (real estate activities for sale and rental with own or leased property)	6,570,874	5.49
3	F Group (apparel manufacturing)	3,952,485	3.30
4	G Group (metallic furniture manufacturing)	3,912,038	3.27
5	L Group (air transport)	3,871,380	3.23
6	J Group (television program design and broadcasting)	3,729,000	3.11
7	M Group (other financial holding company)	3,270,914	2.73
8	D Group (computer manufacturing)	3,180,805	2.66
9	E Group (computer manufacturing)	3,127,398	2.61
10	N Group (wholesale of other specialized wholesale not elsewhere classified)	3,072,420	2.57

Note 1: The ranking is made by total credit balance, which excluded government-owned or state-run enterprises. If the borrower is an affiliate of a group enterprise, the credit balance of the borrower is then aggregated to the Bank enterprise's credit balance. The borrower is marked by specific codes as well as its major industry. The major industry of a borrower is determined by its maximum exposures by industries. The classification of industry should be in line with the Standard Industrial Classification System of the Republic of China published by the Directorate-general of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: "Group Enterprise" conforms to the definition of Article 6 in "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Credit balance includes each item of loan (included import bill negotiated, export bill negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans and non-performing loans), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable and grantees issued.

c. Interest rate sensitivity information

Interest Rate Sensitivity Analysis
June 30, 2018

(In NT$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	$ 620,192,057	$ 22,760,352	$ 17,524,980	$ 57,850,201	$ 718,327,590
Interest rate sensitive liabilities	289,324,778	261,132,816	58,409,065	49,239,655	658,106,314
Interest rate sensitivity gap	330,867,279	(238,372,464)	(40,884,085)	8,610,546	60,221,276
Net equity					123,440,142
Ratio of interest rate sensitive assets to liabilities					109.15%
Ratio of interest rate sensitivity gap to net equity					48.79%

Interest Rate Sensitivity Analysis
December 31, 2017

(In NT$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	$ 627,377,467	$ 14,326,046	$ 11,897,066	$ 54,654,693	$ 708,255,272
Interest rate sensitive liabilities	291,462,340	246,518,755	53,969,888	49,696,224	641,647,207
Interest rate sensitivity gap	335,915,127	(232,192,709)	(42,072,822)	4,958,469	66,608,065
Net equity					122,409,799
Ratio of interest rate sensitive assets to liabilities					110.38%
Ratio of interest rate sensitivity gap to net equity					54.41%

Interest Rate Sensitivity Analysis
June 30, 2017

(In NT$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	$ 586,322,606	$ 11,144,394	$ 5,482,277	$ 65,707,039	$ 668,656,316
Interest rate sensitive liabilities	255,102,435	253,938,588	58,191,925	45,021,734	612,254,682
Interest rate sensitivity gap	331,220,171	(242,794,194)	(52,709,648)	20,685,305	56,401,634
Net equity					119,761,737
Ratio of interest rate sensitive assets to liabilities					109.21%
Ratio of interest rate sensitivity gap to net equity					47.09%

Note 1: The tables above refer only to the financial assets/liabilities denominated in N.T. dollars held by the whole bank, contingent assets and liabilities excluded.

Note 2: Interest rate sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

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. (The interest rate sensitive assets and liabilities are in New Taiwan dollars).

Interest Rate Sensitivity Analysis
June 30, 2018

(In US$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	$ 5,551,640	$ 80,465	$ 146,588	$ 1,629,303	$ 7,407,996
Interest rate sensitive liabilities	2,333,091	4,228,346	779,959	616	7,342,012
Interest rate sensitivity gap	3,218,549	(4,147,881)	(633,371)	1,628,687	65,984
Net equity					4,036,234
Ratio of Interest rate sensitive assets to liabilities					100.90%
Ratio of interest rate sensitivity gap to net equity					1.63%

Interest Rate Sensitivity Analysis
December 31, 2017

(In US$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	$ 5,801,590	$ 87,900	$ 84,393	$ 1,479,082	$ 7,452,965
Interest rate sensitive liabilities	2,279,237	4,695,896	508,088	37	7,483,258
Interest rate sensitivity gap	3,522,353	(4,607,996)	(423,695)	1,479,045	(30,293)
Net equity					4,124,319
Ratio of Interest rate sensitive assets to liabilities					99.60%
Ratio of interest rate sensitivity gap to net equity					(0.73%)

Interest Rate Sensitivity Analysis
June 30, 2017

(In US$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	$ 5,897,929	$ 124,302	$ 130,703	$ 1,269,581	$ 7,422,515
Interest rate sensitive liabilities	2,103,712	4,587,155	620,848	470	7,312,185
Interest rate sensitivity gap	3,794,217	(4,462,853)	(490,145)	1,269,111	110,330
Net equity					3,936,941
Ratio of Interest rate sensitive assets to liabilities					101.51%
Ratio of interest rate sensitivity gap to net equity					2.80%

Note 1: The tables above refer only to the financial assets/liabilities denominated in U.S. dollars held by the whole bank, contingent assets and liabilities excluded.

