Bank SinoPac and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2018 and 2017 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholder
Bank SinoPac

Introduction

We have reviewed the accompanying consolidated balance sheets of Bank SinoPac and its subsidiaries (collectively referred to as the Group) as of March 31, 2018 and 2017 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2018 and 2017 and related notes, 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 Issuers, the guidelines issued by the authority, 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 financial position of the Group as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 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 Issuers, the guidelines issued by the authority, 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 Yi-Chun Wu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 11, 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.

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2018 (Reviewed)		December 31, 2017 (Audited)		March 31, 2017 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS, NET (Notes 4, 6 and 45)	$ 22,420,104	1	$ 24,285,350	2	$ 16,145,407	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS, NET (Notes 7 and 45)	104,426,869	7	95,212,951	7	113,118,233	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 3, 4, 8, 45 and 53)	70,967,134	5	70,614,543	5	65,168,354	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 3, 4, 9 and 45)	232,449,846	16	-	-	-	-
INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST (Notes 3, 4, 10 and 46)	75,468,070	5	-	-	-	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4, 12 and 45)	26,968,289	2	23,553,031	2	8,254,417	1
RECEIVABLES, NET (Notes 4, 5, 13, 45, 46 and 53)	45,733,435	3	43,554,742	3	37,157,845	2
CURRENT TAX ASSETS (Notes 4, 32 and 45)	1,320,460	-	1,411,200	-	1,300,139	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14, 45 and 46)	857,655,634	59	865,990,024	60	912,572,724	61
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 15, 16, 45, 46 and 51)	-	-	227,095,308	16	231,330,253	16
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 16, 46 and 51)	-	-	56,607,945	4	73,337,409	5
INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (Notes 4 and 17)	-	-	-	-	49,670	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 18, 45 and 46)	8,461,700	1	7,253,176	-	15,286,250	1
PROPERTY AND EQUIPMENT, NET (Notes 4, 19 and 45)	9,300,725	1	8,977,002	1	9,111,085	1
INVESTMENT PROPERTY, NET (Notes 4 and 20)	1,204,412	-	1,207,472	-	1,222,624	-
INTANGIBLE ASSETS, NET (Notes 4, 5, 21 and 45)	1,321,161	-	1,326,360	-	1,822,435	-
DEFERRED TAX ASSETS (Notes 3, 4 and 32)	1,700,705	-	1,740,819	-	2,487,916	-
OTHER ASSETS, NET (Notes 4, 22 and 45)	4,236,669	-	4,378,478	-	3,259,390	-
TOTAL	$ 1,463,635,213	100	$ 1,433,208,401	100	$ 1,491,624,151	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 23 and 45)	$ 43,338,439	3	$ 29,620,926	2	$ 53,843,732	4
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 3, 8 and 45)	19,642,766	1	20,313,456	1	16,047,586	1
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 11)	-	-	-	-	13,831	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 8, 9, 10, 12, 15, 16, 24 and 45)	25,010,675	2	26,178,808	2	3,447,547	-
PAYABLES (Notes 25, 30, 41 and 45)	14,662,555	1	16,576,461	1	14,390,621	1
CURRENT TAX LIABILITIES (Notes 4, 32 and 45)	762,732	-	551,657	-	649,532	-
DEPOSITS AND REMITTANCES (Notes 26 and 45)	1,172,354,645	80	1,154,487,183	81	1,217,996,164	82
BANK DEBENTURES (Notes 4, 27 and 45)	38,570,586	3	39,569,669	3	44,028,822	3
OTHER FINANCIAL LIABILITIES (Notes 28 and 45)	12,977,318	1	12,256,417	1	14,168,117	1
PROVISIONS (Notes 3, 4, 29 and 30)	2,953,424	-	2,710,860	-	2,784,215	-
DEFERRED TAX LIABILITIES (Notes 4 and 32)	761,261	-	747,389	-	901,448	-
OTHER LIABILITIES (Notes 31 and 45)	5,233,676	-	5,193,246	-	1,861,463	-
Total liabilities	1,336,268,077	91	1,308,206,072	91	1,370,133,078	92
EQUITY						
Share capital						
Common shares	86,061,159	6	86,061,159	6	83,954,571	5
Capital surplus						
Additional paid-in capital in excess of par	4,001,872	-	4,001,872	-	4,001,872	-
Capital surplus from business combination	8,076,524	1	8,076,524	1	8,076,524	1
Others	69,244	-	69,244	-	69,244	-
Total capital surplus	12,147,640	1	12,147,640	1	12,147,640	1
Retained earnings						
Legal reserve	18,712,695	1	18,712,695	1	16,656,395	1
Special reserve	457,565	-	457,565	-	266,120	-
Unappropriated earnings	9,599,560	1	7,789,078	1	9,158,974	1
Total retained earnings	28,769,820	2	26,959,338	2	26,081,489	2
Other equity	388,517	-	(165,808)	-	(692,627)	-
Total equity	127,367,136	9	125,002,329	9	121,491,073	8
TOTAL	$ 1,463,635,213	100	$ 1,433,208,401	100	$ 1,491,624,151	100

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

BANK SINOPAC 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 March 31			
	2018		2017	
	Amount	%	Amount	%
INTEREST REVENUE	$ 6,311,536	108	$ 6,279,465	104
INTEREST EXPENSE	(2,703,115)	(46)	(2,605,299)	(43)
NET INTEREST (Notes 4, 34 and 45)	3,608,421	62	3,674,166	61
NET REVENUES OTHER THAN INTEREST (Note 4)				
Commission and fee revenues, net (Notes 35 and 45)	1,584,077	27	1,412,845	23
Gains on financial assets and liabilities at fair value through profit or loss (Notes 36 and 45)	376,895	6	474,905	8
Realized gains on available-for-sale financial assets (Note 37)	-	-	2,048	-
Realized losses on financial assets at fair value through other comprehensive income (Note 38)	(3,653)	-	-	-
Foreign exchange gains, net	218,131	4	421,755	7
Reversal of impairment loss on assets (Notes 5 and 39)	1,175	-	21,845	-
Share of losses of associates (Note 17)	-	-	(1,667)	-
Other noninterest net revenues (Notes 40 and 45)	43,978	1	56,366	1
Total net revenues other than interest	2,220,603	38	2,388,097	39
TOTAL NET REVENUES	5,829,024	100	6,062,263	100
ALLOWANCE FOR DOUBTFUL ACCOUNTS AND GUARANTEES (Notes 4, 5, 6, 7, 13, 14, 18 and 22)	33,098	1	103,321	2
OPERATING EXPENSES				
Employee benefits (Notes 4, 29, 41 and 45)	(2,031,771)	(35)	(2,155,809)	(36)
Depreciation and amortization (Notes 4 and 42)	(148,974)	(2)	(177,311)	(3)
Others (Notes 43 and 45)	(1,099,005)	(19)	(1,122,423)	(18)
Total operating expenses	(3,279,750)	(56)	(3,455,543)	(57)
INCOME BEFORE INCOME TAX	2,582,372	45	2,710,041	45
INCOME TAX EXPENSE (Notes 4 and 32)	(455,406)	(8)	(405,400)	(7)
NET INCOME	2,126,966	37	2,304,641	38

(Continued)

BANK SINOPAC 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 March 31			
	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation losses on investments in equity instruments measured at fair value through other comprehensive income	$ (47,662)	(1)	$ -	-
Change in fair value of financial liability attributable to changes in the credit risk of liabilities	5,033	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 32)	4,192	-	-	-
Items that will not be reclassified subsequently to profit or loss	(38,437)	(1)	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(253,766)	(4)	(1,131,052)	(19)
Unrealized gains on available-for-sale financial assets	-	-	404,951	7
Losses from investments in debt instruments measured at fair value through other comprehensive income	(87,597)	(2)	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 32)	49,971	1	190,628	3
Items that may be reclassified subsequently to profit or loss	(291,392)	(5)	(535,473)	(9)
Other comprehensive loss for the period, net of income tax	(329,829)	(6)	(535,473)	(9)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 1,797,137	31	$ 1,769,168	29
EARNINGS PER SHARE (Note 44)				
Basic	$ 0.25		$ 0.27	

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

BANK SINOPAC AND SUBSIDIARIES

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

			Retained Earnings (Note 33)				Other Equity (Note 33)					
	Common Shares (Note 33)	Capital Surplus (Note 33)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Changes in the Credit Risk of Liabilities	Total	Total Equity
BALANCE AT JANUARY 1, 2017	$ 83,954,571	$ 12,147,640	$ 16,656,395	$ 266,120	$ 6,854,333	$ 23,776,848	$ 651,532	$ (808,686)	$ -	$ -	$ (157,154)	$ 119,721,905
Net profit for the three months ended March 31, 2017	-	-	-	-	2,304,641	2,304,641	-	-	-	-	-	2,304,641
Other comprehensive (loss) income for the three months ended March 31, 2017, net of income tax	-	-	-	-	-	-	(938,773)	403,300	-	-	(535,473)	(535,473)
Total comprehensive (loss) income for the three months ended March 31, 2017	-	-	-	-	2,304,641	2,304,641	(938,773)	403,300	-	-	(535,473)	1,769,168
BALANCE AT MARCH 31, 2017	$ 83,954,571	$ 12,147,640	$ 16,656,395	$ 266,120	$ 9,158,974	$ 26,081,489	$ (287,241)	$ (405,386)	$ -	$ -	$ (692,627)	$ 121,491,073
BALANCE AT JANUARY 1, 2018	$ 86,061,159	$ 12,147,640	$ 18,712,695	$ 457,565	$ 7,789,078	$ 26,959,338	$ (9,348)	$ (136,290)	$ -	$ (20,170)	$ (165,808)	$ 125,002,329
Effect of retrospective application and retrospective restatement	-	-	-	-	(326,627)	(326,627)	-	136,290	758,007	-	894,297	567,670
BALANCE AT JANUARY 1, 2018 AS RESTATED	86,061,159	12,147,640	18,712,695	457,565	7,462,451	26,632,711	(9,348)	-	758,007	(20,170)	728,489	125,569,999
Net profit for the three months ended March 31, 2018	-	-	-	-	2,126,966	2,126,966	-	-	-	-	-	2,126,966
Other comprehensive (loss) income for the three months ended March 31, 2018, net of income tax	-	-	-	-	10,143	10,143	(202,378)	-	(142,627)	5,033	(339,972)	(329,829)
Total comprehensive (loss) income for the three months ended March 31, 2018	-	-	-	-	2,137,109	2,137,109	(202,378)	-	(142,627)	5,033	(339,972)	1,797,137
BALANCE AT MARCH 31, 2018	$ 86,061,159	$ 12,147,640	$ 18,712,695	$ 457,565	$ 9,599,560	$ 28,769,820	$ (211,726)	$ -	$ 615,380	$ (15,137)	$ 388,517	$ 127,367,136

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

BANK SINOPAC AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,582,372	$ 2,710,041
Adjustments to reconcile profit:		
Depreciation expenses	110,651	117,437
Amortization expenses	38,323	59,874
Allowance for doubtful accounts	105,785	66,832
Interest expenses	2,703,115	2,605,299
Interest revenues	(6,311,536)	(6,279,465)
Dividend revenues	-	(13,827)
Net change in provisions for guarantee liabilities	35,413	1,239
Net change in other provisions	(39,688)	(1,053)
Share of losses of associates	-	1,667
Losses on disposal or retirement of property and equipment	3,005	642
Losses (gains) on disposal of investments	3,653	(87)
Reversal of impairment loss on financial assets	(1,175)	(21,845)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to other banks	(1,321,911)	15,355,580
Increase in financial assets at fair value through profit or loss	(348,237)	(5,787,147)
Increase in financial assets at fair value through other comprehensive income	(27,444,055)	-
Decrease in investments in debt instruments at amortized cost	5,422,946	-
Decrease in securities purchased under resell agreements	993	-
Increase in receivables	(2,586,288)	(1,927,644)
Decrease (increase) in discounts and loans	8,277,071	(23,362,945)
Increase in other financial assets	(2,624,848)	(1,817,692)
Decrease (increase) in other assets	136,662	(936,709)
Increase in deposits from the Central Bank and banks	13,717,513	23,989,081
Decrease in financial liabilities at fair value through profit or loss	(665,657)	(5,037,158)
(Decrease) increase in securities sold under repurchase agreements	(1,168,133)	1,610,746
Decrease in payables	(1,569,872)	(1,047,121)
Increase (decrease) in deposits and remittances	17,867,462	(35,229,965)
Increase in other financial liabilities	720,901	1,798,258
Decrease in provisions for employee benefits	(57,681)	(57,389)
Increase (decrease) in other liabilities	40,430	(152,862)
Net cash generated from (used in) operations	7,627,214	(33,356,213)
Interest received	6,263,135	6,543,586
Dividend received	-	8,616
Interest paid	(2,606,710)	(2,511,436)
Income tax paid	(76,375)	(69,181)
Net cash generated from (used in) operating activities	11,207,264	(29,384,628)

(Continued)

BANK SINOPAC AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2018	**2017**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	$ -	$(504,253,663)
Proceeds from disposal of available-for-sale financial assets	-	507,573,937
Acquisition of held-to-maturity financial assets	-	(4,254,993)
Proceeds from repayments of held-to-maturity financial assets	-	8,837,123
Acquisition of unquoted equity instruments	-	(6,630)
Acquisition of property and equipment	(446,051)	(90,139)
Proceeds from disposal of property and equipment	116	-
Acquisition of intangible assets	(25,734)	(18,453)
Acquisition of investment properties	(776)	(221)
Net cash (used in) generate from investing activities	(472,445)	7,786,961
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank debentures issued	-	2,250,000
Repayment of bank debentures on maturity	(1,000,000)	-
Net cash (used in) generated from financing activities	(1,000,000)	2,250,000
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(299,713)	(347,289)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,435,106	(19,694,956)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	111,364,388	122,557,609
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 120,799,494	$ 102,862,653

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

	March 31	
	2018	**2017**
Cash and cash equivalents in consolidated balance sheets	$ 22,420,104	$ 16,145,407
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 "Statements of Cash Flow"	71,411,101	78,462,829
Securities purchased under agreement to resell reclassified as cash and cash equivalents under IAS 7 "Statements of Cash Flow"	26,968,289	8,254,417
Cash and cash equivalents in consolidated statements of cash flows	$ 120,799,494	$ 102,862,653

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION

August 8, 1991	Bank SinoPac (the Bank) obtained government approval to incorporate.
January 28, 1992	The Bank started operations.
May 9, 2002	The Bank swap shares with SinoPac Securities Corporation and SinoPac Securities Co., Ltd. (the SPS) to establish SinoPac Financial Holdings Company Limited (the SPH), a financial holding company, resulting in the Bank becoming an unlisted wholly owned subsidiary of SPH, the ultimate parent company of SPH.
December 26, 2005	SPH finished the merger with International Bank of Taipei Co., Ltd. (IBT), through a 100% share swap.
May 8, 2006	The board of directors of IBT resolved to transfer credit card business and related assets and liabilities to SinoPac Card Services Co., Ltd. (SinoPac Card). The transaction has been approved by the authorities on June 22, 2006 and the assets have been transferred at the book value of $5,171,080 on August 4, 2006.
November 13, 2006	The preliminary effective date of the share swap and merger. The Bank acquired the assets and liabilities of IBT through a share swap at ratio of 1.175 shares of the Bank to swap for 1 share of IBT.
June 1, 2009	The Bank’s cash merger with SinoPac Card took effect, with this merger amounting to $3,873,675. Under this merger, the Bank was the surviving entity.
November 1, 2015	The Bank assumed all of the assets and liabilities of the Ho Chi Minh City Branch of Far East National Bank and renamed this branch Bank SinoPac, Ho Chi Minh City Branch. The transaction price was US$28,540 thousand.

The Bank’s ultimate parent and controller is SinoPac Holdings, which holds 100% common shares of the Bank.

The functional currency of the Bank is the New Taiwan dollar. The financial statements are presented in New Taiwan dollars.

For the information on consolidated entities, please refer to Note 4.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on May 11, 2018.

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

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

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

IFRS 9 "Financial Instruments" and related amendment

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.

The requirements for classification, measurement and impairment of financial assets have been applied retrospectively from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized at December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2017, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets as at January 1, 2017.

	IAS 39		IFRS 9	
Financial Assets	**Measurement Category**	**Carrying Amount**	**Measurement Category**	**Carrying Amount**
Financial assets at FVTPL	Fair value through profit or loss	$ 70,614,543	Fair value through profit or loss	$ 70,614,543
Receivables	Amortized cost	43,554,742	Amortized cost	43,553,488
Discounts and loans	Amortized cost	865,990,024	Amortized cost	865,978,856
Available-for-sale financial assets	Fair value through other comprehensive income	227,095,308	Fair value through profit or loss	4,354
			Fair value through other comprehensive income	202,956,386
			Amortized cost	24,097,487
Held-to-maturity financial assets	Amortized cost	56,607,945	Amortized cost	56,644,369
Other financial assets				
Unquoted equity instruments	Measured at cost	348,570	Fair value through other comprehensive income	1,271,556
Debt instruments without active market	Amortized cost	1,064,900	Fair value through other comprehensive income	915,312
			Amortized cost	149,287
Others	Amortized cost	3,667,418	Amortized cost	3,667,313

	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifications	Remeasurements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Financial Assets at FVTPL	$ 70,614,543			$ 70,614,543			
Add: From available-for-sale (IAS 39)		$ 4,354	$ -	4,354	$ 414	$ (414)	Note 1
	70,614,543	4,354	-	70,618,897	414	(414)	
FVTOCI							
Debt instruments							
Add: From available-for-sale (IAS 39)		202,885,156	-	202,885,156	(30,997)	30,997	Note 2
Add: From amortized cost - debt investments without active market (IAS 39)		915,613	(301)	915,312	(273)	(28)	Note 3
Equity instruments							
Add: From available-for-sale (IAS 39)		71,230	-	71,230			
Add: From unquoted equity instruments (IAS 39)		348,570	922,986	1,271,556	28,226	857,285	Note 4
	-	204,220,569	922,685	205,143,254	(3,044)	888,254	
Amortized cost							
Add: From available-for-sale (IAS 39)		24,134,568	(37,081)	24,097,487	(6,913)	(30,168)	Note 5
Add: From amortized cost - held-to-maturity (IAS 39)		56,607,945	36,424	56,644,369	(201)	36,625	Note 6
Add: From amortized cost - debt investments without active market (IAS 39)		149,287	-	149,287			
	-	80,891,800	(657)	80,891,143	(7,114)	6,457	
Receivables	43,554,742	-	(1,254)	43,553,488	(1,118)	-	Note 7
Discounts and loans	865,990,024	-	(11,168)	865,978,856	(9,269)	-	Note 7
Other financial assets	5,080,888		(105)	5,080,783	(88)		Note 7
Deduct: To amortized cost (IFRS 9)		(149,287)	-	(149,287)			
Deduct: To FVTOCI - debt instruments (IFRS 9)		(915,613)	-	(915,613)			
Deduct: To FVTOCI - equity instruments (IFRS 9)		(348,570)	-	(348,570)			
	$ 5,080,888	$ 1,413,470	$ (105)	$ 80,891,143	$ (88)	$ -	

Note 1: Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in a decrease of $414 in other equity - unrealized gain (loss) on available-for-sale financial assets and an increase of $414 in retained earnings on January 1, 2018.

Note 2: Debt investments previously classified as available-for-sale under IAS 39 were classified as fair value through other comprehensive income 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 and sell financial assets. The resulting adjustment is a decrease in retained earnings of $30,997 and an increase of $30,997 in other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

Note 3: Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as measured 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 and sell financial assets. The resulting adjustment is a decrease in retained earnings of $273 and a decrease of $28 in other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

Note 4: The Group 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 an increase of $857,285 in other equity - unrealized gain (loss) on financial assets at FVTOCI, an increase of $28,226 in retained earnings and an increase of $37,475 in deferred tax liabilities on January 1, 2018.

Note 5: Bank debentures and corporate bonds previously classified as at available-for-sale under IAS 39 were classified as measured 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. The resulting adjustment is a decrease in retained earnings of $6,913 and a decrease of $30,168 in other equity - unrealized gain (loss) on available-for-sale financial assets on January 1, 2018.

Note 6: Debt investments previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 were classified as measured 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. The resulting adjustment is an increase in loss allowance of $201 and a decrease of $201 in retained earnings on January 1, 2018.

The Bank reclassified available-for-sale financial assets into held-to-maturity financial assets on September 25, 2013 (Note 51). The carrying value of these financial assets after reclassification is the fair value at the date of reclassification and the effective interest rate was recalculated based on residual period to amortize premium and discount. Unrealized gain or loss on available-for-sale financial assets accumulated in other equity before reclassification are amortized as gain or loss using the effective interest rate recalculated on January 1, 2018. The remaining financial assets are classified as measured at amortized cost under IAS 39 and the carrying amount is measured at amortized cost by original effective interest rate. Therefore, the difference between the abovementioned amortized cost and the amortized cost after IAS 39 reclassification was adjusted and the effect was an increase of $36,625 in other equity - unrealized gain (loss) on financial assets at FVTOCI.

Note 7: Receivables, discounts and loans and other financial assets - others that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application of IFRS 9, the adjustments to receivables comprised an increase in the loss allowance of receivables of $1,254, an increase in deferred tax assets of $136, and a decrease in retained earnings of $1,118 on January 1, 2018; the adjustments to discounts and loans comprised an increase of $11,168 in allowance for credit loss of discounts and loans, a decrease of $1,899 in deferred tax liabilities, and a decrease in retained earnings of $9,269 on January 1, 2018; and the adjustments to other financial assets comprised an increase of $105 in allowance for credit loss of other financial assets - others, an increase of $17 in deferred tax assets, and a decrease in retained earnings of $88 on January 1, 2018.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
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 16 "Leases"	January 1, 2019 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

Note 2: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

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

IFRS 16 "Leases"

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

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the authority, and International Accounting Standard 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in the consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, and properties and equipment that are chosen the deemed cost as exemptions by IFRS 1 through the Regulations Governing the Preparation of Financial Reports by Public Banks on the IFRS transition date. Historical cost is generally based on the fair value of the consideration given in exchange for 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:

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

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

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

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the Banking industry cannot be reasonably identified, the accounts included in the Group's consolidated financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 49 for the maturity analysis of assets and liabilities.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (i.e., its subsidiaries). Control is achieved when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Bank.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation; for related information please refer to Table 3.

The consolidated entities were as follows:

Investor	Investee	Main Business	% of Ownership March 31, 2018	% of Ownership December 31, 2017	% of Ownership March 31, 2017	Remark
Bank SinoPac	SinoPac Bancorp	Holding company	-	-	100	Note 1
	SinoPac Capital Limited	Credit and investment service	100	100	100	Note 2
	SinoPac Life Insurance Agent Co., Ltd.	Life insurance agent	100	100	100	Note 3
	SinoPac Property Insurance Agent Co., Ltd.	Property insurance agent	100	100	100	Note 3
	Bank SinoPac (China) Ltd.	Commercial bank	100	100	100	
	SinoPac Insurance Brokers Ltd.	Insurance service	100	100	100	Note 2
SinoPac Bancorp	Far East National Bank	Commercial bank	-	-	100	Note 1
SinoPac Capital Limited	SinoPac Capital (B.V.I.) Ltd.	Financial advisory	100	100	100	Note 2
SinoPac Capital (B.V.I.) Ltd.	RSP Information Service Company Limited	General trading and internet service	100	100	100	Note 2

Note 1: The board of directors of the Bank approved to sell 100% equity of SinoPac Bancorp on July 8, 2016. The case was approved by the FSC on July 6, 2017, and the settlement was completed on July 14, 2017 (US time). For relevant information, please refer to Note 53.

Note 2: To adjust the investment structure of parent-group, the board of directors of the Bank approved the purchase of 100% shares of SinoPac Insurance Brokers Ltd., a subsidiary of SinoPac Capital Limited. The board of directors of the Bank also used the book value of SinoPac Insurance Brokers Ltd. shares on the day before the date of the transfer as the transfer price. The board of the Bank also resolved to transfer 100% shares of RSP Information Service Company Limited, a subsidiary of SinoPac Capital (B.V.I.) Ltd. to SinoPac Venture Capital Co., Ltd. Upon completion of the transfer, SinoPac Capital (B.V.I.) Ltd. will be under the liquidation process. The Bank obtained 100% equity of SinoPac Insurance Broker Ltd., on November 1, 2017.

Note 3: Under legal permission, a bank may also operate within the insurance industry. The board of directors of the Bank has planned to apply for the qualification to operate as an insurance agency and for the rights to merge, through 100% shareholdings, SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd., which are both subsidiaries of the Bank. After the merger, the Bank will be the surviving company, and the two subsidiaries will be liquidated, and hence the Bank can achieve the integration of resources, reduced operating costs and improved operational efficiency.

Other Significant Accounting Policies

Please refer to the Group's consolidated financial statements for the year ended December 31, 2017 for the significant accounting policies, except for those described below.

a. Financial instruments

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

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

1) Financial assets

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.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

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. Fair value is determined in the manner described in Note 48.

