E.SUN Commercial Bank, Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
E.SUN Commercial Bank, Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of E.SUN Commercial Bank, Ltd. (the Bank) and its subsidiaries (collectively, the Company), as of September 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three months ended September 30, 2018 and 2017 and for the nine months ended September 30, 2018 and 2017, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2018 and 2017, its consolidated financial performance for the three months ended September 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Yin-Chou Chen and Jui-Chan Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 9, 2018

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

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

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2018 (Reviewed)		December 31, 2017 (Audited)		September 30, 2017 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Note 6)	$ 49,117,104	2	$ 54,962,324	3	$ 47,666,567	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Note 7)	70,550,271	3	76,080,043	4	80,922,381	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 37)	433,238,800	20	407,970,461	20	407,372,686	20
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 37 and 40)	163,027,163	8	-	-	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10, 37 and 40)	7,287,316	1	-	-	-	-
RECEIVABLES, NET (Notes 4, 11, 36 and 37)	85,552,167	4	83,129,858	4	82,483,493	4
CURRENT TAX ASSETS (Note 4)	12,099	-	5,054	-	10,378	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 36 and 37)	1,296,534,291	60	1,211,071,275	59	1,201,527,936	60
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 13 and 37)	-	-	170,204,638	8	148,836,350	8
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 4, 14 and 37)	-	-	3,078,813	-	3,102,914	-
OTHER FINANCIAL ASSETS, NET (Note 15)	8,038,325	1	9,426,393	1	8,819,358	1
PROPERTIES AND EQUIPMENT, NET (Note 16)	28,631,072	1	27,558,614	1	27,047,181	1
INVESTMENT PROPERTIES, NET (Note 17)	2,192,727	-	2,236,989	-	2,244,935	-
INTANGIBLE ASSETS, NET (Note 18)	5,889,497	-	6,138,716	-	6,107,775	-
DEFERRED TAX ASSETS (Note 4)	1,036,872	-	926,378	-	651,621	-
OTHER ASSETS, NET (Notes 19, 36 and 38)	6,115,655	-	3,547,241	-	3,934,994	-
TOTAL	$ 2,157,223,359	100	$ 2,056,336,797	100	$ 2,020,728,569	100
LIABILITIES AND EQUITY						
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 20)	$ 70,901,501	3	$ 66,652,215	3	$ 77,057,088	4
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 24)	50,262,439	2	43,359,847	2	39,292,846	2
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 9, 13 and 21)	8,886,412	1	12,200,468	1	11,851,796	1
PAYABLES (Notes 22 and 36)	28,753,568	1	26,406,994	1	21,413,973	1
CURRENT TAX LIABILITIES (Notes 4 and 36)	636,798	-	1,382,186	-	833,394	-
DEPOSITS AND REMITTANCES (Notes 23 and 36)	1,786,056,572	83	1,713,175,352	84	1,677,378,112	83
BANK DEBENTURES (Note 24)	39,750,000	2	36,750,000	2	36,750,000	2
OTHER FINANCIAL LIABILITIES (Notes 25, 36 and 38)	12,454,584	1	5,949,739	-	8,802,355	-
PROVISIONS (Note 26)	855,398	-	474,835	-	421,604	-
DEFERRED TAX LIABILITIES (Note 4)	1,438,847	-	697,535	-	944,881	-
OTHER LIABILITIES (Notes 28 and 36)	2,487,480	-	2,029,857	-	2,002,863	-
Total liabilities	2,002,483,599	93	1,909,079,028	93	1,876,748,912	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Capital stock						
Common stock	86,370,000	4	83,121,000	4	83,121,000	4
Capital surplus						
Additional paid-in capital from share issuance in excess of par value	24,863,052	1	24,495,245	1	24,495,245	1
From treasury stock transactions	483	-	483	-	483	-
Others	354,770	-	370,239	-	286,058	-
Total capital surplus	25,218,305	1	24,865,967	1	24,781,786	1
Retained earnings						
Legal reserve	28,840,418	1	24,638,417	1	24,638,417	1
Special reserve	219,180	-	149,147	-	149,147	-
Unappropriated earnings	13,139,426	1	14,006,670	1	10,909,356	1
Total retained earnings	42,199,024	2	38,794,234	2	35,696,920	2
Other equity	832,628	-	363,337	-	296,547	-
Total equity attributable to owners of the Bank	154,619,957	7	147,144,538	7	143,896,253	7
NON-CONTROLLING INTERESTS	119,803	-	113,231	-	83,404	-
Total equity	154,739,760	7	147,257,769	7	143,979,657	7
TOTAL	$ 2,157,223,359	100	$ 2,056,336,797	100	$ 2,020,728,569	100

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 29 and 36)	$ 9,454,479	76	$ 8,394,934	71	$ 27,169,121	75	$ 24,119,413	72
INTEREST EXPENSE (Notes 29 and 36)	(4,431,207)	(35)	(3,263,120)	(28)	(12,140,068)	(34)	(9,211,940)	(28)
NET INTEREST	5,023,272	41	5,131,814	43	15,029,053	41	14,907,473	44
NET REVENUES AND GAINS OTHER THAN INTEREST								
Service fee income, net (Notes 30 and 36)	3,562,566	29	4,020,891	34	11,437,125	32	11,261,382	34
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4 and 31)	3,002,706	24	1,956,157	17	13,806,947	38	401,603	1
Realized gains on available-for-sale financial assets (Note 4)	-	-	390,748	3	-	-	600,539	2
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 9)	408,536	3	-	-	725,882	2	-	-
Foreign exchange gains (losses), net	264,914	2	228,868	2	(5,009,271)	(14)	6,143,367	18
Reversal of impairment losses (impairment losses) on assets (Note 4)	(5,841)	-	-	-	4,672	-	-	-
Other noninterest gains, net (Note 36)	143,076	1	114,588	1	292,221	1	266,775	1
Total net revenues and gains other than interest	7,375,957	59	6,711,252	57	21,257,576	59	18,673,666	56
TOTAL NET REVENUES	12,399,229	100	11,843,066	100	36,286,629	100	33,581,139	100
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Notes 4 and 12)	(839,954)	(7)	(1,121,951)	(9)	(2,226,789)	(6)	(2,753,775)	(9)
OPERATING EXPENSES (Notes 4, 16, 18, 27, 32 and 36)								
Employee benefits	(2,783,027)	(22)	(2,665,655)	(23)	(8,361,698)	(23)	(8,142,790)	(24)
Depreciation and amortization	(474,982)	(4)	(456,806)	(4)	(1,438,244)	(4)	(1,301,237)	(4)
General and administrative	(2,933,362)	(24)	(2,772,800)	(23)	(8,312,927)	(23)	(8,059,220)	(24)
Total operating expenses	(6,191,371)	(50)	(5,895,261)	(50)	(18,112,869)	(50)	(17,503,247)	(52)
INCOME BEFORE INCOME TAX	5,367,904	43	4,825,854	41	15,946,971	44	13,324,117	39
INCOME TAX EXPENSE (Notes 4 and 33)	(892,871)	(7)	(788,713)	(7)	(2,598,969)	(7)	(1,718,665)	(5)
NET INCOME FOR THE PERIOD	4,475,033	36	4,037,141	34	13,348,002	37	11,605,452	34

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E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Notes 4 and 33)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gains on investments in equity instruments at fair value through other comprehensive income	$ 91,012	-	$ -	-	$ 143,268	1	$ -	-
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(27,903)	-	(2,941)	-	68,247	-	(31,154)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	2,577	-	-	-	(8,348)	-	-	-
Items that will not be reclassified subsequently to profit or loss, net of income tax	65,686	-	(2,941)	-	203,167	1	(31,154)	-
Items that may be reclassified subsequently to profit or loss :								
Exchange differences on the translation of financial statements of foreign operations	(320,756)	(3)	114,801	1	207,547	-	(722,979)	(2)
Unrealized gains (losses) on available-for-sale financial assets	-	-	(96,616)	(1)	-	-	899,764	3
Unrealized losses on investments in debt instruments at fair value through other comprehensive income	(34,037)	-	-	-	(491,266)	(1)	-	-
Reversal of impairment losses (impairment losses) on investments in debt instruments at fair value through other comprehensive income	5,320	-	-	-	(5,165)	-	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss	67,154	1	(30,242)	-	12,167	-	59,811	-
Items that may be reclassified subsequently to profit or loss, net of income tax	(282,319)	(2)	(12,057)	-	(276,717)	(1)	236,596	1
Other comprehensive income (loss) for the period, net of income tax	(216,633)	(2)	(14,998)	-	(73,550)	-	205,442	1
TOTAL COMPREHENSIVE INCOME	$ 4,258,400	34	$ 4,022,143	34	$ 13,274,452	37	$ 11,810,894	35

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E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO:								
Owners of the Bank	$ 4,467,264	36	$ 4,079,997	34	$ 13,336,333	37	$ 11,736,974	34
Non-controlling interests	7,769	-	(42,856)	-	11,669	-	(131,522)	-
	$ 4,475,033	36	$ 4,037,141	34	$ 13,348,002	37	$ 11,605,452	34
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	$ 4,250,586	34	$ 4,069,069	34	$ 13,262,705	37	$ 11,977,195	36
Non-controlling interests	7,814	-	(46,926)	-	11,747	-	(166,301)	(1)
	$ 4,258,400	34	$ 4,022,143	34	$ 13,274,452	37	$ 11,810,894	35
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 34)								
Basic	$ 0.52		$ 0.47		$ 1.54		$ 1.42	

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank											
	Capital Stock (Note 35)			Retained Earnings (Notes 4, 9 and 35)			Other Equity					
	Shares (In Thousands)	Common Stock	Capital Surplus (Note 35)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 9)	Unrealized Gains on Available-for-sale Financial Assets (Note 4)	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss (Note 4)	Non-controlling Interests (Note 35)	Total Equity
BALANCE AT JANUARY 1, 2018	8,312,100	$ 83,121,000	$ 24,865,967	$ 24,638,417	$ 149,147	$ 14,006,670	$ (873,963)	$ -	$ 1,235,443	$ 1,857	$ 113,231	$ 147,257,769
Effect of retrospective application	-	-	-	-	-	(253,907)	-	1,825,883	(1,235,443)	-	-	336,533
BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY	8,312,100	83,121,000	24,865,967	24,638,417	149,147	13,752,763	(873,963)	1,825,883	-	1,857	113,231	147,594,302
Appropriation of 2017 earnings												
Legal reserve	-	-	-	4,202,001	-	(4,202,001)	-	-	-	-	-	-
Special reserve	-	-	-	-	70,033	(70,033)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(6,476,157)	-	-	-	-	-	(6,476,157)
Stock dividends	324,900	3,249,000	-	-	-	(3,249,000)	-	-	-	-	-	-
Share-based payment arrangements involving ESFHC's common stock	-	-	352,338	-	-	-	-	-	-	-	-	352,338
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	(5,175)	(5,175)
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	46,190	-	(46,190)	-	-	-	-
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	1,331	-	-	-	(1,331)	-	-
Net income for the nine months ended September 30, 2018	-	-	-	-	-	13,336,333	-	-	-	-	11,669	13,348,002
Other comprehensive income (loss) for the nine months ended September 30, net of income tax	-	-	-	-	-	-	197,779	(339,654)	-	68,247	78	(73,550)
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	13,336,333	197,779	(339,654)	-	68,247	11,747	13,274,452
BALANCE AT SEPTEMBER 30, 2018	8,637,000	$ 86,370,000	$ 25,218,305	$ 28,840,418	$ 219,180	$ 13,139,426	$ (676,184)	$ 1,440,039	$ -	$ 68,773	$ 119,803	$ 154,739,760
BALANCE AT JANUARY 1, 2017	7,262,883	$ 72,628,830	$ 19,837,781	$ 20,721,566	$ 83,866	$ 13,056,168	$ (143,277)	$ -	$ 141,075	$ 44,882	$ 663,639	$ 127,034,530
Appropriation of 2016 earnings												
Legal reserve	-	-	-	3,916,851	-	(3,916,851)	-	-	-	-	-	-
Special reserve	-	-	-	-	65,281	(65,281)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(4,619,000)	-	-	-	-	-	(4,619,000)
Stock dividends	445,217	4,452,170	-	-	-	(4,452,170)	-	-	-	-	-	-
Capital increase	604,000	6,040,000	4,460,000	-	-	-	-	-	-	-	-	10,500,000
Share-based payment arrangements involving ESFHC's common stock	-	-	484,005	-	-	-	-	-	-	-	-	484,005
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	(9,315)	(9,315)
Acquisition of interest in subsidiary	-	-	-	-	-	(830,475)	12,160	-	1,477	-	(404,619)	(1,221,457)
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	(9)	-	-	-	9	-	-
Net income for the nine months ended September 30, 2017	-	-	-	-	-	11,736,974	-	-	-	-	(131,522)	11,605,452
Other comprehensive income (loss) for the nine months ended September 30, 2017, net of income tax	-	-	-	-	-	-	(572,996)	-	844,371	(31,154)	(34,779)	205,442
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	11,736,974	(572,996)	-	844,371	(31,154)	(166,301)	11,810,894
BALANCE AT SEPTEMBER 30, 2017	8,312,100	$ 83,121,000	$ 24,781,786	$ 24,638,417	$ 149,147	$ 10,909,356	$ (704,113)	$ -	$ 986,923	$ 13,737	$ 83,404	$ 143,979,657

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30 2018	For the Nine Months Ended September 30 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 15,946,971	$ 13,324,117
Adjustments for:		
Depreciation expenses	983,819	893,954
Amortization expenses	454,425	407,283
Expected credit losses/bad-debt expenses	2,168,137	2,748,394
Gains on financial assets and liabilities at fair value through profit or loss	(13,806,947)	(401,603)
Interest expense	12,140,068	9,211,940
Interest revenue	(27,169,121)	(24,119,413)
Dividend income	(362,933)	(267,750)
Provision for losses on guarantees	53,980	5,381
Salary expenses on share-based payments	352,338	484,005
Losses (gains) on disposal of properties and equipment	(84,446)	30,276
Gains on disposal of investments	(309,054)	(380,943)
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	6,998,274	(15,182,253)
Financial assets at fair value through profit or loss	2,653,632	(31,088,131)
Financial assets at fair value through other comprehensive income	6,583,667	-
Investments in debt instruments at amortized cost	(4,208,625)	-
Securities purchased under resell agreements	-	140,934
Receivables	(2,294,788)	(7,071,222)
Discounts and loans	(88,047,509)	(85,702,071)
Available-for-sale financial assets	-	(8,711,071)
Held-to-maturity financial assets	-	481,083
Other financial assets	249,529	18,364,772
Other assets	(99,223)	(124,570)
Due to the Central Bank and other banks	4,249,286	24,541,082
Financial liabilities at fair value through profit or loss	(16,365,157)	(15,853,445)
Securities sold under repurchase agreements	(3,314,056)	2,970,073
Payables	1,422,432	(2,801,312)
Deposits and remittances	72,881,220	117,827,065
Other financial liabilities	5,813,941	(227,614)
Provision for employee benefits	(1,989)	(1,730)
Other liabilities	450,070	1,646
Cash used in operations	(22,662,059)	(501,123)
Interest received	32,160,449	29,339,086
Dividend received	401,271	285,997
Interest paid	(12,105,261)	(9,398,177)
Income tax paid	(2,724,869)	(2,272,861)
Net cash generated from (used in) operating activities	(4,930,469)	17,452,922

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E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2018	**2017**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	$ (2,215,058)	$ (2,326,759)
Proceeds from disposal of properties and equipment	129,725	365
Increase in refundable deposits	(2,429,392)	(233,524)
Payments for intangible assets	(185,593)	(286,329)
Increase in other assets	-	(2,701)
Net cash used in investing activities	(4,700,318)	(2,848,948)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(156,395)
Proceeds from issue of bank debentures	5,100,000	-
Repayments of bank debentures	(2,100,000)	(5,500,000)
Proceeds from long-term borrowings	-	356,530
Repayments of long-term borrowings	(895,440)	(702,543)
Increase in financial liabilities designated as at fair value through profit or loss	5,880,000	-
Proceeds from guarantee deposits received	1,577,911	35,852
Cash dividends paid to owners of the Bank	(6,476,157)	(4,619,000)
Capital increase	-	10,500,000
Cash dividends paid to non-controlling interests	(5,175)	(9,315)
Changes in non-controlling interests (Note 45)	-	(1,221,457)
Net cash generated from (used in) financing activities	3,081,139	(1,316,328)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,151,461	640,621
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,398,187)	13,928,267
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	57,917,859	39,079,843
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	$ 53,519,672	$ 53,008,110

(Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	September 30	
	2018	**2017**
RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2018 AND 2017		
Cash and cash equivalents in the consolidated balance sheets	$ 49,117,104	$ 47,666,567
Due from the Central Bank and call loans to other banks in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	4,402,568	5,341,543
Cash and cash equivalents, end of period	$ 53,519,672	$ 53,008,110

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

E.SUN Commercial Bank, Ltd. (the Bank) engages in banking activities permitted by the Banking Law.

As of September 30, 2018, the Bank had 152 units, including a business department, an international banking department, a trust department, a credit card and payment division, an offshore banking unit (OBU), an insurance agent department, 8 overseas branches, and 138 domestic branches.

The operations of the Bank's Trust Department consist of planning, managing and operating a trust business. These operations are regulated under the Banking Law and Trust Law of the Republic of China (ROC).

On December 10, 2001, the Bank's stockholders resolved the establishment of E.SUN Financial Holding Company, Ltd. (ESFHC) through a share swap. Thus, ESFHC acquired the shares of the Bank, E.SUN Bills Finance Corp. (E.SUN Bills) and E.SUN Securities Corp. (E.SUN Securities). The board of directors designated January 28, 2002 as the effective date of the related share swap. After the share swap, the Bank became a 100% subsidiary of ESFHC. Also, on January 28, 2002, the trading of the Bank's stock on the Taiwan Stock Exchange (TSE) was stopped, and ESFHC's stock started to be traded on the TSE.

To integrate resources, enhance operating effectiveness, strengthen the Bank's equity structure, and ensure its long-term development, the stockholders resolved the Bank's merger with E.SUN Bills on August 25, 2006, with the Bank as the surviving entity. The effective date of this merger is December 25, 2006.

The Bank acquired the assets, liabilities and business of Chiayi The Fourth Credit Cooperative and Chu Nan Credit-Cooperative Association on November 3, 2012 and July 9, 2011, respectively.

To expand economies of scale, improve integrated marketing, reduce operating costs and develop operating synergy, the stockholders resolved the Bank's merger with E.SUN Insurance Broker Co., Ltd. (ESIB) on August 21, 2015, with the Bank as the surviving entity. The effective date of this merger is March 25, 2016.

Union Commercial Bank PLC. (UCB) was founded in March 1994, under the Laws of the Kingdom of Cambodia. UCB is engaged in banking activities permitted by the Laws of the Kingdom of Cambodia. The Bank acquired 70% equity interest of UCB on August 28, 2013, and on December 29, 2015, the Bank acquired from non-controlling interests for additional 5% shares of UCB, which increased its continuing interest from 70% to 75%. The Bank acquired residual 25% equity interest of UCB on August 25, 2017.

In January 2016, E.SUN Bank (China), Ltd. (ESBC) began its formal launch after acquiring the approval of the Financial Supervisory Commission (FSC) and the China Bank Regulatory Commission. The registered capital of ESBC is CNY2 billion, and ESBC has been opened on March 11, 2016. ESBC is engaged in banking activities permitted by the Laws of Mainland China.

To expand business in electronic commerce, the Bank's board of directors resolved the acquisition of 7,875 thousand common shares of BankPro E-Service Technology Co., Ltd. (BankPro) on November 13, 2015. This acquisition was approved by the authorities and settled on January 11, 2016, and BankPro was included in the consolidated financial statements from the acquisition date.

BankPro is engaged in retail sale of computer software, software design service, data processing service, digital information supply service and business consultant.

The operating units of the Bank and its subsidiaries (collectively, the Company) maintain their accounts in their respective functional currencies. The consolidated financial statements are presented in New Taiwan dollars.

For the nine months ended September 30, 2018 and 2017, the average number of employees of the Company (ESBC, UCB and BankPro excluded) was 8,165 and 8,102, respectively. For the nine months ended September 30, 2018 and 2017, the average number of employees of ESBC, UCB and BankPro was 691 and 675, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The board of directors approved and authorized for issue of the consolidated financial statements in their meeting on November 9, 2018.