Note 2: Interest rate sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

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. (The interest rate sensitive assets and liabilities are in U.S. dollars).

d. Profitability

Items		June 30, 2018	June 30, 2017
Return on total assets	Before income tax	1.41	1.41
	After income tax	1.20	1.21
Return on equity	Before income tax	12.72	12.12
	After income tax	10.82	10.37
Profit margin		57.69	57.63

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: Profit margin = Income after income tax ÷ Total net revenue.

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

Note 5: The seasonal profitability for each season is converted to the annual benchmark figures expressed in the annual rate.

e. Maturity analysis of assets and liabilities

1) New Taiwan dollars (thousands)

	Total	June 30, 2018 by remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow to maturity	$ 766,377,608	$ 82,241,759	$ 72,216,350	$ 59,031,736	$ 68,655,800	$ 110,636,866	$ 373,595,097
Major cash outflow to maturity	981,466,357	50,833,909	92,586,495	172,459,281	141,316,920	203,754,630	320,515,122
Gap	(215,088,749)	31,407,850	(20,370,145)	(113,427,545)	(72,661,120)	(93,117,764)	53,079,975

	Total	December 31, 2017 by remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow to maturity	$ 751,174,401	$ 114,610,130	$ 66,158,634	$ 49,422,567	$ 64,503,870	$ 96,215,751	$ 360,263,449
Major cash outflow to maturity	959,707,096	58,321,271	96,136,710	177,362,153	122,944,382	188,435,899	316,506,681
Gap	(208,532,695)	56,288,859	(29,978,076)	(127,939,586)	(58,440,512)	(92,220,148)	43,756,768

	Total	June 30, 2017 by remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow to maturity	$ 711,846,509	$ 67,320,373	$ 74,456,454	$ 55,783,969	$ 55,003,828	$ 91,066,737	$ 368,215,148
Major cash outflow to maturity	916,381,968	43,075,033	85,044,002	156,588,217	134,041,948	192,087,130	305,545,638
Gap	(204,535,459)	24,245,340	(10,587,548)	(100,804,248)	(79,038,120)	(101,020,393)	62,669,510

Note: This table includes only financial assets/liabilities denominated in New Taiwan dollars held by the head office and domestic branches.

2) U.S. dollars (thousands)

	Total	June 30, 2018 by remaining period to maturity date				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow to maturity	$ 10,012,165	$ 1,551,540	$ 918,133	$ 899,535	$ 1,179,767	$ 5,463,190
Major cash outflow to maturity	12,372,187	2,167,559	1,621,161	1,592,593	2,458,834	4,532,040
Gap	(2,360,022)	(616,019)	(703,028)	(693,058)	(1,279,067)	931,150

	Total	December 31, 2017 by remaining period to maturity date				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow to maturity	$ 9,725,056	$ 1,317,963	$ 1,076,952	$ 1,028,980	$ 1,017,016	$ 5,284,145
Major cash outflow to maturity	12,733,460	2,145,987	1,840,395	1,602,570	2,383,892	4,760,616
Gap	(3,008,404)	(828,024)	(763,443)	(573,590)	(1,366,876)	523,529

	Total	June 30, 2017 by remaining period to maturity date				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow to maturity	$ 8,915,807	$ 1,186,589	$ 872,903	$ 1,040,693	$ 1,131,878	$ 4,683,744
Major cash outflow to maturity	10,992,379	1,721,665	1,421,499	1,400,261	2,190,648	4,258,306
Gap	(2,076,572)	(535,076)	(548,596)	(359,568)	(1,058,770)	425,438

Note: This table includes only financial assets/liabilities denominated in U.S. dollars held by the head office, domestic branches and OBU.