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, receivables and discount 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.

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

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 Group 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 Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

<u>2017</u>

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are either held for trading or designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss 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 has performance evaluated on a fair value basis in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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 fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 48.

ii. Available-for-sale financial assets

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

Fair value is determined in the manner described in Note 48.

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

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

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

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

iii. Held-to-maturity investments

Corporate bonds and government bonds, which are above certain credit ratings and on which the Group has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

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

iv. Loans and receivables

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

b) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for trade receivables. For all other financial instruments, the Group 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 Group 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. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 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.

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

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" (the Regulations), the Group evaluates credit losses on the basis of the estimated collectability of loans. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mention, assets with substandard credit quality, assets with doubtful collectability, and assets on which there is loss. The Group evaluates the value of collaterals of specified loans and assesses recoverability of nonperforming loans.

Based on the above Regulations, the minimum allowance for credit losses and provision for losses on guarantees for assets that are normal excluding claims against the ROC government agencies that require special mention, assets that are substandard, assets with doubtful collectability, and assets on which there is loss were 1%, 2%, 10%, 50% and 100%, respectively of outstanding balance. In addition, under the Financial Supervisory Commission (FSC) Official Letter No. 10010006830, there should be a provision of more than 1% of the sum of the minimum allowance for credit losses and the provision for losses on guarantees.

For enhanced risk management of banks, the FSC issued Official Letter No. 10300329440, which requires domestic banks to provide an allowance of at least 1.5% of repair loans and construction loans. In addition, under the FSC Official Letter No. 10410001840, Category 1 credits granted to enterprises in the China region should be covered by an allowance of at least 1.5% of the balance of these credits.

According to “Administrative Measures for the Loan Loss Reserves of Commercial Banks” issued by China Banking Regulatory Commission, SinoPac (China) has to meet the higher of two regulatory standards of loan loss reserves of commercial banks, which are 2.5% of loan or 150% of nonperforming loan.

2017

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 the financial asset, the estimated future cash flows of the investment have been affected.

In determining the allowance for credit losses and provision for losses on guarantees, the Group assesses the collectability of discounts and loans, receivables, and other financial assets, as well as guarantees and acceptances as of the balance sheet date.

Loans and receivables are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the discounts and loans, receivables, and other 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 debtor;

ii. The discounts and loans, receivables, and other financial assets are becoming overdue; or

iii. Probability that the debtor will enter into bankruptcy or undergo financial reorganization.

Discounts and loans, receivables, and other financial assets that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of discounts and loans, receivables, and other financial assets could include the Group’s past experience in debtors not making 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 amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, after taking into account the related collaterals and guarantees, discounted at the original effective interest rates. The carrying amount of the discounts and loans, receivables, and other financial assets is reduced through the use of an allowance account.

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans” (the Regulations), the Group evaluates credit losses on the basis of the estimated collectability of loans. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mention, assets with substandard credit quality, assets with doubtful collectability, and assets on which there is loss. The Group evaluates the value of collaterals of specified loans and assesses recoverability of nonperforming loans.

Based on the above Regulations, the minimum allowance for credit losses and provision for losses on guarantees for assets that are normal excluding claims against the ROC government agencies that require special mention, assets that are substandard, assets with doubtful collectability, and assets on which there is loss were 1%, 2%, 10%, 50% and 100%, respectively of outstanding balance. In addition, under the Financial Supervisory Commission (FSC)

Official Letter No. 10010006830, there should be a provision of more than 1% of the sum of the minimum allowance for credit losses and the provision for losses on guarantees.

For enhanced risk management of banks, the FSC issued Official Letter No. 10300329440, which requires domestic banks to provide an allowance of at least 1.5% of repair loans and construction loans. In addition, under the FSC Official Letter No. 10410001840, Category 1 credits granted to enterprises in the China region should be covered by an allowance of at least 1.5% of the balance of these credits.

According to "Administrative Measures for the Loan Loss Reserves of Commercial Banks" issued by China Banking Regulatory Commission, SinoPac (China) has to meet the higher of two regulatory standards of loan loss reserves of commercial banks, which are 2.5% of loan or 150% of nonperforming loan.

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

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

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

For financial assets that are carried at cost, the amount of 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. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced through the use of an allowance account, accumulated impairment account, or direct deduction in book value. When those financial assets are considered uncollectable, they are written off against the allowance account or accumulated impairment account. Subsequent recoveries of amounts previously written off are debited against the bad debt expense or credited against the allowance account in accordance with Criteria Governing the Preparation of Financial Reports by Public Banks.

c) Derecognition of financial assets

The Group 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.

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 a debt instrument at FVTOCI 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 that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of an equity instrument at FVTOCI in its entirety, cumulative gain or loss is transferred directly to retained earnings instead of reclassifying to profit or loss.

2) Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Equity and debt instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

a) Subsequent measurement

Except the following situation, 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 is designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 48.

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

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

ii) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the 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 combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in 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 Group, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit loss or the amount initially recognized less accumulated amortization.

2017

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are measured at the amount initially recognized less accumulated amortization. However, if it is assessed that the Group is likely to be required to pay the contractual obligation, the financial guarantee contracts are subsequently measured at the higher of the best estimate of the obligation under the contract or the amount initially recognized less accumulated amortization.

b) Derecognition of financial liabilities

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.

b. Derivative financial instruments and hedge accounting

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including forward contracts, interest rate swaps and others.

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 end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Since 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.

The Group designates certain hedging instruments as fair value hedges.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Before 2018, hedge accounting was discontinued prospectively when the Group revoked the designated hedging relationship; when the hedging instrument expired or was sold, terminated, or exercised; or when the hedging instrument no longer met the criteria for hedge accounting. Since 2018, the Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

c. Retirement benefits

The pension cost of the period adopts the pension cost rate valuated through actuarial valuation based on the beginning to the end of the previous period. Adjustments might be applied due to significant market volatility, significant reduce or pay off, or other significant events occurred after the end of the period.

d. Income tax

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 accounting principle of the effect of tax rate amendment during interim period are the same as transactions with tax consequences. They are recognized as profit or loss, other comprehensive income or equity when they occurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 4, 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, trade receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 49. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Impairment losses on loans and receivables - 2017

The Group reviews loan portfolios to assess impairment periodically. In determining whether an impairment loss should be recorded, the Group makes judgments on whether there are any observable data indicating that impairment. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers (e.g. payment delinquency or default), or economic conditions that correlate with defaults on assets. To assess impairment, the management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to decrease the difference between estimated loss and actual loss.

For Far East National Bank, the allowance for loan losses is maintained at a level considered adequate to provide for losses on the loan portfolio at the balance sheet date. The adequacy of the allowance is determined by management on the basis of a periodic review of the loan portfolio, historical loan loss experience, current economic conditions, changes in the composition of the loan portfolio, analysis of collateral values and pertinent factors. Although management believes the level of the allowance is adequate to absorb losses inherent in the loan portfolio, it cannot be reasonably predicted if additional declines in the local economy or rising interest rates may result in increases in losses.

Bank SinoPac (China) periodically evaluates loan portfolio. Provision is calculated based on impairment indication of each transaction in the portfolio. Impairment of individual assessment is the net decreased amount of expected future discounted cash flow. Bank SinoPac (China) periodically reviews future cash flow and timing for the methodologies and assumptions used, thus reduce the difference between estimated loss and actual loss.

Impairment losses on loans and receivables are shown in Notes 13, 14, 18 and 49.

c. Impairment of goodwill

Determining goodwill impairment requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and to use a suitable discount rate to calculate the present value of these cash flows. When the actual future cash flows are less than expected, a material impairment loss may arise.

Impairment of goodwill is shown in Note 21.

6. CASH AND CASH EQUIVALENTS, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand	$ 6,660,731	$ 6,811,605	$ 7,161,372
Due from other banks	14,715,286	12,607,129	6,377,474
Notes and checks for clearing	1,045,723	4,869,392	2,608,560
	22,421,740	24,288,126	16,147,406
Less: Allowance for credit losses	(1,636)	(2,776)	(1,999)
	$ 22,420,104	$ 24,285,350	$ 16,145,407

Under the Guidelines on the Management of Country Risk by Banking Financial Institutions issued by the China Banking Regulatory Commission for countries or regions with low risks, Bank SinoPac (China) recognized the country risk provision at 0.5% of the due from other banks and call loans to other banks (Note 7), both due from banks and call loans to other banks are assessed the allowance based on 0.05%.

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

	March 31, 2018	December 31, 2017	March 31, 2017
Call loans to banks	$ 65,952,635	$ 54,485,681	$ 63,237,622
Trade finance advance - interbank	1,766,025	472,236	1,062,065
Deposit reserve - checking accounts	9,189,833	11,994,437	17,089,786
Due from the Central Bank - interbank settlement funds	1,523,240	1,521,064	813,496
Deposit reserve - demand accounts	25,344,697	25,851,784	26,184,244
Deposit reserve - foreign currencies	655,072	900,289	693,286
Due from the U.S. Federal Reserve Bank	-	-	4,043,519
	104,431,502	95,225,491	113,124,018
Less: Allowance for credit losses	(4,633)	(12,540)	(5,785)
	$ 104,426,869	$ 95,212,951	$ 113,118,233

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD) - denominated deposit reserves are determined monthly at prescribed rates based on average balances of customers' NTD-denominated deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly. In addition, the foreign-currency deposit reserves are determined at prescribed rates based on the balances of foreign-currency deposits. These reserves can be withdrawn momentarily anytime at no interest.

Under the relevant provisions issued by the People's Bank of China, Bank SinoPac (China) showed deposit reserves in proportion on the basis of deposit account balances at the end of the months.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2018	December 31, 2017	March 31, 2017
Financial assets mandatorily classified as at fair value through profit or loss			
Government bonds	$ 30,592,578	$ -	$ -
Bank debentures	13,714,842	-	-
Corporate bonds	7,049,694	-	-
Stocks (Note)	1,385,673	-	-
Certificates of deposits	1,057,607	-	-
Convertible bonds	673,934	-	-
Currency swap contracts and hybrid FX swap structured instruments	12,605,434	-	-
Interest rate swap contracts	2,593,713	-	-
Forward contracts	702,032	-	-
Others	874,984	-	-
Adjustment for change in value of financial assets forced at fair value through profit or loss	(283,357)	-	-
	70,967,134	-	-

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
Held-for-trading financial assets			
Government bonds	$ -	$ 30,541,838	$ 35,277,049
Bank debentures	-	10,904,027	9,107,045
Corporate bonds	-	5,449,291	3,886,332
Stocks (Note)	-	1,646,786	303,447
Certificates of deposits	-	1,501,641	117,117
Currency swap contracts and hybrid FX swap structured instruments	-	16,434,984	10,988,700
Interest rate swap contracts	-	1,580,471	2,128,105
Forward contracts	-	423,260	664,150
Cross-currency swap contract	-	217,949	835,896
Others	-	372,400	267,076
Adjustment for change in value of held-for-trading financial assets	-	612,073	(266,006)
	-	69,684,720	63,308,911
Financial assets designated as at fair value through profit or loss			
Convertible bonds	-	924,003	1,848,944
Adjustment for change in value of financial assets designated as at fair value through profit or loss	-	5,820	10,499
	-	929,823	1,859,443
	$ 70,967,134	$ 70,614,543	$ 65,168,354
Held-for-trading financial liabilities			
Currency swap contracts and hybrid FX swap structured instruments	$ 12,409,581	$ 16,148,451	$ 12,929,924
Option contracts	2,570,680	530,602	231,292
Interest rate swap contracts	1,792,212	1,574,809	1,831,039
Forward contracts	781,621	465,475	333,184
Cross-currency swap contracts	267,229	182,901	698,746
Others	497,212	54,097	23,401
Adjustment for change in value of held-for-trading financial liabilities	327	-	-
	18,318,862	18,956,335	16,047,586
Financial liabilities designated at fair value through profit or loss			
Bank debentures	1,310,668	1,343,581	-
Adjustment for change in value of financial liabilities designated at fair value through profit or loss	13,236	13,540	-
	1,323,904	1,357,121	-
	$ 19,642,766	$ 20,313,456	$ 16,047,586

(Concluded)

Note: Including acquiring Cathay General Bancorp stock by disposing SinoPac Bancorp. Please refer to Note 53 for the further information.

a. The Group designated hybrid instruments as financial assets and liabilities at FVTPL to eliminate accounting inconsistencies in 2017. Since January 1, 2018, financial instruments only designated to eliminate accounting inconsistences.

b. As of March 31, 2018, December 31, 2017 and March 31, 2017, the par value of FVTPL had been under agreements to repurchase was $14,816,862, $15,436,255 and $1,500,000.

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

	March 31, 2018	December 31, 2017
Difference between carrying amount and the amount due on maturity		
Fair value	$ 1,323,904	$ 1,357,121
Amount due on maturity	(1,633,331)	(1,674,347)
	$ (309,427)	$ (317,226)

	Changes in Fair Value Attributable to Changes in Credit Risk
Change in amount during the period	
For the three months ended March 31, 2018	$ 5,033
Accumulated amount of change	
As of March 31, 2018	$ (15,137)

The change in fair value attributable to changes in credit risk recognized as other comprehensive income was calculated as the difference between the total change in fair value of bank debentures and the change in fair value due to the change in market risk factors. The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding the credit risk margin constant and interest rates swap volatility surface. The fair value of bank debentures was estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and credit risk margin is estimated by obtaining credit default swap spread of the company with similar credit rating.

On May 19, 2017, the Bank issued unsecured senior bank debentures amounting to US$45,000 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, or make bond repayments on the maturity date.

d. The Group engages in derivative transactions mainly to accommodate customers' needs and manage its own exposure positions. Outstanding derivative contracts (nominal) on March 31, 2018, December 31, 2017 and March 31, 2017 are shown as follows:

	Contract Amount		
	March 31, 2018	December 31, 2017	March 31, 2017
Currency swap contracts and hybrid FX swap structured instruments	$ 1,010,481,699	$ 1,665,982,155	$ 1,298,194,385
Interest rate swap contracts	675,957,512	592,017,499	596,021,045
Forward contracts	84,308,263	47,543,141	57,224,025
Option contracts	58,448,540	29,515,445	33,829,338
Cross-currency swap contracts	23,181,924	14,004,946	35,051,683
Futures contracts	10,209,893	11,104,894	5,913,591
Assets swap contracts	658,134	924,003	1,848,944
Equity-linked swap contracts	548,821	368,651	278,579
Commodity-linked swap contracts	-	113,087	123,313

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2018
Equity instruments at fair value through other comprehensive income	$ 1,290,457
Debt instruments at fair value through other comprehensive income	231,159,389
	$ 232,449,846

a. Equity instruments at fair value through other comprehensive income

	March 31, 2018
Unlisted common shares	$ 1,290,457

Since the Group holds part of equity instruments for the purpose of long-term strategic investment instead of for trading, the equity instruments are designated as at fair value through other comprehensive income. The management believes that recognition in profit or loss of the effects of short-term changes in fair value will be inconsistent with the Group’s long-term investment plans; therefore, designation of the equity instruments as at fair value through other comprehensive income is appropriate. These investments were classified as available-for sale financial assets and unquoted instruments under IAS 39. Their classification and related information for 2017 are shown in Notes 3, 15 and 18.

b. Debt instrument at fair value through other comprehensive income

	March 31, 2018
Certificates of deposits	$ 108,417,603
Commercial paper	70,275,593
Bank debentures	35,068,757
Corporate bonds	13,576,009
Government bonds	1,738,326
Others	2,083,101
	$ 231,159,389

1) Part of debt instruments was classified as available-for-sale financial assets under IAS 39; their classification and information for 2017 are shown in Notes 3 and 15.

2) Part of debt instruments was classified as non-active market debt instruments under IAS 39; their classification and information for 2017 are shown in Notes 3 and 15.

3) Loss allowance of debt instruments at fair value through other comprehensive income was $29,015 on March 31, 2018.

4) Credit risk management and information of impairment valuation of debt instruments at fair value through other comprehensive income are shown in Note 49.

5) As of March 31, 2018, the par value of debt instruments at FVTOCI under agreements to repurchase was $2,405,915.

10. DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	March 31, 2018
Government bonds	$ 27,860,841
Certificates of deposits	22,905,955
Bank debentures	16,208,161
Corporate bonds	7,802,597
Others	697,658
	75,475,212
Less: Loss allowance	(7,142)
	$ 75,468,070

a. Part of debt instruments was classified as held-to-maturity financial assets under IAS 39; their classification and information for 2017 are shown in Notes 3 and 16.

b. Part of debt instruments was classified as non-active market debt instruments under IAS 39; their classification and information for 2017 are shown in Notes 3 and 18.

c. Part of debt instruments was classified available-for-sale financial assets under IAS 39; their classification and information for 2017 are shown in Notes 3 and 15.

d. Credit risk management and information of impairment valuation of financial assets measured at amortized cost are shown in Note 49.

e. Please refer to Note 46 for information relating to financial assets measured at amortized cost pledged as security.

f. As of March 31, 2018, the par value of financial assets under agreements to repurchase measured at amortized cost was $9,571,100.

11. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

The Group's management has established related risk management policy.

	March 31, 2018	December 31, 2017	March 31, 2017
Derivative financial liabilities under hedge accounting			
Fair value hedge - interest rate swap	$ -	$ -	$ 13,831

The fair value of interest of fixed rate loans may fluctuate as market rates change. The Group used interest rate swap contracts as fair value hedging instruments.

For the three months ended March 31, 2017

Hedged Item	Hedging Instrument	Notional Amount	Fair Value	Adjustments for Change in Value of Derivative Financial Instruments under Hedge Accounting	Adjustments for Change in Value of Hedged Items
Fixed rate loans	Interest rate swap	$ 1,131,960	$ (13,831)	$ 4,807	$ (4,807)

12. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	March 31, 2018	December 31, 2017	March 31, 2017
Bills	$ 14,536,826	$ 17,162,964	$ 8,154,417
Bonds	12,431,463	6,390,067	100,000
	$ 26,968,289	$ 23,553,031	$ 8,254,417
Agreed-upon resell amount	$ 26,989,215	$ 23,565,636	$ 8,256,554
Par value	28,498,938	24,341,885	8,265,000
Expiry	June 2018	March 2018	April 2017

Securities purchased under agreements to resell are not underlying for agreements to repurchase.

13. RECEIVABLES, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Credit card receivable	$ 14,682,717	$ 15,205,884	$ 14,430,099
Accounts receivable - factoring	10,821,966	12,252,832	8,795,205
Accounts receivable - forfaiting	9,341,195	7,988,912	6,783,515
Accounts and notes receivables	3,373,687	1,247,774	2,112,462
Interest and revenue receivables	3,187,793	3,732,133	3,328,512
Accounts receivable - sale of securities	1,764,005	-	376,280
Acceptances	1,202,340	1,641,862	1,204,792
Accounts receivable - disposal of subsidiary (Note 53)	1,023,926	1,049,639	-
Trust administration fee revenue receivable	717,326	705,412	716,880
Others	409,380	534,111	387,174
	46,524,335	44,358,559	38,134,919
Less: Allowance for credit losses	(790,809)	(803,721)	(977,019)
Less: Premium or discount on receivables	(91)	(96)	(55)
Net amount	$ 45,733,435	$ 43,554,742	$ 37,157,845

The Group assessed the collectability of receivables to determine the allowance. Movements in the allowance of receivables were shown as follows:

	For the Three Months Ended March 31	
	2018	2017
Balance, January 1	$ 803,721	$ 985,103
Adjustments of IFRS 9 application	1,254	-
Provision	18,709	70,806
Write-off	(29,386)	(49,808)
Effect of exchange rate changes	(3,489)	(29,082)
Balance, March 31	$ 790,809	$ 977,019

Please refer to Note 49 for the analysis of receivable impairment loss, and Note 46 for information relating to receivables pledged as security. Recovered receivables written-off which were deducted from provision for loss on receivables amounted to $50,113 and $51,853 for the three months ended March 31, 2018 and 2017, respectively.

14. DISCOUNTS AND LOANS, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Export negotiation	$ 511,523	$ 592,801	$ 324,728
Overdrafts	-	-	1,022
Secured overdrafts	101,462	124,150	184,897
Accounts receivable - financing	1,351,366	1,388,164	1,329,701
Short-term loans	144,487,172	151,962,972	178,542,351
Secured short-term loans	96,825,034	97,517,050	91,789,201
Medium-term loans	143,521,238	140,257,502	134,005,111
Secured medium-term loans	61,896,444	62,429,557	80,307,716
Long-term loans	4,844,398	4,723,295	5,251,496
Secured long-term loans	414,584,803	417,770,857	431,537,486
Nonperforming loans transferred from loans	2,134,488	2,021,188	2,671,000
	870,257,928	878,787,536	925,944,709
Less: Allowance for credit losses	(12,320,859)	(12,511,538)	(13,068,093)
Less: Premium or discount on discounts and loans	(281,435)	(285,974)	(317,723)
Add: Adjustment of hedge valuation	-	-	13,831
Net amount	$ 857,655,634	$ 865,990,024	$ 912,572,724

Please refer to Note 49 for the analysis of impairment loss on discounts and loans, and Note 46 for information relating to discounts and loans pledged as security.

The Group assessed the collectability of discounts and loans to determine the required allowance. Movements in the allowance of discounts and loans were shown as follows:

	For the Three Months Ended March 31	
	2018	2017
Balance, January 1	$ 12,511,538	$ 13,290,421
Adjustments of IFRS 9 application	11,168	-
Provision (reversal of provision)	91,414	(2,988)
Write-off	(247,998)	(50,082)
Recovery of written-off credits	-	5,745
Effect of exchange rate changes	(45,263)	(175,003)
Balance, March 31	$ 12,320,859	$ 13,068,093

The Group received payment for loans previously written-off of $80,291 and $119,452 for the three months ended March 31, 2018 and 2017, respectively, which were recognized as deduction of provision expenses.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31, 2017	March 31, 2017
Certificates of deposits	$ 100,112,949	$ 101,750,623
Bank debentures	56,933,476	57,882,904
Commercial paper	45,329,901	40,101,510
Corporate bonds	20,461,448	26,277,377
Others	4,384,200	5,788,935
	227,221,974	231,801,349
Adjustments for change in value of available-for-sale financial assets	(100,900)	(363,024)
Less: Accumulated impairments	(25,766)	(108,072)
Net amount	$ 227,095,308	$ 231,330,253

As of December 31, 2017, the par value of available-for-sale financial assets under agreements to repurchase was $1,698,173 (March 31, 2017: None).

Please refer to Note 46 for information relating to available-for-sale financial assets pledged as security.

16. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31, 2017	March 31, 2017
Government bonds	$ 32,977,165	$ 40,066,372
Certificates of deposit	23,179,984	30,594,984
Others	450,796	2,676,053
	$ 56,607,945	$ 73,337,409

As of December 31, 2017 and March 31, 2017, the par value of held-to-maturity financial assets under agreements to repurchase were $10,309,100 and $2,089,200, respectively.

A change of intention makes the Bank to reclassify available-for-sale financial assets (government bonds $8,410,928 and corporate bonds $1,753,088) into held-to-maturity financial assets on September 25, 2013. Please refer to Note 51 for the related information.

Please refer to Note 46 for information relating to held-to-maturity financial assets pledged as security.

17. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2017
DBL Partners III-A, L.P.	$ 49,670

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights March 31, 2018	December 31, 2017	March 31, 2017
DBL Partners III-A, L.P.	Venture capital	USA	-/-	-/-	44%/-

To conform with the provision of the local community act - Community Reinvestment Act, Far East National Bank invested in the DBL Partners III-A, L.P. venture capital. As of March 31, 2016, Far East National Bank has invested a total of US$1,871 thousand and obtained 44% of the ownership in the company. This investment is recognized using the equity method. As of July 14, 2017, the above investment was derecognized with the settlement of SinoPac Bancorp.

Investments accounted for the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed. Management believes that the financial statements of these investees had not been audited would have no significant effect on the consolidated financial statements.

The associate's financial information is summarized as follows:

	For the Three Months Ended March 31, 2017
The Group's share of:	
Net profit (loss) from continuing operations	$ (1,667)

18. OTHER FINANCIAL ASSETS, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Time deposits not belong to cash and cash equivalent	$ 6,278,918	$ 3,204,424	$ 2,329,860
Purchase of the PEM Group's instruments	4,107,887	4,211,044	4,264,445
Nonperforming receivables transferred from other than loans	99,236	100,429	106,099
Call loans to security corporation	-	-	1,517,236
Cash surrender value of managers' life insurance	-	-	1,388,203
Unquoted equity instruments - 2017			
Unlisted equity investments	-	348,570	982,029
Beneficial certificates	-	-	155,361

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017
Debt investments without active market - 2017			
Certificates of deposits	$ -	$ 1,064,900	$ 6,122,550
Others	53,628	453,106	447,797
	10,539,669	9,382,473	17,313,580
Less: Allowance for credit loss	(89,009)	(90,541)	(95,778)
Less: Accumulated impairment	(1,988,960)	(2,038,756)	(1,931,552)
Net amount	$ 8,461,700	$ 7,253,176	$ 15,286,250

(Concluded)

Above time deposits not belonging to cash and cash equivalent included over three months, no advance termination or pledged time deposits.