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

a. Influences of the Company initially applied amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the IFRSs) endorsed and issued into effect by the FSC, and the early adoption of the amendments to IFRS 9

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

   IFRS 9 "Financial Instruments" and related amendments (including the amendment of early adoption)

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

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. As of January 1, 2018, the changes of the measurement categories and carrying values determined under IAS 39 and IFRS 9 for each category of financial assets are summarized as follows:

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9
Cash and cash equivalents	Amortized cost (loans and receivables)	Amortized cost	$ 54,962,324	$ 54,962,324
Due from the Central Bank and call loans to other banks	Amortized cost (loans and receivables)	Amortized cost	76,080,043	76,080,043
Financial assets at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	407,970,461	407,970,461
Receivables, net	Amortized cost (loans and receivables)	Amortized cost	83,129,858	83,128,834
Discounts and loans, net	Amortized cost (loans and receivables)	Amortized cost	1,211,071,275	1,211,071,275
Available-for-sale financial assets, net	Fair value through other comprehensive income	Fair value through profit or loss	1,075,289	1,075,289
	Fair value through other comprehensive income	Fair value through other comprehensive income	169,129,349	169,129,349
Held-to-maturity financial assets, net	Amortized cost	Amortized cost	3,078,813	3,078,219
Other financial assets, net	Amortized cost (loans and receivables)	Amortized cost	8,291,918	8,291,918
	Financial assets measured at cost	Fair value through other comprehensive income	537,515	1,069,639
	Amortized cost (debt instruments with no active market)	Fair value through other comprehensive income	596,960	667,353
Other assets, net	Amortized cost (refundable deposits)	Amortized cost	3,216,828	3,216,828

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
FVTPL	$ 407,970,461			$ 407,970,461			1)
Add: Reclassification from available-for-sale (IAS 39) Required reclassification	-	$ 1,075,289	$ -	1,075,289	$ 62,345	$ (62,345)	2)
	407,970,461	1,075,289	-	409,045,750	62,345	(62,345)	
FVTOCI	-			-			
Debt instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	164,114,822	-	164,114,822	(55,976)	55,864	3)
Add: Reclassification and remeasurement from debt instruments with no active market (IAS 39)	-	596,960	70,393	667,353	(304)	70,697	3)
Equity instruments							
Add: Reclassification from available-for-sale (IAS 39)	-	5,014,527	-	5,014,527	-	-	2)
Add: Reclassification and remeasurement from other financial assets (IAS 39)	-	537,515	532,124	1,069,639	5,900	526,224	2)
	-	170,263,824	602,517	170,866,341	(50,380)	652,785	
Amortized cost	-			-			
Add: Reclassification and remeasurement from held-to-maturity (IAS 39)	-	3,078,813	(594)	3,078,219	(594)	-	4)
	-	3,078,813	(594)	3,078,219	(594)	-	
Total	$ 407,970,461	$ 174,417,926	$ 601,923	$ 582,990,310	$ 11,371	$ 590,440	

1) The Company held debt instrument investments amounting to $110,410,567 thousand, of which previously designated as at fair value through profit or loss. When transitioning to IFRS 9, the investments are classified at fair value through profit or loss on the basis of the Company's business model.

2) The Company elected to classify all of its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTPL and FVTOCI under IFRS 9. As a result, the related other equity - unrealized gains on available-for-sale financial assets was reclassified to increase retained earnings in the amount of $62,345 thousand and to increase other equity - unrealized gains on financial assets at FVTOCI in the amount of $357,891 thousand.

   Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $532,124 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gains on financial assets at FVTOCI on January 1, 2018.

   The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $5,900 thousand in other equity - unrealized gains on financial assets at FVTOCI and an increase of $5,900 thousand in retained earnings on January 1, 2018.

3) Investments in debt instruments previously classified as available-for-sale financial assets and debt instruments with no active market were classified as at FVTOCI with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. As a result of retrospective application, the related adjustments comprised an increase in deferred tax liabilities of $112 thousand, a decrease in retained earnings of $56,280 thousand and an increase in other equity - unrealized gains on financial assets at FVTOCI of $126,561 thousand on January 1, 2018.

4) Investments in debt instruments previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. As a result of retrospective application, the related adjustments comprised an increase in the loss allowance of $594 thousand and a decrease in retained earnings of $594 thousand on January 1, 2018.

b. The Company had not yet applied the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and the New 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
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 2)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

Note 2: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

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

Definition of a lease

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

The Company as lessee

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

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

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

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

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

c) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Company as lessor

The Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

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

Upon initial application of IFRIC 23, the Company will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

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

c. Not yet applied new IFRSs announced by IASB but not yet endorsed and issued into effect by the FSC

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

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

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

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

The Company assessed the application of the standards above would not have any material impact on the Company’s financial position and financial performance. As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in the consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities/assets which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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:

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

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

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (UCB (including UCB’s subsidiary), ESBC, and BankPro).

The accounting policies of the Bank and subsidiaries are consistent.

All significant intercompany transactions and balances have been eliminated for consolidation purposes. The Bank’s financial statements include the accounts of the Head Office, OBU, and all branches. All intra-bank transactions and balances have been eliminated.

Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

For more information on the consolidated entities, please refer to Table 1 (attached).

d. Other significant accounting policies

Except for those described below, please refer to consolidated financial statements as of December 31, 2017 for details of summary of significant accounting policies.

1) Financial Instruments

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

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

<u>Financial assets</u>

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

<u>2018</u>

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

i. Financial asset at FVTPL

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

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

ii. 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, due from the Central Bank and call loans to other banks, receivables and discounts and loans, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

iii. Investments in debt instruments 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 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.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation 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 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 Company’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale (AFS) financial assets, held-to-maturity financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

i. Financial assets at FVTPL

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

A financial asset is classified as designated as at FVTPL upon initial recognition if:

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 Company'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 at fair value through profit or loss.

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

ii. Available-for-sale (AFS) financial assets

AFS financial assets are nonderivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity financial assets or (c) financial assets at fair value through profit or loss. AFS financial assets are stated at fair value at each balance sheet date.

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 or is determined to be impaired.

Cash dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated on the basis of the new number of investee's shares held.

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

iii. Held-to-maturity financial assets

Held-to-maturity financial assets are nonderivative financial assets with fixed or determinable payments and a fixed maturity date that the Company has the positive intent and ability to hold to maturity.

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

iv. Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and cash equivalents, due from the Central Bank and call loans to other banks, receivables, debt instruments with no active market) are measured at amortized cost using the effective interest method less any impairment.

b) Impairment of financial assets

<u>2018</u>

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost, investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

The Company always recognizes lifetime expected credit loss (i.e. ECL) for accounts receivables and lease receivables. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.
The Company 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 the financial asset.

<u>2017</u>

Financial assets, other than those at fair value through profit or loss, 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 financial assets, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

i. Significant financial difficulty of the asset issuer and debtor;
ii. The financial assets becoming overdue;
iii. Probability that the debtor will enter into bankruptcy or undergo financial reorganization.

Financial assets carried at amortized cost (loans and receivables) that are individually assessed had no objective evidence of impairment are further assessed collectively for impairment. Objective evidence of impairment for a portfolio of receivables could include the Company’s past difficulty in collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on financial assets.

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

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

For 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.

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

For AFS equity investments, impairment losses 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. For AFS debt instruments, impairment losses 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.

For financial assets that are carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. This impairment loss will not be reversed in subsequent periods.

Impairment loss on financial asset is recognized by reducing its carrying amount through the use of an allowance account. When financial assets are considered uncollectable, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

<u>2017 and 2018</u>

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

The Bank made 100%, 50%, 10%, 2% and 1% provisions for credits deemed uncollectable, with collectability highly doubtful, substandard, special mention and sound credit assets (excluding assets that represent claims against an ROC government agency), respectively, as minimum provisions. Furthermore, the FSC stipulated that banks should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions, respectively.

Credits deemed uncollectable may be written off if the write-off is approved by the board of directors.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. Before 2018, the difference between the carrying amount allocated to the part that is derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it which had been recognized in other comprehensive income is recognized in profit or loss. Staring from 2018, the difference between the carrying amount allocated to the part that is derecognized and the sum of the consideration received for the part derecognized is treated in the same way as when the financial asset is derecognized in entirety. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized on the basis of the relative fair values of those parts.

<u>Equity instruments</u>

The Company classifies the debt and equity instruments issued either as financial liabilities or as equity in accordance with the substance of the contractual agreements and the definitions of a financial liability or an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

a) Subsequent measurement

Except for the cases stated below, all financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at FVTPL

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

A financial liability is classified as designated as at FVTPL upon initial recognition if:

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

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

iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss.

ii. Financial guarantee contracts

2018

Financial guarantee contracts issued by the Company, if not designated as at FVTPL, are subsequently measured at the higher of:

i) The amount of the loss allowance reflecting expected credit loss; and

ii) The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the revenue recognition policies.

2017

Financial guarantee contracts issued by the Company are not designated as at FVTPL and are subsequently measured at the higher of (a) the amount of the obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; or (b) the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with revenue recognition policies.

b) Derecognition of financial liabilities

The Company derecognizes financial liabilities only when the Company’s obligations are discharged or cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. If the fair value of a derivative is a positive number, the derivative is recognized as an asset and if the fair value is a negative number, the derivative is recognized as a 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. From 2018, derivatives embedded in hybrid contracts that contain financial asset hosts 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 within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

2) Post-employment benefits

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

3) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of financial assets - 2018

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

b. Impairment losses on loans - 2017

The Company monthly assesses loans collectively. When determining whether an impairment loss should be recognized, the Company mainly seeks for observable evidence that indicates impairment. Objective evidence of impairment of a portfolio of loans and receivables could include the Company's past difficulty in collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables. The management uses past loss experience on assets that have similar credit risk characteristics to estimate the expected future cash flows. The Company reviews the methods and assumptions of cash flow estimation regularly to eliminate the difference between expected and actual loss.

6. CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand	$ 13,757,676	$ 11,905,579	$ 11,086,097
Checks for clearing	8,418,319	10,495,503	2,587,996
Due from banks	26,937,911	32,538,944	33,991,664
Cash in transit	3,198	22,298	810
	$ 49,117,104	$ 54,962,324	$ 47,666,567

Reconciliations of cash and cash equivalents between the consolidated statements of cash flows and the consolidated balance sheets as of September 30, 2018 and 2017 are shown in the consolidated statements of cash flows. Reconciliations as of December 31, 2017 are stated below.

	December 31, 2017
Cash and cash equivalents, ending balance in the consolidated balance sheets	$ 54,962,324
Due from the Central Bank and call loans to other banks in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows"	2,955,535
Cash and cash equivalents, ending balance in the consolidated statements of cash flows	$ 57,917,859

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

	September 30, 2018	December 31, 2017	September 30, 2017
Deposit reserves - account A	$ 20,152,404	$ 22,725,604	26,895,661
Deposit reserves - account B	38,897,271	38,287,417	38,106,410
Reserves for deposits - foreign currency deposits	458,265	423,842	412,148
Due from the Central Bank - other	7,328,425	8,360,993	6,895,347
Deposit in the Central Bank - deposits of government agencies	7,071	6,284	7,206
Call loans to banks	3,672,099	4,843,647	7,707,415
Trade finance advance - interbank	61,102	1,492,400	93,823
Bank overdrafts	-	-	851,551
	70,576,637	76,140,187	80,969,561
Less: Allowance for possible losses	(26,366)	(60,144)	(47,180)
	$ 70,550,271	$ 76,080,043	$ 80,922,381

As required by law, the deposit reserves are calculated by applying the prescribed rates to the average monthly balances of various types of deposit accounts. The deposit reserves - account B is subject to withdrawal restrictions, but deposit reserves - account A and foreign-currency deposit reserves may be withdrawn anytime.

Under the "Directions for a National Treasury Agent Bank Acting on Behalf of the Central Bank of the Republic of China Handling National Treasury Matters," the Bank redeposits 60% of the receipts of deposit of government agencies in the Central Bank of the Republic of China, and the amount is subject to withdrawal restrictions.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2018	December 31, 2017	September 30, 2017
Held-for-trading financial assets			
Negotiable certificates of deposits	$ -	$ 237,642,004	$ 228,261,164
Commercial paper	-	54,287,282	66,454,784
Currency swap contracts	-	3,038,019	2,933,680
Interest rate swap contracts	-	1,098,268	1,045,853
Currency option contracts	-	630,142	920,744
Forward contracts	-	443,540	743,505
Listed stocks	-	267,693	475,676
Bank debentures	-	88,659	-
Futures exchange margins	-	35,563	46,091
Non-deliverable forward contracts	-	17,135	21,694
Metal commodity swap contracts	-	11,441	7,502
Cross-currency swap contracts	-	148	645
	-	297,559,894	300,911,338

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets designated as at fair value through profit or loss			
Corporate bonds	$ -	$ 59,110,659	$ 55,868,786
Bank debentures	-	49,740,994	49,256,278
Overseas government bonds	-	1,558,914	1,336,284
	-	110,410,567	106,461,348
Financial assets mandatorily classified as at fair value through profit or loss			
Negotiable certificates of deposits	259,674,559	-	-
Commercial paper	23,193,726	-	-
Treasury bills	9,941,346	-	-
Bank debentures	66,188,652	-	-
Corporate bonds	65,844,308	-	-
Listed stocks	1,024,435	-	-
Currency swap contracts	5,321,376	-	-
Interest rate swap contracts	1,092,243	-	-
Currency option contracts	505,067	-	-
Forward contracts	327,238	-	-
Futures exchange margins	59,841	-	-
Non-deliverable forward contracts	54,888	-	-
Cross-currency swap contracts	4,965	-	-
Metal commodity swap contracts	6,155	-	-
Credit default swap contracts	1	-	-
	433,238,800	-	-
	$ 433,238,800	$ 407,970,461	$ 407,372,686
Held-for-trading financial liabilities			
Currency swap contracts	$ 2,853,492	$ 3,125,175	$ 2,752,702
Interest rate swap contracts	4,229,162	926,432	849,064
Currency option contracts	780,038	867,889	1,109,659
Forward contracts	174,370	296,093	261,685
Cross-currency swap contracts	7,405	63,193	1,935
Non-deliverable forward contracts	50,502	16,793	13,719
Metal commodity swap contracts	217	4,854	159
	8,095,186	5,300,429	4,988,923
Financial liabilities designated as at fair value through profit or loss			
Bank debentures (Note 24)	41,931,002	37,773,748	34,005,793
Structured products	236,251	285,670	298,130
	42,167,253	38,059,418	34,303,923
	$ 50,262,439	$ 43,359,847	$ 39,292,846

(Concluded)

The Company engages in derivative transactions mainly to accommodate customers' needs, manage its exposure positions and hedge against its exchange rate and interest rate exposures as well as its credit risks as a bondholder.

The contract (nominal) amounts of derivative transactions by the Company as of September 30, 2018, December 31, 2017 and September 30, 2017 were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Currency swap contracts	$ 466,218,503	$ 471,503,214	$ 441,278,020
Currency option contracts	104,742,228	93,223,864	142,569,792
Interest rate swap contracts	78,489,050	59,141,164	55,908,242
Forward contracts	23,352,463	26,408,762	35,759,378
Non-deliverable forward contracts	3,727,314	802,163	1,255,838
Cross-currency swap contracts	1,117,862	910,525	1,037,056
Metal commodity swap contracts	182,235	244,232	144,973
Credit default swap contracts	8,657	-	-

The open positions of futures transactions of the Company as of September 30, 2018, December 31, 2017 and September 30, 2017 were as follows:

		September 30, 2018			
		Open Position		Contract Amounts or Premium Paid (Charged)	
Items	**Products**	**Buy/Sell**	**Number of Contracts**		**Fair Values**
Futures contracts	Commodity future	Buy	37	$ 174,385	$ 174,844
	Commodity future	Sell	15	69,584	70,891
	Interest rate future	Buy	50	181,683	181,552

		December 31, 2017			
		Open Position		Contract Amounts or Premium Paid (Charged)	
Items	**Products**	**Buy/Sell**	**Number of Contracts**		**Fair Values**
Futures contracts	Commodity future	Buy	12	$ 24,903	$ 26,507
	Commodity future	Sell	27	100,035	104,787

		September 30, 2017			
		Open Position		Contract Amounts or Premium Paid (Charged)	
Items	**Products**	**Buy/Sell**	**Number of Contracts**		**Fair Values**
Futures contracts	Commodity future	Buy	9	$ 26,214	$ 26,180
	Commodity future	Sell	21	105,089	102,950

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

	September 30, 2018
Investments in equity instruments at FVTOCI	$ 7,196,292
Investments in debt instruments at FVTOCI	155,830,871
	$ 163,027,163

a. Investments in equity instruments at FVTOCI

	September 30, 2018
Listed shares	$ 6,205,601
Unlisted shares	990,691
	$ 7,196,292

These investments in equity instruments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI. These investments in equity instruments were classified as available-for-sale financial assets and other financial assets under IAS 39. Refer to Note 3, Note 13 and Note 15 for information relating to their reclassification and comparative information for 2017.

For the nine months ended September 30, 2018, the Company sold shares of stocks for $476,824 thousand for the return on investment positions and risk management. The related other equity-unrealized gain on financial assets at FVTOCI of $46,190 thousand were transferred to increase retained earnings.

Dividends income of $362,933 thousand were recognized in profit or loss for the nine months ended September 30, 2018. Those dividends related to investments held at the end of the reporting period were $339,833 thousand.

b. Investments in debt instruments at FVTOCI

	September 30, 2018
Bank debentures	$ 86,159,692
Government bonds	45,343,033
Corporate bonds	21,767,813
Overseas bonds	1,334,015
Negotiable certificates of deposit	1,226,318
	$ 155,830,871

1) As of September 30, 2018, the investments in debt instruments at FVTOCI, which amounted to $9,126,371 thousand, had been sold under repurchase agreements.

2) Refer to Note 40 for information relating to their credit risk management and impairment.

3) Refer to Note 37 for information relating to investments in debt instruments at FVTOCI pledged as security.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST - 2018

	September 30, 2018
Overseas bonds	$ 4,582,730
Bank debentures	2,322,807
Corporate bonds	306,282
Overseas certificates of deposits	76,377
	7,288,196
Less: Allowance for impairment loss	(880)
	$ 7,287,316

a. Refer to Note 40 for information relating to their credit risk management and impairment.

b. Refer to Note 37 for information relating to investments in debt instruments at amortized cost pledged as security.

11. RECEIVABLES, NET

	September 30, 2018	December 31, 2017	September 30, 2017
Receivables on credit cards	$ 65,186,836	$ 60,787,798	$ 60,743,553
Accounts receivable factored without recourse	13,029,331	15,036,201	13,884,758
Accrued interest	3,848,718	3,716,759	3,125,111
Acceptances	2,190,728	2,051,400	1,740,958
Accounts receivable	1,629,780	2,221,198	3,616,746
Others	1,556,601	1,340,683	1,261,808
	87,441,994	85,154,039	84,372,934
Less: Allowance for possible losses	(1,889,827)	(2,024,181)	(1,889,441)
	$ 85,552,167	$ 83,129,858	$ 82,483,493

Reconciliation of the balance of allowance for possible losses recognized between incurred loss model under IAS 39 and expected loss model under IFRS 9 are stated below.

	Allowance for the Possible Losses Under IAS 39	Remeasurement	Allowance for the Possible Losses Under IFRS 9
Receivables	$ 2,024,181	$ 1,024	$ 2,025,205

The allowances for possible losses on receivables assessed for impairment as of December 31, 2017 and September 30, 2017 were as follows:

<table>
<tr><th colspan="2" rowspan="2">Items</th><th colspan="2">December 31, 2017</th><th colspan="2">September 30, 2017</th></tr>
<tr><th>Receivables</th><th>Allowance for Possible Losses</th><th>Receivables</th><th>Allowance for Possible Losses</th></tr>
<tr><td rowspan="2">With objective evidence of impairment</td><td>Assessment for individual impairment</td><td>$ 429,195</td><td>$ 88,385</td><td>$ 441,267</td><td>$ 90,039</td></tr>
<tr><td>Assessment for collective impairment</td><td>2,092,360</td><td>628,509</td><td>2,003,071</td><td>603,706</td></tr>
<tr><td>With no objective evidence of impairment</td><td>Assessment for collective impairment</td><td>80,178,126</td><td>1,307,287</td><td>79,889,348</td><td>1,195,696</td></tr>
<tr><td colspan="2">Total</td><td>82,699,681</td><td>2,024,181</td><td>82,333,686</td><td>1,889,441</td></tr>
</table>

The changes in allowance for possible losses and gross carrying amount on receivables for the nine months ended September 30, 2018 were as follows:

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 105,551	$ 26,465	$ 823,947	$ 955,963	$ 1,069,242	$ 2,025,205
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(239)	517	(278)	-	-	-
Credit-impaired financial assets	(1,467)	(9,703)	11,170	-	-	-
12-month ECL	11,195	(8,268)	(2,927)	-	-	-
Derecognition of financial assets in the current reporting period	(5,615)	(7,737)	(46,501)	(59,853)	-	(59,853)
New financial assets purchased or originated	14,228	833	380,467	395,528	-	395,528
Difference of impairment loss under regulations	-	-	-	-	(584,890)	(584,890)
Write-offs	-	-	(722,276)	(722,276)	-	(722,276)
Recovery of written-off receivables	-	-	376,067	376,067	-	376,067
Change in model or risk parameters	(9,905)	18,844	436,251	445,190	-	445,190
Change in exchange rates or others	(82)	3	2,298	2,219	12,637	14,856
Balance at September 30, 2018	$ 113,666	$ 20,954	$ 1,258,218	$ 1,392,838	$ 496,989	$ 1,889,827

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 80,294,864	$ 2,469,906	$ 2,389,269	$ 85,154,039
Transfers to				
Lifetime ECL	(127,820)	128,948	(1,128)	-
Credit-impaired financial assets	(549,927)	(61,210)	611,137	-
12-month ECL	106,622	(97,482)	(9,140)	-
Derecognition of financial assets in the current reporting period	(16,328,601)	(2,274,682)	(82,899)	(18,686,182)
New financial assets purchased or originated	20,892,812	25,096	781,665	21,699,573
Write-offs	-	-	(722,276)	(722,276)
Change in exchange rates or others	(4,037)	183	694	(3,160)
Balance at September 30, 2018	$ 84,283,913	$ 190,759	$ 2,967,322	$ 87,441,994

The changes in allowance for possible losses for the nine months ended September 30, 2017 were as follows:

	For the Nine Months Ended September 30, 2017
Balance, January 1	$ 1,852,786
Provision for possible losses	241,597
Write-offs	(553,757)
Recovery of written-off receivables	379,484
Effects of exchange rate changes and other changes	(30,669)
Balance, September 30	$ 1,889,441

12. DISCOUNTS AND LOANS, NET

	September 30, 2018	December 31, 2017	September 30, 2017
Loans			
Short-term	$ 295,776,800	$ 288,611,551	$ 291,215,540
Medium-term	320,846,389	300,039,994	300,393,842
Long-term	691,116,959	632,517,129	619,631,633
Overdue loans	2,596,535	2,433,082	2,223,375
Bills negotiated and discounts	2,893,601	2,991,996	3,373,877
	1,313,230,284	1,226,593,752	1,216,838,267
Less: Allowance for possible losses	(16,560,525)	(15,366,436)	(15,144,432)
Less: Adjustment of premium or discount	(135,468)	(156,041)	(165,899)
	$ 1,296,534,291	$ 1,211,071,275	$ 1,201,527,936

As of September 30, 2018, December 31, 2017 and September 30, 2017, the loan and credit balances of the Bank, for which the accrual of interest revenues was discontinued, amounted to $2,195,454 thousand, $2,100,884 thousand and $1,520,217 thousand, respectively. The unrecognized interest revenues on these loans and credits of the Bank were $35,808 thousand and $25,548 thousand for the nine months ended September 30, 2018 and 2017, respectively.