41. THE CONTENTS AND AMOUNTS OF TRUST ACTIVITIES BY PROCESSING TRUST ENTERPRISE ACT

The trust account balance sheets, income statements and the details of trust assets are as follows:

Balance Sheet of Trust Account

Trust Assets	June 30, 2018	December 31, 2017	June 30, 2017	Trust Liabilities	June 30, 2018	December 31, 2017	June 30, 2017
Bank deposits	$ 2,494,281	$ 1,941,919	$ 1,487,076	Account payable	$ 194	$ 201	$ 133
Short-term investments	81,804,840	76,465,160	78,980,926	Depository of securities payable	48,827,606	47,209,686	48,741,371
Net asset value of collective investment trust funds	1,749,063	2,061,025	2,794,136	Trust capital	99,513,772	110,708,014	105,781,756
Accounts receivable	8,423	13,974	40,320	Accumulated (loss) gain and equity	67,783	(16,386,744)	(7,907,099)
Land	12,124,825	12,314,494	13,032,791				
Buildings and improvements, net	281,286	177,267	140,646				
Construction-in-progress	1,058,004	1,286,794	1,334,166				
Depository of securities	48,827,606	47,209,686	48,741,371				
Other assets	61,027	60,838	64,729				
Total trust assets	$ 148,409,355	$ 141,531,157	$ 146,616,161	Total trust liabilities	$ 148,409,355	$ 141,531,157	$ 146,616,161

Trust Asset Lists

Items	June 30, 2018	December 31, 2017	June 30, 2017
Cash in banks	$ 2,494,281	$ 1,941,919	$ 1,487,076
Short-term investments			
Fund	61,204,400	57,319,104	58,857,801
Bond	17,692,795	16,283,109	17,120,836
Ordinary shares	2,612,777	2,522,050	2,577,976
Structured instruments	294,868	340,897	424,313
Net asset value of collective trust accounts	1,749,063	2,061,025	2,794,136
Receivables	8,423	13,974	40,320
Land	12,124,825	12,314,494	13,032,791
Buildings and improvements, net	281,286	177,267	140,646
Construction-in-progress	1,058,004	1,286,794	1,334,166
Depository of securities	48,827,606	47,209,686	48,741,371
Other assets	61,027	60,838	64,729
Total	$ 148,409,355	$ 141,531,157	$ 146,616,161

Income Statements of Trust Account

	For the Six Months Ended June 30	
	2018	2017
Trust income		
Interest revenue	$ 5,103	$ 3,632
Realized capital gains	1,294	953
Unrealized capital gains	103,123	77,178
Other revenue	1,698	220
	111,218	81,983
Trust expenses		
Tax expenditures	1,834	5,031
Management fees	2,058	1,570
Service fees	1,337	434
Realized investment losses	125	1,382
Unrealized capital losses	11,025	36,100
Other expenses	542	10
	16,921	44,527
Income before income tax	94,297	37,456
Income tax expense	-	-
Net income	$ 94,297	$ 37,456

42. EXCHANGE RATE INFORMATION FOR FOREIGN FINANCIAL ASSETS AND LIABILITIES

(Foreign Currencies in Thousands)