Please refer to Note 46 for information relating to other financial assets pledged as security.

The Bank was delegated by professional investors to sell the PEM Group's investment products amounting to US$146,000 thousand through private placement. A U.S. Federal Court appointed a receiver for all assets that belonged to, were being managed by, or were in the possession of or control of the PEM Group. To protect the client's interests, the Bank bought back the products at the price of the initial payment net of the distribution and redemption costs. On December 24, 2010, the Bank's board of directors resolved to abide by a court's appointment of a PEM Group receiver to take the PEM Group's insurance policies at the price of approximately US$40.4 million, and the Bank thus recognized impairment losses of US$11,152 thousand. On March 7, 2011, the receiver transferred a portion of the insurance policies to a trustee established jointly by certain banks to hold insurance policies. And the Bank had submitted to the authorities the results of this policy transfer. As of March 31, 2018, a reserve of US$68,288 thousand (NT$1,988,960) had been set aside to cover the accumulated impairment losses.

The Group assessed the collectability of other financial assets to determine the required allowance. Movements in the allowance of other financial assets were shown as follows:

	For the Three Months Ended March 31	
	2018	2017
Balance, January 1	$ 90,541	$ 97,403
Adjustments of IFRS 9 application	105	-
Provision (reversal of provision)	2,631	(750)
Write-off	(4,239)	(627)
Effect of exchange rate changes	(29)	(248)
Balance, March 31	$ 89,009	$ 95,778

19. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment for the three months ended March 31, 2018 and 2017 are summarized as follows:

	For the Three Months Ended March 31, 2018							
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
Cost								
Balance, January 1	$ 5,534,462	$ 5,153,144	$ 1,776,639	$ 1,150	$ 1,384,761	$ 1,601,336	$ 128,282	$ 15,579,774
Addition	-	348,016	25,659	-	28,295	6,626	37,455	446,051
Deduction	-	-	(42,663)	-	(11,384)	(13,703)	-	(67,750)
Reclassifications	-	34,677	398	-	4,683	23,636	(70,216)	(6,822)
Effect of exchange rate changes	-	-	(5,761)	(37)	(784)	(4,520)	(1,105)	(12,207)
Balance, March 31	5,534,462	5,535,837	1,754,272	1,113	1,405,571	1,613,375	94,416	15,939,046
Accumulated depreciation								
Balance, January 1	-	2,857,881	1,360,160	1,150	1,078,320	1,305,261	-	6,602,772
Depreciation	-	28,631	36,605	-	19,914	21,665	-	106,815
Deduction	-	-	(40,617)	-	(11,191)	(12,821)	-	(64,629)
Reclassifications	-	-	-	-	-	-	-	-
Effect of exchange rate changes	-	(8)	(4,778)	(37)	(833)	(981)	-	(6,637)
Balance, March 31	-	2,886,504	1,351,370	1,113	1,086,210	1,313,124	-	6,638,321
Net amount								
Balance, March 31	$ 5,534,462	$ 2,649,333	$ 402,902	$ -	$ 319,361	$ 300,251	$ 94,416	$ 9,300,725

	For the Three Months Ended March 31, 2017							
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
Cost								
Balance, January 1	$ 5,553,142	$ 5,099,055	$ 1,909,236	$ 5,264	$ 1,494,699	$ 1,704,626	$ 131,396	$ 15,897,418
Addition	-	3,759	28,644	-	8,548	3,005	46,183	90,139
Deduction	-	-	(17,299)	-	(3,237)	-	-	(20,536)
Reclassifications	9,002	17,009	391	-	602	536	(13,708)	13,832
Effect of exchange rate changes	(2,039)	(1,121)	(15,941)	(319)	(10,960)	(16,267)	(1,385)	(48,032)
Balance, March 31	5,560,105	5,118,702	1,905,031	4,945	1,489,652	1,691,900	162,486	15,932,821
Accumulated depreciation								
Balance, January 1	-	2,756,474	1,458,030	5,264	1,163,344	1,379,325	-	6,762,437
Depreciation	-	29,872	39,444	-	19,537	23,906	-	112,759
Deduction	-	-	(16,776)	-	(3,118)	-	-	(19,894)
Reclassifications	-	5,965	-	-	-	-	-	5,965
Effect of exchange rate changes	-	(1,285)	(13,553)	(319)	(9,130)	(15,244)	-	(39,531)
Balance, March 31	-	2,791,026	1,467,145	4,945	1,170,633	1,387,987	-	6,821,736
Net amount								
Balance, March 31	$ 5,560,105	$ 2,327,676	$ 437,886	$ -	$ 319,019	$ 303,913	$ 162,486	$ 9,111,085

The above property and equipment are depreciated at the following estimated useful lives:

Items	Years
Buildings	2-60 years
Machinery and computer equipment	1-15 years
Transportation equipment	5 years
Other equipment	2-15 years
Leasehold improvements	19 months - 15 years

There was no property and equipment pledged as security.

20. INVESTMENT PROPERTY, NET

The movements of investment property are summarized as follows:

	For the Three Months Ended March 31, 2018		
	Land	**Buildings**	**Total**
Cost			
Balance, January 1	$ 849,188	$ 745,368	$ 1,594,556
Addition	-	776	776
Deduction	-	-	-
Reclassifications	-	-	-
Balance, March 31	849,188	746,144	1,595,332
Accumulated depreciation			
Balance, January 1	-	387,084	387,084
Depreciation	-	3,836	3,836
Deduction	-	-	-
Reclassifications	-	-	-
Balance, March 31	-	390,920	390,920
Net amount			
Balance, March 31	$ 849,188	$ 355,224	$ 1,204,412

	For the Three Months Ended March 31, 2017		
	Land	**Buildings**	**Total**
Cost			
Balance, January 1	$ 864,435	$ 761,491	$ 1,625,926
Addition	-	221	221
Deduction	-	-	-
Reclassifications	(9,002)	(17,009)	(26,011)
Balance, March 31	855,433	744,703	1,600,136
Accumulated depreciation			
Balance, January 1	-	378,799	378,799
Depreciation	-	4,678	4,678
Deduction	-	-	-
Reclassifications	-	(5,965)	(5,965)
Balance, March 31	-	377,512	377,512
Net amount			
Balance, March 31	$ 855,433	$ 367,191	$ 1,222,624

The above investment properties are depreciated at the following estimated useful lives:

Category	**Useful Lives**
Buildings	8-60 years

The above investment property of the bank and its subsidiaries is for the purpose of earning rental income or capital appreciation or both. The fair values of properties used mainly or partially for investment property as of March 31, 2018, December 31, 2017 and March 31, 2017 were $16,292,841, $16,292,841 and $16,623,703, respectively. The fair values, which were based on an internal valuation report instead of an assessment by an independent professional appraiser, were unobservable inputs (Level 3).

There was no investment property pledged as security.

21. INTANGIBLE ASSETS, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Goodwill	$ 876,717	$ 876,717	$ 1,365,976
Computer software	436,147	449,643	456,459
Others	8,297	-	-
	$ 1,321,161	$ 1,326,360	$ 1,822,435

Movements in the Group's intangible assets are shown as follows:

	Goodwill	Computer Software	Others	Total
2018				
Balance, January 1	$ 876,717	$ 449,643	$ -	$ 1,326,360
Addition	-	17,415	8,319	25,734
Amortization	-	(38,301)	(22)	(38,323)
Reclassifications	-	6,822	-	6,822
Net exchange differences	-	568	-	568
Balance, March 31	$ 876,717	$ 436,147	$ 8,297	$ 1,321,161

	Goodwill	Computer Software	Total
2017			
Balance, January 1	$ 1,397,281	$ 490,511	$ 1,887,792
Addition	-	18,453	18,453
Amortization	-	(59,874)	(59,874)
Reclassifications	-	12,179	12,179
Net exchange differences	(31,305)	(4,810)	(36,115)
Balance, March 31	$ 1,365,976	$ 456,459	$ 1,822,435

The above intangible assets are amortized on a straight-line basis over the following estimated useful lives:

Item	Years
Computer software	2-10 years

Goodwill includes (1) $876,717, resulted from the Bank's cash merger with SinoPac Card Services, and this merger was treated as a reorganized of SPH, and (2) the Bank's acquisition of Far East National Bank (FENB) through SinoPac Bancorp on August 15, 1997, which was accounted for using the purchase method. The assets and liabilities of FENB were revalued to estimate its fair market value as of the date of acquisition. The purchase price in excess of the fair market value of the net tangible assets acquired was US$16,123 thousand, which was recorded as goodwill. The Bank takes impairment review of goodwill annually or more frequently if events or changes in circumstance indicate goodwill impairment.

In assessing whether goodwill is impaired, the Group considers the credit card department as a cash generating unit and estimates the recoverable amount by its value in use. The Bank uses the department's or investee's actual profitability in making key assumption to predict future cash flows and thus calculates its value in use. Under a going-concern assumption, the Bank predicted the net cash flows generated from the investee's operating activities in the next 5 years and estimated salvage value and used the Bank's weighted average cost of capital to calculate the value in use.

The goodwill of the Group's credit card department was $876,717 as of March 31, 2018, December 31, 2017 and March 31, 2017. The impairment tests on goodwill were conducted on October 31, 2017 and 2016. The actual net income for the three months ended March 31, 2018, for the year ended December 31, 2017 and for the three months ended March 31, 2017 amounted to $53,620, $113,537 and $31,510, respectively. The expected net income for the years 2018 and 2017 as assessed by the impairment test on goodwill would be $62,319 and $21,075, respectively. The recoverable amount was expected to be higher than the book value. Therefore, the Group found no objective evidence that goodwill had been impaired as of March 31, 2018, December 31, 2017 and March 31, 2017.

The goodwill on the Bank's acquisition of Far East National Bank (FENB) through SinoPac Bancorp was US$16,123 thousand as of March 31, 2017. The board of directors resolved the disposal of 100% equity of SinoPac Bancorp on July 8, 2016 and completed the transaction on July 14, 2017. The total transaction amount was US$351,551 thousand higher than the book value; therefore, the Group found no objective evidence that goodwill had been impaired.

22. OTHER ASSETS, NET

	March 31, 2018	December 31, 2017	March 31, 2017
Guarantee deposits	$ 3,593,017	$ 3,579,251	$ 2,324,323
Prepayment	437,958	299,270	423,437
Temporary payment and suspense accounts	162,447	456,073	464,203
Others	50,951	50,971	55,652
	4,244,373	4,385,565	3,267,615
Less: Allowance for reduction of inventory to market - gold	(19)	(59)	(692)
Less: Allowance for credit losses	(7,685)	(7,028)	(7,533)
	$ 4,236,669	$ 4,378,478	$ 3,259,390

23. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	March 31, 2018	December 31, 2017	March 31, 2017
Call loans from banks	$ 42,025,661	$ 28,308,774	$ 47,975,045
Redeposits from Chunghwa Post	956,452	1,160,565	5,420,577
Due to banks	356,326	151,587	448,110
	$ 43,338,439	$ 29,620,926	$ 53,843,732

24. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	March 31, 2018	December 31, 2017	March 31, 2017
Bonds	$ 25,010,675	$ 26,178,808	$ 3,447,547
Agreed-upon repurchase price	$ 25,034,847	$ 26,215,262	$ 3,447,753
Par value	26,793,877	27,443,528	3,589,200
Maturity date	June 2018	March 2018	June 2017

25. PAYABLES

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts payable - factoring	$ 2,899,213	$ 2,411,752	$ 2,354,048
Interest payables	1,927,538	1,832,050	1,749,464
Purchase of security	1,777,728	100,029	1,671,762
Accrued expenses	1,561,569	2,682,439	1,559,545
Dividends payables to SPH	1,435,025	1,435,025	1,435,025
Accounts payable	1,282,275	268,604	178,877
Acceptance payables	1,202,340	1,641,862	1,204,792
Notes and checks in clearing	1,045,723	4,869,392	2,955,091
Others	1,531,144	1,335,308	1,282,017
	$ 14,662,555	$ 16,576,461	$ 14,390,621

The Bank had signed a business-university collaboration contract with National Chung Hsing University in July 2012, to donate for the construction of Food Safety & Agricultural Chemicals and Machinery Research Building. With a budget not more than $300,000, the Bank had obtained the construction permit and signed the contract with building contractor in November 2016. The contract price is $250,998 and will be paid with previously estimated accrued expenses of $295,000. The balance of the accrued expenses was $161,205 as of March 31, 2018.

26. DEPOSITS AND REMITTANCES

	March 31, 2018	December 31, 2017	March 31, 2017
Checking	$ 10,897,068	$ 14,116,721	$ 17,896,781
Demand	244,085,149	244,661,718	258,994,826
Savings - demand	281,810,628	278,285,112	279,738,243
Time deposits	365,105,847	341,858,423	353,150,575
Negotiable certificates of deposit	26,080,900	25,848,400	41,493,528
Savings - time	243,295,885	248,546,739	265,789,714
Inward remittances	741,167	1,087,911	880,171
Outward remittances	338,001	82,159	52,326
	$ 1,172,354,645	$ 1,154,487,183	$ 1,217,996,164

27. BANK DEBENTURES

To raise capital for its financial operation and increase its capital adequacy ratio, the Bank obtained approval from FSC to issue bank debentures, as follows:

	March 31, 2018	December 31, 2017	March 31, 2017	Maturity Date	Rates
Second subordinated bank debentures issued in 2009 (B)	$ -	$ -	$ 2,199,997	2009.06.23-2017.06.23 Principal is repayable on maturity date.	Fixed interest rate of 2.9%, interest is paid annually.
First subordinated bank debentures issued in 2010 (A)	-	-	3,099,830	2010.12.09-2017.12.09 Principal is repayable on maturity date.	Fixed interest rate of 1.8%, interest is paid annually.
First subordinated bank debentures issued in 2010 (B)	-	-	2,899,845	2010.12.09-2017.12.09 Principal is repayable on maturity date.	Index rate plus 0.35%. Interest rate is reset quarterly since the issuance date and paid annually.
First subordinated bank debentures issued in 2011	-	999,980	999,906	2011.03.11-2018.03.11 Principal is repayable on maturity date.	Fixed interest rate of 1.92%, interest is paid annually.
Second subordinated bank debentures issued in 2011 (A)	3,799,884	3,799,810	3,799,585	2011.08.18-2018.08.18 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually.
Second subordinated bank debentures issued in 2011 (B)	2,999,430	2,999,390	2,999,269	2011.08.18-2021.08.18 Principal is repayable on maturity date.	Fixed interest rate of 2.18%, interest is paid annually.
Third subordinated bank debentures issued in 2011	3,199,842	3,199,777	3,199,580	2011.11.04-2018.11.04 Principal is repayable on maturity date.	Fixed interest rate of 1.85%, interest is paid annually.
First subordinated bank debentures issued in 2012 (A)	4,699,459	4,699,369	4,699,098	2012.09.18-2019.09.18 Principal is repayable on maturity date.	Fixed interest rate of 1.53%, interest is paid annually.
First subordinated bank debentures issued in 2012 (B)	1,299,679	1,299,662	1,299,610	2012.09.18-2022.09.18 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
First subordinated bank debentures issued in 2013	1,499,803	1,499,755	1,499,608	2013.09.27-2019.03.27 Principal is repayable on maturity date.	Fixed interest rate of 1.80%, interest is paid annually.
Second subordinated bank debentures issued in 2013	1,999,684	1,999,623	1,999,437	2013.12.23-2019.06.23 Principal is repayable on maturity date.	Fixed interest rate of 1.75%, interest is paid annually.
First subordinated bank debentures issued in 2014	1,999,625	1,999,561	1,999,379	2014.03.20-2019.09.20 Principal is repayable on maturity date.	Fixed interest rate of 1.70%, interest is paid annually.
Second subordinated bank debentures issued in 2014	2,499,461	2,499,387	2,499,162	2014.06.23-2019.12.23 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
Third subordinated bank debentures issued in 2014 (A)	1,879,490	1,879,429	1,879,244	2014.09.30-2020.03.30 Principal is repayable on maturity date.	Fixed interest rate of 1.75%, interest is paid annually.
Third subordinated bank debentures issued in 2014 (B)	699,660	699,647	699,611	2014.09.30-2024.09.30 Principal is repayable on maturity date.	Fixed interest rate of 2.05%, interest is paid annually.
First subordinated bank debentures issued in 2015	749,761	749,736	749,664	2015.07.22, no maturity date (Note 1).	Fixed interest rate of 3.90% (Note 3).
Second subordinated bank debentures issued in 2015	459,844	459,829	459,785	2015.09.08, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 3).
Third subordinated bank debentures issued in 2015	709,747	709,724	709,656	2015.11.05, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 3).
Fourth subordinated bank debentures issued in 2015	139,946	139,941	139,927	2015.12.15, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 3).
First subordinated bank debentures issued in 2016	1,499,454	1,499,408	1,499,280	2016.02.23, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 3).
Second subordinated bank debentures issued in 2016	1,029,584	1,029,550	1,029,455	2016.03.30, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 3).
Third subordinated bank debentures issued in 2016	1,419,286	1,419,256	1,419,167	2016.12.23-2023.12.23 Principal is repayable on maturity date.	Fixed interest rate of 1.50%, interest is paid annually.
First subordinated bank debentures issued in 2017 (A)	149,868	149,863	149,847	2017.02.24-2024.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.60%, interest is paid annually.

(Continued)

	March 31, 2018	December 31, 2017	March 31, 2017	Maturity Date	Rates
First subordinated bank debentures issued in 2017 (B)	$ 2,098,984	$ 2,098,957	$ 2,098,880	2017.02.24-2027.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.90%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (A)	199,879	199,874	-	2017.06.28-2024.06.28 Principal is repayable on maturity date.	Fixed interest rate of 1.70%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (B)	539,668	539,660	-	2017.06.28-2027.06.28 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually.
Fourth subordinated bank debentures issued in 2017	2,998,548	2,998,481	-	2017.06.28, no maturity date (Note 3).	Fixed interest rate of 4.00% (Note 4).
	$ 38,570,586	$ 39,569,669	$ 44,028,822		

(Concluded)

Note 1: The bond has neither a maturity date nor fixed callable date. The Bank has the right to call or buy back the bond from the market after five years of its issuance if one of the conditions listed below is met, and bank debenture issuance has been approved by regulatory authorities.

a. The Bank's ratio of regulatory capital to risk-weighted assets will still meet the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.

b. The Bank replaces the bond with another capital market instrument that offers interest equal to or higher than that on the bond that has been called.

Note 2: The bond has neither a maturity date nor fixed callable date. The Bank has the right to call or buy back the bond from the market after five years of its issuance if both of the conditions listed below are met, and bank debenture issuance has been approved by regulatory authorities.

a. The Bank's ratio of regulatory capital to risk-weighted assets still meets the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.

b. The Bank replaces the bond with another capital instrument that offers interest equal to or higher than that on the bond that has been called.

Note 3: The bond has neither a maturity date nor fixed callable date. The Bank has the right to call or buy back the bond from the market after five and half years of its issuance if one of the conditions listed below are met, and bank debenture issuance has been approved by regulatory authorities.

a. The Bank's ratio of regulatory capital to risk-weighted assets still meets the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.

b. The Bank replaces the bond with another capital instrument that offers interest equal to or higher than that on the bond that has been called.

Note 4: Interest payment amount on the bond will be based on the Bank's calculation. Calculation of the interest starts on the issuance date, accrues on the basis of actual days, and is payable annually. The Bank is not obligated to pay interest when the Bank has no profit from the prior year and does not distribute any dividends (both cash and stock dividends). However, this does not apply when accumulated undistributed earnings less the proceeds on unamortized nonperforming loans losses is larger than the interest payment amount while the condition for interest payment has not been modified. Interest payments that were not issued due to the reason described previously shall not be accumulated nor deferred. If the Bank's regulatory capital to risk-weighted assets ratio does not meet the minimum requirement prescribed in Article 5, Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks on an interest payment date, the bond shall defer interest payments. Accrued interest on the bond shall be deferred till the next interest payment date that conforms to the condition of an interest payment date described above. Deferred interest does not incur additional interest.

28. OTHER FINANCIAL LIABILITIES

	March 31, 2018	December 31, 2017	March 31, 2017
Principal of structured products	$ 12,831,102	$ 12,089,923	$ 13,218,437
Cumulative earnings on appropriated loan fund	145,915	166,174	38,960
Leases payable	301	320	378
Federal Home Loan Banks Fund	-	-	910,342
	$ 12,977,318	$ 12,256,417	$ 14,168,117

29. PROVISIONS

	March 31, 2018	December 31, 2017	March 31, 2017
Provision for employee benefits	$ 2,369,047	$ 2,426,728	$ 2,381,833
Provision for financing commitment	262,122	-	-
Provision for guarantee liabilities	234,591	199,563	306,959
Provision for decommissioning liabilities	87,664	84,569	95,423
	$ 2,953,424	$ 2,710,860	$ 2,784,215

The Group assessed the collectability of off-balance loan commitment to determine the required allowance. Movements in the allowance were shown as follows:

	For the Three Months Ended March 31, 2017
Balance, January 1	$ -
Adjustments of IFRS application	306,408
Reversal of provision	(50,095)
Reclassifications	7,311
Effect of exchange rate changes	(1,502)
Balance, March 31	$ 262,122

30. PROVISIONS FOR EMPLOYEE BENEFITS

	March 31, 2018	December 31, 2017	March 31, 2017
Recognized in consolidated balance sheets (listed in account payables and provision)			
Defined contribution plans	$ 35,968	$ 33,438	$ 36,566
Defined benefit plans	2,111,552	2,173,237	2,111,693
Preferential interest on employees' deposits	248,520	245,096	250,053
Deferred annual leave and retirement benefit	8,975	8,395	20,087
	$ 2,405,015	$ 2,460,166	$ 2,418,399

The pension expenses related to defined benefit plans and preferential interest on employee's deposits plan are recognized according to the results of actuarial valuation on December 31, 2017 and 2016.

	For the Three Months Ended March 31	
	2018	2017
Operating expenses	$ 33,743	$ 52,246

31. OTHER LIABILITIES

	March 31, 2018	December 31, 2017	March 31, 2017
Guarantee deposits received	$ 3,438,695	$ 3,162,205	$ 949,730
Deferred revenue	1,105,644	1,135,879	88,651
Temporary receipt and suspense accounts	513,769	722,913	606,620
Advance receipts	140,502	135,841	99,981
Others	35,066	36,408	116,481
	$ 5,233,676	$ 5,193,246	$ 1,861,463

32. INCOME TAX

Under Article 49 of the Financial Holding Company Act and related directives issued by the Ministry of Finance, a financial holding company and its domestic subsidiaries that held over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings. Thus, SPH adopted the linked-tax system for income tax and unappropriated earnings tax filings with its qualified subsidiaries since 2003.

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2018	2017
Current tax		
Current period	$ 383,674	$ 267,035
Adjustments for prior years	-	538
	383,674	267,573
Deferred tax		
Temporary difference	231,565	137,827
Adjustments of tax rate	(159,833)	-
Income tax expenses recognized in profit or loss	$ 455,406	$ 405,400

In 2018, the Income Tax Act was amended and the corporate income tax rate will be adjusted from 17% to 20%. Deferred tax income from adjustments of the tax rate has been recognized in profit (loss) and other comprehensive income (loss) in current period. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2018	2017
Deferred tax		
Recognized in other comprehensive income		
Adjustments of tax rate	$ 4,245	$ -
Exchange difference on translating foreign operations	50,753	192,279
Unrealized gain or loss on available-for-sale financial assets	-	(1,651)
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	(835)	-
Income tax recognized in other comprehensive income	$ 54,163	$ 190,628

Included in the effect of tax rate adjustments, $10,143 is the effect of deferred tax of defined benefit plans remeasurement which is recognized as retained earnings transferred from other comprehensive income.

c. The Bank’s tax returns through 2013 had been assessed by the tax authorities. The tax returns of SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. had been assessed by the tax authorities through 2016.

33. EQUITY

Common Shares

The Bank’s authorized capital is $100,000,000. And the Bank issued 10,000,000 thousand common shares with par value of NT$10.

On June 23, 2017, the Bank's board of directors, on behalf of the shareholders' meeting, resolved to issue 210,659 thousand common shares with earnings reallocated as capital at a par value of NT$10, increasing the share capital issued and fully paid to $86,061,159. The above transaction was approved by the authorities and the record date of earnings capitalization was September 13, 2017.

Capital Surplus

The premium from shares issued in excess of par (share premium from issuance of common stock, conversion of bonds and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Group has no deficit, the capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Bank's paid-in capital and once a year).