The allowances for possible losses on discounts and loans assessed for impairment as of December 31, 2017 and September 30, 2017 were as follows:

Items		December 31, 2017		September 30, 2017	
		Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Assessment for individual impairment	$ 3,326,059	$ 1,153,393	$ 3,451,114	$ 1,137,646
	Assessment for collective impairment	4,677,777	1,668,516	4,975,270	1,837,306
With no objective evidence of impairment	Assessment for collective impairment	1,218,589,916	12,544,527	1,208,411,883	12,169,480
Total		1,226,593,752	15,366,436	1,216,838,267	15,144,432

The changes in allowance for possible losses and gross carrying amount on discount and loans for the nine months ended September 30, 2018 were as follows:

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 844,210	$ 637,296	$ 3,325,298	$ 4,806,804	$ 10,559,632	$ 15,366,436
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(5,279)	33,587	(28,308)	-	-	-
Credit-impaired financial assets	(2,245)	(27,812)	30,057	-	-	-
12-month ECL	562,590	(484,699)	(77,891)	-	-	-
Derecognition of financial assets in the current reporting period	(294,862)	(90,891)	(541,520)	(927,273)	-	(927,273)
New financial assets purchased or originated	422,287	15,044	407,893	845,224	-	845,224
Difference of impairment loss under regulations	-	-	-	-	1,691,446	1,691,446
Write-offs	-	-	(1,736,194)	(1,736,194)	-	(1,736,194)
Recovery of written-off credits	-	-	950,614	950,614	-	950,614
Change in model or risk parameters	(757,593)	(3,938)	1,101,539	340,008	-	340,008
Change in exchange rates or others	(1,456)	66	1,154	(236)	30,500	30,264
Balance at September 30, 2018	$ 767,652	$ 78,653	$ 3,432,642	$ 4,278,947	$ 12,281,578	$ 16,560,525

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 1,170,145,601	$ 47,877,032	$ 8,571,119	$ 1,226,593,752
Transfers to				
Lifetime ECL	(2,648,271)	2,774,162	(125,891)	-
Credit-impaired financial assets	(2,614,339)	(1,682,857)	4,297,196	-
12-month ECL	37,125,914	(36,751,842)	(374,072)	-
Derecognition of financial assets in the current reporting period	(420,393,657)	(7,790,745)	(1,794,204)	(429,978,606)
New financial assets purchased or originated	516,991,881	609,272	754,954	518,356,107
Write-offs	-	-	(1,736,194)	(1,736,194)
Change in exchange rates or others	248	936	(5,959)	(4,775)
Balance at September 30, 2018	$ 1,298,607,377	$ 5,035,958	$ 9,586,949	$ 1,313,230,284

The changes in allowance for possible losses for the nine months ended September 30, 2017 were as follows:

	For the Nine Months Ended September 30, 2017
Balance, January 1	$ 14,730,154
Provision for possible losses	2,467,210
Write-offs	(2,480,322)
Recovery of written-off credits	518,610
Effects of exchange rate changes and other changes	(91,220)
Balance, September 30	$ 15,144,432

The bad-debt expenses and provision for losses on commitments and guarantees for the three months and nine months ended September 30, 2018 and 2017 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Provision (reversal of provision) for possible losses on call loans to other banks	$ (3,550)	$ (1,008)	$ (34,569)	$ 39,630
Provision for possible losses on receivables	97,127	293,923	195,975	241,597
Provision for possible losses on discounts and loans	737,149	830,592	1,949,405	2,467,210
Reversal of provision for possible losses on remittance	-	(35)	-	(43)
Provision (reversal of provision) for possible losses on guarantees	(10,253)	(1,521)	53,980	5,381
Provision for possible losses on financing commitments	19,481	-	61,998	-
	$ 839,954	$ 1,121,951	$ 2,226,789	$ 2,753,775

The FSC stipulated that banks should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions. As of September 30, 2018, December 31, 2017 and September 30, 2017, the Bank was in compliance with the FSC's provision requirement for both type of credit assets.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31, 2017	September 30, 2017
Bank debentures	$ 84,110,009	$ 82,877,365
Government bonds	58,640,004	37,510,872
Corporate bonds	20,110,812	21,628,772
Listed stocks	6,089,816	5,931,077
Overseas bonds	1,253,997	888,264
	$ 170,204,638	$ 148,836,350

As of December 31, 2017 and September 30, 2017, the available-for-sale financial assets, which amounted to $12,773,433 thousand and $12,462,477 thousand, respectively, had been sold under repurchase agreements.

14. HELD-TO-MATURITY FINANCIAL ASSETS, NET

	December 31, 2017	September 30, 2017
Overseas bonds	$ 1,871,918	$ 1,900,192
Bank debentures	1,132,275	1,126,960
Overseas certificates of deposits	74,620	75,762
	$ 3,078,813	$ 3,102,914

In 2015, the Company disposed of some debt instruments because of the severe deterioration of debtors' credits and other concerns. However, the amount disposed of was only a small portion of the held-to-maturity financial assets, and the Company had no intention to reclassify the rest of these investments. As of December 31, 2017 and September 30, 2017, the accumulated disposal amounts from the past three years were both $21,067 thousand, and the accumulated realized losses on disposal were $2,154 thousand in each year; the accumulated disposal amounts were both 0.68% of held-to-maturity financial assets.

15. OTHER FINANCIAL ASSETS, NET

	September 30, 2018	December 31, 2017	September 30, 2017
Due from banks	$ 8,038,325	$ 8,291,918	$ 7,372,624
Debt instruments with no active market, net	-	596,960	909,150
Financial assets carried at cost, net	-	537,515	537,584
	$ 8,038,325	$ 9,426,393	$ 8,819,358

Financial assets carried at cost were unlisted common stocks with no quoted market prices in an active market and with fair values that could not be reliably measured. Thus, these assets were measured at cost less accumulated impairment.

Debt instruments with no active market were as follows:

	December 31, 2017	September 30, 2017
Corporate bonds	$ -	$ 303,050
Bank debentures	596,960	606,100
	$ 596,960	$ 909,150

Due from banks were deposits for operating reserve and time deposits with maturities longer than three months.

16. PROPERTIES AND EQUIPMENT, NET

	September 30, 2018	December 31, 2017	September 30, 2017
Carrying amount			
Land	$ 14,415,416	$ 13,987,410	$ 13,733,265
Buildings	9,610,147	9,507,383	9,128,797
Computers	1,963,491	1,975,247	1,855,238
Transportation equipment	312,772	324,236	301,791
Miscellaneous equipment	1,132,551	1,112,706	1,080,156
Prepayments for properties and equipment	1,196,695	651,632	947,934
	$ 28,631,072	$ 27,558,614	$ 27,047,181

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Prepayments	Total
Cost							
Balance, January 1, 2018	$ 13,987,410	$ 13,186,065	$ 4,817,154	$ 809,813	$ 3,067,041	$ 651,632	$ 36,519,115
Addition	465,281	498,940	356,658	30,169	202,825	609,641	2,163,514
Disposal	(34,862)	(36,190)	(58,597)	(17,700)	(73,423)	-	(220,772)
Net exchange difference	6,174	(37,354)	(2,593)	647	2,233	11,499	(19,394)
Reclassification and others	(8,587)	3,809	1,869	2	-	(76,077)	(78,984)
Balance, September 30, 2018	$ 14,415,416	$ 13,615,270	$ 5,114,491	$ 822,931	$ 3,198,676	$ 1,196,695	$ 38,363,479
Balance, January 1, 2017	$ 13,278,624	$ 10,409,031	$ 4,301,117	$ 709,785	$ 2,874,095	$ 2,242,411	$ 33,815,063
Addition	490,091	773,168	308,258	97,018	201,556	525,429	2,395,520
Disposal	-	-	(45,975)	(33,835)	(149,328)	-	(229,138)
Net exchange difference	(17,562)	(22,499)	(8,670)	(4,231)	(21,456)	(14,859)	(89,277)
Reclassification and others	(17,888)	1,537,653	24,855	12,968	71,786	(1,805,047)	(175,673)
Balance, September 30, 2017	$ 13,733,265	$ 12,697,353	$ 4,579,585	$ 781,705	$ 2,976,653	$ 947,934	$ 35,716,495

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Total
Accumulated depreciation and impairment						
Balance, January 1, 2018	$ -	$ (3,678,682)	$ (2,841,907)	$ (485,577)	$ (1,954,335)	$ (8,960,501)
Disposal	-	26,819	58,556	17,700	73,417	176,492
Depreciation expenses	-	(350,814)	(367,999)	(41,417)	(183,583)	(943,813)
Net exchange difference	-	741	350	(865)	(1,624)	(1,398)
Reclassification and others	-	(3,187)	-	-	-	(3,187)
Balance, September 30, 2018	$ -	$ (4,005,123)	$ (3,151,000)	$ (510,159)	$ (2,066,125)	$ (9,732,407)
Balance, January 1, 2017	$ -	$ (3,293,520)	$ (2,435,662)	$ (477,480)	$ (1,823,020)	$ (8,029,682)
Disposal	-	-	45,959	33,835	117,652	197,446
Depreciation expenses	-	(278,066)	(339,517)	(39,116)	(197,926)	(854,625)
Net exchange difference	-	1,740	4,073	2,847	6,851	15,511
Reclassification and others	-	1,290	800	-	(54)	2,036
Balance, September 30, 2017	$ -	$ (3,568,556)	$ (2,724,347)	$ (479,914)	$ (1,896,497)	$ (8,669,314)

Depreciation is calculated by the straight-line method over service lives estimated as follows:

Buildings	
Main buildings	20 to 50 years
Equipment installed in buildings	10 to 15 years
Computers	3 to 8 years
Transportation equipment	4 to 10 years
Miscellaneous equipment	1.5 to 20 years

17. INVESTMENT PROPERTIES, NET

	September 30, 2018	December 31, 2017	September 30, 2017
Land	$ 372,227	$ 342,425	$ 344,535
Buildings	1,820,500	1,894,564	1,900,400
	$ 2,192,727	$ 2,236,989	$ 2,244,935

Except for depreciation expenses recognized and reclassifications, the Company had no significant addition, disposal and impairment on investment properties during the nine months ended September 30, 2018 and 2017.

Investment properties (except for land) are depreciated through 36 to 50 years on a straight-line basis.

As of September 30, 2018, December 31, 2017 and September 30, 2017, the fair values of investment properties were $3,307,847 thousand, $3,360,214 thousand and $3,388,811 thousand, respectively. The fair values were based on the valuation of discounted cash flow analysis method from external real estate appraiser joint firm (that were not the Company's related parties), and the comparison of price of the comparable property from external appraisal company and the Company's appraisal center.

The revenues generated from the investment properties are summarized as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Rental income from investment properties	$ 20,213	$ 19,903	$ 60,101	$ 44,474
Direct operating expenses of investment properties that generate rental income	(13,544)	(13,815)	(41,563)	(36,255)
Direct operating expenses of investment properties that do not generate rental income	(143)	(216)	(429)	(15,006)
	$ 6,526	$ 5,872	$ 18,109	$ (6,787)

18. INTANGIBLE ASSETS, NET

	September 30, 2018	December 31, 2017	September 30, 2017
Goodwill	$ 4,483,949	$ 4,469,844	$ 4,479,013
Computer software	824,379	1,054,890	990,565
Banking licenses	487,350	476,135	483,425
Core deposits	25,259	63,151	78,030
Developed technology	45,150	49,255	50,623
Customer relationship	23,410	25,441	26,119
	$ 5,889,497	$ 6,138,716	$ 6,107,775

	Goodwill	Computer Software	Banking Licenses	Core Deposits	Developed Technology	Customer Relationship	Total
Balance, January 1, 2018	$ 4,469,844	$ 1,054,890	$ 476,135	$ 63,151	$ 49,255	$ 25,441	$ 6,138,716
Separate acquisition	-	157,455	-	-	-	-	157,455
Amortization expenses	-	(408,115)	-	(38,015)	(4,105)	(2,031)	(452,266)
Reclassification	-	21,677	-	-	-	-	21,677
Net exchange difference	14,105	(1,528)	11,215	123	-	-	23,915
Balance, September 30, 2018	$ 4,483,949	$ 824,379	$ 487,350	$ 25,259	$ 45,150	$ 23,410	$ 5,889,497
Balance, January 1, 2017	$ 4,518,619	$ 918,975	$ 514,915	$ 126,950	$ 54,727	$ 28,149	$ 6,162,335
Separate acquisition	-	272,723	-	-	-	-	272,723
Amortization expenses	-	(354,784)	-	(43,288)	(4,104)	(2,030)	(404,206)
Reclassification	-	157,607	-	-	-	-	157,607
Net exchange difference	(39,606)	(3,956)	(31,490)	(5,632)	-	-	(80,684)
Balance, September 30, 2017	$ 4,479,013	$ 990,565	$ 483,425	$ 78,030	$ 50,623	$ 26,119	$ 6,107,775

The above intangible assets with limited useful lives are amortized on a straight-line basis by the useful lives as follows:

Computer software	3 to 10 years
Core deposits	5 to 16 years
Developed technology	11 years
Customer relationship	11 to 17 years

In testing assets for impairment, the Company uses as recoverable amounts (a) value in use for an operating segment defined as a CGU and (b) net fair value for an investment property. Goodwill on the acquisition of UCB (the subsidiary), BankPro (the subsidiary), the Kaohsiung Business Bank Co., Ltd., Chu Nan Credit-Cooperative Association and Chiayi The Fourth Credit Cooperative was allocated to operating segments (CGUs with allocated goodwill). The Company estimates the next five years' cash flows of a CGU by taking into consideration the actual performance of each CGU, business cycle, etc. under the going-concern assumption. The discounted present value of cash flows is used to determine the value in use of each CGU. The discount rates for future cash flows of CGUs were determined using the capital asset pricing model (CAPM). The testing for asset impairment showed that no impairment losses had been incurred.

19. OTHER ASSETS, NET

	September 30, 2018	December 31, 2017	September 30, 2017
Refundable deposits, net	$ 5,646,220	$ 3,216,828	$ 3,437,947
Prepayments	418,957	267,473	422,167
Others	50,478	62,940	74,880
	$ 6,115,655	$ 3,547,241	$ 3,934,994

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	September 30, 2018	December 31, 2017	September 30, 2017
Call loans from banks	$ 65,777,222	$ 59,546,987	$ 70,426,878
Deposits from Chunghwa Post Co., Ltd.	2,687,937	2,972,032	3,117,236
Call loans from the Central Bank	1,527,550	1,790,880	1,515,250
Banks overdrafts	504,319	387,339	547,024
Due to banks	380,258	1,929,380	1,425,759
Due to the Central Bank	24,215	25,597	24,941
	$ 70,901,501	$ 66,652,215	$ 77,057,088

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for $8,886,412 thousand, $12,200,468 thousand and $11,851,796 thousand under repurchase agreements as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively, would subsequently be purchased for $8,920,399 thousand, $12,243,835 thousand and $11,888,174 thousand, respectively.

22. PAYABLES

	September 30, 2018	December 31, 2017	September 30, 2017
Checks for clearing	$ 8,418,319	$ 10,495,503	$ 2,587,996
Collections payable	4,516,549	608,050	3,015,434
Accrued interest	3,310,737	2,393,252	2,436,975
Accrued expenses	3,215,060	3,827,710	3,169,488
Factored accounts payable	2,349,494	1,981,765	3,101,866
Acceptances	2,192,706	2,074,754	1,775,432
Accounts payable	1,544,634	1,354,121	2,057,024
Payables on credit cards	536,022	512,962	548,133
Tax payable	230,404	304,187	210,477
Others	2,439,643	2,854,690	2,511,148
	$ 28,753,568	$ 26,406,994	$ 21,413,973

23. DEPOSITS AND REMITTANCES

	September 30, 2018	December 31, 2017	September 30, 2017
Deposits			
Checking	$ 14,113,870	$ 15,902,709	$ 10,385,026
Demand	452,715,514	467,668,455	459,498,001
Savings - demand	515,072,327	488,482,280	485,343,852
Time	506,885,758	458,858,749	441,715,475
Negotiable certificates of deposits	9,752,782	1,856,070	2,426,794
Savings - time	277,275,921	269,859,324	267,710,204
Treasury deposits	9,688,709	9,444,465	9,458,427
Remittances	551,691	1,103,300	840,333
	$ 1,786,056,572	$ 1,713,175,352	$ 1,677,378,112

24. BANK DEBENTURES

Details of bank debentures issued by the Bank were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Subordinated bonds issued on May 24, 2011; 1.73% interest payable annually; principal repayable on maturity (7 years after the issue date).	$ -	$ 2,100,000	$ 2,100,000
Subordinated bonds issued on October 28, 2011; 1.80% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,900,000	2,900,000	2,900,000

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Subordinated bonds issued on April 27, 2012; 1.58% interest payable annually; principal repayable on maturity (7 years after the issue date).	$ 2,280,000	$ 2,280,000	$ 2,280,000
Subordinated bonds issued on June 28, 2012; 1.68% interest payable annually; principal repayable on maturity (10 years after the issue date).	2,720,000	2,720,000	2,720,000
Two types of subordinated bonds issued on August 27, 2012; interest rate at (a) 1.50% for type A bond and (b) 1.62% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	8,000,000	8,000,000	8,000,000
Two types of subordinated bonds issued on May 24, 2013; interest rate at (a) 1.55% for type A bond and (b) 1.70% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	2,300,000	2,300,000	2,300,000
Subordinated bonds issued on August 28, 2013; 1.75% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,700,000	2,700,000	2,700,000
Two types of subordinated bonds issued on December 19, 2013; interest rate at (a) 1.75% for type A bond and (b) 1.85% for type B bond; interest payable annually for both bond types; principal repayable on maturity (5.5 years for type A bond and 7 years for type B bond after the issue date).	1,500,000	1,500,000	1,500,000
Two types of subordinated bonds issued on March 7, 2014; interest rate at (a) 1.80% for type A bond and (b) 1.95% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	3,500,000	3,500,000	3,500,000
Two types of subordinated bonds issued on April 30, 2015; interest rate at (a) 1.80% for type A bond and (b) 2.10% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	5,000,000	5,000,000	5,000,000

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Two types of subordinated bonds issued on September 29, 2015; interest rate at (a) 1.65% for type A bond and (b) 2.00% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	$ 3,750,000	$ 3,750,000	$ 3,750,000
Two types of subordinated bonds issued on March 30, 2018; interest rate at (a) 1.30% for type A bond and (b) 1.55% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	4,000,000	-	-
Bonds issued on April 24, 2018; interest rate at 0.66%; interest payable annually; principal repayable on maturity (2 years after the issue date).	1,100,000	-	-
	$ 39,750,000	$ 36,750,000	$ 36,750,000

(Concluded)

The Bank designated the bank debentures as fair value through profit or loss, which are summarized below:

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured USD-denominated subordinated bonds issued on May 27, 2015	$ 2,920,109	$ 2,884,604	$ 2,925,857
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on May 27, 2015	2,223,564	2,430,415	2,432,146
Unsecured USD-denominated subordinated bonds issued on October 28, 2015	2,150,068	2,158,563	2,172,830
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on October 28, 2015	1,175,437	1,310,496	1,294,569
Unsecured USD-denominated subordinated bonds issued on January 22, 2016	7,990,912	8,134,900	8,184,407
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on January 22, 2016	6,280,217	6,777,596	6,893,184
Unsecured USD-denominated subordinated bonds issued on June 6, 2016	2,770,836	2,799,052	2,782,948
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on June 6, 2016	2,507,885	2,719,679	2,743,463
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on December 29, 2016	2,543,622	2,786,618	2,820,679

(Continued)

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured USD-denominated bonds issued on May 19, 2017	$ 1,671,508	$ 1,745,022	$ 1,755,710
Unsecured USD-denominated bonds issued on November 21, 2017	3,871,516	4,026,803	-
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on February 12, 2018	5,825,328	-	-
	$ 41,931,002	$ 37,773,748	$ 34,005,793

(Concluded)

On May 27, 2015, the Bank issued unsecured subordinated bank debentures amounting to US$85,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On May 27, 2015, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US$85,000 thousand with no maturity date and with a 4.97% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On October 28, 2015, the Bank issued unsecured subordinated bank debentures amounting to US$63,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On October 28, 2015, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US$43,000 thousand with no maturity date and with a 5.10% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On January 22, 2016, the Bank issued unsecured subordinated bank debentures amounting to US$240,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On January 22, 2016, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US$240,000 thousand with no maturity date and with a 5.10% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On June 6, 2016, the Bank issued unsecured subordinated bank debentures amounting to US$95,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may either redeem the bonds at an agreed-upon price after seven years from the issue date and every five years afterward, or make bond repayments on the maturity date.