	June 30, 2018			December 31, 2017			June 30, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets									
Monetary items									
Cash and cash equivalents									
CNY	$ 1,983,855	4.6007	$ 9,127,122	$ 1,809,507	4.5498	$ 8,232,895	$ 361,948	4.4881	$ 1,624,459
JPY	24,531,850	0.2769	6,792,869	23,858,401	0.2632	6,279,531	17,635,904	0.2715	4,788,148
EUR	71,589	35.3754	2,532,490	4,757	35.4453	168,613	41,263	34.8066	1,436,225
Due from the Central Bank and call loans to banks									
CNY	1,850,500	4.6007	8,513,595	1,023,300	4.5498	4,655,810	1,378,300	4.4881	6,185,948
USD	273,949	30.5830	8,378,182	594,049	29.6800	17,631,374	1,090,699	30.4200	33,179,064
GBP	39,000	39.9750	1,559,025	12,000	39.9166	478,999	14,000	39.6160	554,624
Receivables									
USD	203,114	30.5830	6,211,835	36,079	29.6800	1,070,825	146,983	30.4200	4,471,223
CNY	283,011	4.6007	1,302,049	14,524	4.5498	66,081	1,548	4.4881	6,948
ZAR	896,312	2.2162	1,986,407	25,000	2.3920	59,800	19	2.3387	44
Discounts and loans									
USD	5,192,792	30.5830	158,811,158	4,974,317	29.6800	147,637,729	4,587,515	30.4200	139,552,206
HKD	3,243,591	3.8970	12,640,274	2,634,690	3.7963	10,002,074	1,673,021	3.8967	6,519,261
EUR	224,491	35.3754	7,941,459	187,457	35.4453	6,644,470	172,936	34.8066	6,019,314
Financial assets measured at fair value through other comprehensive income									
USD	1,766,647	30.5830	54,029,365						
AUD	178,435	22.4602	4,007,686						
CNY	856,816	4.6007	3,941,953						
Available-for-sale financial assets									
USD	-	-	-	1,653,716	29.6800	49,082,291	1,447,923	30.4200	44,045,818
AUD	-	-	-	181,849	23.1326	4,206,640	204,357	23.4401	4,790,149
CNY	-	-	-	820,434	4.5498	3,732,811	832,776	4.4881	3,737,582
Investment in debt instrument measured at fair value through other comprehensive income									
USD	50,712	30.5830	1,550,925						
SGD	36,524	22.3535	816,439						
AUD	15,005	22.4602	337,015						
Held-to-maturity financial assets									
USD	-	-	-	19,985	29.6800	593,155	19,966	30.4200	607,366
AUD	-	-	-	15,006	23.1326	347,128	15,007	23.4401	351,766
Financial assets measured at fair value through profit or loss									
USD	57,159	30.5830	1,748,094	34,357	29.6800	1,019,716	47,709	30.4200	1,451,308
EUR	1,182	35.3754	41,814	92	35.4453	3,261	141	34.8066	4,908
HKD	1,906	3.8970	7,428	3,090	3.7963	11,731	-	-	-
Nonmonetary items									
Structured corporate bonds contracts									
USD	-	-	-	23,767	29.6800	705,405	70,089	30.4200	2,132,107
Equity investments under the equity method									
USD	2,024,410	30.5830	61,912,531	1,967,774	29.6800	58,403,532	1,966,229	30.4200	59,812,694
HKD	72,765	3.8970	283,565	98,324	3.7963	373,267	68,022	3.8967	265,061

(Continued)

	June 30, 2018			December 31, 2017			June 30, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets									
Financial liabilities									
Monetary items									
Payables									
USD	$ 99,158	30.5830	$ 3,032,549	$ 83,571	29.6800	$ 2,480,387	$ 114,847	30.4200	$ 3,493,646
JPY	1,641,119	0.2769	454,426	1,379,695	0.2632	363,136	883,873	0.2715	239,972
EUR	1,935	35.3754	68,451	3,421	35.4453	121,258	3,202	34.8066	111,451
Due to the Central Bank and banks									
USD	333,012	30.5830	10,184,506	249,843	29.6800	7,415,340	317,928	30.4200	9,671,370
HKD	233,195	3.8970	908,761	60,000	3.7963	227,778	110,000	3.8967	428,637
VND	353,000,000	0.0013	458,900	125,000,000	0.0013	162,500	30,000,000	0.0013	39,000
Deposits and remittances									
USD	6,996,370	30.5830	213,969,984	7,375,340	29.6800	218,900,091	7,079,476	30.4200	215,357,660
CNY	5,528,664	4.6007	25,435,724	4,265,705	4.5498	19,408,105	4,380,137	4.4881	19,658,493
EUR	338,727	35.3754	11,982,603	375,405	35.4453	13,306,343	270,336	34.8066	9,409,477

(Concluded)

43. ADDITIONAL DISCLOSURES

a. and b. Additional disclosures for the Bank and investees are the following:

1) Financing provided: The Bank - not applicable; investees - Table 3.

2) Endorsement/guarantee provided: The Bank - not applicable; investees - not applicable or none.

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

4) Marketable securities (for investees) or investee investment (for the Bank) acquired and disposed of, at costs or prices of at least NT$300 million or 10% of the issued capital: None

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

6) Disposal of individual real estate at prices of at least $300 million or 10% of the issued capital: None.

7) Allowance for service fees to related-parties amounting to more than $5 million: None.

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

9) Sale of non-performing loans: None.

10) Applying for approval the securitization product types and information according to Financial Asset Securitization or Clause of the Real State Securitization Act: None.

11) Other significant transactions which may have effects on decision making of financial statement users: None.

12) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 4.