On July 25, 2014, the board of directors of the parent company of the Bank, SPH, approved a capital increase and retained 10% of shares for subscription by the Bank's employees. The Bank's capital surplus - employee share options, which was determined on the basis of the grant-date fair value of the employee share options, was $67,511 in 2014.

Other Equity Items

	Exchange Differences Arising on Translating Foreign Operations	Unrealized Gain or Loss on Available-for-sale Financial Assets	Unrealized Gain or Loss on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Total
Balance January 1, 2018 (IAS 39)	$ (9,348)	$ (136,290)	$ -	$ (20,170)	$ (165,808)
Effect of retrospective application and restatement of IFRS 9	-	136,290	758,007	-	894,297
Restated balance January 1, 2018	(9,348)	-	758,007	(20,170)	728,489
Exchange differences					-
Exchange differences arising on translating foreign operations	(253,766)	-	-	-	(253,766)
Income tax	51,388	-	-	-	51,388
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value (debt instruments)	-	-	(89,801)	-	(89,801)
Adjustment for loss allowance of debt instruments	-	-	(1,449)	-	(1,449)
Realization in amount (disposal of debt instruments)	-	-	3,653	-	3,653
Current adjustment for change in value (equity instruments)	-	-	(47,662)	-	(47,662)
Income tax	-	-	(7,368)	-	(7,368)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss					
Change in amount	-	-	-	5,033	5,033
Balance March 31, 2018	$ (211,726)	$ -	$ 615,380	$ (15,137)	$ 388,517

(Continued)

	Exchange Differences Arising on Translating Foreign Operations	Unrealized Gain or Loss on Available-for-sale Financial Assets	Unrealized Gain or Loss on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Total
Balance January 1, 2017	$ 651,532	$ (808,686)	$ -	$ -	$ (157,154)
Exchange differences					
Exchange differences arising on translating foreign operations	(1,131,052)	-	-	-	(1,131,052)
Income tax	192,279	-	-	-	192,279
Available-for-sale financial assets					
Unrealized gain or loss on revaluation	-	399,745	-	-	399,745
Cumulative gain or loss reclassified to profit or loss on sale of available-for-sale financial assets	-	5,206	-	-	5,206
Income tax	-	(1,651)	-	-	(1,651)
Balance March 31, 2017	$ (287,241)	$ (405,386)	$ -	$ -	$ (692,627)

(Concluded)

Earnings Distribution and Dividend Policy

The Bank's Articles of Incorporation provide that annual net income should be appropriated after it has:

a. Deducted any deficit of prior years;

b. Paid all outstanding taxes;

c. Set aside 30% of remaining earnings as legal reserve;

d. Set aside any special reserve or retained earnings allocated at its option;

e. Allocated shareholders' dividends.

The Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, above allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

The Bank meets the required financial position; thus, the limitation on the setting aside of earnings to legal reserve under the Company Act is not applicable.

To comply with the Bank's globalization strategy, strengthen its market position, integrate its diversified business operation and be a major local bank, the Bank has adopted the "Balanced Dividend Policy".

Under this policy, dividends available for distribution are determined by referring to its capital adequacy ratio (CAR). Cash dividends may be declared if the Bank's CAR is above 10% and stock dividends may be declared if the CAR is equal to or less than 10%. However, the Bank may make discretionary cash distribution even if the CAR is below 10%, if approved at the shareholders' meeting, for the purpose of maintaining the cash dividends at a certain level in any given year.

Cash dividends and cash bonus are paid after the approval of the shareholders, while the distribution of stock dividends requires the additional approval of the authorities.

Under the Company Act, legal reserve shall be appropriated until it has reached the Bank's paid-in capital. This reserve may be used to offset a deficit. When the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Act provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, allocation should not exceed 15% of the aggregate par value of the outstanding capital stock of the Bank.

Under Article 50-2 of the Banking Act revised on December 30, 2008, when legal reserve has meet the total capital reserve or required financial position, the setting aside of earnings to legal reserve under the Company Act is not limited to the restriction that 30% of remaining earnings shall be set aside as legal reserve or the limitation on the appropriation of the remainder and retained earnings from previous year to 15% of total capital reserve when legal reserve has not meet the total capital reserve. The requirements for financial position of banks to be established in accordance with this Act revised on April 30, 2012 shall be as prescribed by the FSC, Executive Yuan, ROC.

According to FSC Order No. 1010012865 and the rule of "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs", of amount of equal to the net debit balance of shareholders' other equity items shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated.

Under Order No. 10510001510 issued by the FSC on May 25, 2016, before dispatching the net income of 2016 through 2018, the Public Bank shall reserve 0.5% to 1% of net income as special reserve. From the fiscal year of 2017, the Bank can reverse the amount of expenditure of employees' transfer arising from financial technology development within the amount of the abovementioned special reserve.

Under the Financial Holding Company Act, the board of directors is empowered to execute the authority of the shareholders' meeting, which is under no jurisdiction in the related regulations in the Company Act.

On June 23, 2017, the board of directors (on behalf of the shareholder's meeting) exercised the power and authority of the shareholders' meeting and approved the appropriation of the 2016 earnings. The appropriations, including dividends per share, were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 2,056,300	
Special reserve	191,445	
Share dividends	2,106,588	$ 0.25091991
Cash dividends	2,500,000	0.29778009

The appropriations of earnings for 2017 have been proposed by the Bank's board of directors on March 16, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 2,336,724	
Special reserve	48,135	
Cash dividends	5,404,219	$ 0.62795102

The board of directors approved the 2017 appropriations of earnings on March 16, 2018, that will be resolved by shareholder's resolution in 2018.

In accordance with FSC Guideline No. 09900146911, cash dividends and bonus to shareholders for 2009 amounting to $1,435,025 shall not be remitted to the parent company until the land transferred to SPL from the Bank is disposed and the gain is realized.

34. INTEREST REVENUE, NET

	For the Three Months Ended March 31	
	2018	2017
Interest income		
Loans	$ 4,562,670	$ 4,606,296
Security investments	956,792	1,034,160
Due from the Central Bank and call loans to other banks	435,059	380,165
Credit card revolving interest rate income	143,349	144,477
Accounts receivable - forfaiting	51,996	20,509
Others	161,670	93,858
	6,311,536	6,279,465
Interest expense		
Deposits	(2,171,606)	(2,128,115)
Bank debentures	(214,900)	(213,433)
Call loans from banks	(115,700)	(130,000)
Interest expense of structured products	(114,575)	(114,571)
Others	(86,334)	(19,180)
	(2,703,115)	(2,605,299)
	$ 3,608,421	$ 3,674,166

35. COMMISSION AND FEE REVENUE, NET

	For the Three Months Ended March 31	
	2018	2017
Commissions and fees revenue		
Insurance services	$ 637,816	$ 650,683
Trust and related services	511,463	381,656
Credit card services	266,718	277,521
Loan services	198,939	140,099
Others	217,232	219,935
	1,832,168	1,669,894
Commissions and fees expense		
Credit card services	(109,134)	(110,388)
Interbank services	(39,384)	(37,462)
Trust services	(19,819)	(18,687)
Insurance services	(11,344)	(17,746)
Foreign exchange transaction	(11,172)	(14,666)
Others	(57,238)	(58,100)
	(248,091)	(257,049)
	$ 1,584,077	$ 1,412,845

36. GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Three Months Ended March 31	
	2018	**2017**
Realized gain (loss) on financial assets and liabilities at fair value through profit or loss		
Non-derivative financial instruments		
Government bonds	$ 124,430	$ 31,496
Bank debentures	84,387	52,462
Corporate bonds	40,497	16,845
Stocks	13,869	3,083
Others	8,886	15,066
Derivative financial instruments		
Currency swap contracts and hybrid FX swap structured instruments	237,144	308,276
Option contracts	94,857	29,363
Forward contracts	(6,060)	(11,240)
Futures contracts	(7,753)	25,093
Interest rate swap contracts	(102,981)	(33,892)
Others	(750)	(2,746)
	486,526	433,806
Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss		
Non-derivative financial instruments		
Corporate bonds	(23,568)	(4,635)
Bank debentures	(87,662)	40,199
Stocks	(114,267)	8,865
Government bonds	(671,791)	300,790
Others	(1,780)	7,720
Derivative financial instruments		
Interest rate swap contracts	802,605	(43,912)
Currency swap contracts and hybrid FX swap structured instruments	153,505	207,342
Futures contracts	16,599	4,939
Cross-currency swap contracts	(22,922)	(58,959)
Forward contracts	(41,997)	(429,648)
Option contracts	(118,368)	8,161
Others	15	237
	(109,631)	41,099
	$ 376,895	$ 474,905

Disposal gain or loss included in realized gain or loss on financial assets and liabilities at fair value through profit were $216,233 and $238,899 for the three months ended March 31, 2018 and 2017, respectively. Related interest and dividend revenues were $270,293 and $194,907 for the three months ended March 31, 2018 and 2017, respectively.

37. REALIZED GAINS (LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Three Months Ended March 31, 2017
Dividends revenue	$ 1,961
Others	87
	$ 2,048

38. REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Three Months Ended March 31, 2017
Bank debentures	$ (3,653)

39. REVERSAL (PROVISION) OF IMPAIRMENT LOSS ON ASSETS

	For the Three Months Ended March 31	
	2018	2017
Reversal of impairment loss on debt instruments at fair value through other comprehensive income	$ 1,449	$ -
Provision of impairment loss on debt instruments measured at amortized cost	(127)	-
(Provision) reversal of impairment loss on other financial assets	(147)	21,845
	$ 1,175	$ 21,845

40. OTHER NONINTEREST NET REVENUES

	For the Three Months Ended March 31	
	2018	2017
Rental income	$ 21,820	$ 21,287
Operating assets rental income	7,267	7,071
Insurance claims	4,099	8
Transaction bonus	3,790	2,270
Net gains on disposal of property and equipment	-	13,116
Net gains on unquoted equity instruments	-	11,866
Life insurance cash surrender revenue	-	9,031
Others	7,002	(8,283)
	$ 43,978	$ 56,366

41. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended March 31	
	2018	2017
Salaries and wages	$ 1,050,028	$ 1,147,452
Bonus	600,448	617,902
Labor insurance and national health insurance	128,055	134,983
Pension costs	79,966	98,096
Others	173,274	157,376
	$ 2,031,771	$ 2,155,809

The Bank's Articles of Incorporation provide that the Bank shall allocate from annual profit more than 0.5% as employees' compensation and not more than 1% as remuneration of directors. But if there are accumulated losses, the Bank should make up for the losses first.

The employees' compensation and the remuneration of directors recognized were estimated on the basis of the Bank's Articles of Incorporation and past experience. The Bank accrued $12,356 and $13,063 as employees' compensation and $5,345 and $6,594 as remuneration of directors for the three months ended March 31, 2018 and 2017.

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

The board of directors proposed $51,000 as employees' compensation and $14,129 as remuneration of directors on February 2 and February 23, 2018, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash.

The board of directors proposed $42,662 as employees' compensation and $16,492 as remuneration of directors and supervisors on January 20 and February 24, 2017, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash.

The Bank's board of directors resolved the remuneration of employees, directors and supervisors on behalf of the shareholder on June 23, 2017.

The information on employees' compensation and the remuneration of directors and supervisors is available at the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

42. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Three Months Ended March 31	
	2018	2017
Depreciation expense		
Buildings	$ 32,467	$ 34,550
Computers and machinery equipment	36,605	39,444
Other equipment	19,914	19,537
Leasehold improvements	21,665	23,906
	110,651	117,437
Amortization expense	38,323	59,874
	$ 148,974	$ 177,311

43. OTHER OPERATING EXPENSES

	For the Three Months Ended March 31	
	2018	**2017**
Taxation and fees	$ 292,175	$ 284,336
Rent	172,968	202,808
Professional advisory	135,506	138,477
Marketing	110,613	108,689
Location fee	89,440	86,976
Insurance	70,038	72,699
Automated equipment	57,635	66,949
Communications expense	56,369	69,350
Others	114,261	92,139
	$ 1,099,005	$ 1,122,423

44. EARNINGS PER SHARE

Basic earnings per share is calculated by the gain or loss attributed to the Bank's shareholder divided by the weighted-average number of common shares outstanding.

The numerators and denominators used in computing earnings per shares (EPS) are summarized as follows:

Dollar per share

	For the Three Months Ended March 31	
	2018	**2017**
Basic EPS	$ 0.25	$ 0.27

The weighted-average number of common shares outstanding in the computation of basic EPS are as follows:

Net income

	For the Three Months Ended March 31	
	2018	**2017**
Net income for calculating basic EPS	$ 2,126,966	$ 2,304,641

Shares in thousands

	For the Three Months Ended March 31	
	2018	**2017**
The weighted-average number of common shares outstanding in the computation of basic EPS	8,606,116	8,606,116

45. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other notes to the consolidated financial statements, transactions, between the Group and other related parties are summarized as follows:

a. Related parties and their relationships with the Group

Name	Relationship with the Group
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of SPH
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
Taiwan Futures Exchange (TAIFEX)	Affiliate of SPH's general manager
YFY Inc.	Affiliate of SPH's corporate director
YFY International BVI Corp. (YFY International)	Affiliate of SPH's corporate director
Shin Foong Specialty and Applied Materials Co., Ltd. (Shin Foong)	Affiliate of SPH's corporate director
YFY Cayman Co., Ltd. (YFY Cayman)	Affiliate of SPH's corporate director
Foongtone Technology Co., Ltd. (Foongtone Technology)	Affiliate of SPH's corporate director
YFY Packaging Inc. (YFY Packaging)	Affiliate of SPH's corporate director
Pegatron Corporation (Pegatron)	Affiliate of SPH's corporate director
Yuen Foong Shop Co., Ltd. (Yuen Foong Shop)	Affiliate of SPH's corporate director
Taipei Fubon Commercial Bank Co., Ltd (Taipei Fubon Bank)	Affiliate of SPL's corporate director
Boardtek Electronics Corporation (Boardtek Electronics)	Affiliate of second-degree in-laws of the Bank SinoPac's director
Financial Information Services Co., Ltd. (Financial Information)	Affiliate of the key management personnel of SPH
Taipei Foreign Exchange Inc. (Taipei Foreign Exchange)	Affiliate of the key management personnel of SPH
Carnival Industrial Corporation (Carnival Industrial)	Affiliate of Bank SinoPac managers' spouse
Cheng Da Industrial Co., Ltd. (Cheng Da)	Affiliate of Bank SinoPac managers' spouse (before January 2018)
Chailease Finance Co., Ltd. (Chailease)	Affiliate of Bank SinoPac managers' spouse
Wafer Works Corporation (Wafer Works)	Affiliate of Bank SinoPac managers' spouse
President Futures Co., Ltd. (President Futures)	Affiliate of Bank SinoPac managers' spouse (before January 2018)
Kim Great Co., Ltd. (Kim Great)	Affiliate of second-degree kin of the Bank SinoPac's manager
Bolin Company Ltd. (Bolin Company)	Affiliate of third-degree kin of the Bank SinoPac's manager
Shyang Yih Logistics Co., Ltd. (Shyang Yih Logistics)	Affiliate of third-degree kin of the Bank SinoPac's manager
Quanta Storage Inc. (Quanta Storage)	Affiliate of third-degree kin of the Bank SinoPac's manager (before January 2018)
Kung Sing Engineering Corporation (Kung Sing Engineering)	Affiliate of second-degree in-laws of the Bank SinoPac's manager

(Continued)

Name	Relationship with the Group
Cold Stone Creamery Taiwan Ltd. (Cold Stone Creamery)	Affiliate of second-degree in-laws of the Bank SinoPac's manager
Well Shine Biotechnology Development Co., Ltd. (Well Shine Bio)	Affiliate of second-degree in-laws of the Bank SinoPac's manager
Evercast Precision Industry Corporation (Evercast Precision)	Affiliate of first-degree kin of the Bank SinoPac's Lending committee member
Greatwell Enterprise Co., Ltd.	Affiliate of second-degree kin of the Bank SinoPac's Lending committee member
International Rice Noodle Corp.	Affiliate of second-degree kin of the Bank SinoPac's Lending committee member
Champion Building Materials Co., Ltd. (Champion Building Materials)	Affiliate of third-degree kin of the Bank SinoPac's Lending committee member
Chunghwa Post Co., Ltd. (Chunghwa Post)	Related party
Hoss Venture Inc. (Hoss Venture)	Related party
Jelyte Infodata Inc. (Jelyte Infodata)	Related party
MiCareo Taiwan Co., Ltd. (MiCareo)	Related party
Cathay Securities Corporation (Cathay Securities)	Related party
Hydis Technologies Co., Ltd.	Related party
Yuen Foong Yu Biotech Co., Ltd.	Related party
Ho, Show Chung	Related party
Others	The Group's directors, supervisors, managers and their relatives, department chiefs, investments accounted for using the equity method and their subsidiaries, and investees of SPH's other subsidiaries, etc.

(Concluded)

b. Significant transactions with related parties

1) Cash and cash equivalents

	March 31, 2018	December 31, 2017	March 31, 2017
Due from banks			
Chunghwa Post	$ 2,220	$ 2,466	$ -

2) Due from the Central Bank and call loans to other banks

	For the Three Months Ended March 31, 2018		
	Ending Balance	Interest (%)	Interest Revenue
Ending balance			
Taipei Fubon Bank	$ 817,406	0.05-4.1	$ 2,293

	For the Year Ended 2017	
	Ending Balance	Interest (%)
Call loans to banks		
Taipei Fubon Bank	$ 1,149,889	0.03-2.05

3) Derivative financial instruments

	March 31, 2018				
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Currency swap contracts					
Taipei Fubon Bank	$ 4,660,154	2017.6.16-2018.8.23	$ 42,990	Financial assets at fair value through profit or loss	$ 66,203
Taipei Fubon Bank	3,786,375	2017.4.6-2018.7.26	(59,961)	Financial liabilities at fair value through profit or loss	142,573
Interest rate swap contracts					
SinoPac Securities	1,200,000	2014.4.22-2020.8.26	(1,185)	Financial assets at fair value through profit or loss	8,923
SinoPac Securities	1,100,000	2013.4.26-2020.9.1	687	Financial liabilities at fair value through profit or loss	2,992
Taipei Fubon Bank	5,262,553	2013.6.21-2022.3.29	(4,279)	Financial assets at fair value through profit or loss	23,713
Taipei Fubon Bank	6,832,553	2013.6.11-2022.6.20	5,421	Financial liabilities at fair value through profit or loss	46,539
Forward contracts					
YFY International	1,165,038	2018.2.27-2018.5.29	10,438	Financial assets at fair value through profit or loss	10,438
YFY International	145,630	2018.3.29-2018.4.3	(524)	Financial liabilities at fair value through profit or loss	524
YFY Cayman	291,260	2018.3.8-2018.5.9	3,154	Financial assets at fair value through profit or loss	3,154

	December 31, 2017			
	Contract (Notional) Amount	Contract Period	Account	Balance
Currency swap contracts				
Taipei Fubon Bank	$ 5,225,038	2017.1.12-2018.6.20	Financial assets at fair value through profit or loss	$ 137,919
Taipei Fubon Bank	3,284,310	2017.1.11-2018.6.4	Financial liabilities at fair value through profit or loss	260,754
Interest rate swap contracts				
SinoPac Securities	1,200,000	2014.4.22-2020.8.26	Financial assets at fair value through profit or loss	10,107
SinoPac Securities	1,100,000	2013.4.26-2020.9.1	Financial liabilities at fair value through profit or loss	3,678
Taipei Fubon Bank	5,758,920	2013.6.21-2022.3.29	Financial assets at fair value through profit or loss	28,096
Taipei Fubon Bank	7,928,920	2013.3.7-2022.6.20	Financial liabilities at fair value through profit or loss	52,656
Forward contracts				
YFY International	1,567,511	2017.2.8-2018.3.28	Financial assets at fair value through profit or loss	39,277

	March 31, 2017				
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Currency swap contracts					
SinoPac Securities	$ 515,860	2017.3.28-2017.4.6	$ 2,937	Financial assets at fair value through profit or loss	$ 2,937
Interest rate swap contracts					
SinoPac Securities	2,000,000	2012.4.10-2020.8.26	1,935	Financial assets at fair value through profit or loss	13,713
SinoPac Securities	2,100,000	2012.5.16-2020.9.1	(1,169)	Financial liabilities at fair value through profit or loss	6,544
Asset exchange contracts					
SinoPac Securities	15,000	2015.12.23-2017.12.22	(1)	Financial assets at fair value through profit or loss	3
Forward contracts					
YFY Cayman	3,641,365	2016.11.23-2018.3.18	23,653	Financial assets at fair value through profit or loss	15,143
YFY International	910,341	2017.2.8-2017.8.15	3,756	Financial assets at fair value through profit or loss	3,756

4) Securities purchased under agreements to resell

2018

	March 31		For the Three Months Ended March 31
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Securities	$ 58,252	$ 51,817	$ 221

2017

	December 31	
	Face Amount	Carrying Amount
SinoPac Securities	$ 59,715	$ 53,251

5) Receivables and payables

	March 31, 2018	December 31, 2017	March 31, 2017
Receivables	$ 14,863	$ 3,632	$ 9,361
Payables	$ 66,769	$ 54,423	$ 56,185
Cash dividends payable to SPH	$ 1,435,025	$ 1,435,025	$ 1,435,025

6) Current tax assets and liabilities

	March 31, 2018	December 31, 2017	March 31, 2017
Receivables from adopting the linked-tax system	$ 1,273,998	$ 1,273,998	$ 1,273,487
Payables from adopting the linked-tax system	$ 647,981	$ 469,625	$ 417,169

7) Loans

	For the Three Months Ended March 31, 2018			
	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
Loans	$ 8,414,696	$ 8,786,175	0-8.66	$ 32,827

Category	March 31, 2018						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	540	$ 190,592	$ 166,897	V	-	None	Yes
Household mortgage loans	1,426	7,654,910	7,329,102	V	-	Real estate	Yes
Others:							
	Boardtek Electronics	400,000	400,000	V	-	Real estate	Yes
	SPL	360,000	360,000	V	-	Real estate	Yes
	Evercast Precision	39,034	38,517	V	-	Real estate	Yes
	Hoss Venture	30,000	30,000	V	-	Real estate	Yes
	Bolin Company	26,400	25,800	V	-	Real estate	Yes
	Kim Great	20,129	19,778	V	-	Real estate	Yes
	Jelyte Infodata	17,087	16,567	V	-	Real estate	Yes
	Greatwell Enterprise Co., Ltd.	8,200	8,200	V	-	Real estate	Yes
	Kung Sing Engineering	6,323	-	V	-	None, Note 1	Yes
	Shyang Yih Logistics	936	826	V	-	Vehicle	Yes
	Others	32,564	19,009	V	-	Vehicle, certificates of deposit and real estate	Yes
	Others subtotal	940,673	918,697				
	Total	$ 8,786,175	$ 8,414,696				

	For the Year Ended December 31, 2017		
	Ending Balance	Highest Balance	Interest/ Fee Rates (%)
Loans	$ 8,578,342	$ 9,792,961	0-16.14

Category	December 31, 2017						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	557	$ 236,105	$ 185,676	V	-	None	Yes
Household mortgage loans	1,449	8,184,747	7,466,894	V	-	Real estate	Yes
Others:							
	Boardtek Electronics	400,000	400,000	V	-	Real estate	Yes
	SPL	360,000	360,000	V	-	Real estate	Yes
	Quanta Storage	242,758	-	V	-	None, Note 1	Yes
	Champion Building Materials	45,600	-	V	-	None, Note 1	Yes
	Cold Stone Creamery	44,500	-	V	-	None, Note 1	Yes
	Evercast Precision	41,074	39,034	V	-	Real estate	Yes
	Kung Sing Engineering	31,977	6,323	V	-	None, Note 1	Yes
	Hoss Venture	30,000	30,000	V	-	Real estate	Yes
	Bolin Company	28,800	26,400	V	-	Real estate	Yes
	Kim Great	21,507	20,129	V	-	Real estate	Yes
	Carnival Industrial	20,000	-	V	-	None, Note 1	Yes
	Jelyte Infodata	18,624	17,087	V	-	Real estate	Yes
	Well Shine Bio	15,000	-	V	-	Real estate	Yes
	Greatwell Enterprise Co., Ltd.	8,200	8,200	V	-	Real estate	Yes
	International Rice Noodle Corp.	403	-	V	-	Vehicle	Yes
	Cheng Da	33	-	V	-	Vehicle	Yes
	Others	63,633	18,599	V	-	Vehicle, certificates of deposit and real estate	Yes
	Others subtotal	1,372,109	925,772				
	Total	9,792,961	8,578,342				

	For the Three Months Ended March 31, 2017			
	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
Loans	$ 8,230,355	$ 10,006,004	0-16.14	$ 35,716

Category	March 31, 2017						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	511	$ 173,703	$ 150,326	V	-	None	Yes
Household mortgage loans	1,462	7,733,556	7,422,022	V	-	Real estate	Yes
Others:							
	CFC	1,500,000	100,000	V	-	None, Note 1	Yes
	Boardtek Electronics	400,000	400,000	V	-	Real estate	Yes
	Evercast Precision	41,074	40,566	V	-	Real estate	Yes
	Hoss Venture	30,000	30,000	V	-	Real estate	Yes
	Bolin Company	28,800	28,200	V	-	Real estate	Yes
	Kim Great	21,507	21,164	V	-	Real estate	Yes
	Jelyte Infodata	18,624	18,115	V	-	Real estate	Yes
	Well Shine Bio	15,000	-	V	-	Real estate	Yes
	Greatwell Enterprise Co., Ltd.	8,200	8,200	V	-	Real estate	Yes
	International Rice Noodle Corp.	403	364	V	-	Vehicle	Yes
	Cheng Da	33	-	V	-	Vehicle	Yes
	Others	35,104	11,398	V	-	Vehicle and certificates of deposit	Yes
	Others subtotal	2,098,745	658,007				
	Total	10,006,004	8,230,355				

Note 1: It's non-related party of the Bank at the loan's signing date.