On June 6, 2016, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US$95,000 thousand with no maturity date and with a 4.41% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On December 29, 2016, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US$90,000 thousand with no maturity date and with a 4.85% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

On May 19, 2017, the Bank issued unsecured bank debentures amounting to US$60,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after five years from the issue date and each year afterward, or make bond repayments on the maturity date.

On November 21, 2017, the Bank issued unsecured bank debentures amounting to US$135,000 thousand with a 30-year maturity and 0% interest rate. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after five years from the issue date and each year afterward, or make bond repayments on the maturity date.

On February 12, 2018, the Bank issued unsecured noncumulative perpetual subordinated bank debentures amounting to US$200,000 thousand with no maturity date and with a 4.75% interest payable annually on July 1 under certain interest payment conditions. In accordance with the terms of the bank debentures and with the approval of the authorities, the Bank may redeem all the bonds after 15 years from the issue date.

To hedge against its exposure to interest rate risk due to the issuance of the above bank debentures, the Bank entered into interest rate swap (IRS) contracts, which are measured at fair value. The changes in fair value of the IRS contracts are recognized in profit or loss. To eliminate an accounting mismatch, the Bank also designated the bank debentures as at fair value through profit or loss.

To enhance the Bank’s working capital and to strengthen its capital structure, the Bank applied for the issuance of unsecured bank debentures amounting to US$200,000 thousand; and noncumulative perpetual subordinated bank debentures and long-term subordinated bank debentures amounting to NT$10,000,000 thousand (or foreign currency equivalent). The applications were approved by the FSC on May 17, 2018 and December 11, 2017, respectively.

As of the date of the consolidated financial statements were authorized for issue, debentures amounting to US$200,000 thousand had not yet been issued.

25. OTHER FINANCIAL LIABILITIES

	September 30, 2018	December 31, 2017	September 30, 2017
Principal of structured products	$ 9,611,654	$ 3,949,340	$ 5,668,932
Guarantee deposits received	1,974,121	396,210	340,006
Financial products	501,867	350,240	-
Long-term borrowing	366,942	1,253,949	2,788,417
Short-term borrowing	-	-	5,000
	$ 12,454,584	$ 5,949,739	$ 8,802,355

26. PROVISIONS

	September 30, 2018	December 31, 2017	September 30, 2017
Loan commitments	$ 324,451	$ -	$ -
Provision for employee benefits	318,227	320,215	267,712
Provision for losses on guarantees	186,752	129,547	128,917
Others	25,968	25,073	24,975
	$ 855,398	$ 474,835	$ 421,604

The remeasurement of provision for losses on guarantees and financing commitments under IFRS 9 as of December 31, 2017 are summarized below:

	IAS 39	Remeasurement	IFRS 9
Provision for losses on guarantees	$ 129,547	$ 3,005	$ 132,552
Provision for losses on financing commitment	$ -	$ 261,249	$ 261,249

The changes in provision for losses on guarantees and financing commitments for the nine months ended September 30, 2018 are summarized below:

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 249,190	$ 14,573	$ 6,306	$ 270,069	$ 123,732	$ 393,801
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(50)	81	(31)	-	-	-
Credit-impaired financial instruments	(66)	(42)	108	-	-	-
12-month ECL	17,084	(13,939)	(3,145)	-	-	-
Derecognition of financial instruments in the current reporting period	(73,739)	(567)	(798)	(75,104)	-	(75,104)
New financial instruments purchased or originated	93,185	94	59	93,338	-	93,338
Difference of impairment loss under regulations	-	-	-	-	128,379	128,379
Change in model or risk parameters	(35,723)	2,010	3,078	(30,635)	-	(30,635)
Change in exchange rates or others	(324)	18	30	(276)	1,700	1,424
Balance at September 30, 2018	$ 249,557	$ 2,228	$ 5,607	$ 257,392	$ 253,811	$ 511,203

27. POST-EMPLOYMENT BENEFIT PLAN

a. Defined contribution plan

The pension mechanism under the Labor Pension Act (the Act) is deemed a defined contribution plan. Under the Act, the Company makes monthly contribution equal to 6% of each employee's monthly salary to employees' pension accounts in the Bureau of Labor Insurance.

The Company recognized expenses of $232,253 thousand and $248,845 thousand in the consolidated statements of comprehensive income for the nine months ended September 30, 2018 and 2017, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

The Company has a defined benefit pension plan for all regular employees. Under this plan, the pension is calculated on the basis of an employee's seniority accumulated since the hire date in accordance with the Labor Standards Act.

The Company makes monthly contributions, equal to 2% of salaries and wages, to a pension fund. The fund is deposited in the Bank of Taiwan in the name of the Supervisory Committee of Workers' Retirement Preparation Fund, which manages the fund. The difference between the contributions and the pension costs based on actuarial calculations is deposited in a financial institution in the name of the employees' pension fund administration committee. Starting from July 1, 2005, the Company has made monthly contributions to the pension fund by the foregoing pension calculation for the employees that choose to continue being subject to the Labor Standards Act.

The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau) and the Company has no right to influence the investment policy and strategy. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay post-employment benefits for employees who conform to post-employment requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

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

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

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

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

For the nine months ended September 30, 2018 and 2017, the pension expenses under defined benefit plan recognized in the statements of comprehensive income amounted to $20,567 thousand and $20,398 thousand, respectively.

28. OTHER LIABILITIES

	September 30, 2018	December 31, 2017	September 30, 2017
Advance receipts	$ 1,785,233	$ 1,471,482	$ 1,443,893
Deferred revenue	648,497	554,434	548,052
Others	53,750	3,941	10,918
	$ 2,487,480	$ 2,029,857	$ 2,002,863

29. NET INTEREST

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest revenue				
From discounts and loans	$ 7,502,796	$ 6,654,242	$ 21,513,058	$ 19,209,956
From investments	942,474	804,786	2,646,367	2,344,088
From revolving interests of credit cards	520,945	534,454	1,556,374	1,447,783
From due from banks and call loans to banks	386,506	343,318	1,173,662	954,456
Others	101,758	58,134	279,660	163,130
	9,454,479	8,394,934	27,169,121	24,119,413
Interest expense				
From deposits	(3,605,651)	(2,677,092)	(9,886,601)	(7,471,522)
From due to the Central Bank and other banks	(524,977)	(328,010)	(1,359,978)	(928,401)
From issuing bank debentures	(169,682)	(164,475)	(507,180)	(544,166)
Others	(130,897)	(93,543)	(386,309)	(267,851)
	(4,431,207)	(3,263,120)	(12,140,068)	(9,211,940)
	$ 5,023,272	$ 5,131,814	$ 15,029,053	$ 14,907,473

30. SERVICE FEE INCOME, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Service fee income				
From credit cards	$ 1,523,751	$ 1,492,889	$ 4,470,388	$ 4,256,214
From insurance	915,025	1,253,116	3,256,752	2,968,328
From trust business	798,928	896,837	2,616,336	2,595,723
From loans	333,786	332,351	993,786	1,155,531
Others	512,792	499,726	1,565,880	1,587,810
	4,084,282	4,474,919	12,903,142	12,563,606
Service charge				
From agency	(222,796)	(193,329)	(626,158)	(550,682)
From cross-bank transactions	(87,489)	(85,797)	(261,886)	(250,921)
From computer processing	(70,889)	(53,692)	(186,789)	(159,493)
Others	(140,542)	(121,210)	(391,184)	(341,128)
	(521,716)	(454,028)	(1,466,017)	(1,302,224)
	$ 3,562,566	$ 4,020,891	$ 11,437,125	$ 11,261,382

31. GAINS (LOSSES) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Three Months Ended September 30, 2018				
	Dividend Revenue	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	$ 33,034	$ 1,865,648	$ 8,982,634	$ (2,597,145)	$ 8,284,171
Held-for-trading financial liabilities	-	-	(6,164,253)	516,073	(5,648,180)
Financial liabilities designated as at fair value through profit or loss	-	(534,813)	(2,447)	903,975	366,715
	$ 33,034	$ 1,330,835	$ 2,815,934	$ (1,177,097)	$ 3,002,706

	For the Three Months Ended September 30, 2017				
	Dividend Revenue	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Held-for-trading financial assets	$ 16,497	$ 378,644	$ 4,729,214	$ 802,183	$ 5,926,538
Financial assets designated as at fair value through profit or loss	-	1,079,072	31,618	(27,393)	1,083,297
Held-for-trading financial liabilities	-	-	(4,135,919)	(406,549)	(4,542,468)
Financial liabilities designated as at fair value through profit or loss	-	(408,729)	67	(102,548)	(511,210)
	$ 16,497	$ 1,048,987	$ 624,980	$ 265,693	$ 1,956,157

	For the Nine Months Ended September 30, 2018				
	Dividend Revenue	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	$ 41,156	$ 5,223,442	$ 24,513,774	$ 2,351,976	$ 32,130,348
Held-for-trading financial liabilities	-	-	(17,256,891)	(2,955,273)	(20,212,164)
Financial liabilities designated as at fair value through profit or loss	-	(1,532,399)	(8,330)	3,429,492	1,888,763
	$ 41,156	$ 3,691,043	$ 7,248,553	$ 2,826,195	$ 13,806,947

	For the Nine Months Ended September 30, 2017				
	Dividend Revenue	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Held-for-trading financial assets	$ 16,497	$ 1,058,256	$ 11,081,720	$ (1,204,453)	$ 10,952,020
Financial assets designated as at fair value through profit or loss	-	3,131,292	147,310	27,364	3,305,966
Held-for-trading financial liabilities	-	-	(13,651,468)	1,732,656	(11,918,812)
Financial liabilities designated as at fair value through profit or loss	-	(1,198,809)	825	(739,587)	(1,937,571)
	$ 16,497	$ 2,990,739	$ (2,421,613)	$ (184,020)	$ 401,603

32. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Employee benefits				
Salaries	$ 2,392,110	$ 2,243,981	$ 7,125,414	$ 6,885,894
Insurance	144,312	141,107	478,090	458,404
Excessive interest from preferential rates	45,049	44,284	137,446	132,917
Post-employment benefits	84,654	95,193	252,820	269,243
Others	116,902	141,090	367,928	396,332
Depreciation expenses	326,985	310,881	983,819	893,954
Amortization expenses	147,997	145,925	454,425	407,283

Under the Articles of Incorporation of the Bank, the Bank accrued employees' compensation and remuneration of directors at the rates 3% and no higher than 0.6%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors (after offsetting accumulated deficit). For the nine months ended September 30, 2018 and 2017, the employees' compensation were $484,013 thousand and $392,622 thousand, respectively; and the remuneration of directors were $82,000 thousand and $66,000 thousand, respectively.

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

The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016 which have been approved by the Bank's board of directors on March 16, 2018 and March 1, 2017, respectively, were as follows:

	For the Year Ended December 31			
	Amounts Approved		Amounts Recognized	
	2017	2016	2017	2016
Employees' compensation - cash	$ 508,278	$ 475,961	$ 508,282	$ 476,023
Remuneration of directors - cash	86,000	80,000	86,000	80,000

The differences between the approved amounts of employees' compensation and remuneration of directors and the amounts recognized in the consolidated financial statements for the year ended December 31, 2017 and 2016, respectively, were resulted from a change in the accounting estimate. The differences were recognized in profit or loss for 2018 and 2017, respectively.

Information on the approved amounts of employees' compensation and remuneration of directors is available at the website of the Taiwan Stock Exchange (http://emops.tse.com.tw).

33. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Current tax				
Current period	$ 1,543,116	$ 568,892	$ 2,019,404	$ 1,887,009
Additional 10% income tax on unappropriated earnings	-	-	1,904	288
Prior year's adjustments	-	2,429	(4,221)	(12,185)
	1,543,116	571,321	2,017,087	1,875,112
Deferred tax				
Current period	(650,245)	226,454	557,381	(147,385)
Prior year's adjustments	-	(9,062)	-	(9,062)
Effect of change in tax rate	-	-	24,501	-
	(650,245)	217,392	581,882	(156,447)
Income tax expense recognized in profit or loss	$ 892,871	$ 788,713	$ 2,598,969	$ 1,718,665

In 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%. The effect of the change in tax rate on deferred tax expense which has not been recognized in profit or loss was $4,987 thousand as of September 30, 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Deferred tax				
Effect of change in tax rate	$ -	$ -	$ (31,804)	$ -
In respect of the current period:				
Income tax relating to items that will not be reclassified subsequently to profit or loss				
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(2,577)	-	8,348	-

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Income tax relating to items that may be reclassified subsequently to profit or loss				
Exchange differences on the translation of financial statements of foreign operations	$ (64,161)	$ 22,358	$ 41,493	$ (114,800)
Unrealized gains (losses) on investments in debt instruments at fair value through other comprehensive income	(2,993)	-	(21,856)	-
Unrealized gains on available-for-sale financial assets	-	7,884	-	54,989
Income tax expense (benefit) recognized in other comprehensive income	$ (69,731)	$ 30,242	$ (3,819)	$ (59,811)

(Concluded)

c. The income tax returns through 2013 had been examined by the tax authorities.

34. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share were as follows:

	Amount (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (Dollars)
For the three months ended September 30, 2018			
Basic earnings per share			
Net income	$ 4,467,264	8,637,000	$ 0.52
For the three months ended September 30, 2017			
Basic earnings per share			
Net income	$ 4,079,997	8,637,000	$ 0.47
For the nine months ended September 30, 2018			
Basic earnings per share			
Net income	$ 13,336,333	8,637,000	$ 1.54
For the nine months ended September 30, 2017			
Basic earnings per share			
Net income	$ 11,736,974	8,278,366	$ 1.42

The number of shares outstanding was retrospectively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. The basic earnings per share after income tax were retrospectively adjusted as followings:

Unit: NT$ Per Share

	Before Retrospective Adjustment		**After Retrospective Adjustment**	
	For the Three Months Ended September 30, 2017	**For the Nine Months Ended September 30, 2017**	**For the Three Months Ended September 30, 2017**	**For the Nine Months Ended September 30, 2017**
Basic earnings per share	$ 0.49	$ 1.47	$ 0.47	$ 1.42

35. EQUITY

a. Capital stock

Common stock

	September 30, 2018	**December 31, 2017**	**September 30, 2017**
Authorized number of shares (in thousands)	8,637,000	8,312,100	8,312,100
Authorized capital	$ 86,370,000	$ 83,121,000	$ 83,121,000
Number of shares issued (in thousands)	8,637,000	8,312,100	8,312,100
Common stock issued	$ 86,370,000	$ 83,121,000	$ 83,121,000

Common stock issued has a NT$10 par value. Each share has one voting right and the right to receive dividends.

On April 28, 2017, the board of directors of the Bank resolved to increase its capital by $10,500,000 thousand through private placement, to issue 604,000 thousand shares at NT$17.384106 per share. ESFHC subscribed for all the new shares. This issuance was approved by MOEA.

The stockholders resolved to use the 2016 unappropriated earnings of $4,452,170 thousand as stock dividends consisting of 445,217 thousand shares on April 28, 2017. This issuance was approved by MOEA.

The stockholders resolved to use the 2017 unappropriated earnings of $3,249,000 thousand as stock dividends consisting of 324,900 thousand shares on April 25, 2018, and thereby resolved to increase authorized capital to $86,370,000 thousand. This issuance was approved by MOEA.

b. Capital surplus

In their meeting on March 1, 2017, ESFHC's board of directors resolved to increase its capital by issuing new shares and reserved 15% of the new shares for the subscription by the employees of ESFHC and its subsidiaries. The Bank recognized $199,279 thousand, the fair value of the options on the grant date, under salary expenses for share-based payment and under capital surplus for the year ended December 31, 2017.

Under the Articles of Incorporation of ESFHC, the employees of ESFHC's subsidiaries could be included in the distribution of employees' compensation. Thus, the Bank recognized the estimated distribution of shares to the Bank's employees under both salary expenses and capital surplus at $354,770 thousand and $286,058 thousand for the nine months ended September 30, 2018 and 2017, respectively. Material differences between the estimated amounts and the amounts approved by ESFHC's board of directors before the date the annual consolidated financial statements are authorized for issue are adjusted in the year which the amounts is recognized. If there is a change in the approved amounts after the annual consolidated financial statements were authorized for issue, the differences are recognized in the next fiscal year as a change in accounting estimate. The distributions of employees' stock compensation of 2017 and 2016 approved by the ESFHC's board of directors to the Bank's employees was $367,807 thousand and $345,844 thousand under both salary expenses and capital surplus, respectively. The differences resulted from a change in the accounting estimate was adjusted in profit or loss for the years ended December 31, 2018 and 2017, respectively.

Under related regulations, capital surplus must be used to offset deficit except capital surplus arising from the issuance of shares (issuance in excess of par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be used to distribute cash dividends or transfer to common stock. However, any capital surplus transferred to common stock should be within a certain percentage of paid-in capital prescribed by law.

Under related regulations, capital surplus arising from equity investments under the equity method should not be distributed for any purpose.

c. Special reserve

Under FSC guidelines, the Bank reclassified the trading loss reserve of $83,866 thousand accrued until December 31, 2010 to special reserve. This special reserve must be used to offset deficit except if the Bank has no deficit and the special reserve exceeds 50% of the Bank's paid-in capital, half of the excess may be used to issue new shares. Furthermore, when the special reserve exceeds the Bank's paid-in capital, the Bank may, under the FSC's approval, reclassify the excess back to unappropriated earnings.

According to Order No. 10510001510 issued by the FSC, a special reserve should be appropriated between 0.5% and 1% of net income after tax when banks appropriate earnings of 2016 through 2018. Since 2017, the Bank is allowed to reverse the special reserve at the amount of the costs of employee transfer and arrangement in connection with the development of financial technology. As of September 30, 2018, the special reserve, which amounted to $135,314 thousand, had been appropriated under the stipulation.

d. Appropriation of earnings

Under the Bank's Articles of Incorporation, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying all taxes, offsetting deficit of previous years, setting aside a legal reserve and special reserve in accordance with related regulations, setting aside a special reserve if needed, and then any remaining profit together with reversal of special reserve and prior years' unappropriated earnings, the board of directors shall draw up the appropriation of earnings motion for the approval of stockholders.

Under the Bank's dividend policy, the issuance of stock dividends takes precedence over the payment of cash dividends to strengthen the Bank's financial structure. This policy is also intended to improve the Bank's capital adequacy ratio and keep it at a level higher than the ratio set under relevant regulations. When dividends are declared, cash dividends must be at least 10% of total dividends declared, unless the resulting cash dividend per share falls below NT$0.1. However, cash dividends should not be more than 15% of paid-in capital if legal reserve is less than the total paid-in capital.

Under the Company Law, legal reserve should be appropriated until the reserve equals the Bank's paid-in capital. This reserve should only be used to offset deficit. When the reserve exceeds 25% of the Bank's paid-in capital, the excess may be used to issue new shares or distribute cash dividends. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be waived.

Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the stockholders' equity section (such as exchange differences on the translation of financial statements of foreign operations and unrealized gains or losses on financial assets at fair value through other comprehensive income). The special reserve should be appropriated from the prior years' unappropriated earnings to the extent of the debit balance accumulated from prior years and such special reserve should not be appropriated. Afterward, if there is any reversal of the decrease in other stockholders' equity, the Bank is allowed to appropriating retained earnings from the reversal amount.

The appropriations of earnings for 2017 and 2016 approved in the stockholders' meetings on April 25, 2018 and April 28, 2017, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 4,202,001	$ 3,916,851		
Special reserve	70,033	65,281		
Cash dividends	6,476,157	4,619,000	$0.780	$0.636
Stock dividends	3,249,000	4,452,170	0.391	0.613

Information on earnings appropriation or deficit offsetting is available at the website of the Taiwan Stock Exchange (http://emops.tse.com.tw).