13) Derivative financial transactions: Note 8 investees on which the Bank exercises significant influence have no such transactions.

c. Investments in mainland China:

1) Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China: Table 5.

2) Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: Table 5.

44. SEGMENT INFORMATION

According to the Article 23 of "Regulations Governing the Preparation of Financial Reports by Public Banks", the Bank does not prepare the segment information of IFRS 8.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

OVERDUE LOANS AND RECEIVABLE
JUNE 30, 2018, DECEMBER 31, 2017 AND JUNE 30, 2017
(In Thousands of New Taiwan Dollars, %)

Period			June 30, 2018					December 31, 2017					June 30, 2017				
Business			Non-performing Loans	Loans	Ratio of Non-performing Loans	Allowance for Possible Losses	Coverage Ratio	Non-performing Loans	Loans	Ratio of Non-performing Loans	Allowance for Possible Losses	Coverage Ratio	Non-performing Loans	Loans	Ratio of Non-performing Loans	Allowance for Possible Losses	Coverage Ratio
Corporate banking	Secured		$ 698,997	$ 236,628,973	0.30	$ 3,074,172	439.80	$ 744,556	$ 229,504,975	0.32	$ 3,100,576	416.43	$ 622,295	$ 223,343,835	0.28	$ 2,919,867	469.21
	Unsecured		221,619	187,204,963	0.12	2,094,200	944.96	210,116	177,557,033	0.12	1,980,668	942.65	324,444	168,422,643	0.19	2,031,521	626.15
Consumer banking	Housing mortgages		490,966	122,718,393	0.40	2,336,415	475.88	731,647	113,749,849	0.64	2,516,175	343.91	795,831	109,049,069	0.73	2,545,566	319.86
	Cash cards		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Small scale credit loans		5,779	550,068	1.05	11,382	196.95	7,854	549,833	1.43	14,365	182.90	8,334	517,898	1.61	14,876	178.50
	Others	Secured	385,217	116,675,493	0.33	1,557,149	404.23	364,301	112,508,318	0.32	1,519,175	417.01	367,904	109,267,043	0.34	1,503,128	408.57
		Unsecured	3,628	6,565,536	0.06	69,220	1,907.94	6,927	5,580,276	0.12	62,618	903.97	7,260	8,079,603	0.09	87,689	1,207.84
Total			1,806,206	670,343,426	0.27	9,142,538	506.17	2,065,401	639,450,284	0.32	9,193,577	445.12	2,126,068	618,680,091	0.34	9,102,647	428.14
			Non-performing Receivables	Accounts Receivable	Ratio of Non-performing Receivables	Allowance for Possible Losses	Coverage Ratio	Non-performing Receivables	Accounts Receivable	Ratio of Non-performing Receivables	Allowance for Possible Losses	Coverage Ratio	Non-performing Receivables	Accounts Receivable	Ratio of Non-performing Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			16,013	2,208,121	0.73	88,335	551.65	11,526	1,958,995	0.59	81,941	710.92	11,460	2,029,187	0.56	81,534	711.47
Accounts receivable factored without recourse			-	886,318	-	8,863	-	-	648,656	-	6,493	-	-	936,452	-	9,365	-

Note 1: Non-performing loans represent the amounts of non-performing loans reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrued Loans.”
Non-performing credit card receivables represent the amounts of non-performing receivables reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of non-performing loans: Non-performing loans ÷ Outstanding loan balance.
Ratio of non-performing credit cards receivables: Non-performing credit cards receivables ÷ Outstanding credit cards receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses on loans ÷ Non-performing loans.
Coverage ratio of credit cards receivable: Allowance for possible losses on credit cards receivable ÷ Non-performing credit cards receivable.

Note 4: Housing mortgage is fully secured by house, which is purchased (owned) by the borrower, the spouse or the minor children of the borrower and the rights on mortgage are pledged to the financial institution, for the purpose of purchasing or decorating house.

Note 5: Small scale credit loans, as categorized in accordance with the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), are unsecured loans with small amounts exclusive of credit cards and cash cards.

Note 6: Other loans of consumer banking refer to secured or unsecured loans exclusive of housing mortgage, cash card, small scale credit loans and credit card.