Note 2: Debtors of related party loans are all within normal credit ranking. The Bank estimated the provision for doubtful debt periodically in accordance with the guidelines issued by the authority and IFRSs.

8) Guarantees

March 31, 2018

Related Party	Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
Kung Sing Engineering	$ 39,027	$ -	$ -	1.00%	None, Note	

December 31, 2017

Related Party	Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
Wafer Works	$ 101,003	$ -	$ -	0.75%	Certificates of deposit	
Kung Sing Engineering	39,027	39,027	-	1.00%	None, Note	
Quanta Storage	16,484	14,170	-	1.00%	Certificates of deposit	
MiCareo	15,910	-	-	1.25%	Certificates of deposit	
SinoPac Securities	2,000	-	-	0.30%	Certificates of deposit	

March 31, 2017

Related Party	Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
Wafer Works	$ 101,003	$ 100,956	$ -	0.75%	Certificates of deposit	
CFC	27,054	27,054	-	0.7%	None, Note	
MiCareo	15,910	15,910	-	1.25%	Certificates of deposit	
SinoPac Securities	2,000	2,000	-	0.3%	Certificates of deposit	

Note: It is non-related party at the Bank at the loan's sign date.

9) Available for sale financial assets

	December 31, 2017	March 31, 2017
Beneficial certificates		
Others	$ -	$ 2,068

10) Financial assets at fair value through other comprehensive income

	March 31, 2018
Financial International	$ 91,000
TAIFEX	21,490
Taipei Foreign Exchange	6,800

11) Other financial assets

	December 31, 2017	March 31, 2017
Unquoted equity instruments		
Financial Information	$ 91,000	$ 91,000
TAIFEX	21,490	21,490
Taipei Foreign Exchange	6,800	6,800
Call loans to security corporations		
SinoPac Securities	-	1,517,236
Excess margin of futures and options		
SinoPac Securities (Asia) Ltd.	48,503	63,834
SinoPac Futures	280,359	231,034

The Bank had interest revenue from call loans to security corporations for the three months ended March 31, 2018 and 2017 were $245 and $1,062, respectively.

12) Property and equipment

For the three months ended March 31, 2017, the Bank purchased machinery and computer equipment from its related parties for a total of $1,170, recognized under property and equipment.

The Bank leased other equipment from SPL with financial leasing, due to the date, March 31, 2018, December 31, 2017 and March 31, 2017, the carrying amount were $311, $328 and $381.

13) Intangible assets

For the three months ended March 31, 2018, the Bank purchased computer software from its related parties in the amount of $48, recognized under intangible assets.

14) Other assets

	March 31, 2018	December 31, 2017	March 31, 2017
Guarantee deposits			
SinoPac Futures	$ 316,766	$ -	$ -
SinoPac Securities (Asia) Ltd.	23,433	-	-
Others	17,131	17,530	18,084

The Bank signed an agreement with Foongtone Technology for the purchase of a debit card with a second-generation chip. The Bank paid Foongtone Technology $3,110 and $9,170 for the three months ended March 31, 2018 and 2017, which were recorded as prepayments (other assets) on the Bank's acquisition of the debit cards or as other operating expenses on the issuance of the debit cards to bank clients.

15) Notes and bonds transaction

	For the Three Months Ended March 31, 2018	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Taipei Fubon Bank	$ 5,300,332	$ 3,801,752
Chunghwa Post	-	2,625,828
Cathay Securities	-	1,649,927

	For the Three Months Ended March 31, 2017	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
YFY Packaging	$ 249,958	$ 249,973
SinoPac Securities	859,786	328,871
SPL	149,980	149,987
YFY Inc.	119,683	119,691

16) Deposits from the Central Bank and other banks

2018

	March 31		For the Three Months Ended March 31
	Ending Balance	Interest Rates (%)	Interest Expense
Taipei Fubon Bank	$ 1,689,838	1.47-4.4	$ 6,642
Chunghwa Post	1,054,128	0.001-1.11	2,892

2017

	For the Year Ended December 31, 2017	
	Ending Balance	**Interest Rates (%)**
Chunghwa Post	$ 1,283,271	0.001-1.13
Taipei Fubon Bank	681,200	0.6-4.4

17) Securities sold under agreements to repurchase

2017

	March 31		For the Three Months Ended March 31
	Face Amount	**Carrying Amount**	**Interest Expense**
Ho, Show Chung	$ 195,200	$ 197,823	$ 147

18) Deposits

2018

For the Three Months Ended March 31		
Ending Balance	**Interest Rates (%)**	**Interest Expense**
$ 24,053,698	0-13	$ 61,044

	Ending Balance	**Interest Rate (%)**
SinoPac Securities	$ 3,260,185	0-1.6
Hydis Technologies Co., Ltd.	1,491,449	0.25-1.83
SPH	1,006,610	0-3.3
SinoPac Securities (Asia) Ltd.	942,493	0-2.5
Shin Foong	856,741	0.07-1.065
Others	16,496,220	
	$ 24,053,698	

2017

For the Year Ended December 31, 2017	
Ending Balance	**Interest Rates (%)**
$ 26,842,040	0-13

	Ending Balance	Interest Rate (%)
SinoPac Securities	$ 3,602,505	0-3
Hydis Technologies Co., Ltd.	1,527,708	0.2-2
SinoPac Securities (Asia) Ltd.	1,138,171	0-2.5
SPH	1,004,088	0-3.3
Shin Foong	949,835	0.07-1.11
Others	18,619,733	0-13
	$ 26,842,040	

2017

For the Three Months Ended March 31		
Ending Balance	Interest Rates (%)	Interest Expense
$ 26,327,969	0-13	$ 70,968

	Ending Balance	Interest Rate (%)
SinoPac Securities	$ 3,778,598	0-3.5
Hydis Technologies Co., Ltd.	1,535,778	0.1-1.35
President Futures	1,086,557	0.07-1.11
Pegatron	914,915	0.07-0.1
SinoPac Securities (Asia) Ltd.	875,468	0-2.5
Others	18,136,653	
	$ 26,327,969	

19) Bank debentures

The Bank’s bank debentures issued for the three months ended March 31, 2017 were underwritten by SinoPac Securities who were paid $250 commission fee (listed in discount of bank debentures).

As of March 31, 2018, SinoPac Securities held third issuance of subordinated bank debentures (B) for the Bank issued in 2017 for a total amount of $40,000.

The Bank paid interest of bank debentures for the three months ended March 31, 2018 in the amount of $3,840.

Third subordinated bank debentures issued in 2015 by the Bank were subscribed by related parties for a total amount of $630,000. There is no difference as of the last interest payment date.

20) Other financial liabilities

As of March 31, 2018, December 31, 2017 and March 31, 2017, the lease payable of SPL was $301, $320 and $378, respectively.

21) Other liabilities

	March 31, 2018	December 31, 2017	March 31, 2017
Guarantee deposits received	$ 11,829	$ 11,829	$ 11,858
Advance receipts	3	4	3

22) Revenues and expenses

	For the Three Months Ended March 31	
	2018	2017
Commissions and fee revenues	$ 22,640	$ 16,869
Commissions and fee expenses	55,179	58,364
Gain on financial assets and liabilities at fair value through profit or loss, net	-	16
Other revenues	3,132	1,664
Other operating expense (Note)	80,337	75,504
Realized gains (losses) on available for sale financial assets	-	719

Note: Other operating expenses are mainly for professional advisory charges and marketing expenses. The Bank entered into professional advisory contracts with SinoPac Call Center, and the professional advisory charges and other operating expenses paid for the three months ended March 31, 2018 and 2017 were $39,203 and $43,130, respectively.

23) Operating lease

a) The Group as a lessee

	Other Operating Expense For the Three Months Ended March 31			
Lessor	2018	2017	Lease Term	Payment Frequency
SPL	$ 31,203	$ 32,066	February 2020	Rentals paid monthly
Others	459	459	January 2021	Rentals paid quarterly or monthly

b) The Bank as a lessor

Lessee	Rental Income For the Three Months Ended March 31 2018	Rental Income For the Three Months Ended March 31 2017	Lease Term	Receiving Frequency
SinoPac Securities	$ 6,584	$ 6,440	December 2021	Rentals received monthly
SinoPac Securities Investment Trust	3,584	3,584	December 2022	Rentals received monthly
SPL	1,574	1,563	July 2021	Rentals received monthly
Yuen Foong Shop	1,080	1,080	January 2020	Rentals received monthly
SinoPac Call Center	899	797	April 2020	Rentals received monthly
Green & Safe, Yuen Foong Yu Group	842	842	October 2020	Rentals received monthly
Others	1,242	1,601	July 2021	Rentals received monthly

Transactions between the Bank and the related parties are at arm's length commercial terms except for the preferential interest rates offered to employees for savings and loans up to prescribed limits.

Under the Banking Act, except for government and consumer loans, credit extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

For transactions between related parties with SinoPac Bancorp and its subsidiaries, SinoPac Capital Limited and its subsidiaries, SinoPac Insurance Brokers, SPLIA, SPPIA and Bank SinoPac (China) the terms are similar to those transacted with unrelated parties.

c. Compensation of directors, supervisors and management personnel

	For the Three Months Ended March 31 2018	For the Three Months Ended March 31 2017
Short-term employee benefits	$ 28,093	$ 25,071
Post-employment benefits	1,290	1,179
	$ 29,383	$ 26,250

The management personnel are composed of general manager, vice general manager and other employee whose job grade is higher than the former.

46. PLEDGED OR MORTGAGED ASSETS

In addition to those disclosed in other notes, pledged or restricted assets of the Group are summarized as follows:

Restricted Assets	Object	March 31, 2018	December 31, 2017	March 31, 2017	Purposes
Investment in debt instruments measured at amortized cost	Certificate of deposits	$ 8,145,630	$ -	$ -	Note 1
Investment in debt instruments measured at amortized cost	Government bonds	1,307,017	-	-	Note 2
Accounts receivable	Expired government bonds	1,600	1,600	-	Note 3
Discounts and loans	Loans	4,222,536	4,442,118	12,861,445	Note 4
Available-for-sale financial assets	Government bonds	-	-	2,300	Note 3
Held-to-maturity financial assets	Certificates of deposits	-	8,000,000	8,000,000	Note 1
Held-to-maturity financial assets	Agency bonds and U.S. municipal bonds	-	-	1,206,687	Note 5
Held-to-maturity financial assets	Government bonds	-	1,351,731	1,614,310	Note 2
Other financial assets	Certificates of deposits	1,860,420	1,980,643	1,916,312	Note 6

Note 1: Pledged in accordance with the Central Bank for foreign-exchange transactions, with the Mega Bank for USD foreign-exchange settlement and with requirements of the California Department of Financial Institutions.

Note 2: Guarantees of dealing and underwriting business, a trust reserve fund, guarantees of bills financial service, reserve for payment of VISA international card, pledged to court as collaterals for filing provisional seizure and disposition, Hong Kong branch’s clearing system of real-time gross settlement and mortgage of derivative instrument outstanding.

Note 3: Pledged to court as collaterals for filing provisional seizure.

Note 4: Pledged with the Federal Reserve Bank and the Federal Home Loan Bank under the discount window program.

Note 5: Pledged with the Federal Home Loan Bank, guarantee of foreign-exchange transaction and guarantee of the Federal Reserve Bank loan.

Note 6: Pledged in accordance with requirements of the California Department of Financial Institutions, and with intraday overdraft of settlement banks.

47. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. In addition to those disclosed in other notes, significant unrecognized commitments of the Group as of March 31, 2018, December 31, 2017 and March 31, 2017 were as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Trust assets	$ 248,358,065	$ 242,898,571	$ 250,708,476
Securities under custody	146,824,764	146,889,475	143,074,748
Receipts under custody	33,458,968	34,375,022	34,770,750
Agent for government bonds	32,390,900	35,259,600	57,144,400
Guarantee notes payable	11,058,550	11,064,443	11,180,412
Agent for marketable securities under custody	4,451,200	4,601,700	6,205,528
Appointment of investment	3,921,953	4,055,287	5,986,095
Goods under custody	1,151,010	1,194,913	1,218,570
Travelers' checks consigned-in	196,361	205,067	226,649
Investment commitment	-	-	200,694
Entrusted loan	87,331	114,874	193,491
Others	5,044	5,044	6,539

As of March 31, 2018, in addition to abovementioned unrecognized commitments, the Bank and SinoPac Securities had applied for tax concessions to Ministry of Finance regarding their technical support service expenditure relating to the financial transaction system, and had jointly signed to the system manufacturer the letter of indemnity of which the total compensation is not more than US$1,300 thousands to obtain the proxy of the manufacturer thereof to apply for foresaid tax concession. The compensation distributable to the Bank is US$867 thousands and to the SinoPac Securities is US$433 thousands.

In response to the development of technology, the Bank signed with National Cheng Kung University an enterprise and industry cooperation and donation agreement with budget amount of $120,000. The donation will be used to build a research center for developing AI depth learning and big data application about FinTech. The cooperation agreement was signed on August 7, 2017, and is valid retrospectively from July 1, 2017. Except when the two parties agreed to extend the maturity date, the agreement is valid from July 1, 2017 to September 30, 2020. As of March 31, 2018, the Bank recognized operating expense in the amount of $102,000 and related payable in the amount of $62,924.

b. The Group entered into contracts to buy computer equipment and office equipment for $321,622 of which $94,416 had been paid as of March 31, 2018.

c. Contingencies

1) The Securities and Futures Investors Protection Center (SFIPC) filed a lawsuit against the Bank and SinoPac Leasing Corporation's (SPL) subsidiary, Grand Capital, on the ground that Procomp Informatics Ltd. (Procomp) deposited US$10,000 thousand in the Bank's Shisung Branch (formally Sungshan Branch) and placed a restriction on the use of this deposit as a condition for a short-term loan to Addie International Limited granted by SPL and for allegedly helping Yeh, Sue-Fei and Procomp do irregular trading and, at the same time, Procomp used the restricted deposit for fictitious sale transactions. Later, when problems on Procomp's account arose, the Bank and Grand Cathay demanded compensation, which was taken from Procomp's account, resulting in damage to Procomp. The Bank was suspected of misleading investors by concealing the restricted status of Procomp's deposit and window dressing Procomp's financial statements. On behalf of investors, the SFIPC filed a lawsuit against the Bank, SPL and all other parties related to Procomp for $4,207,212. Both the courts of the first instance and the second instance ruled in favor of the Bank and SinoPac Leasing. However, the SFIPC decided to file an appeal on January 20, 2016. The Supreme Court reversed the declared judgment on July 27, 2017 and remanded the case to Taiwan High Court. The case is still under process.

2) The SFIPC filed a lawsuit against the Bank on the ground that the Bank's Tunpei Branch provided National Aerospace Fasteners Corporation (NAFC) with its accounts receivable factoring services. NAFC recorded this significant-amount loan transaction as an accounts receivable financing to window-dress its financial position in order to attract investments. The SFIPC filed a lawsuit against the Bank and other parties and demanded a compensation of approximately $543,233; the court of the first instance ruled in favor of the Bank. However, the SFIPC decided to file an appeal for the second instance and stated to reduce the amount of compensation to $293,940 on November 13, 2015; Taiwan High Court ruled in favor of the Bank on December 13, 2016. Nevertheless, the SFIPC filed another appeal to the Supreme Court on January 6, 2017. This case was still under process.

3) The Bank dealt with Skwentex International Corporation (Skwentex) regarding Skwentex's receivables from Siltrontech Electronics Corporation. The relevant accounts receivable transaction involved suspected false cycle trading and was investigated by the Taiwan New Taipei District Prosecutors in 2015. This case was still under process by the Taiwan New Taipei District Prosecutors in 2016. Due to the abnormal and suspected unlawful accounts receivable transaction, the Bank cannot pay the consideration of the accounts receivable to Skwentex in accordance with the credit contract. Skwentex sued the Bank in July 2017 and demanded a compensation of $214,471. This case was still under process.

48. HIERARCHY AND FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

a. The definition of the hierarchy:

1) Level one

Level 1 financial instruments are traded in active market and have the identical price for the same financial instruments. "Active market" should fit the following characteristics:

a) All financial instruments in the market are homogeneous;

b) Willing buyers and sellers exist in the market all the time;

c) The public can access the price information easily.

2) Level two

   The products categorized in this level have the prices that can be inferred from either direct or indirect observable inputs other than the active market's prices. Examples of these inputs are:

   a) Quoted prices from the similar products in the active market. This means the fair value can be derived from the current trading prices of similar products. It is also noted that whether they are similar products should be judged by the characteristics and trading rules. The fair value valuation in this circumstance may make some adjustment due to time lags, trading rule's differences, related parties' prices, and the correlation of price between itself and the similar instruments.

   b) Quoted prices for identical or similar financial instruments in inactive markets.

   c) When marking-to-model, the input of model in this level should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be attained from market and can reflect the expectation of market participants.

   d) Inputs which can be derived from other observable prices or whose correlation can be verified through other observable market data.

3) Level three

   The fair prices of the products in this level are based on the inputs other than the direct market data. For example, historical volatility used in valuing options is an unobservable input, because it cannot represent the entire market participants' expectation for future volatility.

b. Financial instrument measured at fair value

1) Hierarchy information of fair value of financial instruments

Financial Instruments Measured at Fair Value	March 31, 2018			
	Total	Level 1	Level 2	Level 3
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	$ 1,395,324	$ 1,395,324	$ -	$ -
Bonds	51,728,494	42,557,035	9,171,459	-
Others	1,070,896	-	1,070,896	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks	1,290,457	-	-	1,290,457
Debt instruments at FVTOCI				
Bonds	52,466,193	33,383,808	19,082,385	-
Certificates of deposits and others	178,693,196	-	178,693,196	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for trading financial liabilities	451,571	451,571	-	-
Financial liabilities designed at fair value through profit or loss	1,323,904	-	1,323,904	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	16,772,420	92,078	15,942,219	738,123
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	17,867,291	109,647	17,278,042	479,602

Financial Instruments Measured at Fair Value	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 1,770,705	$ 1,770,705	$ -	$ -
Bonds	47,404,069	42,526,008	4,878,061	-
Others	1,505,782	-	1,505,782	-
Financial assets designated as at fair value through profit or loss	929,823	-	929,823	-
Available-for-sale financial assets				
Stocks	71,230	-	-	71,230
Bonds	81,587,212	39,624,852	41,962,360	-
Certificates of deposits and others	145,436,866	1,887,715	143,549,151	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designed as at fair value through profit or loss	1,357,121	-	1,357,121	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	19,004,164	107,207	18,242,350	654,607
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	18,956,335	89,739	18,180,185	686,411

Financial Instruments Measured at Fair Value	March 31, 2017			
	Total	Level 1	Level 2	Level 3
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 332,471	$ 282,572	$ 49,899	$ -
Bonds	47,975,078	42,774,760	4,192,941	1,007,377
Others	117,435	-	117,435	-
Financial assets designated as at fair value through profit or loss	1,859,443	-	1,859,443	-
Available-for-sale financial assets				
Stocks	77,093	-	-	77,093
Bonds	89,406,846	46,525,079	42,881,767	-
Certificates of deposits and others	141,846,314	-	141,846,314	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	14,883,927	36,107	13,781,609	1,066,211
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	16,047,586	34,707	14,935,936	1,076,943
Derivative financial liabilities for hedging	13,831	-	13,831	-

2) Fair value measurement technique

Financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income, available-for-sale financial assets and derivative financial instruments for hedging with quoted price in an active market are using market price as fair value; financial instruments above with no quoted price in an active market are estimated by valuation methods. The estimation and assumption of valuation method the Group used is the same as market participants'. The Group can obtain this information.

The basis of fair value estimation used by the Group is shown as follows:

The fair value of forward contract, interest rate swap contracts and currency swap contracts is measured by the discounted cash flow method; the fair value of option is measured by Black & Scholes Model.

Fair values of forward contracts are estimated on the basis of the foreign exchange rates provided by Reuters. Structured product is measured by opponents' price based on match basis. This method diminished market risk to zero. Fair value of interest rate swap contracts and cross currency swap contracts are estimated on the basis of market quotation provided by Reuters.

Fair value is determined as follows: (a) listed stocks and Taipei Exchange stocks - closing prices as of the balance sheet date; (b) beneficial certificates (open-end funds), net asset values as of the balance sheet date; (c) bonds - period-end reference prices published by the Taipei Exchange; (d) bank debentures issued overseas and the overseas bonds-period-end reference prices published by Bloomberg, calculated through an internal model or provided by a counter-party.

The Bank assessed the active level of market and the adequacy of fair value of emerging stocks and measured the investments at fair value.

The Group assessed the fair value of unlisted counters using the market method. The law uses the price and other relevant information generated by the market transactions involving comparable or comparable assets, liabilities or assets and liabilities.

3) Credit risk valuation adjustment is set out below:

Credit risk valuation consists of credit valuation adjustment and debit valuation adjustment.

Credit valuation adjustment adopts for derivative contracts trading in other than exchange market, over-the-counter, and reflects the non-performance risk of counter party on fair value.

Debit valuation adjustment adopts for derivative contracts trading in other than exchange market, over-the-counter, and reflects the non-performance risk of the Group on fair value.

The Group calculated debit and credit valuation adjustment based on models with inputs of Probability of Default (PD) and Loss Given Default (LGD) multiplying Exposure at Default (EAD).

The Group calculated EAD based on mark-to-market fair value of OTC derivative instruments.

The Group takes 60% as the standard LGD of counter parties, and subject to change under the risk nature and data feasibility.

The Group takes credit risk valuation adjustment into valuation of the fair value of financial instruments, thus reflect the credit quality of counter parties and the Group.

4) Transfer between Level 1 and Level 2

For the three months ended March 31, 2018, the Group transferred part of the NTD corporate bonds and foreign bank debentures from Level 1 to Level 2 because the Group determined these investments were not in an active market.

For the three months ended March 31, 2017, the Group transferred part of the NTD corporate bonds foreign bank debentures and foreign government agency bonds from Level 1 to Level 2 because the Group determined these investments were not in an active market.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the Three Months Ended March 31, 2018									
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Non-derivative financial instruments									
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	$ 1,342,786	$ -	$ (47,662)	$ -	$ -	$ -	$ -	$ (4,667)	$ 1,290,457
Derivative financial instruments									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	654,607	83,516	-	-	-	-	-	-	738,123

Note: The beginning balance of equity instruments at FVTOCI contains unlisted shares classified as available-for-sale and unlisted shares measured at cost under IAS 39.

For the Three Months Ended March 31, 2017									
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Non-derivative financial instruments									
Financial assets at fair value through profit or loss									
Held-for-trading financial assets	$ 381,203	$ 10,319	$ -	$ 637,239	$ -	$ -	$ -	$ (21,384)	$ 1,007,377
Available-for-sale financial assets	81,219	-	(4,126)	-	-	-	-	-	77,093
Derivative financial instruments									
Financial assets at fair value through profit or loss									
Held-for-trading financial assets	1,670,854	(604,643)	-	-	-	-	-	-	1,066,211

For the three months ended March 31, 2018 and 2017, the gains and losses on valuation included in net losses with assets still held were gains $95,659 and losses $558,952, respectively.

For the three months ended March 31, 2018 and 2017, the losses on valuation included in other comprehensive income with assets still held were $47,662 and $4,126, respectively.

b) Reconciliation of Level 3 items of financial liabilities

For the Three Months Ended March 31, 2018								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Derivative financial instruments								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	$ 686,411	$ (206,809)	$ -	$ -	$ -	$ -	$ -	$ 479,602

For the Three Months Ended March 31, 2017								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Derivative financial instruments								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	$ 1,669,026	$ (592,083)	$ -	$ -	$ -	$ -	$ -	$ 1,076,943

For the three months ended March 31, 2018 and 2017, the gains on valuation results included in net income from liabilities still held were $166,868 and $556,348, respectively.