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2018	**2017**
Balance, January 1	$ 113,231	$ 663,639
Cash dividends distributed by subsidiary	(5,175)	(9,315)
Addition on acquisition of UCB (Note 45)	-	(404,619)
Attributable to non-controlling interests:		
Net income (loss)	11,669	(131,522)
Exchange differences on the translation of financial statements of foreign operations	78	(35,184)
Unrealized gains on available-for-sale financial assets	-	405
Balance, September 30	$ 119,803	$ 83,404

36. RELATED-PARTY TRANSACTIONS

E.SUN Financial Holding Company, Ltd. (ESFHC) is the parent company of the Bank and the ultimate controller of the E.SUN Group. All transactions, balances, income and expenses between the Bank and the subsidiaries (related parties of the Bank) are eliminated on a consolidated basis. In addition to those mentioned in Table 2 and in other notes, the significant related-party transactions are summarized as follows:

a. Related parties

Related Party	Relationship with the Company
E.SUN Financial Holding Company, Ltd. (ESFHC)	Parent company
E.SUN Securities Co., Ltd. (E.SUN Securities), E.SUN Venture Capital Co., Ltd. (ESVC) and E.SUN Securities Investment Consulting Corp.	Sister companies
E.SUN Foundation and E.SUN Volunteer & Social Welfare Foundation	One third of the funds are donated by the Bank
Others	Key management of the parent company (ESFHC) and the Bank and other related parties

b. Significant transactions between the Company and related parties

1) Loans

	Highest Balance (Note)	Ending Balance	Interest Revenue	Ending Interest Rate (%)
For the nine months ended September 30, 2018				
Sister companies	$ 273,000	$ -	$ 9	
Key management	241,367	180,906	2,464	
Others	2,407,271	2,182,773	24,279	
	$ 2,921,638	$ 2,363,679	$ 26,752	1.38-2.20
For the nine months ended September 30, 2017				
Sister companies	$ 415,500	$ -	$ 18	
Key management	229,918	213,755	2,087	
Others	2,032,317	1,910,901	20,297	
	$ 2,677,735	$ 2,124,656	$ 22,402	1.38-2.10

2) Deposits

	Highest Balance (Note)	Ending Balance	Interest Expense	Ending Interest Rate (%)
For the nine months ended September 30, 2018				
Parent company	$ 6,790,062	$ 409,991	$ 631	
Sister companies	3,073,188	1,617,049	8,360	
Key management	720,932	399,766	1,701	
Others	2,183,732	1,347,605	12,196	
	$ 12,767,914	$ 3,774,411	$ 22,888	0-6.62
For the nine months ended September 30, 2017				
Parent company	$ 15,565,947	$ 153,229	$ 1,787	
Sister companies	3,792,198	1,985,740	7,847	
Key management	1,090,579	378,573	1,318	
Others	1,814,670	1,102,402	10,503	
	$ 22,263,394	$ 3,619,944	$ 21,455	0-6.62

Note: The sum of the respective highest balances of each account for the nine months ended September 30, 2018 and 2017.

	September 30, 2018	December 31, 2017	September 30, 2017
3) Accounts receivable (part of receivables)			
Sister companies	$ 30,758	$ 41,475	$ -
4) Interest receivable (part of receivables)			
Key management	$ 89	$ 105	$ 97
Others	1,328	1,256	1,147
	$ 1,417	$ 1,361	$ 1,244
5) Refundable deposit (part of other assets)			
Sister companies	$ 1,086	$ 1,086	$ 1,086
6) Prepaid expense (part of other assets)			
Sister companies	$ 2,048	$ 2,423	$ 1,667
7) Payable (part of payables)			
Sister companies	$ 60,197	$ 15,626	$ 9,008

	September 30, 2018	December 31, 2017	September 30, 2017
8) Interest payable (part of payables)			
Parent company	$ 114	$ -	$ 63
Sister companies	662	576	431
Key management	400	275	265
Others	1,492	1,127	1,121
	$ 2,668	$ 1,978	$ 1,880
9) Remuneration of directors (part of payables)			
Parent company	$ 82,000	$ 86,000	$ 66,000
10) Consolidated tax return payables (part of current tax liabilities)			
Parent company	$ 144,185	$ 1,202,813	$ 501,593
11) Guarantee deposits received (part of other financial liabilities)			
Parent company	$ 1,472	$ 1,472	$ 1,472
Sister companies	2,104	2,594	2,594
	$ 3,576	$ 4,066	$ 4,066
12) Unearned revenue (part of other liabilities)			
Parent company	$ 505	$ 505	$ 505
Sister companies	4,293	1,075	2,094
	$ 4,798	$ 1,580	$ 2,599

The Bank's parent company, ESFHC, has filed consolidated corporate tax returns, i.e., including the Bank's income tax return, from 2003, as allowed by certain tax regulations.

	For the Nine Months Ended September 30	
	2018	2017
13) Service fee income (part of service fee income, net)		
Parent company	$ -	$ 28
14) Rental revenue (part of other noninterest gains, net)		
Parent company	$ 4,685	$ 4,652
Sister companies	6,135	6,987
	$ 10,820	$ 11,639

	For the Nine Months Ended September 30	
	2018	2017
15) Rental income from operating assets (part of other noninterest gains, net)		
Parent company	$ 218	$ 107
Sister companies	104	3,165
	$ 322	$ 3,272
16) Donation (part of general and administrative expenses)		
E.SUN Volunteer & Social Welfare Foundation	$ 65,728	$ 33,069
17) Other (part of employee benefits, general and administrative expenses)		
Parent company	$ 82,000	$ 66,000
Sister companies	10,910	10,526
	$ 92,910	$ 76,526

The above donation is for E.SUN Volunteer & Social Welfare Foundation's social welfare charity.

18) There is no directors as credit guarantors as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively.

19) In August 2012, E.SUN Volunteer & Social Welfare Foundation entrusted some properties to the Bank. The Bank charged $209 thousand and $167 thousand (part of service fee income, net) accordingly for the nine months ended September 30, 2018 and 2017, respectively.

The Bank has operating lease contracts with related parties, which cover certain office spaces within the Bank's building. The monthly or quarterly rentals, which had been prepaid by the lessees, were based on rentals for buildings near the Bank.

The interest rates shown above are similar to, or approximate, those offered to third parties. However, the interest rates for saving deposits given to managers of the Bank are the same as the interest rates of employees' savings deposits within a certain amount.

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

c. Compensation of key management

The compensation of the directors and other key management for the nine months ended September 30, 2018 and 2017 are summarized as follows:

	For the Nine Months Ended September 30	
	2018	2017
Salaries and other short-term employment benefits	$ 249,371	$ 207,879
Post-employment benefits	1,821	1,654
Interest arising from the employees' preferential rates in excess of normal rates	510	496
	$ 251,702	$ 210,029

37. PLEDGED ASSETS

a. In addition to those mentioned in other notes, the pledged assets were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets at fair value through profit or loss (face value)	$ 24,200,000	$ 24,200,000	$ 24,200,000
Investments in debt instruments at amortized cost (face value)	2,164,461	-	-
Investments in debt instruments at fair value through other comprehensive income (face value)	1,114,582	-	-
Held-to-maturity financial assets (face value)	-	1,351,950	1,372,873
Available-for-sale financial assets (face value)	-	1,173,454	1,213,810
Receivables (face value)	-	-	1,000
	$ 27,479,043	$ 26,725,404	$ 26,787,683

As of September 30, 2018, December 31, 2017 and September 30, 2017, the foregoing bonds and securities, with aggregate face value of $19,200,000 thousand at each period end, had been provided as collaterals for day-term overdraft to comply with the clearing system requirement of the Central Bank (CB) of the Republic of China for real-time gross settlement (RTGS). The unused overdraft amount at day's end can also be treated as the Bank's liquidity reserve. For covering its call loans from the CB, the Bank had provided collaterals consisting of securities with aggregate face values of $5,000,000 thousand as of September 30, 2018, December 31, 2017 and September 30, 2017, respectively. It had also provided other securities as collaterals for operating reserve and for meeting the requirements for judiciary provisional seizure.

b. To expand its capital sourcing and enhance its liquidity position, the Bank's Los Angeles Branch obtained access privileges at the Discount Window of the Federal Reserve Bank of San Francisco. For this access, the Branch pledged the following assets:

	(In Thousands of U.S. Dollars)	
Date	**Outstanding Loan Balance**	**Collateral Value**
September 30, 2018	$ 26,000	$ 18,787
December 31, 2017	$ 35,860	$ 23,816
September 30, 2017	$ 31,000	$ 21,992

38. CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the contingencies and commitments were as follows:

a. E.SUN Bank

1) Lease agreements on premises occupied by the Bank's branches are operating lease. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of September 30, 2018, refundable deposits on these leases totaled $613,334 thousand (part of refundable deposits). Minimum future annual rentals were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Within one year	$ 932,031	$ 883,030	$ 835,160
Over one to five years	1,853,684	1,957,136	1,910,433
Over five years	75,758	25,766	35,317
	$ 2,861,473	$ 2,865,932	$ 2,780,910

The lease payments recognized as expenses were as follows:

	For the Nine Months Ended September 30	
	2018	**2017**
Minimum lease payments	$ 585,207	$ 540,159
Contingent rentals	639	155
	$ 585,846	$ 540,314

2) Lease agreements on investment properties owned by the Bank and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of September 30, 2018, refundable deposits on these leases totaled $5,122 thousand (part of guarantee deposits received). Minimum future annual rentals were as follows:

	September 30, 2018	**December 31, 2017**	**September 30, 2017**
Within one year	$ 18,818	$ 18,136	$ 18,772
Over one to five years	22,323	33,061	37,339
Over five years	-	-	9
	$ 41,141	$ 51,197	$ 56,120

3) As of September 30, 2018, agreements on the acquisition and decoration of buildings and various purchases related to the improvements of existing premises occupied by the Bank's branches amounted to approximately $1,568,102 thousand, and the remaining unpaid amount was approximately $1,080,838 thousand.

b. Union Commercial Bank (UCB)

1) Lease agreements on premises occupied by UCB are operating lease. As of September 30, 2018, refundable deposits on these leases totaled $13,443 thousand. Minimum future annual rentals were as follows:

	September 30, 2018	**December 31, 2017**	**September 30, 2017**
Within one year	$ 19,817	$ 15,419	$ 19,132
Over one to five years	39,339	20,746	40,736
Over five years	12,373	63,636	20,820
	$ 71,529	$ 99,801	$ 80,688

2) As of September 30, 2018, decoration of buildings and various purchases related to the improvements of existing premises occupied by UCB amounted to approximately $965,743 thousand, and the remaining unpaid amount was approximately $238,813 thousand.

c. E.SUN Bank (China), Ltd. (ESBC)

1) Lease agreements on premises occupied by ESBC are operating lease. As of September 30, 2018, refundable deposits on these leases totaled $30,664 thousand. Minimum future annual rentals were as follows:

	September 30, 2018	**December 31, 2017**	**September 30, 2017**
Within one year	$ 140,549	$ 120,438	$ 122,226
Over one to five years	301,769	292,746	307,692
Over five years	168,647	218,121	202,250
	$ 610,965	$ 631,305	$ 632,168

2) Lease agreements on investment properties owned by ESBC and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of September 30, 2018, refundable deposits on these leases totaled $10,881 thousand. Minimum future annual rentals were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Within one year	$ 46,924	$ 42,073	$ 67,023
Over one to five years	276,219	270,982	277,055
Over five years	100,001	154,811	134,311
	$ 423,144	$ 467,866	$ 478,389

3) As of September 30, 2018, decoration of buildings and various purchases related to the improvements of existing premises occupied by ESBC amounted to approximately $27,461 thousand, and the remaining unpaid amount was approximately $11,648 thousand.

d. BankPro E-Service Technology Co., Ltd. (BankPro)

Lease agreements on premises occupied by BankPro are operating lease. As of September 30, 2018, refundable deposits on these leases totaled $3,184 thousand. Minimum future annual rentals were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Within one year	$ 10,382	$ 2,327	$ 4,654
Over one to five years	5,460	-	-
	$ 15,842	$ 2,327	$ 4,654

39. THE BANK'S AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average balance was calculated at the daily average balances of interest-earning assets and interest-bearing liabilities.

	For the Nine Months Ended September 30			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents and other financial assets - due from banks	$ 35,690,885	2.39	$ 33,358,851	2.07
Call loans to banks	20,740,146	1.92	18,624,986	1.26
Due from the Central Bank	38,973,826	0.32	37,229,257	0.33
Financial assets mandatorily classified as at fair value through profit or loss - bonds	123,061,697	4.33	-	-

(Continued)

	For the Nine Months Ended September 30			
	2018		2017	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
Financial assets mandatorily classified as at fair value through profit or loss - bills	$ 311,036,348	0.53	$ -	-
Held-for-trading financial assets - bonds	-	-	10,920	2.32
Held-for-trading financial assets - bills	-	-	267,101,005	0.53
Financial assets designated as at fair value through profit or loss - bonds	-	-	104,845,793	3.99
Securities purchased under resell agreements	-	-	33,893	2.25
Accounts receivable factored without recourse	9,317,984	2.73	8,101,696	1.98
Discounts and loans	1,237,788,847	2.20	1,149,386,051	2.12
Receivables on credit cards	27,352,501	7.56	25,760,502	7.45
Debt instruments at fair value through other comprehensive income	145,711,259	2.26	-	-
Available-for-sale financial assets - bonds	-	-	149,346,412	1.99
Investments in debt instruments at amortized cost	3,298,923	1.63	-	-
Held-to-maturity financial assets	-	-	2,097,435	1.26
Debt instruments with no active market	-	-	1,191,109	3.96
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	86,822,447	1.89	78,471,886	1.27
Financial liabilities at fair value through profit or loss	42,224,824	4.88	32,625,698	4.93
Securities sold under repurchase agreements	10,351,265	1.66	12,313,122	1.45
Demand deposits	453,795,070	0.19	426,308,531	0.14
Savings - demand deposits	507,305,747	0.20	478,810,243	0.20
Time deposits	476,004,846	1.74	399,010,273	1.36
Savings - time deposits	276,198,477	1.04	268,943,249	1.05
Negotiable certificates of deposits	2,609,283	1.18	2,814,145	0.88
Bank debentures	39,105,311	1.73	40,165,751	1.82
Principal of structured products	6,753,400	2.24	6,797,052	1.46

(Concluded)

40. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments that are not measured at fair value

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

	September 30, 2018		December 31, 2017		September 30, 2017	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets						
Held-to-maturity financial assets	$ -	$ -	$ 3,078,813	$ 2,960,498	$ 3,102,914	$ 3,044,045
Debt instruments with no active market	-	-	596,960	667,353	909,150	965,088
Investments in debt instruments at amortized cost	7,287,316	7,207,214	-	-	-	-
Financial liabilities						
Bank debentures	39,750,000	40,535,099	36,750,000	37,598,007	36,750,000	37,579,237

Fair value hierarchy as of September 30, 2018

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Investments in debt instruments at amortized cost	$ 7,207,214	$ 7,207,214	$ -	$ -
Financial liabilities				
Bank debentures	40,535,099	-	40,535,099	-

Fair value hierarchy as of December 31, 2017

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Held-to-maturity financial assets	$ 2,960,498	$ 2,960,498	$ -	$ -
Debt instruments with no active market	667,353	-	667,353	-
Financial liabilities				
Bank debentures	37,598,007	-	37,598,007	-

Fair value hierarchy as of September 30, 2017

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Held-to-maturity financial assets	$ 3,044,045	$ 3,044,045	$ -	$ -
Debt instruments with no active market	965,088	-	965,088	-
Financial liabilities				
Bank debentures	37,579,237	-	37,579,237	-

The fair values of the financial assets and financial liabilities included in the Level 2 categories above have been determined in accordance with income approaches based on a discounted cash flow analysis.

b. The valuation techniques and assumptions the Company uses for determining fair values are as follows:

The fair values of financial assets and financial liabilities traded on active markets are determined with reference to quoted market prices. When market prices are not available, valuation techniques are applied. The financial data obtained by the Company for making estimations and assumptions for financial instrument valuation is consistent with those used by other market participants to price financial instruments. The fair value of the unlisted stocks held by the Company is determined by using market approach or asset approach.

The Company estimated the fair value of each forward contract on the basis of the exchange rates quoted by Reuters on each settlement date. Fair values of interest rate swap contracts and cross-currency swap contracts are calculated using the discounted cash flow method, unless the fair values of these two types of contracts are provided by counterparties. Fair values of currency option contracts are based on estimates made using the Black Scholes model, binomial method or Monte Carlo simulation. The fair values of futures contracts are calculated using the prices quoted by the future exchange.

For valuation of debt instruments with no active market, the fair value is determined on the basis of the discounted cash flow method. The Company uses a discount rate approximating the rate of return of financial instruments with similar terms and characteristics, including the credit risk of the debtors, the residual period during which the fixed interest rate prescribed by contracts is accrued, the residual period for principal repayments, and the type of currency (New Taiwan dollars, U.S. dollars, etc.) to be used for payments. As of September 30, 2018, December 31, 2017 and September 30, 2017, the discount rates used ranged from 0.187% to 1.440%, 0.184% to 1.655% and from 0.190% to 1.761%, respectively, for the New Taiwan dollars and from 2.200% to 3.112%, 1.400% to 2.531% and from 1.125% to 2.529%, respectively, for the U.S. dollars.

If there are trade prices or prices quoted by major market players, the latest trade prices and quoted prices are used as the basis for evaluating the fair value of debt instruments with no active market, which are classified as other financial assets; otherwise, the Company uses the foregoing valuation techniques to determine fair value.

The Company takes credit/debit valuation adjustments into consideration in order to reflect the credit risk resulted from counterparties and the credit quality of the Company when determining fair values of the financial instruments.

c. The fair value hierarchies of the Company's financial instruments, which were measured at fair value on a recurring basis, as of September 30, 2018, December 31, 2017 and September 30, 2017 were as follows:

	September 30, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss				
Derivative instruments	$ 7,371,774	$ 59,841	$ 7,311,933	$ -
Equity instruments	1,024,435	1,024,435	-	-
Debt instruments	132,032,960	-	132,032,960	-
Others	292,809,631	-	292,809,631	-
Financial assets at fair value through other comprehensive income				
Equity instruments	7,196,292	6,205,601	-	990,691
Debt instruments	155,830,871	80,274,275	75,556,596	-
Financial liabilities at fair value through profit or loss				
Derivative instruments	8,095,186	-	8,095,186	-
Financial liabilities designated as at fair value through profit or loss	42,167,253	-	42,167,253	-

	December 31, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 267,693	$ 267,693	$ -	$ -
Debt instruments	88,659	88,659	-	-
Others	291,929,286	-	291,929,286	-
Financial assets designated as at fair value through profit or loss	110,410,567	2,449,946	107,960,621	-
Available-for-sale financial assets				
Stocks	6,089,816	6,089,816	-	-
Debt instruments	164,114,822	130,456,416	33,658,406	-
Liabilities				
Financial liabilities at fair value through profit or loss	38,059,418	-	38,059,418	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	5,274,256	35,563	5,238,693	-
Liabilities				
Financial liabilities at fair value through profit or loss	5,300,429	-	5,300,429	-

	September 30, 2017			
	Total	Level 1	Level 2	Level 3
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 475,676	$ 475,676	$ -	$ -
Others	294,715,948	-	294,715,948	-
Financial assets designated as at fair value through profit or loss	106,461,348	1,932,861	104,528,487	-
Available-for-sale financial assets				
Stocks	5,931,077	5,931,077	-	-
Debt instruments	142,905,273	109,570,747	33,334,526	-
Liabilities				
Financial liabilities at fair value through profit or loss	34,303,923	-	34,303,923	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	5,719,714	46,091	5,673,623	-
Liabilities				
Financial liabilities at fair value through profit or loss	4,988,923	-	4,988,923	-

The Company remeasures the classification of fair value hierarchy at the end of each reporting period to determine whether there is a transfer between levels of the fair value hierarchy.

There were no significant transfers between Level 1 and Level 2 for the nine months ended September 30, 2018 and 2017.

d. Other information on financial assets and liabilities in Level 3 for the nine months ended September 30, 2018 was as follows:

For the nine months ended September 30, 2018

Items	Beginning Balance as Applied Retrospectively	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Issuance	Transfer to Level 3	Sale or Disposal	Transfer from Level 3	
Assets								
Financial assets at fair value through other comprehensive income	$ 1,069,639	$ -	$ (63,948)	$ -	$ -	$ (15,000)	$ -	$ 990,691

The above valuation gains or losses recognized in other comprehensive income attributable to unrealized loss of the financial assets held as of September 30, 2018 were $63,948 thousand.

e. Valuation process on fair value in Level 3

The Company's risk management division is responsible for conducting independent fair value verification, using independent source data to bring the valuation results close to market conditions, confirming that the data sources are independent, reliable, consistent with other data messages, and representing executable prices, and regularly calibrating valuation models and updating input values and data required for the model, as well as any other necessary fair value adjustments, to ensure that the valuation results are reasonable.

f. Quantitative information on significant unobservable input (Level 3) in fair value

The significant unobservable inputs of the fair value of financial instruments classified in Level 3 on a recurring basis are as follows:

September 30, 2018

	Fair value	Valuation Techniques	Significant Unobservable Input	Range (Weighted-average)	The Relation Between Inputs and Fair Value
Financial assets at fair value through other comprehensive income					
Investments in equity instruments	$ 962,061	Market approach	Lack of liquidity discount	10%	The higher the lack of liquidity, the lower the fair value is
	28,630	Asset approach	Allowance of minority interest	10%	The higher the equity dispersion, the lower the fair value is

g. Sensitivity analysis of fair value hierarchy classified in Level 3

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For financial instruments classified in Level 3, if the parameter changes by 10%, the effects on profit or loss or other comprehensive income for the current period are as follow:

September 30, 2018

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	Unfavorable Changes
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	$ 99,069	$ (99,069)

h. Information on financial liabilities designated as at fair value through profit or loss was as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Difference between carrying amounts and the amounts due on maturity			
Fair value	$ 42,167,253	$ 38,059,418	$ 34,303,923
Amounts due on maturity	46,554,752	38,956,926	35,037,919
	$ (4,387,499)	$ (897,508)	$ (733,996)

	Change in Fair Values Resulting from Credit Risk Variations
Change in amount in the period	
For the nine months ended September 30, 2018	$ (68,247)
For the nine months ended September 30, 2017	$ 31,154
Accumulated amount of change	
As of September 30, 2018	$ (68,773)
As of December 31, 2017	$ (1,857)
As of September 30, 2017	$ (13,737)

The change in fair value of bank debentures and structured products resulting from credit risk variation is the difference between the total change in fair value and the change in fair value due to market risk variations of these financial instruments. The change in fair value resulting from market risk variations is calculated using the benchmark yield rate plus a fixed credit spread. The fair values of bank debentures and structured products are the present values of future cash flows discounted by the benchmark yield rate quoted in the market as of the balance sheet date plus the credit spread estimated using the interest rates of the debt issuers' borrowings with similar maturities.

i. Information on financial risk management

1) Risk management

The Bank established the risk management division to draw up the principles and policies of risk management to be followed by each department, to coordinate and monitor the enforcement of risk management policies of each department, and to deliberate whether proposals brought up by each risk-based unit to deal with a variety of issues are suitable for the Bank.