Note 7: As required by the Banking Bureau’s letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as non-performing receivables in three months after the factors or insurance companies reject indemnification.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

OVERDUE LOANS AND RECEIVABLE
JUNE 30, 2018, DECEMBER 31, 2017 AND JUNE 30, 2017
(In Thousands of New Taiwan Dollars)

	June 30, 2018		December 31, 2017		June 30, 2017	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt consultation and loan agreements	$ -	$ -	$ -	$ -	$ -	$ -
As a result of consumer debt clearance	-	35,555	-	36,589	-	38,932

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt consultation and loan agreements is based on the Banking Bureau’s letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau’s letter dated September 15, 2008 (Ref. No. 09700318940).

TABLE 2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

LOANS AND OTHER INFORMATION
JUNE 30, 2018
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Corresponding Account	Related Parties	The Highest Balance in the Period	Ending Balance	Actual Amount	Interest Rate Range %	Capital Loan	Business Dealing Amount	Reasons of Short-term Financing	Allowance	Collateral		For Individual Fund Loan and Limit	Total Loan Limit
													Name	Value		
1	SCSB Leasing (China) Co., Ltd.	A Co., Ltd.	Entrusted loan receivables	N/A	$ 56,436	$ 28,851	$ 28,851	6-11	2	$ -	Operating turnover	$ 577	Real estate	$ 74,669	$ 183,788	$ 367,575
1	SCSB Leasing (China) Co., Ltd.	B Co., Ltd.	Entrusted loan receivables	N/A	46,007	-	-	6-11	2	-	Operating turnover	-	Real estate	1,288,196	183,788	367,575
1	SCSB Leasing (China) Co., Ltd.	C Co., Ltd.	Entrusted loan receivables	N/A	115,018	115,018	115,018	6-11	1	115,018	-	2,300	Real estate	277,422	367,575	918,938
1	SCSB Leasing (China) Co., Ltd.	D Co., Ltd.	Entrusted loan receivables	N/A	138,021	138,021	138,021	6-11	1	138,021	-	2,760	Real estate	1,195,699	367,575	918,938

Note 1: The numbers refer to the following:

a. Issuer is 0.
b. Investees are numbered sequentially starting from 1.

Note 2: The nature of capital loans correspond to the following values:

a. 1 for business dealing.
b. 2 for reasons of short-term financing.

Note 3: The amounts and calculation of the loan limit are as follows:

a. Individual fund loans and limits

1) The amount of the loan of a single enterprise or organization that is in business with the lender shall not exceed 100% of the net value as presented in the latest financial statements of the lender as audited by the lender.

2) For an enterprise or organization that has no business relationship with the lender but has short-term financing funds, the loan amount of the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the lender.

b. Capital loans and total loan limits

1) For an enterprise or organization that has business dealings with the lender, the total accumulated loan balance of the single enterprise or organization shall not exceed 100% of the net value of the latest financial report as presented in the latest financial statements of the lender as audited by the accountant.

2) For an enterprise or organization that has no business dealings with the lender but has short-term financing, the total accumulated loan balance of the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the accountant. The total accumulated loan balance of the above two parties shall not exceed the limit of the net value as presented in the latest financial statements of the lender as audited by the accountant.

TABLE 3

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

MARKETABLE SECURITIES HELD
JUNE 30, 2018
(In Thousands of New Taiwan Dollars)

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares (Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Indirect subsidiary	Investment in subsidiaries	1	$ 1,719,172	100.00	$ 1,719,172	
	Krinein Company	Indirect subsidiary	Investment in subsidiaries	2	496,331	100.00	496,331	
	Safehaven Investment Corporation	Indirect subsidiary	Investment in subsidiaries	1	48,677	100.00	48,677	
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Investment in subsidiaries	4	70,341	100.00	4,861	
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	193,187	45.00	193,187	
	CTS Travel International Ltd.	Indirect subsidiary	Investment in subsidiaries	600	6,964	100.00	6,964	
	Joy Tour Service Co., Ltd.	-	Financial assets carried at cost	100	1,000	10.00		
	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets carried at cost	28	859	-		
SCSB Life Insurance Agency	Geniron.Com.	-	Financial assets carried at cost	950	2,089	4.13		
	Prism Communication International Limited	-	Financial assets carried at cost	1,250		-		
SCSB Property Insurance Agency	Geniron.Com.	-	Financial assets carried at cost	950	2,089	4.13		
	Prism Communication International Limited	-	Financial assets carried at cost	1,250		-		
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Investment in subsidiaries	NA	937,587	100.00	937,587	
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investment in subsidiaries	1,920	9,874,732	9.60	9,874,732	
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investment in subsidiaries	9,600	49,373,658	48.00	49,373,658	