6) Quantitative information about the significant unobservable inputs (Level 3) used in the fair value measurement

Quantitative information about the significant unobservable inputs is set out below:

March 31, 2018

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
Derivative financial instruments					
Financial instruments at fair value through profit or loss					
Hybrid FX swap structured instruments	$ 344,703	$ 344,353	Sellers' quote	(Note 1)	-
Others	393,420	135,249	Sellers' quote	(Note 1)	-
	$ 738,123	$ 479,602			
Non-derivative financial instruments					
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Unlisted shares	$ 1,290,457	$ -	Market value with liquidity valuation discount	Discount factor of liquidity	0%-30%

December 31, 2017

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
Derivative financial instruments					
Financial instruments at fair value through profit or loss					
Held-for-trading financial instruments					
Hybrid FX swap structured instruments	$ 556,876	$ 556,361	Sellers' quote	(Note 1)	-
Others	97,731	130,050	Sellers' quote	(Note 1)	-
	$ 654,607	$ 686,411			
Non-derivative financial instruments					
Available-for-sale financial instruments					
Emerging stocks	$ 71,230	$ -	Market value with liquidity valuation discount	Discount factor of liquidity	0%-20%

March 31, 2017

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
Derivative financial instruments					
Financial instruments at fair value through profit or loss					
Held-for-trading financial instruments					
Hybrid FX swap structured instruments	$ 961,772	$ 960,445	Sellers' quote	(Note 1)	-
Others	104,439	116,498	Sellers' quote	(Note 1)	-
	$ 1,066,211	$ 1,076,943			
Non-derivative financial instruments					
Financial instruments at fair value through profit or loss					
Held-for-trading financial instruments					
Bonds	$ 1,007,377	$ -	Self-built pricing model (Note 2) (IRR Model)	The probabilities of issuer to buy back in the next time to buy back.	-
Available-for-sale financial instruments					
Emerging stocks	$ 77,093	$ -	Market value with liquidity valuation discount	Discount factor of liquidity	0%-20%

Note 1: As pairs of back-to-back transaction, consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed by the Bank.

Note 2: The IRR Model is an evaluation of the zero-coupon redeemable bond. Based on the assumption that the issuer will buy back the bond on the next buyback day, the IRR is calculated on the basis of the cumulative factor from the beginning of the year to the evaluation day in order to estimate the price of zero-coupon redeemable bonds.

7) Valuation processes for fair value measurements categorized within Level 3

The Group assesses the derivative financial instruments' fair values according to the quote by counterparties; related assessments are compiled as risk-control reports and inform the manager by month and report to the board of directors by quarter.

The financial instrument valuation team from the Group's risk management department is responsible for independent testify of fair value of unlisted shares. The team also use the independent source date to bring the assessment results closer to market conditions, confirm that data sources are independent, reliable, consistent with other resources and represent executable price, calibrate the evaluation model periodically and update input values and data required for the evaluation model to ensure the evaluation results are reasonable.

c. Financial instruments not carried at fair value

1) Fair value information of financial instruments

Financial instruments not carried at fair value excluding the table below are reasonably close to their fair value, therefore no additional disclosure, for example: Cash and cash equivalents, due from the Central Bank and other banks, securities purchased under agreements to resell, receivables, discounts and loans, some other financial assets, deposits from the Central Bank and other banks, securities sold under agreements to repurchased, payables, deposits and remittances and other financial liabilities.

	March 31, 2018	
Items	**Carrying Amount**	**Fair Value**
Debt instrument investments at amortized cost	$ 75,468,070	$ 75,640,863
Bank debentures	38,570,586	39,152,902

	December 31, 2017	
Items	**Carrying Amount**	**Fair Value**
Held-to-maturity financial assets	$ 56,607,945	$ 56,863,068
Debt investments without active market	1,064,900	1,064,860
Bank debentures	39,569,669	40,184,562

	March 31, 2017	
Items	**Carrying Amount**	**Fair Value**
Held-to-maturity financial assets	$ 73,337,409	$ 73,572,336
Debt investments without active market	6,122,550	6,094,806
Bank debentures	44,028,822	44,671,266

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	March 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Debt instrument investments at amortized cost	$ 75,640,863	$ 28,061,593	$ 47,579,270	$ -
Bank debentures	39,152,902	-	31,487,002	7,665,900

Assets and Liabilities Item	December 31, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Held-to-maturity financial assets	$ 56,863,068	$ 22,051,072	$ 34,811,996	$ -
Debt investments without active market	1,064,860	-	1,064,860	-
Bank debentures	40,184,562	-	32,518,662	7,665,900

Assets and Liabilities Item	March 31, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Held-to-maturity financial assets	$ 73,572,336	$ 29,019,528	$ 44,552,808	$ -
Debt investments without active market	6,094,806	-	5,943,082	151,724
Bank debentures	44,671,266	5,142,774	34,892,592	4,635,900

3) Methods and assumptions applied in estimating the fair values of financial instruments not carried at fair value are as follows:

   a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and other banks, securities purchased under agreements to resell, receivables, some of other financial assets, deposits from the Central Bank and other banks, securities sold under agreements to repurchased, payables and other financial liabilities approximate their fair value because of the short maturity or the similarity of the carrying amount and future price.

   b) Discounts and loans (including nonperforming loans): The Group usually uses base rate (floating rate) as loan rate because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable. Long-term loans with fixed rate should estimate its fair value by its discounted value of expected cash flow. Because this kind of loans is not significant in this item, using its carrying amount to consider the probability of repossession and estimate its fair value should be reasonable.

   c) The debt instruments investments at amortized cost (2018), held-to-maturity financial assets (2017): Held-to-maturity financial assets with quoted price in an active market are using market price as fair value; held-to-maturity financial assets with no quoted price in an active market are estimated by valuation methods or opponent's price.

   d) Debt investments without active market (2017): Discounted cash flows from debt investments with no quoted price in an active market is estimated by using discount rate plus credit premium.

   e) Deposits and remittances: Considering banking industry's characteristic, since deposits have one-year maturity and measured by market rate (market value), using carrying value to assess fair value is reasonable. For deposits with three-year maturity are measured by discounted cash flow, using carrying value to assess fair value is reasonable.

   f) Bank debentures: Bank debentures with quoted price in an active market are using market price as fair value; bank debentures with no quoted price in an active market are estimated by valuation methods or quotes from counterparties.

   g) Investment accounted for using the equity method and unquoted equity investments (2017): The fair value of unquoted equity investments cannot be reliably measured because it has no quoted price in an active market, the variability interval of fair value measurements is significant or the probability of the estimations in the variability interval cannot be reasonably assessed. Hence, the fair value is not disclosed.

49. FINANCIAL RISK MANAGEMENT

a. Overview

The Group documents the risk management policies, including overall operating strategies and risks control philosophy. The Group's overall risk management policies are to minimize the possibility of potential unfavorable factors. The board of directors approves the documentation of overall risk management policies and specific risk management policies; including credit risk, liquidity risk, market risk, operational risk, derivative instruments transactions and managements. The board of directors reviews the policies regularly, and reviews the operation to make sure the Group's policies are executed properly.

b. Risk management framework

The board of directors is the top risk supervisor of the Group. The board not only reviewed risk management policies and rules but also authorized management to be in charge of daily risk management work. The Bank has set up a risk management committee to be responsible for the services above; the Bank has also set up a credit committee to review the policies and supervise the abnormal cases. The credit committee also helps the board of directors approve cases over general manager's authority under the board's authorization.

The board of directors authorized the Group's management to supervise risk management activities, evaluate the performance and confirm every risk management agent having essential code of ethic and professional skills. Internal audit is responsible for the periodic review of risk management and the control environment, then reports the results directly to the board of directors.

The Bank has set up a risk management department to control risk management policies, establish rules, plan and set up risk management system. The risk management department executes these policies based on the board's approval, then reports the results and performance reviews to the authority or the board.

c. Credit risk

1) Sources and definitions of credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from lending, trade finance, treasury, and credit derivatives. The issuer's credit risk should be considered as part of the market risk when the investment target is securities in an active market.

2) Policies and strategies

The Group established policies based on operating goals and strategies, business plans and risk management goals authorized by the board of directors. These policies were established to lower potential financial losses, minimize risks and rewards to raise the performance and protect shareholders' equity through appropriate managing policies and procedures based on risk-diversification principle.

The Group's risk strategy is to strengthen the credit risk management framework, establish complete credit verification system and procedure, develop and use efficient and scientific credit risk managing instruments to identify, measure, manage and supervise credit risks. These strategies transparentize, systematize, specialize and formalize credit risk management to manage loans, nonperforming assets and every kind of assets' credit risk.

The Group has set up policies of main risks as prime direction based on legislations and operational goals. These policies include risk appetite, management goals, organization structure of responsibility and accountability, measurement, evaluation, supervision and report procedure of risks. These policies are established to reach the purposes of consistency and centralized management and are put into practice in corporate government.

Credit risk management procedures and measurements are as follows:

a) Loan business (includes loan commitment and guarantee)

Loan business classification and qualities are shown as follows:

i. Classification

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans" (the Regulations) issued by the Banking Bureau, the Bank evaluates credit losses on the basis of the estimated collectability. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectability, and assets on which there is loss.

FENB evaluates credit losses on the basis of the estimated collectability. Credit assets are classified as pass, and the rest of the assets were evaluated by mortgages and overdue period then classified as assets that require special mentioned, assets with substandard, assets with doubtful collectability.

Bank SinoPac (China) Ltd. strictly follows the "Guidance for the Risk-Based Loan Categorization" established by the China Banking Regulatory Commission. It divides its loans into five categories based on a debtor's ability to repay the full principal and interest on time. The five categories are normal, special mention, substandard, doubtful, and loss. The last three categories are considered nonperforming loans.

ii. Credit quality level

The Group sets up credit quality level (ex. internal credit risk assessment model, credit assessment rules) based on business characteristic and scale to manage risks.

In order to measure clients' credit risks, the Group established credit risk assessment model for corporate banking, personal banking and consumer banking through statistic methods, professional judgment and clients' information. Every model should be reviewed regularly to examine whether the calculations match to the actual conditions or not, then the Bank will adjust parameters to optimize the results.

For personal banking and consumer banking customers, every case will be reviewed individually to assess default risks except that micro-credit and credit card business should be assessed by internal credit assessment model.

b) Investment business

The Group manages and identifies credit risks of debt investment through credit ratings by outsiders, credit qualities of the debt, regional conditions and counterparties' risks.

The Group carry out derivative instrument transactions with counterparties in financial industry which are almost above the investment level. The Bank would control credit risks based on counterparties' credit lines; counterparties with no credit ratings or at non-investment level should be reviewed individually. Normal customers' credit exposure positions should be controlled by approved derivative instrument credit line and condition based on normal credit procedure.

3) Credit risk hedge or mitigation policies

a) Collateral

The Group has set up several standards dealing with credit exposures and collateral requirements in order to mitigate credit risks and maintain creditor's rights. The standards cover areas such as disposal of collateral, acceptance of real estate as collateral, real estate appraisal; credit policies for every commodity to regulate collateral categories, appraisals, procedures, deduction percentages, loan rate, loan-to-value ratio, maturity analysis, control, and management.

To maintain collateral's effectiveness, the Group supervises and manages the collateral by examining the usage, custody and maintenance of collateral regularly and irregularly to avoid selling, leasing, pledging, moving and disposing collaterals without authorization. Once the loan is due but will be extended, the contract should be seen as a new case and the collateral should be revalued.

b) Credit risk limits and credit risk concentration control

The Group manages credit line and concentration of credit assets through appropriate information managing system that gathers information on credit exposure to centralized conditions, exposure of credit asset combinations, including national risk, large credit exposure, credit line of single corporation, group and industry. For cases approaching credit limit, the concerned unit should report to management and make control strategies; for cases exceeding credit limit, the management should take appropriate action and the Group should review the credit approval process and authorization level.

c) Agreement of net settlement

The Group often makes gross settlement on transactions, sign net settlement contract with other counterparties or cancel every transactions and make net settlement when default occurs to mitigate credit risk.

4) The determination since the initial recognition of the credit risk has increased significantly-2018

a) Loan business

The group assess the change in the risk of default of various credit assets during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition.
In order to make this assessment, the main consideration is reasonable and supportable information that the credit risk has increased significantly since the initial recognition (including forward-looking information).

Key indicators include:

i. Quantitative indicators

Information on overdue conditions: When the contractual payments were overdue for more than 30 days to overdue 89 days, it has been determined that credit risk of the financial assets after the initial recognition was significantly increased.

ii. Qualitative indicators

i) Although the loan has not been repaid or due on the maturity date, there are other bad debts and the asset classification is not normal.

ii) The loan review report belonging to an abnormal credit.

iii) The credit card transaction with the Bank is abnormal.

On the basis of various credit asset evaluation benchmark days of the group, if the credit risk does not increase significantly and not belong to an impaired financial asset, it can be determined that the credit risk does not increase significantly after the initial recognition.

b) Investment business

The Group adopts external credit rating scales to measure whether the credit risk after the initial recognition is significantly increased for debt instrument measured at amortized cost and debt instrument measured at fair value through other comprehensive income.

The external credit rating is determined by international credit rating agency. When the external credit rating changes and the following situations occur, the credit risk is regarded to have significantly increased after the initial recognition.

i. From investment grade (Aaa-Baa3) to non-investment grade (Ba1 (inclusive) or less, without Ca-D)

ii. From grade Ba1-Ba3 to grade B1-Caa3

iii. The bonds in grade B1-Caa3 at initial recognition.

Credit	Moody's	S&P	Fitch	Taiwan Ratings	Fitch (Taiwan)
First grade	Aaa	AAA	AAA		
	Aa1	AA+	AA+		
	Aa2	AA	AA		
	Aa3	AA-	AA-		
	A1	A+	A+	twAAA	AAA (twn)
	A2	A	A	twAA+	AA+ (twn)
	A3	A-	A-	twAA	AA (twn)
	Baa1	BBB+	BBB+	twAA-	AA- (twn)
	Baa2	BBB	BBB	twA+	A+ (twn)
	Baa3	BBB-	BBB-	twA	A (twn)
Second grade	Ba1	BB+	BB+	twA-	A- (twn)
	Ba2	BB	BB	twBBB+	BBB+ (twn)
	Ba3	BB-	BB-	twBBB	BBB (twn)
				twBBB-	BBB- (twn)
Third grade	B1	B+	B+	twBB+	BB+ (twn)
	B2	B	B	twBB	BB (twn)
	B3	B-	B-	twBB-	BB- (twn)
				twB+	B+ (twn)
				twB	
	Caa1	CCC+	CCC+	twB-	B (twn)
	Caa2	CCC	CCC	twCCC+	B- (twn)
	Caa3	CCC-	CCC-	twCCC	CCC+ (twn)
Fourth grade	Ca	CC	CC	twCCC-	CCC (twn)
	C	C	C	twCC	CCC- (twn)
		SD	DDD	twC	CC (twn)
		D	DD	twSD	C (twn)
		R	D	twD	DDD (twn)
				twR	DD (twn)
					D (twn)
	P-1	A-1	F-1		
	P-2	A-2	F-2	twA-1	F1 (twn)
	P-3	A-3	F-3	twA-2	F2 (twn)

The external rating of each credit rating agency refers to the conversion chart of Basel III.

If a bond has multiple credit ratings, the lowest rating of such bond will be taken as its credit rating; if the bond itself has no credit rating, the guarantor's credit rating will be taken; if there is no guarantor, the issuer's credit rating will be taken. If the bond's, guarantor's, or issuer's external credit rating is not available, the external rating of the bond is based on the internal rating of the bond in SinoPac Holdings.

5) Definition of financial asset default and credit impairment - 2018

The Bank's definition of financial asset default is the same as financial asset credit impairment. If one or more of the following conditions are satisfied, the Bank determines that the financial asset has defaulted and has credit impairment.

a) Quantitative indicators

Principal or interest is overdue for more than three months.

b) Qualitative indicators

If there is evidence that the debtor will not be able to pay the contract money, or the debtor is facing significant financial difficulties, for examples:

i. The main debtor has been chased, or the collateral has been disposed of.

ii. The main debtor has not paid short-term advance to the bank.

iii. The debtor applies for debt negotiation, debt extension and debt restructuring, etc. due to financial difficulties.

iv. Other situation with objective evidence of impairment.

Bond investment belongs to credit ratings Ca-D bonds when the following situations occur:

i. The issuer probably cannot repay the principal or interest on the bond maturity date.

ii. It could be objectively judged that the issuer will not be able to repay the principal and interest of the bond on time before maturity.

iii. Probability that the debtor will enter into bankruptcy or undergo financial reorganization.

iv. The issuer encounters bankruptcy or being reorganized or taken over due to financial difficulties before bond maturity.

The above definition of default and credit impairment applies to all financial assets held by the Bank. It is consistent with the definition of relevant financial assets for internal credit risk management, and applicable to relevant impairment assessment model as well.

6) Write-off policy - 2018

If one of the following situations occurred, overdue and nonperforming loans of the Bank, after deducting any estimated recoverable part, will be written off as bad debts.

a) All or part of the creditor's right could not be enforced due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.

b) The values of collateral and properties of the main and subordinate debtors are very low, compensation are not available after deducting the first mortgage, or it is unbeneficial that execution fee is close to or may exceed the bank's reimbursable amount.

c) The collateral and the properties of the main and subordinate debtors are unsold after multiple discount auctions and not beneficial to the Bank.

d) Overdue and nonperforming loans have not been recovered after more than 2 years from the maturity date.

The Bank has procedures for recording accounts written-off and for keeping such records for inspection. Relevant business department continues to watch for movements of the main and subordinate debtors all the time. If there is any property available for execution, the Bank will take appropriate legal action.

7) Amendment to financial asset contract cash flows - 2018

The Bank and its subsidiaries will amend financial asset contract cash flows when borrowers are in financial difficulties, as a result of improvement of problematic debtors' recovery rate or for maintenance of customer relationships. Financial asset contract cash flows amendment include extension of contract period, interest payment date modification, contract interest modification, or exemption from certain requirements of part of debts. The amendment could result in the Bank and its subsidiaries' disposal of existing financial asset and recording of new financial asset at fair value.

If the modification of the contractual cash flows of financial asset does not result in derecognition of asset, the Group will assess whether the credit risk of financial asset has increased significantly by comparing the following:

a) Risk of breaching the contract on the reporting date (based on revised contract terms)

b) The risk of default in the original recognition (based on the original unmodified contract terms)

The Group will consider the borrower's subsequent payment in accordance with the revised terms and several relevant behavior indicators to assess the probability of default on the revised financial asset, and confirm whether the contract modification improves or restore the Group's ability to recover related contract payments.

8) Measurement of Expected Credit Losses - 2018

For the purpose of measuring expected credit losses, the Group will look into the business attributes of the credit assets (such as corporate finance, personal finance, consumer finance, e-finance, etc.) as well as the size of the company, types of collateral, and remaining period of maturities, etc. and group the credit risk characteristics into three stages: No significant increase in credit risk (stage 1), significant increase in credit risk (stage 2), and credit impairment (stage 3) according to the credit risk level at the valuation date.

The Group provides allowance for 12-month expected credit losses when financial instruments did not have a significant increase in credit risk since the initial recognition. Financial instruments are provided with allowance for full-lifetime expected credit losses when there is significant increase in credit risk or credit impairment since the initial recognition.

To measure expected credit losses, the Group takes into account the borrower's probability of default ("PD") for the next 12 months and for the period of existence, and includes loss given default ("LGD"), and exposure at default ("EAD") taking into account the impact of the time value of money. The expected credit losses for 12 months and for full-lifetime are calculated.

The Bank assesses the amount of Exposure at default of lending based on outstanding loan principal of customers, interest receivable and short-term advances at the end of each period. In addition, when estimating the expected credit losses of lending financing commitments, Exposure at default used to calculate expected credit losses is determined based on the conditions and days of the financing commitment and by reference to the credit risk conversion factor of Basel Capital Accord.

Probability of default is the default probability of the borrower, and the default loss rate is the rate of loss caused by default of the borrower. The default probability and default loss rate used in the impairment assessment and calculation of expected credit losses of the Bank loan business are based on internal historical information (such as credit loss experience, etc.) of each borrower group, with adjustments to the historical data based on the current observable data and forward-looking economic information. The expected loss of debt instrument investment is calculated according to the default rate information and external recovery rate information published by the external credit rating agencies.

9) Forward-looking information considerations

a) Credit assets

The Bank takes forward-looking information into account when determining whether the credit risk of the credit assets has increased significantly since the initial recognition and measures the expected credit losses. The Bank uses historical data and expert judgments to analyze and identify the economic factors that affect the credit risk and expected credit losses of various asset groups, such as GDP and unemployment rate. The Bank obtains quarterly historical data and forecast information of the relevant economic factors from international financial organizations (such as the International Monetary Fund (IMF)). This forecast information contains the best estimate of the economic situation in the next five years.

The relevant economic factors and their impact on PD differ among different credit business. The Bank classifies credit product types as:

i. Enterprise, sovereignty, and bank credit exposure.
ii. Home Mortgage Insurance credit exposure.
iii. Qualified cycling retail credit exposure.
iv. Other retail credit exposure.

With reference to the Basel Capital Accord IRB method, the correlation coefficient of various types of credit products and risk category is calculated and forward-looking information is used to adjust the default probability.

b) Investment business

For the debt instrument investment measured at amortized cost and measured at fair value through other comprehensive income, one of the indicators of significant increase in credit risk is the quantified change in the external rating class announced by the international credit rating agencies, and the measurement of expected credit losses is based on the information of the default ratings and default loss rates regularly announced by external rating agencies and international credit rating agencies.

As international credit rating agencies have considered forward-looking information in assessing credit ratings, the Bank’s assessment of forward-looking information is appropriate, and is included in the bank’s assessment of expected credit losses.

10) The allowance for loss of the Group

Allowance for discounts and loans

For the Three Months Ended March 31, 2018	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)	Impairment in Accordance With IFRS9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance, January 1	$ 1,562,950	$ 436,203	$ 11,143	$ 1,031,971	$ 3,042,267	$ 9,480,439	$ 12,522,706
Changes of financial instruments that have been identified at the beginning of the period:							
To lifetime ECL	(2,087)	139,230	-	(5,165)	131,978	-	131,978
From conversion to credit-impaired financial assets	(1,380)	(35,436)	-	144,234	107,418	-	107,418
To 12-month ECL	569	(35,626)	-	-	(35,057)	-	(35,057)
Derecognizing financial assets during the current period	(940,269)	(312,001)	-	(55,639)	(1,307,909)	-	(1,307,909)
Purchased or originated new financial assets	789,137	1,609	-	40,781	831,527	-	831,527
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	216,457	216,457
Write-off	-	-	-	(122,493)	(122,493)	-	(122,493)
Recovery of written-off accounts	-	-	-	-	-	-	-
Effect of exchange rate changes and others (Note)	(11,038)	-	(272)	18,537	7,227	(30,995)	(23,768)
Balance, March 31	$ 1,397,882	$ 193,979	$ 10,871	$ 1,052,226	$ 2,654,958	$ 9,665,901	$ 12,320,859

Note: Due to the regulations on local supervision of overseas subsidiaries, the allowance for non-purchased or originated credit-impaired loans of $21,495 was included in other changes.

Changes in the book value of discounts and loans

a) The total loans in the first quarter of 2018 decreased by $8,529,608, of which large corporate loans and mortgage loan products decreased balances by 3.7% and 0.7%, respectively, and reduced the allowance for loss measured on a 12-month basis.

b) In the first quarter of 2018, the amount of the loan written-off was $247,998, which was mainly due to the write-off of $210,704 from the loan portfolio under corporate finance. The above mentioned loan with objective evidence of impairment was listed with $125,505 allowance for loss before the write-off, resulting in a decrease in the allowance for loss of $122,493.

Changes in allowance for uncollectible accounts receivable

For the Three Months Ended March 31, 2018	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime Expected Credit Loss (Non-purchased or Originated Credit-impaired Financial Asset)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance, January 1	$ 17,118	$ 13,247	$ 353,402	$ 383,767	$ 421,208	$ 804,975
Changes of financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(32)	6,718	(1,570)	5,116	-	5,116
From conversion to credit-impaired financial assets	(3)	(6,800)	23,076	16,273	-	16,273
To 12-month ECL	2	(550)	(5)	(553)	-	(553)
Derecognizing financial assets during the current period	(14,673)	(4,261)	(16,179)	(35,113)	-	(35,113)
Purchased or originated new financial assets	10,600	11	178	10,789	-	10,789
Based on the above regulations, the minimum allowance for credit losses and provision for losses on guarantees for assets that are normal excluding claims against ROC government agencies that require special mention, provisioning impairment differences	-	-	-	-	6,063	6,063
Write-off	-	(710)	(12,542)	(13,252)	-	(13,252)
Recovery of written-off	-	-	-	-	-	-
Effect of exchange rate changes and others	(107)	-	943	836	(4,325)	(3,489)
Balance, March 31	$ 12,905	$ 7,655	$ 347,303	$ 367,863	$ 422,946	$ 790,809

Changes in total carrying amount of receivables

a) In the first quarter of 2018, the amount of credit card receivables and accounts receivable - factoring (net of accounts payable - factoring) decreased by $523,167 and $1,918,327, respectively, and the allowance for loss measured on a 12-month basis decreased.

b) In the first quarter of 2018, accounts receivable written-off in the amount of $29,386 were all credit card receivables. The accounts receivable with objective evidence of impairment was listed with allowance for loss of $16,134; as a result, the allowance for loss decreased by $13,252.