2) Credit risk

Credit risk refers to the Company's exposure to financial losses due to inability of customers or counterparties to meet the contractual obligations on financial instruments. Credit risk exists in both on- and off-balance sheet items. The on-balance sheet exposure to credit risks is mainly in loans and the credit card business, due from other banks, call loans to other banks, investment in debt instrument and derivatives. The off-balance sheet exposure to credit risks is mainly in financial guarantees, acceptance, letter of credits and loan commitments.

To ensure its credit risks fall within the acceptable range, the Company has stipulated in the Guidelines for Credit Risk Management that for all the products provided and businesses conducted, including all on- and off-balance sheet transactions in the banking and trading books, the Company should make a detailed analysis to identify existing and potential credit risks. Before launching new products or businesses, the Company ensures compliance with all applicable rules and regulations and identifies relevant credit risks. For sophisticated credit extensions, such as accounts receivable factored without recourse and credit derivative instruments, etc., the Company also requires the use of a certain risk management system described in related rules and guidelines. The assessment of asset qualities and provision for possible losses of the overseas operating units, unless regulated by the local authorities, are in accordance with the Company's risk management policies and guidelines.

The measurement and management of credit risks from the Company's main businesses are as follows:

a) Loans and credit card business (including loan commitment and guarantees)

On each reporting date, the Company assesses the change in the default risk of financial assets, as well as consider reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situation, credit investigation result, announcement of dishonored checks and negotiation of the debts from other financial institutions, or the debtor has reorganized or is likely to reorganize to determine whether the credit risk has increased significantly.

The Company adopts the 12-month ECLs to evaluate the loss allowance of financial instruments whose credit risk do not increase significantly since initial recognition, and adopt the lifetime ECLs to evaluate the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or of that are credit-impaired.

The Company considers both the 12-month and lifetime probability of default ("PD") of the borrower with the loss given default ("LGD"), multiplying, the exposure at default ("EAD"), as well as the impact of time value, to calculate the 12-month ECLs and lifetime ECLs, respectively.

"PD" refers to the borrower's probability to default and "LGD" refers to losses caused by the default. The Company applies the "PD" and "LGD" to the credit business according to each group's historical information (such as credit loss experience) from internal statistical data, and adjust historical data based on current observable and forward-looking macroeconomic information, then calculate by applying the progressive one factor model respectively.

The Company estimates the account balance based on the ways in repayment, and considers the possible survival rate to calculate the EAD. In addition, the Company estimates the 12-month ECLs and lifetime ECLs of loan commitments by considering the portion of the loan commitments expected to be used within 12 months after the reporting date and within expected lifetime based on the guidelines issued by the Bank's Association and Basel Accords to determine the amount of "EAD" for calculating expected credit losses.

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

Credit assets are classified into five categories. In addition to normal credit assets that are classified as sound assets, the unsound assets are classified, on the basis of the valuation of collaterals and the length of time the payments become overdue, as special mention, substandard, with collectability high doubtful and uncollectable. The Company also set up policies for the management of doubtful credits and the collection of overdue debts to deal with collection problems.

For risk management purposes, the Company rates credit qualities (by using an internal rating model for credit risk, a credit score table, etc.) in accordance with the nature and scale of a business.

With the use of statistical method and judgment by experts, the Company has developed a credit rating model for clients. The Company reviews the model periodically to examine if the outcome matches reality and adjusts each parameter to optimize the result. Except the petit credits and residential mortgages, which are assessed by using the credit rating model, consumer loans are assessed individually for default risks.

The Company classifies the credit qualities of corporate loans as strong, medium and weak.

The Company evaluates the credit rating of borrowers at least once a year. In addition, to ensure the estimates used are reasonable and to make sure the outcome calculated matches reality, the Company annually conducts validity test and back testing on the models using data on customers' actual defaults.

b) Due from and call loans to other banks

The Company evaluates the credit status of counterparties before deals are closed. The Company grants different limits to the counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating institutes.

c) Investments in debt instruments and derivatives

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

September 30, 2018

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 155,371,858	$ 7,288,196	$ 162,660,054
Less: Allowance for impairment loss	(51,172)	(880)	(52,052)
Amortized cost	155,320,686	$ 7,287,316	162,608,002
Adjustment to fair value	510,185		510,185
	$ 155,830,871		$ 163,118,187

The Company only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Company's exposure and the external credit ratings are continuously monitored. The Company reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the investment was recognized.

In order to minimize credit risk, the Company has tasked a team to develop and maintain a credit risk grading framework to categorize exposures according to degree of risk of default. The credit rating information may be obtained from independent rating agencies where available and, if not available, the team uses other publicly available financial information to rate the debtors.

The Company considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Company's current credit risk grading framework comprises the following categories:

Credit Rating	**Description**	**Basis for Recognizing Expected Credit Losses**	**Expected Credit Loss Rate**	**Gross Carrying Amount at September 30, 2018**
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	0%-0.94%	$ 162,660,054

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

Allowance for Impairment Loss	**Credit Rating** **Performing (12-month ECL)**
Balance at January 1, 2018 under IAS 39	$ -
Effect of retrospective application of IFRS 9	56,874
Balance at January 1, 2018 under IFRS 9	56,874
New financial assets purchased	21,057
Derecognition	(23,284)
Change in exchange rates or others	(2,595)
Balance at September 30, 2018	$ 52,052

The Company identifies and manages credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparties risks.

The other banks with which the Company conducts derivative transactions are mostly considered investment grade. The Company monitors the credit limits (including lending limits) by counterparties. The credits extended to counterparties that are not rated as investment grade are assessed case by case. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

The Company classifies the debt instruments and derivatives into different categories, which are mainly based on the credit ratings provided by external credit agencies (Moody's, S&P, Fitch or Taiwan Ratings).

The Company has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collaterals from the borrowers. To secure the debt, the Company manages and assesses the collaterals following the procedures that determine the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, the Company stipulates the security mechanism for debts; the conditions and terms for collaterals; and the terms and conditions of offsetting to state clearly that the Company reserves the right to reduce the granted quota, to reduce the repayment period, to demand immediate settlement or to offset the debts of the borrowers by their deposits in the Company in order to reduce the credit risks. The requirements for collaterals for other non-credit businesses depend on the nature of the financial instruments. Asset-backed securities and similar financial instruments are required to provide a pool of underlying financial assets as collaterals.

To avoid the concentration of credit risks, the Company has included credit limits for a single counterparty and for a single group in its credit-related guidelines. The Company has also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, the Company set credit limits by industry, conglomerate, country, transactions collateralized by stocks, and other categories and integrated within one system the supervision of concentration of credit risk in these categories.

The Company settles most of its transactions at gross amounts. For further reduction of credit risks, settlement netting is used for some counterparties or some circumstances where the transactions with counterparties are terminated due to defaults.

The maximum exposures of assets on the consolidated balance sheets to credit risks without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts. The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instrument are stated as follows:

September 30, 2018

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	$ 989,518,021	$ 292,084	$ 2,247,419	$ -	$ 992,057,524
Allowance for possible losses	(249,557)	(2,227)	(5,608)	-	(257,392)
Difference of impairment loss under regulations	-	-	-	(253,811)	(253,811)
	$ 989,268,464	$ 289,857	$ 2,241,811	$ (253,811)	$ 991,546,321

	December 31, 2017	September 30, 2017
Irrevocable loan commitments issued	$ 96,299,743	$ 102,570,830
Credit card commitments	357,259,135	352,655,788
Letters of credit issued and yet unused	9,527,165	10,321,186
Other guarantees	16,619,110	17,356,442

The management of the Company believes their abilities to minimize the credit risk exposures of the off-balance sheet items are mainly attributed to their rigorous evaluation of credit extended and the periodic reviews of these credits.

The maximum exposures of consolidated balance sheet items (recognized as financial assets), collateral, master netting arrangements and other credit enforcement instruments are as follows:

September 30, 2018

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by: Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
Credit-impaired financial assets					
Receivables					
Credit cards	$ 2,407,542	$ -	$ -	$ -	$ -
Other	559,780	25,204	-	-	25,204
Discounts and loans	9,586,949	5,751,935	-	-	5,751,935

December 31, 2017

	Maximum Exposure to Credit Risk Mitigated by: Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
Financial assets at fair value through profit or loss				
Held-for-trading financial assets - derivatives	$ 1,796,421	$ 1,919,496	$ -	$ 3,715,917
Receivables				
Credit cards	8,501	-	-	8,501
Accounts receivable factored	-	-	2,799,928	2,799,928
Acceptances	522,093	-	-	522,093
Discounts and loans	900,105,246	-	-	900,105,246
Off-balance sheet items				
Irrevocable loan commitments issued	45,604,349	-	-	45,604,349
Letters of credit issued and yet unused	1,762,976	-	-	1,762,976
Other guarantees	7,761,705	-	-	7,761,705
Credit card commitments	57,221	-	-	57,221

September 30, 2017

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
Financial assets at fair value through profit or loss				
Held-for-trading financial assets - derivatives	$ 2,046,097	$ 2,449,249	$ -	$ 4,495,346
Receivables				
Credit cards	7,106	-	-	7,106
Accounts receivable factored	-	-	1,552,704	1,552,704
Acceptances	453,141	-	-	453,141
Discounts and loans	885,099,020	-	-	885,099,020
Off-balance sheet items				
Irrevocable loan commitments issued	49,408,823	-	-	49,408,823
Letters of credit issued and yet unused	1,713,806	-	-	1,713,806
Other guarantees	10,118,103	-	-	10,118,103
Credit card commitments	245,221	-	-	245,221

Concentration of credit risk exists when counterparties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Group or industry, regions and collaterals that were 10% or more of total outstanding loans were as follows:

Credit Risk Profile by Group or Industry	September 30, 2018 Amount	%	December 31, 2017 Amount	%	September 30, 2017 Amount	%
Natural person	$ 632,657,291	48	$ 594,148,968	48	$ 587,451,338	48
Manufacturing	263,382,506	20	249,323,099	20	248,832,859	20
Wholesale, retail and restaurants	131,201,644	10	126,482,725	10	123,048,768	10

Credit Risk Profile by Regions	September 30, 2018 Amount	%	December 31, 2017 Amount	%	September 30, 2017 Amount	%
Domestic	$ 1,110,720,965	84	$ 1,058,755,015	86	$ 1,051,872,884	86

Credit Risk Profile by Collaterals	September 30, 2018 Amount	%	December 31, 2017 Amount	%	September 30, 2017 Amount	%
Unsecured	$ 349,249,053	26	$ 334,576,667	27	$ 343,684,927	28
Secured						
Real estate	833,900,581	63	785,800,905	64	765,829,952	63

Some financial assets held by the Company, such as cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit or loss, securities purchased under resell agreements and refundable deposits, are exposed to low credit risks because the counterparties have rather high credit ratings.

In addition to the above assets, credit quality analyses on other financial assets were as follows:

a) The credit quality of discounts and loans evaluation on a 12-month expected credit loss basis

	September 30, 2018
Credit rating	
Strong	$ 648,782,909
Medium	601,503,453
Weak	48,321,015
Carrying value	1,298,607,377
Allowance for impairment loss	(767,652)
	$ 1,297,839,725

b) Credit quality analysis on discounts, loans and receivables

December 31, 2017	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables							
Credit cards	$ 57,523,070	$ 1,251,706	$ 2,013,022	$ 60,787,798	$ 600,032	$ 384,435	$ 59,803,331
Others	23,819,581	38,128	508,532	24,366,241	116,862	922,852	23,326,527
Discounts and loans	1,212,221,079	6,368,837	8,003,836	1,226,593,752	2,821,909	12,544,527	1,211,227,316

September 30, 2017	Neither Past Due Nor Impaired (A)	Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables							
Credit cards	$ 57,240,599	$ 1,568,006	$ 1,934,948	$ 60,743,553	$ 574,430	$ 467,837	$ 59,701,286
Others	23,054,783	65,208	509,390	23,629,381	119,315	727,859	22,782,207
Discounts and loans	1,200,757,294	7,654,589	8,426,384	1,216,838,267	2,974,952	12,169,480	1,201,693,835

c) Credit quality analysis on discounts and loans neither past due nor impaired (based on credit ratings of clients)

December 31, 2017	Neither Past Due Nor Impaired			
	Strong	Medium	Weak	Total
Consumer loans				
Residential mortgage	$ 129,752,064	$ 146,714,413	$ 6,711,314	$ 283,177,791
Petit credit	56,852,913	33,454,930	2,725,889	93,033,732
Others	96,677,813	109,316,401	5,000,576	210,994,790
Corporate loans				
Secured	148,880,172	148,838,682	15,063,437	312,782,291
Unsecured	212,837,167	90,364,198	9,031,110	312,232,475
Total	$ 645,000,129	$ 528,688,624	$ 38,532,326	$ 1,212,221,079

September 30, 2017	Neither Past Due Nor Impaired			
	Strong	Medium	Weak	Total
Consumer loans				
Residential mortgage	$ 128,779,854	$ 146,733,381	$ 6,774,916	$ 282,288,151
Petit credit	56,386,446	34,631,702	1,555,233	92,573,381
Others	93,666,719	106,725,034	4,927,666	205,319,419
Corporate loans				
Secured	142,068,608	143,971,333	14,267,345	300,307,286
Unsecured	220,205,454	92,467,967	7,595,636	320,269,057
Total	$ 641,107,081	$ 524,529,417	$ 35,120,796	$ 1,200,757,294

d) Credit quality analysis on securities

December 31, 2017	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Loss (D)	Net (A)+(B)+(C)-(D)
	Above A+	A - BBB-	Below BB+	Subtotal (A)					
Available-for-sale financial assets									
Bonds	$ 96,893,679	$ 66,618,772	$ 602,371	$ 164,114,822	$ -	$ -	$ 164,114,822	$ -	$ 164,114,822
Equities	852,811	2,973,154	2,263,851	6,089,816	-	-	6,089,816	-	6,089,816
Held-to-maturity financial assets									
Bonds	3,004,193	-	-	3,004,193	-	-	3,004,193	-	3,004,193
Others	-	74,620	-	74,620	-	-	74,620	-	74,620
Other financial assets									
Bonds	-	596,960	-	596,960	-	-	596,960	-	596,960
Equities	-	-	519,344	519,344	-	24,071	543,415	5,900	537,515

September 30, 2017	Neither Past Due Nor Impaired				Past Due But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Loss (D)	Net (A)+(B)+(C)-(D)
	Above A+	A-BBB-	Below BB+	Subtotal (A)					
Available-for-sale financial assets									
Bonds	$ 75,245,236	$ 67,048,925	$ 611,112	$ 142,905,273	$ -	$ -	$ 142,905,273	$ -	$ 142,905,273
Equities	1,829,978	2,923,291	1,177,808	5,931,077	-	-	5,931,077	-	5,931,077
Held-to-maturity financial assets									
Bonds	3,027,152	-	-	3,027,152	-	-	3,027,152	-	3,027,152
Others	-	75,762	-	75,762	-	-	75,762	-	75,762
Other financial assets									
Bonds	-	909,150	-	909,150	-	-	909,150	-	909,150
Equities	-	-	519,413	519,413	-	24,071	543,484	5,900	537,584

The processing delays by the borrowers and other administrative reasons may cause financial assets to become past due but not impaired. As defined in the internal rules governing the Company's risk management, financial asset that are past due within 90 days are not deemed as impaired, unless there are other evidences that indicate impairment.

The vintage analysis of financial assets that were past due but not impaired was as follows:

Item	December 31, 2017		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	$ 1,003,849	$ 247,857	$ 1,251,706
Others	21,959	16,169	38,128
Discounts and loans			
Consumer loans			
Residential mortgage	1,517,362	398,557	1,915,919
Petit credit	1,626,814	384,455	2,011,269
Others	745,044	147,918	892,962
Corporate loans			
Secured			
The Bank	947,185	219,951	1,167,136
Subsidiaries	-	127,134	127,134
Unsecured			
The Bank	221,350	33,062	254,412
Subsidiaries	-	5	5

Item	September 30, 2017		
	Past Due Up to 1 Month	Past Due by Over 1 Month - 3 Months	Total
Receivables			
Credit cards	$ 1,328,194	$ 239,812	$ 1,568,006
Others	19,968	45,240	65,208
Discounts and loans			
Consumer loans			
Residential mortgage	1,310,169	313,095	1,623,264
Petit credit	1,652,855	305,571	1,958,426
Others	560,824	93,922	654,746
Corporate loans			
Secured			
The Bank	969,551	132,784	1,102,335
Subsidiaries	-	2,076,729	2,076,729
Unsecured			
The Bank	206,830	32,259	239,089
Subsidiaries	-	-	-

3) Market risk

Market risk refers to the risk of fluctuation in the fair values or the future cash flows of the on- and off-balance sheet instruments held by the Company because of market price changes. The risk factors which cause market price changes usually include interest rates, exchange rates, and the prices of equity securities and commodities. Changes in these risk factors will cause risk of fluctuation in the net income or in the value of investment portfolio of the Company.

The main market risks the Company faces are the risks on equity securities, interest rates, and exchange rate risks. The equity securities exposed to market risks mainly include stocks listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market and stock index futures in Taiwan; the instruments exposed to interest rate risk mainly include bonds and interest rate derivatives such as the fixed-for-floating interest rate swap; and the instruments exposed to exchange rate risk mainly include the consolidated positions of the investment held by the Company, such as the derivatives denominated in foreign currency and foreign-currency bonds.

The Bank monitors the market risk positions and the tolerable loss of the Bank in accordance with the goals of risk management and the amount limits authorized by the board of directors. The Bank has set up market risk information systems to effectively monitor the management of amount limits on financial instruments, to evaluate the profit and loss, to conduct sensitivity analysis, stress test and calculation of value at risk (VaR), etc. The result is reported in the meetings of risk management and to the board of directors as their reference for making managerial decisions.

The Company mainly divides the positions exposed to market risks into investment portfolios held for trading and investment portfolios not held for trading. The portfolios are monitored by the Risk Management Division, and the management results are reported regularly to the board of directors and the supervisors of each division.

The business units and the risk management units both identify market risk factors for the Company's exposed positions in order to measure market risks. Market risk factors refer to the factors that affect interest rates, exchange rates and values of held financial instruments such as equity securities, etc. The Company analyzes the impact of risk factors on its holding positions, profit and loss, negative result of stress test, sensitivity, VaR, etc., and measures the levels within which the investment portfolios and equity securities might suffer from interest rate risks, exchange rate risks, etc.

The Risk Management Division reports regularly to the board of directors the achievement of management objectives on market risks, the control of holding positions and profit and loss, the sensitivity analysis, the stress test, the value at risk of equity securities, etc. for their understanding of the Bank's market risk control. The Bank also has sound mechanisms for reporting and set limits and stop-loss regulations for all the transactions. If a trade reaches the stop-loss limit, the stop-loss will be executed immediately. Trades that do not follow the stop-loss rule should be reported to the management for their approval, and the reasons for their noncompliance as well as corresponding strategies should also be presented to the management.

The Bank uses the VaR model and stress tests to evaluate risks on investment portfolios for trading. The Bank also assesses market risks and evaluates the maximum expected loss of positions through making assumptions on changes in various market conditions. The board of directors set amount limits based on VaR. The whole risk management process is monitored daily by the Risk Management Division.

VaR statistically estimates the potential loss of the positions due to adverse market movements. It is the "maximum potential loss" the Bank may suffer within a certain confidence interval (99%), so it is still probable that the actual loss is larger than the VaR to some extent. VaR model assumes that the Bank holds the positions at least for the minimum holding periods (10 days) before they can be settled, and that the market fluctuation in these 10 days is similar to that in the past. The Bank evaluates historical market fluctuation based on historical data in the past two years. The Bank evaluates the VaR of its holding positions using the variance/covariance method. The computation will be used for periodic examinations and verification of assumptions and parameters used. However, this evaluation method cannot prevent losses from significant market fluctuations.

Information on the VaR of the Bank was as follows:

For the nine months ended September 30, 2018

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	September 30, 2018
By risk type				
Currency	$ 3,058,862	$ 2,673,423	$ 3,390,723	$ 3,289,555
Interest	595,697	301,397	1,934,370	402,850
Equity	95,703	39,807	254,136	51,808
Risk diversification	(658,188)	-	-	(677,962)
Total risk exposure	$ 3,092,074			$ 3,066,251

For the year ended December 31, 2017

Historical Values at Risk (99%, 10-day)	Average	Minimum	Maximum	December 31, 2017	September 30, 2017
By risk type					
Currency	$ 3,092,682	$ 2,627,503	$ 3,819,267	$ 3,060,009	$ 3,133,111
Interest	1,818,284	378,101	3,086,222	378,101	1,601,028
Equity	245,980	198,639	272,771	201,507	242,014
Risk diversification	(1,982,887)	-	-	(497,068)	(1,862,317)
Total risk exposure	$ 3,174,059			$ 3,142,549	$ 3,113,836

Stress test is used to measure the greatest potential losses of the portfolio of risk assets under the worst scenarios. It is performed by the Risk Management Division, and it includes (a) a stress test on risk factors, in which the stress test is applied to all kinds of risks; and (b) a temporary stress test, in which the stress test is applied to special investment positions or specific investment areas, for example, areas where exchange rates fluctuate dramatically. The results of stress tests are reported to the senior management.