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

RELATED INFORMATION OF INVESTEES
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars) (Share in Thousands)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	Consolidated Investment				Note
						Shares (In Thousands)	Shares (Pro forma)	Shares (In Thousands)	Percentage of Ownership (%)	
Equity investments under the equity method										
Financial business										
SCSB Asset Management Ltd.	Taipei City	Purchase and management of creditor's rights of financial institutions	100.00	$ 1,594,397	$ 18,545	160,000	-	160,000	100.00	
SCSB Life Insurance Agency	Taipei City	Insurance	100.00	133,365	27,515	5,000	-	5,000	100.00	
SCSB Property Insurance Agency	Taipei City	Insurance	100.00	56,440	1,197	5,000	-	5,000	100.00	
SCSB Marketing Ltd.	Taipei City	Marketing	100.00	7,258	729	500	-	500	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	283,564	6,846	500	-	500	100.00	
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	59,424,450	3,093,900	11,520	-	11,520	57.60	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	937,587	18,715	NA	-	NA	100.00	
Non-financial business										
China Travel Service (Taiwan)	Taipei City	Travel services	99.99	324,126	7,896	38,943	-	38,943	99.99	
Kuo Hai Real Estate Management	Taipei City	Building material distribution	34.69	-		3,000	-	3,000	34.69	
Shancom Reconstruction Inc.	Liberia	Securities investment	100.00	61,585,367	3,182,172	5	-	5	100.00	
Wresqueue Limitada	Liberia	Securities investment	100.00	327,175	5,119	176	-	176	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	1,719,172	1,703,873	1	-	1	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	496,331	342,230	2	-	2	100.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	48,677	188	1	-	1	100.00	
Prosperity Realty Inc.	America	Real estate services	100.00	70,341	4,370	4	-	4	100.00	
Silks Place Taroko	Hualien	Travel services	45.00	193,187	7,172	20,372	-	20,372	45.00	
CTS Travel International Ltd.	Taipei City	Travel services	100.00	6,964	12	600	-	600	100.00	

Note 1: Investees are categorized into financial business and non-financial business.

Note 2: The Bank, board chairman, supervisors, managing directors, and the shares of investee companies invested in by related parties which comply with corporation law are considered.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

INVESTMENT IN MAINLAND CHINA
JUNE 30, 2018
(In Thousands of New Taiwan Dollars and U.S. Dollars)

1. Investee company name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying amount as of June 30, 2018 and inward remittance of earnings:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment as of December 31, 2017	Investment Flows		Accumulated Outflow of Investment as of June 30, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2018 (Note 3)	Accumulated Inward Remittance of Earnings as of June 30, 2018
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	US$ 30,000	(c)	US$ 30,000	US$ -	US$ -	US$ 30,000	100	$ 18,715 (US$ 635)	$ 937,587 (US$ 30,657)	$ -
Bank of Shanghai	Approved by local government	US$ 1,174,250	(Note 4)	US$ 73,848	US$ 38,895	US$ -	US$ 112,743	3	- (US$ -)	16,443,765 (US$ 537,677)	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Approved by local government	US$ 108,181	(Note 4)	US$ 36,339	US$ 27,554	US$ -	US$ 63,893	100	154,862 (US$ 5,253)	1,586,999 (US$ 51,892)	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Approved by local government	US$ 109,639	(Note 4)	US$ 64,717	US$ -	US$ -	US$ 64,717	100	61,251 (US$ 2,078)	3,406,386 (US$ 111,382)	-

2. Upper limit on investment in mainland China:

Accumulated Investment in Mainland China as of June 30, 2018 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 3)	Upper Limit on Investment Authorized by Investment Commission MOEA
$8,298,789 (US$271,353)	$8,330,779 (US$272,399)	$100,148,777

Note 1: Routes of investment in mainland China are listed below:

a. Directly invest.
b. Invest via a third company.
c. Others.

Note 2: In the column of “Investment Gain (Loss)”

a. It should be specified if it is preparing for establishment and no investment gain (loss).

b. It should be specified if the investment gain (loss) is divided into the following three categories:

1) Financial report audited by international accounting firm associated with accounting firm in Taiwan.
2) Financial report audited by the accounting firm associated with the parent company in Taiwan.
3) Others.

Note 3: Calculated using the exchange rate on June 30, 2018.

Note 4: To invest via sub-subsidiary of the Bank, “Shanghai Commercial Bank (HK)”.