11) The maximum credit exposure of the financial instruments held by the Bank, FENB and Bank SinoPac (China) Ltd.

Maximum credit exposures of assets on balance sheet (excluding collaterals and other credit enhancement instruments) are almost equivalent to the carrying value. The maximum credit exposures (excluding collaterals, other credit enhancement instruments and undrawn maximum exposure) off balance sheet are shown as follows:

Off-Balance Sheet Items	The Maximum Credit Exposure		
	March 31, 2018	December 31, 2017	March 31, 2017
Undrawn credit card commitments	$ 154,446,845	$ 154,191,950	$ 155,912,300
Undrawn loan commitments	18,486,227	18,989,439	23,322,949
Guarantees	24,591,390	20,304,889	17,475,854
Standby letter of credit	4,268,170	4,510,506	3,671,667

The Bank, FENB and Bank SinoPac (China) Ltd. adopt a strict and continuous evaluation procedure and review the result regularly to control and minimize off-balance sheet credit risk exposures.

The contract amount in the credit business and financial instruments may not be fully paid before the maturity; therefore, the contract amount is not deemed as the amount of future cash outflow. In other words, the future cash demand is lower than contract amount. If the credit limit is exceeded and collaterals lose their value, the amount of credit risk is equal to the contract amount which is the possible maximum loss.

12) Credit risk exposures concentration of the Group

When financial instruments transactions concentrated on one counter-party or several counter-parties, which engaged in similar business activities, had similar economic characteristics and abilities to execute contracts, the credit risk concentration arises.

Credit risk concentrations can arise in the Group's assets, liabilities or off-balance sheet items through the execution or processing of transactions (either product or service) or through a combination of exposures across these broad categories. It includes credit, loan and deposits, call loan to banks, investment, receivables and derivatives. The Group maintains a diversified portfolio to limit its exposure to any geographic region, country or individual creditor and monitor its exposures continually. The Group's most significant concentrations of credit risk are summarized by industry, region and collateral as follows:

a) By industry

Industries	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Private enterprise	$ 390,158,144	44.83	$ 395,419,314	45.00	$ 398,404,171	43.03
Public enterprise	10,047,573	1.15	11,708,897	1.33	25,577,932	2.76
Government sponsored enterprise and business	9,217,439	1.06	4,323,346	0.49	26,562,065	2.87
Nonprofit organization	134,115	0.02	137,097	0.02	98,387	0.01
Private	439,987,639	50.56	442,955,629	50.40	451,034,667	48.71
Financial institutions	20,713,018	2.38	24,243,253	2.76	24,267,487	2.62
Total	$ 870,257,928	100.00	$ 878,787,536	100.00	$ 925,944,709	100.00

b) By region

Regions	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Domestic	$ 735,913,565	84.56	$ 748,868,534	85.22	$ 786,893,954	84.98
Asia	78,691,226	9.04	73,938,908	8.41	63,144,909	6.82
North America	34,965,769	4.02	34,521,120	3.93	55,628,502	6.01
Others	20,687,368	2.38	21,458,974	2.44	20,277,344	2.19
Total	$ 870,257,928	100.00	$ 878,787,536	100.00	$ 925,944,709	100.00

c) By collateral

Collaterals	March 31, 2018		December 31, 2017		March 31, 2017	
	Amount	%	Amount	%	Amount	%
Credit	$ 288,240,324	33.12	$ 293,426,477	33.39	$ 313,181,744	33.82
Secured						
Stocks	4,828,437	0.55	4,543,366	0.52	4,541,435	0.49
Bonds	13,642,833	1.57	11,807,273	1.34	8,728,318	0.94
Real estate	515,523,246	59.24	520,794,751	59.26	548,530,262	59.24
Movable collaterals	23,336,923	2.68	23,130,469	2.63	23,028,395	2.49
Guarantees	11,730,946	1.35	11,431,471	1.30	9,260,790	1.00
Others	12,955,219	1.49	13,653,729	1.56	18,673,765	2.02
Total	$ 870,257,928	100.00	$ 878,787,536	100.00	$ 925,944,709	100.00

d) Credit risk exposure rating - 2018

March 31, 2018	Principal				Allowance				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Provision for the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming Nonaccrual Loans	Total
Discounts and loans									
Corporate banking	$ 426,575,421	$ 679,515	$ 3,369,235	$ 430,624,171	$ 1,350,658	$ 75,479	$ 862,734	$ 3,987,906	$ 6,276,777
Consumer banking	433,424,612	4,791,608	1,417,537	439,633,757	47,224	129,371	189,492	5,677,995	6,044,082
Receivables									
Credit card	13,448,820	235,593	998,304	14,682,717	1,591	7,296	67,586	143,731	220,204
Accounts receivable - factoring (Note)	7,916,956	5,797	-	7,922,753	3,941	20	-	131,527	135,488
Other receivable	20,692,676	12,221	314,755	21,019,652	7,373	339	279,717	147,688	435,117

Note: Accounts receivable - factoring and accounts payable - factoring are offset and presented net.

13) The financial impact of credit risk mitigation policies - 2018

a) Collateral and other credit enhancements

The Group implements a series of policies and measures to reduce credit risk for loan business; one of the commonly used methods is to require borrowers to provide collateral. The Group has designed and follows procedures for enforcing rights to collateral and the valuation, management, and disposal of collateral. The main types of collateral for financial assets of the Group are as follows:

i. Real estate mortgage loan.

ii. Derivatives margin agreement.

The credit contract has provisions for the preservation of debts and guarantees, which clearly define that when credit incidents occur, the Group is be able to reduce the credit limit, shorten the loan repayment deadline or treat all of them as due, so as to reduce the credit risk.

Other collateral for non-loan business depends on the nature of the financial instrument. Only asset-based securities and other similar financial instruments are secured by a group of asset-pooled financial instruments.

There was no material change in the collateral policy of the Bank, and there was no significant change in the overall collateral quality on the balance sheet date.

b) Amount of collateral for impaired financial assets

The Group closely observes the value of the collateral of the financial instruments and considers adequacy of the allowance for the credit-impaired financial assets.

On March 31, 2018, the amount of discounts and loans was $4,786,772, with a provision for loss allowance of $1,052,226, and credit guarantees, real estate, movable assets or certificates of deposit, etc., which reduced the potential loss, amounted to $3,161,386.

c) The contracted amount of financial assets that have been written off and still have recourse activities

The contracted amount of financial assets that have been written off by the Bank and still have recourse activities is $46,851,640.

14) Credit quality and impairment assessment - 2017

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, financial asset at fair value through profit or loss, and securities purchased under agreements to resell are regarded as very low credit risk owing to the good credit rating of counterparties.

Except for the abovementioned financial assets, other financial assets' analyses are summarized as follows:

a) Discounts, loans and receivables

December 31, 2017	Neither Overdue Nor Impaired						Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	Weak	No Ratings	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables												
Accounts receivable - forfaiting	$ 1,748,841	$ 695,224	$ 2,517,983	$ 71,344	$ 2,920,932	$ 7,954,324	$ -	$ 34,588	$ 7,988,912	$ 34,588	$ 130,192	$ 7,824,132
Credit card receivables	6,372,445	2,085,320	5,226,557	135,115	300,655	14,120,092	108,140	977,652	15,205,884	108,401	111,770	14,985,713
Accounts receivable - factoring	3,547,924	2,389,882	4,294,620	283,417	868,142	11,383,985	868,847	-	12,252,832	-	147,189	12,105,643
Others	2,630,459	258,842	2,541,799	757,097	2,417,359	8,605,556	21,139	284,236	8,910,931	246,061	25,520	8,639,350
Discounts and loans	199,705,382	151,368,292	449,746,933	60,225,930	5,332,015	866,378,552	7,598,011	4,810,973	878,787,536	1,113,948	11,397,590	866,275,998
Other financial asset												
Nonperforming receivables transferred other than loan	-	-	-	-	-	-	-	100,429	100,429	86,773	-	13,656

March 31, 2017	Neither Overdue Nor Impaired						Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	Weak	No Ratings	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables												
Accounts receivable - forfaiting	$ 4,286,508	$ 1,157,572	$ 1,084,444	$ 7,316	$ 212,522	$ 6,748,362	$ -	$ 35,153	$ 6,783,515	$ 35,153	$ 98,932	$ 6,649,430
Credit card receivables	5,910,984	1,892,480	5,024,866	166,987	273,582	13,268,899	101,346	1,059,854	14,430,099	125,446	95,707	14,208,946
Accounts receivable - factoring	2,335,671	1,922,424	3,042,435	251,694	853,098	8,405,322	389,883	-	8,795,205	-	104,092	8,691,113
Others	2,474,201	1,213,703	1,708,775	150,826	2,011,624	7,559,129	27,104	539,867	8,126,100	497,991	19,698	7,608,411
Discounts and loans	251,851,067	146,657,213	445,984,750	59,786,326	5,065,193	909,344,549	10,658,890	5,941,270	925,944,709	1,509,359	11,558,734	912,876,616
Other financial asset												
Call loans to security corporation	-	1,517,236	-	-	-	1,517,236	-	-	1,517,236	-	-	1,517,236
Nonperforming receivables transferred other than loan	-	-	-	-	-	-	-	106,099	106,099	87,757	-	18,342

b) Credit analysis by customer type for discounts and loans neither overdue nor impaired are as follows:

December 31, 2017	Neither Overdue Nor Impaired					
	Excellent	Good	Acceptable	Weak	No Ratings	Total
Consumer banking						
Mortgage	$ 93,319,973	$ 54,461,888	$ 86,449,015	$ 9,628,020	$ -	$ 243,858,896
Cash card	-	-	8	-	7	15
Micro credit	7,178,090	4,564,974	5,321,189	113,037	38,993	17,216,283
Others	83,580,687	36,884,057	41,942,977	5,043,662	4,931,680	172,383,063
Corporate banking						
Secured	212,064	4,068,427	135,127,624	19,408,457	228,470	159,045,042
Unsecured	15,414,568	51,388,946	180,906,120	26,032,754	132,865	273,875,253
Total	$ 199,705,382	$ 151,368,292	$ 449,746,933	$ 60,225,930	$ 5,332,015	$ 866,378,552

March 31, 2017	Neither Overdue Nor Impaired					
	Excellent	Good	Acceptable	Weak	No Ratings	Total
Consumer banking						
Mortgage	$ 111,043,384	$ 52,806,427	$ 81,905,214	$ 8,606,121	$ -	$ 254,361,146
Cash card	-	-	10	-	14	24
Micro credit	5,892,090	3,750,632	4,704,685	103,436	46,166	14,497,009
Others	84,638,610	34,669,199	41,081,008	4,981,711	4,814,399	170,184,927
Corporate banking						
Secured	529,804	4,101,497	147,311,366	22,498,890	-	174,441,557
Unsecured	49,747,179	51,329,458	170,982,467	23,596,168	204,614	295,859,886
Total	$ 251,851,067	$ 146,657,213	$ 445,984,750	$ 59,786,326	$ 5,065,193	$ 909,344,549

c) Credit analysis for marketable securities

December 31, 2017	Neither Overdue Nor Impaired						Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	Weak	No Ratings	Subtotal (A)					
Available-for-sale financial assets											
Investment in bonds	$ 174,439,867	$ 42,866,779	$ 8,012,301	$ -	$ 1,700,777	$ 227,019,724	$ -	$ -	$ 227,019,724	$ -	$ 227,019,724
Investment in stocks and beneficial certificates	-	-	-	-	71,230	71,230	-	30,120	101,350	25,766	75,584
Held-to-maturity financial assets											
Investment in bonds	56,607,945	-	-	-	-	56,607,945	-	-	56,607,945	-	56,607,945
Other financial assets											
Investment in stocks	-	-	-	-	289,297	289,297	-	87,499	376,796	28,226	348,570
Investment in bonds	1,064,900	-	-	-	-	1,064,900	-	-	1,064,900	-	1,064,900
Others (Note)	2,975,954	228,470	-	-	-	3,204,424	-	4,211,044	7,415,468	2,038,756	5,376,712

March 31, 2017	Neither Overdue Nor Impaired						Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	Weak	No Ratings	Subtotal (A)					
Available-for-sale financial assets											
Investment in bonds	$ 179,844,749	$ 46,959,281	$ 3,145,913	$ -	$ 1,294,925	$ 231,244,868	$ -	$ 88,229	$ 231,333,097	$ 88,229	$ 231,244,868
Investment in stocks and beneficial certificates	-	-	-	-	79,162	79,162	-	26,066	105,228	19,843	85,385
Held-to-maturity financial assets											
Investment in bonds	73,337,409	-	-	-	-	73,337,409	-	-	73,337,409	-	73,337,409
Other financial assets											
Investment in stocks	603,651	-	81,499	-	296,879	982,029	-	-	982,029	-	982,029
Investment in bonds	6,122,550	-	-	-	-	6,122,550	-	-	6,122,550	-	6,122,550
Others (Note)	1,793,496	111,595	455,171	-	155,361	2,515,623	-	4,264,445	6,780,068	1,931,552	4,848,516

Note: Other financial assets include unquoted beneficial certificates, time deposits not belong to cash and cash equivalent and purchase of PEM instruments.

15) Aging analysis for overdue but unimpaired financial assets - 2017

Delayed performance of certain procedures by borrowers and other administrative reasons could result in financial assets becoming overdue without being impaired. According to the Group's internal risk management policies, financial assets overdue within 90 days are not considered impaired (accounts receivable - factoring without advancement will also not be considered impaired) unless other evidences show otherwise.

Aging analysis for overdue but unimpaired financial assets is as follows:

Items	December 31, 2017			
	Overdue by Less Than One Month	**Overdue by One to Three Months**	**Overdue by More Than Three Months**	**Total**
Accounts receivables				
Credit card receivable	$ 71,003	$ 37,137	$ -	$ 108,140
Accounts receivable - factoring	604,449	38,333	226,065	868,847
Others	18,705	2,434	-	21,139
Discounts and loans				
Mortgage	3,969,042	171,479	-	4,140,521
Micro credit	347,530	30,285	-	377,815
Corporate banking	19,153	14,697	-	33,850
Others	2,881,196	164,629	-	3,045,825

Items	March 31, 2017			
	Overdue by Less Than One Month	**Overdue by One to Three Months**	**Overdue by More Than Three Months**	**Total**
Accounts receivables				
Credit card receivable	$ 66,440	$ 34,906	$ -	$ 101,346
Accounts receivable - factoring	152,542	11,585	225,756	389,883
Others	24,199	2,905	-	27,104
Discounts and loans				
Mortgage	5,075,683	261,635	-	5,337,318
Micro credit	445,006	26,076	-	471,082
Corporate banking	1,312,382	176,570	-	1,488,952
Others	3,242,286	119,252	-	3,361,538

16) Analysis of financial assets impairment - 2017

Analysis of the impairment of bond investments is summarized in Note 49 c,14),c).

Analysis of the impairment of discounts, loans and receivables is summarized as follows:

Items		Discounts and Loans		Allowance for Credit Losses	
		December 31, 2017	**March 31, 2017**	**December 31, 2017**	**March 31, 2017**
With objective evidence of impairment	Individually assessed	$ 945,944	$ 1,336,308	$ 160,364	$ 161,526
	Collectively assessed	3,865,029	4,604,962	953,584	1,347,833
With no objective evidence of impairment	Collectively assessed	873,976,563	920,003,439	11,397,590	11,558,734

Items		Receivables		Allowance for Credit Losses	
		December 31, 2017	**March 31, 2017**	**December 31, 2017**	**March 31, 2017**
With objective evidence of impairment (Note 2)	Individually assessed	$ 314,044	$ 573,269	$ 280,638	$ 532,671
	Collectively assessed	1,082,861	1,167,704	195,185	213,676
With no objective evidence of impairment	Collectively assessed	43,062,083	36,500,045	414,671	318,429

Note 1: The loans and receivables exclude the amount of the allowance for credit losses and adjustments for discount (premium).

Note 2: Nonperforming receivables transferred other than loan is included.

17) Management policies of collaterals assumed

Collaterals assumed are classified as other assets. According to regulations, the Bank should dispose of collaterals within four years and FENB, within five years. There are no assumed collaterals of the Group as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

18) Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Overdue loans and receivables

Date			March 31, 2018				
Items			**Nonperforming Loan (NPL) (Note 1)**	**Total Loans**	**NPL Ratio (Note 2)**	**Loan Loss Reserves (LLR)**	**Coverage Ratio (Note 3)**
Corporate loan	Secured		$ 1,052,436	$ 155,944,845	0.67%	$ 2,223,201	211.24%
	Unsecured		368,168	259,808,775	0.14%	3,752,283	1,019.18%
Consumer loan	Mortgage (Note 4)		480,799	246,572,101	0.19%	3,778,641	785.91%
	Cash card		43	8,012	0.54%	13,926	32,386.05%
	Micro credit (Note 5)		59,868	18,301,096	0.33%	196,706	328.57%
	Others (Note 6)	Secured	450,139	172,111,692	0.26%	2,019,464	448.63%
		Unsecured	6,873	2,640,857	0.26%	35,345	514.26%
Total			2,418,326	855,387,378	0.28%	12,019,566	497.02%
			Overdue Receivables	**Accounts Receivables**	**Delinquency Ratio**	**Allowance for Credit Losses**	**Coverage Ratio**
Credit card			46,569	14,682,717	0.32%	220,204	472.86%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	10,905,453	-	218,974	-

Date			March 31, 2017				
Items			**Nonperforming Loan (NPL) (Note 1)**	**Total Loans**	**NPL Ratio (Note 2)**	**Loan Loss Reserves (LLR)**	**Coverage Ratio (Note 3)**
Corporate loan	Secured		$ 1,191,581	$ 151,786,132	0.79%	$ 2,053,583	172.34%
	Unsecured		1,067,275	287,765,492	0.37%	3,997,485	374.55%
Consumer loan	Mortgage (Note 4)		392,421	258,917,713	0.15%	3,924,794	1,000.15%
	Cash card		23	10,258	0.22%	14,014	60,930.43%
	Micro credit (Note 5)		49,820	15,387,365	0.32%	188,781	378.93%
	Others (Note 6)	Secured	546,772	171,436,123	0.32%	1,865,338	341.15%
		Unsecured	18,240	2,691,370	0.68%	34,440	188.82%
Total			3,266,132	887,994,453	0.37%	12,078,435	369.81%
			Overdue Receivables	**Accounts Receivables**	**Delinquency Ratio**	**Allowance for Credit Losses**	**Coverage Ratio**
Credit card			55,581	14,430,099	0.39%	221,153	397.89%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	8,885,410	-	189,660	-

Note 1: For loan business: Overdue loans represent the amounts of overdue loans reported in accordance with "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrual Loans".

For credit card business: Overdue receivables are regulated by the Banking Bureau letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: NPL ratio = NPL ÷ Total loans.

For credit card business: Delinquency ratio = Overdue receivables ÷ Accounts receivables.

Note 3: For loan business: Coverage ratio = LLR ÷ NPL.

For credit card business: Coverage ratio = Allowance for credit losses ÷ Overdue receivables.

Note 4: Household mortgage loan is a financing to be used by a borrower to buy, build, or fix a dwelling, and the dwelling owned by the borrower, spouse, or children is used to fully secure the loan.

Note 5: Micro credit loan is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950) and is not credit and debit cards' micro credit loan.

Note 6: Others in consumer loans refers to secured or unsecured loans excluding mortgage, cash card, micro credit, and credit cards.

Note 7: For accounts receivable - factoring with no recourse, as required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 0945000494), which is equal to dated August 24, 2009 (Ref. 09850003180), and allowance for bad debts is recognized once no compensation is made from factoring or insurance within three months.

Note 8: Part of nonperforming receivables transferred from other than loans was included.

b) Excluded NPLs and excluded overdue receivables

Date	**March 31, 2018**		**March 31, 2017**	
Items	**Excluded NPL**	**Excluded Overdue Receivables**	**Excluded NPL**	**Excluded Overdue Receivables**
As a result of debt negotiation and loan agreement (Note 1)	$ 2,071	$ 84,751	$ 2,773	$ 112,581
As a result of consumer debt clearance (Note 2)	7,913	701,659	8,497	734,389
Total	$ 9,984	$ 786,410	$ 11,270	$ 846,970

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

Note 2: The disclosure of excluded NPLs, pre-mediation and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

c) Concentration of credit extensions

Year	March 31, 2018		
Rank (Note 1)	**Industry Category (Note 2)**	**Total Credit Consists of Loans (Note 3)**	**Percentage of Net Worth (%)**
1	A Group (manufacture of computers)	$ 7,827,988	6.15
2	B Group (manufacture of liquid crystal panel and components)	5,263,156	4.13
3	C Group (manufacture of computers)	5,139,318	4.04
4	D Group (manufacture of metal die)	5,070,000	3.98
5	E Group (manufacture of other computer peripheral equipment)	5,052,246	3.97
6	F Group (manufacture of computers)	4,614,241	3.62
7	G Group (rolling and extruding of iron and steel)	4,600,743	3.61
8	H Group (ocean transportation)	4,004,870	3.14
9	I Group (wired telecommunications activities)	3,642,705	2.86
10	J Group (government)	2,912,596	2.29

Year	March 31, 2017		
Rank (Note 1)	**Industry Category (Note 2)**	**Total Credit Consists of Loans (Note 3)**	**Percentage of Net Worth (%)**
1	A Group (manufacture of computers)	$ 7,525,559	6.19
2	B Group (rolling and extruding of iron and steel)	7,204,579	5.93
3	C Group (ocean transportation)	5,683,490	4.68
4	D Group (manufacture of computers)	5,024,458	4.14
5	E Group (manufacture of computers)	4,522,300	3.72
6	F Group (manufacture of liquid crystal panel and components)	4,080,353	3.36
7	G Group (mechanics, telecommunications and electricity facilities installation)	4,004,463	3.30
8	H Group (wired telecommunications activities)	3,843,405	3.16
9	I Group (financial leasing)	2,366,887	1.95
10	J Group (real estate development activities)	2,218,280	1.83

Note 1: Ranking of top 10 groups (excluding government or state - owned utilities) whose total credit consists of loans.

Note 2: Groups were those as defined in Articles 6 of the Supplementary Provision to the Taiwan Stock Exchange Corporation’s Rules for Review of Securities Listings Law.

Note 3: Total credit is the sum of all loans (including import and export bills negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and nonperforming loans), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantee deposit issued.

d. Liquidity risk management

1) Definition of liquidity risk

Liquidity is the Bank's ability to provide sufficient funding for asset growth and matured liabilities. Liquidity risk means the risk banks cannot obtain sufficient fund with reasonable cost and correct timing, and then suffer losses on earnings or capital.

The measures of enhancing cash liquidity are holding sufficient cash and highly liquid able securities, adjusting maturities differences, savings absorption or arranging borrowings, etc.

a) Strategies

The Bank established a sound liquidity risk managing system based on business' scale and characteristic, assets and liabilities' structure, funding strategies and diversity of funding sources to ensure it would have sufficient funding for obligations in normal or worst scenario.

b) Risk measurement

The Bank uses quantitative analysis to manage liquidity risk. Cash flow deficit and liquidity management goals are used as measure instruments to report monthly the analysis results to the assets and liabilities managing committee.

Stress testing is done to ensure the Bank would have sufficient funding for asset growth and matured liabilities despite any internal operating problems or adverse changes in the financial environment.

c) Risk monitoring

The Bank established a liquidity deficit limit and an early warning system to detect liquidity risk and take appropriate action at the right time.

The Bank has formed a crisis management team to handle any liquidity crisis. The general manager is the team convener, and the managers of the financial obligation department and the risk management department are the team members. The general manager can also assign the managers of related departments to join the team, depending on the situation. Members' rights and responsibilities are listed in "Bank SinoPac's Liquidity Risk Emergency Response Rule".

2) Maturity analysis of financial liabilities held to manage liquidity risk

a) Maturity analysis of non-derivative financial liabilities

Cash outflow analyses of non-derivative financial liabilities of the Bank, FENB and Bank SinoPac (China) are summarized in the following tables. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheets.