For the information on the foreign-currency financial assets and liabilities with significant effect, please refer to Table 3.

4) Liquidity risk

Liquidity risk refers to the possibility of financial loss resulting from the shortage of funds in meeting the needs of asset acquisition or debt repayment on maturity. Examples are the depositors' withdrawal of deposits before maturity, difficulty in raising funds from other banks or worsening funding conditions due to the fluctuations in specific markets, unstable recovery of money due to credit defaults, deterioration of the convertibility of financial instruments, early termination of interest-sensitive instruments, etc. These situations might result in decrease of cash inflows from loans, trades and investments. In some extreme cases, lack of liquidity may cause decrease of asset values in balance sheets, disposal of assets or other situations in which loan commitments cannot be met. Liquidity risks exist in all banking operations, and are influenced by specific events from industries or markets, including but not limited to credit events, mergers and acquisitions, systematic risks in the industry or natural disasters.

Liquidity risk management is done by the money market division and monitored by the risk management division. The procedures include (a) maintaining daily money market operations and monitoring future cash flows to ensure the meeting of liquidity requirements; (b) holding an appropriate amount of readily convertible and highly liquid assets to prevent from unpredictable events that disrupt cash flows; (c) monitoring the liquidity ratios for the balance sheets in accordance with internal and external policies; and (d) managing security products during their remaining maturity periods. Liquidity risk monitoring and reporting are based on the valuation and prediction of future cash flows from different terms to maturity (maturity gap is used by the Bank as a tool to manage liquidity risk). The prediction of cash flows involves the cash outflows at the maturity date of the financial liabilities and the cash inflows at the receipt date of financial assets.

For maintaining solvency and meeting the needs of emergency assistance arrangements, the Company holds cash and high-quality, liquid interest-bearing assets. The assets held for liquidity risk management include cash and cash equivalents, due from Central Bank and call loans to other banks, financial assets at fair value through profit or loss, discounts and loans, available-for-sale financial assets, held-to-maturity financial assets, and debt instruments with no active market, etc.

The liquidity reserve ratios of the Bank for September 2018, December 2017 and September 2017 were 27.63%, 30.14% and 28.31%, respectively.

The Company disclosed the analysis of cash outflows from nonderivative financial liabilities by the residual maturities as of the balance sheet date. The amounts of cash outflows are based on contractual cash flows, so some amounts may not correspond to those that shown in the consolidated balance sheets.

September 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	$ 47,695,194	$ 20,593,905	$ 1,192,759	$ 1,419,643	$ -	$ 70,901,501
Nonderivative financial liabilities at fair value through profit or loss	68	589	-	280,397	46,273,698	46,554,752
Securities sold under repurchase agreements	6,781,189	510,759	1,628,451	-	-	8,920,399
Payables	23,507,310	836,491	724,653	1,123,668	2,318,087	28,510,209
Deposits and remittances	592,888,689	147,943,389	184,044,873	295,761,623	565,417,998	1,786,056,572
Bank debentures	2,900,000	-	-	7,780,000	29,070,000	39,750,000
Other items of cash outflow on maturity	6,084,296	423,073	242,939	2,220	5,702,056	12,454,584

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	$ 31,491,209	$ 29,607,999	$ 3,343,548	$ 2,209,459	$ -	$ 66,652,215
Nonderivative financial liabilities at fair value through profit or loss	-	507	-	406,112	38,550,307	38,956,926
Securities sold under repurchase agreements	9,736,682	1,633,753	873,400	-	-	12,243,835
Payables	22,175,932	545,392	384,229	996,148	1,981,449	26,083,150
Deposits and remittances	561,541,261	149,043,743	165,837,687	278,269,266	558,483,395	1,713,175,352
Bank debentures	-	-	2,100,000	2,900,000	31,750,000	36,750,000
Other items of cash outflow on maturity	3,989,496	114,488	-	195,597	1,650,158	5,949,739

September 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	$ 38,869,520	$ 29,489,657	$ 4,151,966	$ 4,545,945	$ -	$ 77,057,088
Nonderivative financial liabilities at fair value through profit or loss	41	439	-	206,165	34,831,274	35,037,919
Securities sold under repurchase agreements	9,718,365	495,499	1,674,310	-	-	11,888,174
Payables	17,460,406	669,580	598,826	850,361	1,610,136	21,189,309
Deposits and remittances	530,623,755	132,370,483	193,309,888	277,679,837	543,394,149	1,677,378,112
Bank debentures	-	-	-	2,100,000	34,650,000	36,750,000
Other items of cash outflow on maturity	5,614,961	-	-	58,971	3,128,423	8,802,355

The Company assessed the maturity date of contracts to understand the basic elements of all derivative financial instruments shown in the consolidated balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some may not correspond to the amounts shown in the consolidated balance sheets. The maturity analysis of derivative financial liabilities was as follows:

a) Derivative financial liabilities to be settled at net amount

September 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	$ -	$ 2,470	$ -	$ 48,050	$ -	$ 50,520

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	$ -	$ -	$ 15,979	$ 821	$ -	$ 16,800

September 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	$ -	$ 3,645	$ -	$ 10,078	$ -	$ 13,723

b) Derivative financial liabilities to be settled at gross amounts

September 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	$ 179,750,377	$ 107,123,878	$ 121,117,173	$ 71,391,852	$ 999,158	$ 480,382,438
Cash inflow	179,921,021	107,910,700	123,296,230	72,198,243	983,458	484,309,652
Interest derivatives						
Cash outflow	107,310	116,821	232,578	503,998	30,255,555	31,216,262
Cash inflow	107,495	197,209	430,558	416,144	34,169,645	35,321,051
Total cash outflow	179,857,687	107,240,699	121,349,751	71,895,850	31,254,713	511,598,700
Total cash inflow	180,028,516	108,107,909	123,726,788	72,614,387	35,153,103	519,630,703
Net cash outflow (inflow)	$ (170,829)	$ (867,210)	$ (2,377,037)	$ (718,537)	$ (3,898,390)	$ (8,032,003)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	$ 172,197,830	$ 141,828,519	$ 81,518,742	$ 98,429,982	$ 2,557,970	$ 496,533,043
Cash inflow	172,585,155	142,911,456	81,802,372	98,856,171	2,582,760	498,737,914
Interest derivatives						
Cash outflow	726,906	120,185	775,661	719,801	8,100,609	10,443,162
Cash inflow	1,315,405	30,779	808,527	377,520	8,104,394	10,636,625
Total cash outflow	172,924,736	141,948,704	82,294,403	99,149,783	10,658,579	506,976,205
Total cash inflow	173,900,560	142,942,235	82,610,899	99,233,691	10,687,154	509,374,539
Net cash outflow (inflow)	$ (975,824)	$ (993,531)	$ (316,496)	$ (83,908)	$ (28,575)	$ (2,398,334)

September 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	$ 167,262,986	$ 145,167,537	$ 79,748,822	$ 80,159,529	$ 2,926,362	$ 475,265,236
Cash inflow	166,981,419	145,793,256	80,356,788	80,694,911	2,979,849	476,806,223
Interest derivatives						
Cash outflow	907,914	122,025	227,067	1,480,527	32,312,111	35,049,644
Cash inflow	947,189	139,705	689,346	1,477,014	39,010,182	42,263,436
Total cash outflow	168,170,900	145,289,562	79,975,889	81,640,056	35,238,473	510,314,880
Total cash inflow	167,928,608	145,932,961	81,046,134	82,171,925	41,990,031	519,069,659
Net cash outflow (inflow)	$ 242,292	$ (643,399)	$ (1,070,245)	$ (531,869)	$ (6,751,558)	$ (8,754,779)

The Company conducted the maturity analysis of off-balance sheet items based on the residual maturities as of the balance sheet date. For the financial guarantee contracts issued, the maximum amounts of the guarantees are included in the earliest periods that the guarantee obligation might have been required to be fulfilled. The amounts used in the maturity analysis of off-balance sheet items are based on contractual cash flows, so some amounts may not correspond to those shown in the consolidated balance sheets.

September 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 6,284,291	$ 16,648,610	$ 21,437,128	$ 50,478,317	$ 38,456,465	$ 133,304,811
Credit card commitments	2,224,329	4,852,801	4,327,444	11,868,028	344,243,683	367,516,285
Letters of credit issued and yet unused	3,073,421	5,478,880	925,029	609,699	1,220,607	11,307,636
Other guarantees	1,901,831	2,291,105	2,113,708	13,897,402	2,186,577	22,390,623

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 4,469,581	$ 8,778,373	$ 16,343,608	$ 32,253,627	$ 34,454,554	$ 96,299,743
Credit card commitments	5,830,199	906,125	3,283,007	15,077,029	332,162,775	357,259,135
Letters of credit issued and yet unused	2,638,818	4,805,525	873,469	396,607	812,746	9,527,165
Other guarantees	2,105,513	3,248,890	5,969,419	3,569,925	1,725,363	16,619,110

September 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 3,968,084	$ 9,754,304	$ 18,600,696	$ 33,978,124	$ 36,269,622	$ 102,570,830
Credit card commitments	3,330,386	6,495,275	7,306,972	10,439,385	325,083,770	352,655,788
Letters of credit issued and yet unused	3,488,305	4,642,442	1,028,574	202,156	959,709	10,321,186
Other guarantees	1,881,047	1,767,938	3,295,331	8,262,245	2,149,881	17,356,442

j. Transfers of financial assets

Most of the transferred financial assets of the Company that are not derecognized in their entirety are securities sold under repurchase agreements. According to these transactions, the right on cash flow of the transferred financial assets would be transferred to other entities and the associated liabilities of the Company’s obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. As the Company is restricted to use, sell or pledge the transferred financial assets throughout the term of transaction, and is still exposed to interest rate risks and credit risks on these instruments, the transferred financial assets are not derecognized in their entirety. The details of financial assets that were not derecognized in their entirety and the associated financial liabilities were as follows:

September 30, 2018					
Category of Financial Assets	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Associated Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Associated Financial Liabilities**	**Fair Value of Net Position**
Investments in debt instruments at FVTOCI - securities sold under repurchase agreements	$ 9,126,371	$ 8,886,412	$ 9,126,371	$ 8,886,412	$ 239,959

December 31, 2017					
Category of Financial Assets	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Associated Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Associated Financial Liabilities**	**Fair Value of Net Position**
Available-for-sale financial assets - securities sold under repurchase agreements	$ 12,773,433	$ 12,200,468	$ 12,773,433	$ 12,200,468	$ 572,965

September 30, 2017					
Category of Financial Assets	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Associated Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Associated Financial Liabilities**	**Fair Value of Net Position**
Available-for-sale financial assets - securities sold under repurchase agreements	$ 12,462,477	$ 11,851,796	$ 12,462,477	$ 11,851,796	$ 610,681

k. Offsetting financial assets and financial liabilities

The Company is eligible to present certain derivative assets and derivative liabilities on a net basis on the balance sheet since the offsetting criteria are met. Cash collateral has also been paid by part of counterparties for the net amount of the derivative assets and derivative liabilities. The cash collateral does not meet the offsetting criteria, but it can be set off against the net amount of the derivative assets and derivative liabilities in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

September 30, 2018

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Received	Net Amounts
Derivatives	$ 7,371,774	$ -	$ 7,371,774	$ (1,832,948)	$ (2,853,268)	$ 2,685,558
Settlements	27,378	-	27,378	(25,054)	-	2,324
	$ 7,399,152	$ -	$ 7,399,152	$ (1,858,002)	$ (2,853,268)	$ 2,687,882

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Pledged	Net Amounts
Derivatives	$ 8,095,186	$ -	$ 8,095,186	$ (1,832,948)	$ (4,462,001)	$ 1,800,237
Repurchase agreements	8,899,365	-	8,899,365	(8,899,365)	-	-
Settlements	60,197	-	60,197	(25,054)	-	35,143
	$ 17,054,748	$ -	$ 17,054,748	$ (10,757,367)	$ (4,462,001)	$ 1,835,380

December 31, 2017

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Received	Net Amounts
Derivatives	$ 5,274,257	$ -	$ 5,274,257	$ (1,919,496)	$ (1,796,421)	$ 1,558,340
Settlements	41,475	-	41,475	(15,626)	-	25,849
	$ 5,315,732	$ -	$ 5,315,732	$ (1,935,122)	$ (1,796,421)	$ 1,584,189

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	$ 5,300,429	$ -	$ 5,300,429	$ (1,919,496)	$ (1,661,175)	$ 1,719,758
Repurchase agreements	12,220,125	-	12,220,125	(12,220,125)	-	-
Settlements	15,626	-	15,626	(15,626)	-	-
	$ 17,536,180	$ -	$ 17,536,180	$ (14,155,247)	$ (1,661,175)	$ 1,719,758

September 30, 2017

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Received	
Derivatives	$ 5,719,714	$ -	$ 5,719,714	$ (2,449,249)	$ (2,046,097)	$ 1,224,368

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet		Net Amounts
				Financial Instruments	Cash Collateral Pledged	
Derivatives	$ 4,988,923	$ -	$ 4,988,923	$ (2,449,249)	$ (1,861,706)	$ 677,968
Repurchase agreements	11,865,982	-	11,865,982	(11,865,982)	-	-
Settlements	178,192	-	178,192	-	-	178,192
	$ 17,033,097	$ -	$ 17,033,097	$ (14,315,231)	$ (1,861,706)	$ 856,160

41. CAPITAL MANAGEMENT

The two main objectives of capital management of the Bank are (a) meeting the requirements for legal capital set by the authorities and building an effective system for capital management and (b) balancing risk control and business development under the premise of "undertaking risks and earning returns on capital" and maximizing the stockholders' profits.

The Banking Law and related regulations require that the Bank maintains both standalone and consolidated ratios of regulatory capital to risk-weighted assets (including ratio of the common equity to risk-weighted assets, ratio of Tier 1 capital to risk-weighted assets and capital adequacy ratio (CAR)) should comply with the minimum ratio requested by authorities.

The capital of the Bank is jointly managed by the Capital Management Team and the Risk Management Division. The management process starts from the evaluation and adjustments to plans or budgets by using different quantitative methods that consider risks, returns and growth rates. Subsequently, the evaluation and adjustments are used to confirm the total amount of capital requirement and is eventually used to allocate the capital to the respective branches and operating units. The whole process takes into consideration the quantitative risk assessment, plans and budgets, capital balance and allocation of economic capitals to corresponding units on the basis of risk appetite. The process is a combination of risk appetite, capital management, risk management, managerial decisions and performance assessment.

42. THE BANK'S ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

a. Asset quality: Table 4 (attached).

b. Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	September 30, 2018			September 30, 2017		
	Industry of Group Enterprise (Note 2)	**Total Amount of Credit Endorsement or Other Transactions (Note 3)**	**Percentage of E.SUN Bank's Equity**	**Industry of Group Enterprise (Note 2)**	**Total Amount of Credit Endorsement or Other Transactions (Note 3)**	**Percentage of E.SUN Bank's Equity**
1	Group A Air transport	$ 9,617,499	6.22	Group A Ocean transportation	$ 6,624,813	4.60
2	Group B Other activities auxiliary to financial service activities not elsewhere classified	9,506,123	6.15	Group K Activities of head offices	6,323,838	4.40
3	Group C Manufacture of computers	6,680,720	4.32	Group F Wired telecommunications activities	5,270,528	3.66
4	Group D Retail sale of computers, computer peripheral equipment and software in specialized stores	6,333,829	4.10	Group B Other activities auxiliary to financial service activities not elsewhere classified	4,621,331	3.21
5	Group E Activities of head offices	4,852,600	3.14	Group H Wholesale of computers, computer peripheral equipment and software	4,562,357	3.17
6	Group F Wired telecommunications activities	4,334,108	2.80	Group E Activities of head offices	4,483,638	3.12
7	Group G Manufacture of monitors and terminals	4,253,241	2.75	Group D Retail sale of computers, computer peripheral equipment and software in specialized stores	4,385,993	3.05
8	Group H Wholesale of computers, computer peripheral equipment and software	4,077,477	2.64	Group C Manufacture of computers	4,377,521	3.04
9	Group I Manufacture of electric wires and cables	4,017,921	2.60	Group L Real estate development activities	4,191,563	2.91
10	Group J Packaging and testing of semi-conductors	3,513,333	2.27	Group M Manufacture of computers	4,147,110	2.88

Note 1: The list shows rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance 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 refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings".

Note 3: Total amount of credit, endorsement or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans and overdue loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances and guarantees.

c. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars, %)

September 30, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,280,645,403	$ 32,100,459	$ 66,176,832	$ 80,969,390	$ 1,459,892,084
Interest rate-sensitive liabilities	333,621,274	797,758,203	71,434,762	38,050,394	1,240,864,633
Interest rate sensitivity gap	947,024,129	(765,657,744)	(5,257,930)	42,918,996	219,027,451
Net worth					145,313,716
Ratio of interest rate-sensitive assets to liabilities					117.65
Ratio of interest rate sensitivity gap to net worth					150.73

September 30, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,251,033,599	$ 35,470,404	$ 24,741,765	$ 85,585,259	$ 1,396,831,027
Interest rate-sensitive liabilities	285,403,499	792,139,607	79,031,407	41,807,011	1,198,381,524
Interest rate sensitivity gap	965,630,100	(756,669,203)	(54,289,642)	43,778,248	198,449,503
Net worth					135,353,643
Ratio of interest rate-sensitive assets to liabilities					116.56
Ratio of interest rate sensitivity gap to net worth					146.62

Note 1: The above amounts included only New Taiwan dollar amounts held by the head office and branches of the Bank (i.e., excluding foreign currency).

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

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

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

Interest Rate Sensitivity (U.S. Dollars)

(In Thousands of U.S. Dollars, %)

September 30, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 11,785,008	$ 415,667	$ 220,004	$ 875,771	$ 13,296,450
Interest rate-sensitive liabilities	13,263,261	2,400,380	1,837,142	1,447,214	18,947,997
Interest rate sensitivity gap	(1,478,253)	(1,984,713)	(1,617,138)	(571,443)	(5,651,547)
Net worth					204,341
Ratio of interest rate-sensitive assets to liabilities					70.17
Ratio of interest rate sensitivity gap to net worth					(2,765.74)

September 30, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 9,639,494	$ 312,760	$ 90,211	$ 1,203,778	$ 11,246,243
Interest rate-sensitive liabilities	12,638,333	1,287,865	1,646,982	1,187,150	16,760,330
Interest rate sensitivity gap	(2,998,839)	(975,105)	(1,556,771)	16,628	(5,514,087)
Net worth					196,082
Ratio of interest rate-sensitive assets to liabilities					67.10
Ratio of interest rate sensitivity gap to net worth					(2,812.13)

Note 1: The above amounts included only U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

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

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

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

d. Profitability

Unit: %

Items		September 30, 2018	September 30, 2017
Return on total assets	Before income tax	1.02	0.93
	After income tax	0.86	0.82
Return on equity	Before income tax	13.99	13.27
	After income tax	11.77	11.58
Net income ratio		37.91	36.75

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

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

Note 3: Net income ratio = Income after income tax/Total net revenues

Note 4: Income before (after) income tax represents income for each period-end date.

Note 5: The above profitability ratios are calculated on the basis of annualized figures.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars)

September 30, 2018

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,682,118,172	$ 366,510,895	$ 62,082,730	$ 100,997,612	$ 98,748,618	$ 106,295,957	$ 947,482,360
Main capital outflow on maturity	2,050,490,476	70,868,765	130,287,219	199,136,827	231,357,281	332,302,538	1,086,537,846
Gap	(368,372,304)	295,642,130	(68,204,489)	(98,139,215)	(132,608,663)	(226,006,581)	(139,055,486)

September 30, 2017

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,603,699,394	$ 371,002,306	$ 71,783,192	$ 99,568,348	$ 83,653,875	$ 105,310,751	$ 872,380,922
Main capital outflow on maturity	1,935,885,664	49,554,855	108,461,386	190,042,406	229,897,356	314,109,640	1,043,820,021
Gap	(332,186,270)	321,447,451	(36,678,194)	(90,474,058)	(146,243,481)	(208,798,889)	(171,439,099)

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)

(In Thousands of U.S. Dollars)

September 30, 2018

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 25,067,520	$ 7,874,598	$ 4,358,374	$ 3,301,129	$ 1,825,661	$ 7,707,758
Main capital outflow on maturity	29,030,064	6,660,254	6,748,692	5,230,709	6,742,782	3,647,627
Gap	(3,962,544)	1,214,344	(2,390,318)	(1,929,580)	(4,917,121)	4,060,131

September 30, 2017

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 22,508,430	$ 6,765,340	$ 3,982,217	$ 2,946,629	$ 2,359,064	$ 6,455,180
Main capital outflow on maturity	27,408,671	6,458,837	6,777,840	4,286,138	7,164,927	2,720,929
Gap	(4,900,241)	306,503	(2,795,623)	(1,339,509)	(4,805,863)	3,734,251

Note: The above amounts included only U.S. dollar amounts held by the Bank.

43. TRUST BUSINESS UNDER THE TRUST LAW

a. Trust-related items, as shown in the following balance sheet, statements of income and trust property list

The trust-related items shown below were managed by the Bank's Trust Department. However, these items were not included in the Company's consolidated financial statements.

Balance Sheets of Trust Accounts
September 30, 2018, December 31, 2017 and September 30, 2017

Trust Assets	September 30, 2018	December 31, 2017	September 30, 2017	Trust Liabilities	September 30, 2018	December 31, 2017	September 30, 2017
Cash in banks	$ 4,755,191	$ 6,467,320	$ 5,926,987	Account payable on securities under custody	$ 344,326,466	$ 263,371,825	$ 246,527,093
Investments	223,690,282	212,142,200	204,876,816	Trust capital			
Accounts receivables	-	1	32	Cash	228,058,626	218,238,361	210,572,535
Real estate	4,314,416	5,612,113	5,646,962	Securities	1,909,003	1,963,495	1,995,384
Securities under custody	344,326,466	263,371,825	246,527,093	Real estate	3,920,098	5,217,391	5,242,993
				Reserves and accumulated deficit	(6,945,892)	(8,735,833)	(6,361,520)
				Net income	5,818,054	7,538,220	5,001,405
Total assets	$ 577,086,355	$ 487,593,459	$ 462,977,890	Total liabilities	$ 577,086,355	$ 487,593,459	$ 462,977,890

Trust Property List
September 30, 2018, December 31, 2017 and September 30, 2017

	September 30, 2018	December 31, 2017	September 30, 2017
Cash in banks	$ 4,754,312	$ 6,467,168	$ 5,926,906
Cash in other banks	879	152	81
Stocks	6,551,065	6,195,188	5,936,998
Mutual funds	185,512,980	176,915,356	171,263,397
Bonds	26,834,794	24,808,927	23,904,973
Structured products	4,482,417	3,484,049	3,724,430
Beneficial certificates pending settlement	309,026	738,680	47,018
Receivables	-	1	32
Real estate	4,314,416	5,612,113	5,646,962
Securities under custody	344,326,466	263,371,825	246,527,093
	$ 577,086,355	$ 487,593,459	$ 462,977,890

Statements of Income on Trust Accounts
For the Nine Months Ended September 30, 2018 and 2017

	For the Nine Months Ended September 30	
	2018	2017
Revenues		
Interest	$ 13,252	$ 12,137
Cash dividend	5,627,268	4,279,340
Realized capital gain - common stocks	7,932	2,826
Unrealized capital gain - common stocks	20,059	14,374
Unrealized capital gain - funds	-	71
Property gain	2,418,056	2,499,731
Realized capital gain	1,577,205	1,140,397
Revenues from beneficial certificates	4,520	3,886
Revenues from rent for stocks	32	863
Total revenues	9,668,324	7,953,625
Expenses		
Management fees	211,038	177,171
Supervisor fees	45	75
Service fees	93	260
Property loss	3,354,561	2,679,604
Income tax	881	780
Tax expenditures	6,485	5,751
Other expenses	7,051	7,025
Realized capital loss	259,929	76,332
Unrealized capital loss	10,187	5,222
Total expenses	3,850,270	2,952,220
Net income	$ 5,818,054	$ 5,001,405

b. Nature of trust business operations under the Trust Law: Note 1.

44. ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN E.SUN FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Under cooperation arrangements, the Bank and E.SUN Securities shared some equipment and operating sites; thus, related expenses were allocated as follows:

	Bank	E.SUN Securities	Total	Allocation Method
For the nine months ended September 30, 2018				
Broadcasting and security systems	$ 15	$ 15	$ 30	50% each
Others	1,516	1,167	2,683	Utilities - 50% each. Building maintenance fee - based on space actually occupied
	$ 1,531	$ 1,182	$ 2,713	
For the nine months ended September 30, 2017				
Broadcasting and security systems	$ 54	$ 54	$ 108	50% each
Others	579	506	1,085	Utilities - 50% each. Building maintenance fee - based on space actually occupied
	$ 633	$ 560	$ 1,193	

The cross-selling transactions between the Bank and E.SUN Securities were as follows (the amounts below refer to the Bank):

	For the Nine Months Ended September 30	
	2018	2017
Revenue	$ 3,242	$ 4,044
Expense	$ 50,201	$ 74,012

45. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On August 25, 2017, the Bank acquired from non-controlling interests for additional 25% shares of UCB, which increased its continuing interest from 75% to 100%.

The above transaction was accounted for as equity transaction, since the Bank did not cease to have control over the subsidiary.

	UCB
Cash consideration paid	$ 1,221,457
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	(404,619)
Reattribution of other equity from non-controlling interests	
Exchange differences on the translation of the financial statements of foreign operations	12,160
Unrealized gains on available-for-sale financial asset	1,477
Differences arising from equity transaction (reduced retained earnings)	$ 830,475

46. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

For the nine months ended September 30, 2018

			Non-cash Changes		
	Opening Balance	**Cash Inflows (Outflows)**	**Fair Value Adjustment (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)**	**Others**	**Closing Balance**
Bank debentures	$ 36,750,000	$ 3,000,000	$ -	$ -	$ 39,750,000
Long-term borrowings	1,253,949	(895,440)	-	8,433	366,942
Financial liabilities designated as at fair value through profit or loss	37,773,748	5,880,000	(3,485,642)	1,762,896	41,931,002
Guarantee deposits received	396,210	1,577,911	-	-	1,974,121
	$ 76,173,907	$ 9,562,471	$ (3,485,642)	$ 1,771,329	$ 84,022,065

47. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On November 9, 2018, the board of directors resolved to entrust the construction of the branch to Chun Yuan Construction Co., Ltd. in $707,000 thousand which will be used as the branch of the Bank.

On November 9, 2018, the board of directors resolved to purchase the real estate, which is located in the Songshan District of Taipei City from Kindom Construction Corp. with $6,088,000 thousand. The real estate will be used for business operation of the Bank.

To ensure the compliance with the regulation and the effective management of the idle real estates, the board of directors resolved to sell the real estate located in Kaohsiung City via public tender with the minimum price of $303,800 thousand on November 9, 2018.

48. ADDITIONAL DISCLOSURES

a. Significant transactions and b. investees:

1) Financing provided: Not applicable.

2) Endorsement/guarantee provided: Not applicable.

3) Marketable securities held: Not applicable.

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital (the Bank disclosed its investments acquired or disposed of): None.

5) Acquisition of individual real estates at costs of at least NT$300 million or 10% of the paid-in capital: Table 5 (attached).

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

7) Financial asset securitization: None.

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

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

10) Sale of nonperforming loans: None.

11) Other significant transactions which may affect the decisions of users of financial reports: Note 47 to the consolidated financial statements.

12) Related information and proportionate share in investees: Exempt from disclosure.

13) Derivative transactions: Notes 8 and 40 to the consolidated financial statements.

c. Investment in Mainland China:

The information on major operating items, paid-in capital, methods of investment, investment inflows and outflows, proportion of stockholdings, investment income or loss, book value at period-end, the remitted investment profits and the limit on the amount of investment in Mainland China - is shown in Table 6 (attached).

d. Business relationship and significant transactions among the parent company and subsidiaries: Table 7 (attached).

49. OPERATING SEGMENTS

The information reported to the Company's chief operating decision makers for the assessment of segment performance focuses mainly on operation and profitability. The Company's reportable segments are as follows:

a. Corporate Banking Unit, which handles corporate loans, foreign exchange business, and financial banking operations, etc.;

b. Individual Banking Unit, which handles residential mortgage, unsecured personal loans (UPLs), wealth management, and credit cards;

c. Overseas Branches and subsidiaries, including overseas branches and subsidiaries' business; and

d. Others, including the head office and other performance units except for the above operating segments.

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 4. Segment profit is measured at income before income tax, and this measure is reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance. The terms of transactions between segments are similar to those for third parties.

The revenues, expenses and related information of the Company's reportable segments were as follows:

(In Millions of New Taiwan Dollars)

	For the Nine Months Ended September 30, 2018				
	Corporate Banking Unit	**Individual Banking Unit**	**Overseas Branches and Subsidiaries**	**Others**	**Total**
Net interest revenues (expenses)	$ 7,660	$ 10,014	$ 2,763	$ (5,408)	$ 15,029
Total net revenues (expenses)	$ 16,652	$ 17,531	$ 4,504	$ (2,400)	$ 36,287
Bad-debt expenses and provision for losses on commitments and guarantees	(490)	(582)	(488)	(667)	(2,227)
Operating expenses	(3,396)	(9,071)	(1,503)	(4,143)	(18,113)
Income (loss) before income tax	$ 12,766	$ 7,878	$ 2,513	$ (7,210)	$ 15,947

	For the Nine Months Ended September 30, 2017				
	Corporate Banking Unit	**Individual Banking Unit**	**Overseas Branches and Subsidiaries**	**Others**	**Total**
Net interest revenues (expenses)	$ 6,770	$ 9,267	$ 2,203	$ (3,333)	$ 14,907
Total net revenues	$ 13,012	$ 16,087	$ 3,310	$ 1,172	$ 33,581
Bad-debt expenses and provision for losses on guarantees	(597)	(629)	(1,031)	(497)	(2,754)
Operating expenses	(2,929)	(8,260)	(1,411)	(4,903)	(17,503)
Income (loss) before income tax	$ 9,486	$ 7,198	$ 868	$ (4,228)	$ 13,324

TABLE 1

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
SEPTEMBER 30, 2018, DECEMBER 31, 2017 AND SEPTEMBER 30, 2017

Entities included in the consolidated financial statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)			Note
				September 30, 2018	December 31, 2017	September 30, 2017	
E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	China	Banking	100.00	100.00	100.00	
	Union Commercial Bank PLC.	Cambodia	Banking	100.00	100.00	100.00	
	BankPro E-Service Technology Co., Ltd.	Taipei	Information software	61.67	61.67	61.67	
Union Commercial Bank PLC.	URE Land Holding Co., Ltd.	Cambodia	Real estate leasing and management	90.00	90.00	90.00	Note

Entities did not include in the consolidated financial statements

Investor Company	Investee Company	Location	Businesses and Products	Percentage of Ownership (%)			Note
				September 30, 2018	December 31, 2017	September 30, 2017	
None							

Note: Union Commercial Bank PLC. holds a 49% interest in URE Land Holding Co., Ltd. In the Articles of Incorporation of URE Land Holding Co., Ltd., Union Commercial Bank PLC. has power to control the composition of the board of directors and owns at least 90% of economic benefit of URE Land Holding Co., Ltd.; hence, URE Land Holding Co., Ltd. is deemed as a subsidiary of Union Commercial Bank PLC.

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
SEPTEMBER 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

Loans

September 30, 2018

Type	Account Volume or Name	Highest Balance for the Nine Months Ended September 30, 2018 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	123	$ 69,070	$ 50,603	$ 50,603	$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	325	1,709,524	1,510,336	1,510,336	-	Land and buildings	None
Other loans	Others	1,018,727	802,740	802,740	-	Land, buildings and plant	None
Other loans	E.SUN Securities	3,500	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	30,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	12,500	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	17,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	35,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	40,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	40,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	25,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	40,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	20,000	-	-	-	Certificate of deposits	None

(Continued)

September 30, 2017

Type	Account Volume or Name	Highest Balance for the Nine Months Ended September 30, 2017 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	145	$ 82,526	$ 56,480	$ 56,480	$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	309	1,474,330	1,213,897	1,213,897	-	Land and buildings	None
Other loans	Others	1,151,612	854,279	854,279	-	Land, buildings and plant	None
Other loans	E.SUN Securities	28,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	21,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	16,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	31,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	35,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	18,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	14,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	6,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	9,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	3,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	31,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	12,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	6,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	27,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	4,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	35,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	12,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	13,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	7,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	8,500	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	20,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	14,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	15,000	-	-	-	Certificate of deposits	None

Note: The sum of the respective highest balances of each account for the nine months ended September 30, 2018 and 2017.

(Concluded)

TABLE 3

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION ON FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES WITH SIGNIFICANT EFFECT
SEPTEMBER 30, 2018, DECEMBER 31, 2017 AND SEPTEMBER 30, 2017
(In Thousands)

	September 30, 2018			December 31, 2017			September 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									
USD	$ 15,415,831	30.5510	$ 470,969,053	$ 14,560,562	29.8480	$ 434,603,662	$ 14,412,737	30.3050	$ 436,777,995
CNY	12,662,190	4.4413	56,236,584	11,206,307	4.5795	51,319,282	12,327,702	4.5595	56,208,157
AUD	3,023,403	22.0610	66,699,294	1,869,017	23.2610	43,475,204	1,921,213	23.7440	45,617,281
HKD	5,556,764	3.9052	21,700,275	5,487,895	3.8189	20,957,721	5,700,594	3.8796	22,116,024
JPY	39,422,777	0.2694	10,620,496	23,767,972	0.2650	6,298,513	27,185,888	0.2694	7,323,878
EUR	164,861	35.4910	5,851,082	151,976	35.6740	5,421,608	168,435	35.8080	6,031,320
SGD	131,678	22.3540	2,943,530	150,963	22.3310	3,371,155	138,877	22.3290	3,100,985
NZD	15,878	20.1970	320,688	6,331	21.2070	134,262	32,683	21.8470	714,026
GBP	89,742	39.9210	3,582,590	15,364	40.2170	617,894	96,037	40.6120	3,900,255
CHF	3,099	31.3050	97,014	2,597	30.5600	79,364	2,010	31.3070	62,927
ZAR	1,081,992	2.1578	2,334,722	1,571,245	2.4215	3,804,770	496,187	2.2372	1,110,070
CAD	12,879	23.4830	302,438	9,434	23.7780	224,322	26,733	24.3140	649,986
SEK	1,180	3.4472	4,068	8,829	3.6197	31,958	711	3.7201	2,645
THB	40,210	0.9447	37,986	70,996	0.9157	65,011	51,593	0.9098	46,939
MXN	2,074	1.6243	3,369	23,149	1.5151	35,073	5,194	1.6605	8,625
VND	372,444,285	0.0013	484,178	534,225,677	0.0013	694,493	358,554,887	0.0013	466,121
MMK	6,042,890	0.0196	118,441	7,194,410	0.0219	157,558	4,525,858	0.0222	100,474
Financial liabilities									
USD	22,106,699	30.5510	675,381,761	19,832,468	29.8480	591,959,512	19,600,142	30.3050	593,982,303
CNY	17,662,817	4.4413	78,445,869	15,778,691	4.5795	72,258,515	15,165,643	4.5595	69,147,749
AUD	1,898,877	22.0610	41,891,125	1,290,870	23.2610	30,026,927	1,234,488	23.7440	29,311,683
HKD	2,507,639	3.9052	9,792,832	3,558,981	3.8189	13,591,392	3,382,339	3.8796	13,122,122
JPY	60,842,457	0.2694	16,390,958	58,914,811	0.2650	15,612,425	56,356,216	0.2694	15,182,365
EUR	223,186	35.4910	7,921,094	197,925	35.6740	7,060,792	246,442	35.8080	8,824,595
SGD	29,715	22.3540	664,249	57,243	22.3310	1,278,293	52,038	22.3290	1,161,957
NZD	218,705	20.1970	4,417,185	187,956	21.2070	3,985,983	227,236	21.8470	4,964,425
GBP	89,486	39.9210	3,572,371	55,567	40.2170	2,234,738	108,782	40.6120	4,417,855
CHF	4,933	31.3050	154,428	5,846	30.5600	178,654	9,244	31.3070	289,402
ZAR	3,202,485	2.1578	6,910,322	2,827,578	2.4215	6,846,980	3,548,682	2.2372	7,939,111
CAD	73,535	23.4830	1,726,822	71,724	23.7780	1,705,453	89,680	24.3140	2,180,480
SEK	38,924	3.4472	134,179	13,279	3.6197	48,066	13,460	3.7201	50,073
THB	21,960	0.9447	20,746	23,919	0.9157	21,903	43,683	0.9098	39,743
MXN	31,488	1.6243	51,146	39,970	1.5151	60,559	18,020	1.6605	29,922
VND	378,370,739	0.0013	491,882	551,006,738	0.0013	716,309	363,891,132	0.0013	473,058
MMK	6,002,402	0.0196	117,647	3,175,037	0.0219	69,533	2,488,955	0.0222	55,255

E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
SEPTEMBER 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)

Period			September 30, 2018					September 30, 2017				
Items			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 777,533	$ 328,487,284	0.24	$ 3,710,695	477.24	$ 860,031	$ 293,577,373	0.29	$ 3,230,250	375.60
	Unsecured		296,880	326,030,382	0.09	3,836,461	1,292.26	244,853	312,268,979	0.08	3,676,343	1,501.45
Consumer banking	Residential mortgage (Note 4)		738,084	309,146,601	0.24	4,485,947	607.78	547,289	284,449,991	0.19	4,076,978	744.94
	Cash card		51	2,236	2.28	947	1,856.86	85	2,967	2.86	1,255	1,476.47
	Small-scale credit loans (Note 5)		607,714	100,985,799	0.60	1,204,261	198.16	534,351	96,733,618	0.55	1,137,519	212.88
	Other (Note 6)	Secured	655,735	218,263,314	0.30	2,269,226	346.06	684,217	199,702,040	0.34	2,044,229	298.77
		Unsecured	29,233	4,947,300	0.59	52,852	180.80	44,595	7,004,007	0.64	75,528	169.36
Loan			3,105,230	1,287,862,916	0.24	15,560,389	501.10	2,915,421	1,193,738,975	0.24	14,242,102	488.51
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards			148,480	65,240,682	0.23	981,167	660.81	149,976	60,732,883	0.25	1,032,647	688.54
Accounts receivable factored without recourse (Note 7)			-	12,830,927	-	168,163	-	-	13,884,758	-	179,009	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			14,279					18,884				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			60,765					74,533				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			1,163,061					1,104,460				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			1,428,590					1,290,389				

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

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

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

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

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts and exclude credit cards and cash cards.

Note 6: Other consumers' banking loans refer to secured or unsecured loans that exclude residential mortgage, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), accounts receivable factored without recourse are reported as nonperforming receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: Amounts of executed contracts on negotiated debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9: Amounts of executed debt-restructuring projects not reported as nonperforming loans or receivables are disclosed to the public in accordance with the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

TABLE 5

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Property	Transaction Date	Transaction Amount	Payment Term/ Payment Status	Counterparty	Nature of Relationship	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Union Commercial Bank Plc.	Construction of new building for the operation of UCB's head office	2014.12.18 2018.07.04	US$ 23,834 thousand (Note 1)	US$20,268 thousand has been paid as of September 30, 2018	LBL International	-	-	-	-	$ -	Negotiation	For the operation of UCB's head office	None
E.SUN Commercial Bank, Ltd.	Construction of new building for Yiwen branch of E.SUN Commercial Bank, Ltd.	2015.06.12 2017.11.28	$ 402,195 (Note 2)	$402,195 has been paid as of September 30, 2018	Zhonglu Construction Co., Ltd., Mr. Lee, Mr. Lee	-	-	-	-	-	Appraisal	The new branch had been officially opened	None
	Construction of new building for Wen Hsin Branch of E.SUN Commercial Bank, Ltd.	2017.11.01 2018.09.21	421,380 (Note 3)	$421,380 has been paid as of September 30, 2018	Chuan Mu Construction Development Inc.	-	-	-	-	-	Appraisal	For relocating the branch of E.SUN Bank	None

Note 1: The initial transaction amount was US$21,835 thousand and additional decoration amount of US$1,999 thousand.

Note 2: The initial transaction amount was $410,800 thousand and $8,605 thousand was decreased due to the adjustments of actual construction area.

Note 3: The initial transaction amount was $416,000 thousand and $5,380 thousand was increased due to the adjustments of actual construction area.

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2018	% Ownership of Direct or Indirect Investment	Investment Loss	Carrying Value as of September 30, 2018	Accumulated Inward Remittance of Earnings as of September 30, 2018
					Outflow	Inflow					
E.SUN Bank (China), Ltd.	Deposits, loans, import and export, exchange and foreign exchange business	$ 9,758,742 (Note 1)	Direct	$ 9,758,742	$ -	$ -	$ 9,758,742 (Note 1)	100	$ (15,506)	$ 8,857,487	$ -

Accumulated Investment in Mainland China as of September 30, 2018	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
$9,758,742 (Note 1)	$9,758,742 (Note 1)	$92,843,856

Note 1: Translation into New Taiwan dollars at the spot rates on the dates of investment outflow from Taiwan.

Note 2: Based on the Investment Commission’s “Regulation on the Examination of Investment or Technical Cooperation in Mainland China,” investments are limited to larger of 60 % of the Bank’s net assets value or 60% of the Company’s consolidated net assets value.

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counterparty	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Discounts and loans	$ 2,755,550	Note 4	0.13
1	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Other financial liabilities	2,755,550	Note 4	0.13
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Due from the Central Bank and call loans to other banks	7,381,488	Note 4	0.34
2	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Due to the Central Bank and other banks	7,381,488	Note 4	0.34
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Interest revenues	167,737	Note 4	0.46
2	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Interest expenses	167,737	Note 4	0.46

Note 1: The parent company and subsidiaries are numbered as follows:

a. Parent company: 0.
b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

a. From parent company to subsidiary,
b. From subsidiary to parent company, and
c. Between subsidiaries.

Note 3: For calculating the percentages, asset or liability account is divided by the total consolidated assets and the revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: The terms for the transactions between the Company and related parties are similar to those for unrelated parties.

Note 5: Referring to transactions exceeding $100,000 thousand.