<u>The Bank</u>

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	$ 32,726,373	$ 6,124,365	$ 2,439,075	$ 276,921	$ -	$ 41,566,734
Financial liabilities at fair value through profit or loss	451,571	-	-	-	1,633,331	2,084,902
Securities sold under agreements to repurchase	23,625,092	1,409,755	-	-	-	25,034,847
Payables	5,525,346	652,491	327,447	1,050,138	2,170,581	9,726,003
Deposits and remittances	663,864,373	162,992,090	117,624,351	195,374,174	26,068,139	1,165,923,127
Bank debentures	66,088	177,299	3,910,649	5,182,098	31,920,409	41,256,543

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	$ 16,792,899	$ 9,174,314	$ 100,953	$ 813,732	$ -	$ 26,881,898
Financial liabilities at fair value through profit or loss	-	-	-	-	1,674,347	1,674,347
Securities sold under agreements to repurchase	23,294,093	2,921,169	-	-	-	26,215,262
Payables	8,829,165	803,198	391,347	57,224	1,988,525	12,069,459
Deposits and remittances	667,243,524	160,094,740	111,385,249	178,801,416	25,537,582	1,143,062,511
Bank debentures	83,760	1,123,653	154,864	7,463,822	33,637,858	42,463,957

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	$ 37,579,700	$ 12,033,039	$ 1,463,238	$ 715,804	$ -	$ 51,791,781
Securities sold under agreements to repurchase	3,255,995	191,758	-	-	-	3,447,753
Payables	5,790,038	433,619	453,130	898,399	1,945,082	9,520,268
Deposits and remittances	662,932,634	178,352,733	125,651,063	202,398,643	22,076,129	1,191,411,202
Bank debentures	35,279	2,355,984	180,227	7,461,490	36,794,396	46,827,376

FENB

(In Thousands of U.S. Dollars)

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	$ 1,899	$ -	$ -	$ -	$ -	$ 1,899
Payables	14,814	1	-	-	-	14,815
Deposits and remittances	553,483	50,140	79,633	84,435	53,534	821,225
Federal Home Loan Banks Fund	24	48	73	5,145	25,037	30,327

Bank SinoPac (China)

(In Thousands of U.S. Dollars)

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	$ 98,744	$ 30,132	$ 32,624	$ -	$ -	$ 161,500
Payables	6,000	85	70	590	236	6,981
Deposits and remittances	156,006	142,076	46,970	69,367	58,732	473,151

(In Thousands of U.S. Dollars)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	$ 140,098	$ 25,694	$ -	$ -	$ -	$ 165,792
Payables	3,722	7,163	33	16	-	10,934
Deposits and remittances	265,548	102,982	112,242	69,078	58,810	608,660

(In Thousands of U.S. Dollars)

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	$ 84,112	$ 2,352	$ 25,567	$ -	$ -	$ 112,031
Payables	4,524	-	131	622	2	5,279
Deposits and remittances	131,076	30,201	101,589	23,091	13,681	299,638

b) Maturity analysis of derivative financial liabilities

A hedging derivative financial instrument is managed within the contract period and it is disclosed as undiscounted cash flow based on its maturity. The Bank, FENB and Bank SinoPac (China) use derivative financial liabilities at fair value through profit or loss mainly to accommodate customers' needs and manage their own exposure positions, and disclosed at fair value based on shortest period.

The Bank

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 17,863,118	$ -	$ -	$ -	$ -	$ 17,863,118

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 18,931,129	$ -	$ -	$ -	$ -	$ 18,931,129

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 16,047,586	$ -	$ -	$ -	$ -	$ 16,047,586

FENB

(In Thousands of U.S. Dollars)

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Derivatives financial liabilities - hedging Derivative interest rate instrument	$ 910	$ 115	$ 172	$ 344	$ 1,245	$ 2,786

Bank SinoPac (China)

(In Thousands of U.S. Dollars)

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 143	$ -	$ -	$ -	$ -	$ 143

(In Thousands of U.S. Dollars)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	$ 844	$ -	$ -	$ -	$ -	$ 844

3) Maturity analysis of off-balance sheet items

Maturity analysis of off-balance sheet items are summarized in the following tables. Financial guarantee contracts of the Bank that assume full amount are available or require to execute at the earliest time. The amounts are provided on a contract cash flow basis so some of the amounts will not match the amounts in the consolidated balance sheets.

The Bank

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	$ 93,619	$ 748,119	$ 994,139	$ 3,253,922	$ 13,396,428	$ 18,486,227
Guarantees	5,450,986	3,920,156	1,579,863	2,884,401	6,572,049	20,407,455
Standby letter of credit	1,471,199	2,400,619	232,208	164,144	-	4,268,170

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	$ 644,958	$ 386,988	$ 2,488,112	$ 1,756,082	$ 13,713,299	$ 18,989,439
Guarantees	6,498,702	1,610,165	1,095,701	2,109,992	6,732,540	18,047,100
Standby letter of credit	1,281,294	2,404,635	774,809	27,917	-	4,488,655

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	$ 268,795	$ 889,231	$ 1,428,212	$ 1,834,993	$ 13,265,222	$ 17,686,453
Guarantees	3,498,145	4,050,473	2,678,738	1,842,714	3,484,941	15,555,011
Standby letter of credit	929,626	2,065,602	659,522	16,841	-	3,671,591

Bank SinoPac (China)

(In Thousands of U.S. Dollars)

March 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Guarantee	$ 10,406	$ 7,992	$ 18,549	$ 106,703	$ -	$ 143,650

(In Thousands of U.S. Dollars)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Guarantee	$ 1,325	$ 5,352	$ 21,050	$ 47,892	$ -	$ 75,619
Standby letter of credit	284	448	-	-	-	732

(In Thousands of U.S. Dollars)

March 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Guarantee	$ 12,000	$ 4,200	$ 4,725	$ 12,366	$ 9,369	$ 42,660
Standby letter of credit	3	-	-	-	-	3

4) Maturity analysis of operating lease commitments

Operating lease commitment is the minimum lease payment when the Group is lessee or lessor with non-cancelling condition.

Maturity analysis of operating lease commitments is summarized as follows:

March 31, 2018	Less than 1 Year	1-5 Years	Over 5 Years	Total
Operating lease commitments				
Operating lease expense (lessee)	$ 512,737	$ 982,905	$ 78,653	$ 1,574,295
Operating lease income (lessor)	83,071	138,597	5,600	227,268
Financial lease expense total amount (lessee)	97	235	-	332
Financial lease expense present value (lessee)	82	219	-	301

December 31, 2017	Less than 1 Year	1-5 Years	Over 5 Years	Total
Operating lease commitments				
Operating lease expense (lessee)	$ 505,658	$ 983,202	$ 51,285	$ 1,540,145
Operating lease income (lessor)	82,254	145,270	6,440	233,964
Financial lease expense total amount (lessee)	97	259	-	356
Financial lease expense present value (lessee)	80	240	-	320

March 31, 2017	Less than 1 Year	1-5 Years	Over 5 Years	Total
Operating lease commitments				
Operating lease expense (lessee)	$ 602,727	$ 926,106	$ 88,269	$ 1,617,102
Operating lease income (lessor)	72,815	139,905	-	212,720
Financial lease expense total amount (lessee)	97	332	-	429
Financial lease expense present value (lessee)	77	301	-	378

5) Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Maturity analysis of assets and liabilities of the Bank (New Taiwan dollars)

	March 31, 2018						
	Total	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	$ 1,232,826,405	$ 140,945,349	$ 209,306,366	$ 192,330,613	$ 78,586,926	$ 77,047,958	$ 534,609,193
Main capital outflow on maturity	1,608,656,952	81,788,468	136,304,787	228,793,907	213,026,231	322,559,192	626,184,367
Gap	(375,830,547)	59,156,881	73,001,579	(36,463,294)	(134,439,305)	(245,511,234)	(91,575,174)

	March 31, 2017						
	Total	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	$ 1,367,907,310	$ 170,662,540	$ 188,612,251	$ 246,778,170	$ 112,837,308	$ 95,133,230	$ 553,883,811
Main capital outflow on maturity	1,704,602,102	102,647,676	133,920,095	314,486,162	237,251,068	347,115,332	569,181,769
Gap	(336,694,792)	68,014,864	54,692,156	(67,707,992)	(124,413,760)	(251,982,102)	(15,297,958)

Note: The amounts shown in this table are the Bank's position denominated in NTD.

b) Maturity analysis of assets and liabilities of the Bank (U.S. dollars)

(In Thousands of U.S. Dollars)

	March 31, 2018					
	Total	**0-30 Days**	**31-90 Days**	**91-180 Days**	**181 Days to 1 Year**	**Over 1 Year**
Main capital inflow on maturity	$ 30,153,363	$ 11,110,932	$ 7,231,290	$ 5,176,459	$ 3,389,281	$ 3,245,401
Main capital outflow on maturity	31,003,942	9,161,930	8,447,246	5,890,420	4,678,795	2,825,551
Gap	(850,579)	1,949,002	(1,215,956)	(713,961)	(1,289,514)	419,850

(In Thousands of U.S. Dollars)

	March 31, 2017					
	Total	**0-30 Days**	**31-90 Days**	**91-180 Days**	**181 Days to 1 Year**	**Over 1 Year**
Main capital inflow on maturity	$ 33,460,839	$ 10,589,383	$ 9,145,241	$ 5,522,928	$ 4,707,163	$ 3,496,124
Main capital outflow on maturity	33,904,481	9,350,820	10,011,534	6,044,425	5,752,006	2,745,696
Gap	(443,642)	1,238,563	(866,293)	(521,497)	(1,044,843)	750,428

Note: The amounts shown in this table are the Bank's position denominated in USD.

e. Market risk

1) Definition of market risk

Market risk arises from market changes (such as those referring to interest rates, exchange rates, equity securities and commodity prices) which may cause the fluctuation of a financial instrument's fair value or future cash flow. The Bank's net revenue and investment portfolio value may fluctuate when risk factors above change.

The main market risks the Bank should overcome pertain to interest rate, exchange rate and equity securities. Interest rate risks primarily refer to bonds and interest rate related derivative instruments such as fixed rate and floating rate interest rate swaps and bond options; the exchange rate risk refers to foreign currency investments the Bank holds such as exchange rate related derivative instruments and foreign currency bonds; equity securities risk includes listed stocks and equity related derivative financial instruments.

2) Management strategies and procedures

To follow the "Market Risk Management Rule" and other regulations, the Bank established standards for risk identification, measurement, supervision and reporting to set up appropriate risk management framework for every kind of market risk.

In accordance with the risk management limit approved by the board of directors, the Bank supervises every loss limit and position at risk such as interest rate, exchange rate, equity security, spot trading and forward contract, option, future, swap, and related sensitivity information derived from spot trading to confirm that market risk exposure is accepted to the Bank.

The Bank separates its transactions into hedge and non-hedge on the basis of trading purposes. For hedge transactions, the Bank should measure hedge relations, risk management goals and hedge strategies. The Bank should also perform hedge testing for hedging effectiveness.

3) Organization and framework

The board of directors is the top supervision and decision making level of the Bank; it determines every risk management procedure and limit on the basis of its operating strategy and the business environment.

The Bank also set up a risk management department headed by a general manager to establish risk managing principles, regulate risk managing policies, and plan and set up a risk management system.

Following the internal control and segregation of duties principles, the Bank had certain related functions with market risk exposures transformed into three independent departments: Trading, risk control and settlement departments, usually called front office, middle office and back office. Nevertheless, the risk management department remains in charge of market risk control, i.e., it is responsible for identifying measuring, controlling and reporting market risk.

4) Market risk control procedure

a) Identification and measurement

Risk measurement includes exposures changes in the market of interest rates, exchange rates, and equity securities, which affect spot trading and forward exchange, option, futures, and swap transactions or related combined transactions derived from spot trading. The Bank set up appropriate market risk limits based on commodity category, characteristic and complexity. The limits are the nominal exposure limit, the risk factor sensitivity limit of options as measured by Delta/Vega/DV01 and the loss control limit. These limits are calculated by the risk control department through measurements (such as those of the Black & Scholes Model) provided by financial data and company information providers (e.g. Murex and Bloomberg) based on market prices.

b) Supervision and reporting

The Bank's market risk management department prepares risk management reports such as those on daily market valuations, value at risk and risk limits. If the risk is over the limit, the department should report this situation to the transaction department and appropriate managers in the risk management department. The department should also collect and organize bank market risk exposure information, risk value, risk limit rules, and information on situations in which limits are exceeded, analyze security investments, and submit regularly to the board of directors reports on the collected information and security investment analysis.

5) Trading book risk management policies

a) Definitions

The trading book is an accounting book of the financial instruments and physical commodities held for trading or hedged by the Bank. Held-for-trading position refers to revenues earned from practical or impractical trading differences. Positions that should not be recorded in the trading book are recorded in the banking book.

b) Strategies

The Bank earns revenues from trading spreads or fixed arbitrage debt and equity instruments are held for short periods of time, purchased with the intention of profiting from short-term price changes through properly control short-term fluctuation of market risk factors (interest rate, exchange rate and stock price). It executes hedge transactions as needed.

c) Policies and procedures

The Bank carries out “Market Risk Management Policy” to control market risk.

Under the above policy, traders may autonomously operate and manage positions within the range of authorized limits and the approved trading strategy. The market risk management department supervises trading positions (including limit, liquidity, the ability to establish hedge positions and investment portfolio risk) based on market information and evaluates market information quality, acquirability, liquidity and scale which are calculated into the pricing model.

d) Assessment policies

The Bank assesses financial instruments once a day on the basis of information obtained from independent sources if market prices are acquirable. If the Bank assesses financial instruments using a pricing model, it should be careful in making mathematical calculations and should review the pricing model’s assumptions and parameters regularly.

e) Measurements

i. The risk valuation and calculation methods are described in Note 46 e, 10).

ii. The calculation of the nominal exposure amount and the risk factor sensitivity value Delta/Vega/DV01 is done through the trading systems.

iii. The Bank makes stress tests using a light scenario (change in interest rate ± 100 bp, change in securities ± 15% and change in exchange rate ± 3%) and serious scenario (change in interest rate ± 200 bp, change in securities ± 30% and change in exchange rate ± 6%) and reports the stress test results to the board of directors.

6) Trading book interest rate risk management

a) Definitions

Interest rate risk refers to a decrease in earnings and value of financial instruments due to adverse interest rate fluctuations. Major instruments with interest rate risk include securities and derivative instruments.

b) Procedures

The Bank has a trading limit and a stop-loss limit (which should be applied to trading instrument by the dealing room and dealers) based on management strategy and market conditions; limits have been approved by the board of directors.

c) Measurements

i. The risk valuation assumptions and calculation methods are described in Note 46 e, 10).

ii. DV01 is used daily to measure the impact of interest rate changes on investment portfolios.

7) Trading book exchange rate risk management

a) Definitions

Exchange rate risk refers to the incurrence of loss from the exchange of currencies in different timing. The Bank's major financial instruments exposed to exchange rate risk spot contract, forward contracts, and FX option.

b) Policies and procedures

To control the exchange rate risk, the Bank sets trading limit and stop-loss limit and requires the dealing room, dealers, etc., to observe these limits.

c) Measurements

i. The risk valuation assumptions and calculation methods are described in Note 46 e, 10).

ii. Exposure positions are measured daily for the impact of exchange rate changes on investment portfolio value.

8) Trading book equity risk management

a) Definitions

Market risk of equity securities includes individual risk which arises from volatility of market price on individual equity securities and general market risk which arises from volatility of overall market price.

b) Procedures

To control equity risk, the Bank sets investment position limits and stop-loss limits. The limits are approved by the board of directors. Within the limit of authority, The Bank sets investment position limits and stop-loss limits for each dealer.

c) Measurements

i. The risk valuation assumptions and calculation methods are described in Note 46 e, 10).

ii. Exposure positions are measured daily to measure the impact of equity risk on investment portfolio value due from equity risk.

9) Banking book interest rate risk management

Banking book interest rate risk refers to the decrease in the value of the banking book portfolio due to unfavorable interest rate changes. The banking book interest rate risk is not related to the interest rate position shown in the trading book.

Through managing the banking book interest rate risk, the Bank can measure and manage the risk to earnings and financial position caused by interest rate fluctuations.

a) Strategies

To reduce the negative effect of interest rate changes on of net interest revenue and economic value, the Bank adjusts positions within certain limits for better performance. It reviews the interest rate sensitivity regularly to create maximum profit and manage interest rate risk.

b) Risk measurement

Risk measurement refers to the interest rate risk of assets, liabilities, and off-balance-sheet positions. The Bank periodically reports interest rate sensitivity positions and measures the impact of interest rate fluctuations on interest rate-sensitive assets and net interest revenue.

c) Risk monitoring

The asset and liability management committee examines and monitors exposure to interest rate risk on the basis of the measurement provided by the risk management sector.

If the risk exposure condition exceeds the limit or target value, the risk management sector should investigate how this condition arose and notify the executive division accordingly. The executive division coordinates with relevant divisions to find solutions to problems. The asset and liability management committee will evaluate solutions for effectiveness. If evaluation results are positive, the relevant division will apply the solutions.

10) Market risk measurement technique

Value at Risk (VaR)

The Bank uses the Risk Manager system and stress testing to measure its investment portfolio risk and uses several hypotheses about market conditions to measure market risk and expected maximum loss of holding positions. The Bank's board of directors has set a VaR limit. The VaR is controlled daily by the market risk management sector and is a widely used risk measure of the risk of loss on a specific portfolio of financial assets. VaR is the statistical estimate of the potential loss of holding positions due to unfavorable market conditions. For the Bank, VaR refers to a fall in value of its holding position in a day, with a 99% confidence level. The Bank uses VaR and the Monte Carlo simulation method to derive quantitative measures for the market risks of the holding positions under normal conditions. The calculated result is used to test and monitor the validity of parameters and hypotheses periodically. However, the use of the VaR cannot prevent loss caused by huge unfavorable changes in market conditions.

The Bank considers the expected maximum loss, target profit, and operating strategy in setting the VaR, which is proposed by the market risk management sector and approved by the board of directors.

The Bank's trading book VaR overview.

	For the Three Months Ended March 31, 2018		
	Average	**Maximum**	**Minimum**
Exchange rate risk	8,567	11,884	4,322
Interest rate risk	102,723	131,597	87,487
Equity risk	28,927	49,244	12,858
Total VaR	111,660	142,152	89,597

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2018.01.02 - 2018.03.31

	For the Three Months Ended March 31, 2017		
	Average	**Maximum**	**Minimum**
Exchange rate risk	12,954	23,804	6,491
Interest rate risk	114,715	178,649	63,850
Equity risk	-	-	-
Total VaR	119,131	180,422	68,804

Note 1: Estimated VaR: Time frame = 1 day, confidence level = 99%, decay factor = 0.94.

Note 2: Historical data period: 2017.01.03 - 2017.03.31

11) Exchange rate risks

Exchange rate risks of holding net positions in foreign currencies are shown as below:

	March 31, 2018		
	Foreign Currency (In Thousands)	**Exchange Rate**	**Converted to NTD**
Financial assets			
Monetary items			
USD	$ 10,278,167	29.12596	$ 299,361,469
CNY	19,897,900	4.65105	92,546,129
Nonmonetary items			
USD	401,140	29.12596	11,683,601
Financial liabilities			
Monetary items			
USD	11,660,379	29.12596	339,619,732
CNY	18,947,977	4.65105	88,127,988

	December 31, 2017		
	Foreign Currency (In Thousands)	**Exchange Rate**	**Converted to NTD**
Financial assets			
Monetary items			
USD	$ 8,781,602	29.85736	$ 262,195,443
CNY	17,451,437	4.57839	79,899,483
Nonmonetary items			
USD	401,154	29.85736	11,977,385
Financial liabilities			
Monetary items			
USD	10,035,691	29.85736	299,639,239
CNY	15,411,263	4.57839	70,558,772

	March 31, 2017		
	Foreign Currency (In Thousands)	**Exchange Rate**	**Converted to NTD**
<u>Financial assets</u>			
Monetary items			
USD	$ 4,254,687	30.34471	$ 129,107,229
CNY	15,821,110	4.41147	69,794,353
Nonmonetary items			
USD	712,545	30.34471	21,621,962
<u>Financial liabilities</u>			
Monetary items			
USD	8,235,429	30.34471	249,901,705
CNY	15,568,012	4.41147	68,677,818

12) Compliance with the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Interest rate sensitivity information (New Taiwan dollars)

March 31, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 886,994,691	$ 9,887,710	$ 56,351,617	$ 79,554,849	$ 1,032,788,867
Interest rate-sensitive liabilities	314,026,739	448,773,536	85,071,051	38,826,468	886,697,794
Interest rate-sensitive gap	572,967,952	(438,885,826)	(28,719,434)	40,728,381	146,091,073
Net worth					127,412,435
Ratio of interest rate-sensitive assets to liabilities (%)					116.48%
Ratio of interest rate-sensitive gap to net worth (%)					114.66%

March 31, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 863,454,008	$ 32,281,171	$ 59,300,913	$ 93,774,932	$ 1,048,811,024
Interest rate-sensitive liabilities	310,345,147	447,011,548	109,479,602	48,637,597	915,473,894
Interest rate-sensitive gap	553,108,861	(414,730,377)	(50,178,689)	45,137,335	133,337,130
Net worth					121,596,336
Ratio of interest rate-sensitive assets to liabilities (%)					114.56%
Ratio of interest rate-sensitive gap to net worth (%)					109.66%

Note 1: The above amounts include only New Taiwan dollars held by the Bank, and exclude contingent assets and contingent liabilities.

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

b) Interest rate sensitivity information (U.S. dollars)

March 31, 2018

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 6,588,570	$ 251,005	$ 198,961	$ 1,370,904	$ 8,409,440
Interest rate-sensitive liabilities	4,275,643	4,471,631	1,034,528	156,368	9,938,170
Interest rate-sensitive gap	2,312,927	(4,220,626)	(835,567)	1,214,536	(1,528,730)
Net worth					(241)
Ratio of interest rate-sensitive assets to liabilities (%)					84.62%
Ratio of interest rate-sensitive gap to net worth (%)					634,327.80%

March 31, 2017

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 5,859,700	$ 343,355	$ 228,834	$ 1,254,017	$ 7,685,906
Interest rate-sensitive liabilities	3,593,645	4,915,147	714,069	15,320	9,238,181
Interest rate-sensitive gap	2,266,055	(4,571,792)	(485,235)	1,238,697	(1,552,275)
Net worth					(6,001)
Ratio of interest rate-sensitive assets to liabilities (%)					83.20%
Ratio of interest rate-sensitive gap to net worth (%)					25,866.94%

Note 1: The above amounts include only USD held by the Bank and exclude contingent assets and contingent liabilities.

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

Note 3: Interest rate-sensitive 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 USD).

13) Transfers of financial assets

The transferred financial assets of the Group that do not qualify for derecognition in the daily operation are mainly securities sold under agreements to repurchase.

The transaction transfers the contractual rights to receive the cash flows of the financial assets but the Group retains the liabilities to repurchase the transferred financial assets at fixed price in the future period.

The Group cannot use, sell, or pledge these transferred financial assets within the validity period of the transaction. However, the Group still bear the interest rate risk and credit risk thus, the Group do not derecognize it.

The analysis of financial assets and related liabilities that did not completely meet the derecognizing condition is shown in the following table:

Category of Financial Asset	March 31, 2018				
	Transferred Financial Assets - Book Value	**Related Financial Liabilities - Book Value**	**Transferred Financial Assets - Fair Value**	**Related Financial Liabilities - Fair Value**	**Net Position - Fair Value**
Financial assets at fair value through profit or loss					
Transactions under agreements to repurchase	$ 13,767,334	$ 13,141,113	$ 13,767,334	$ 13,141,113	$ 626,221
Financial assets at fair value through other comprehensive income					
Transactions under agreements to repurchase	2,411,104	2,348,352	2,411,104	2,348,352	62,752
Debt instruments investment at amortized cost					
Transactions under agreements to repurchase	9,792,003	9,350,000	9,839,743	9,350,000	489,743

Category of Financial Asset	December 31, 2017				
	Transferred Financial Assets - Book Value	**Related Financial Liabilities - Book Value**	**Transferred Financial Assets - Fair Value**	**Related Financial Liabilities - Fair Value**	**Net Position - Fair Value**
Financial assets at fair value through profit or loss					
Transactions under agreements to repurchase	$ 14,978,941	$ 14,312,534	$ 14,978,941	$ 14,312,534	$ 666,407
Available for sale financial assets					
Transactions under agreements to repurchase	1,706,355	1,687,084	1,706,355	1,687,084	19,271
Held-to-maturity financial assets					
Transactions under agreements to repurchase	10,521,430	10,070,000	10,585,914	10,070,000	515,914

Category of Financial Asset	March 31, 2017				
	Transferred Financial Assets - Book Value	**Related Financial Liabilities - Book Value**	**Transferred Financial Assets - Fair Value**	**Related Financial Liabilities - Fair Value**	**Net Position - Fair Value**
Financial assets at fair value through profit or loss					
Transactions under agreements to repurchase	$ 1,504,904	$ 1,505,593	$ 1,504,904	$ 1,505,593	$ (689)
Held-to-maturity financial assets					
Transactions under agreements to repurchase	1,655,045	1,500,000	1,658,395	1,500,000	158,395

14) Offsetting of financial assets and financial liabilities

The Group did not hold financial instruments covered by Section 42 of the IAS 32 “Financial Instruments: Presentation” endorsed by the Financial Supervisory Commission; thus, it made an offset of financial assets and liabilities and reported the net amount in the balance sheet.

The Group engages in transactions on the following financial assets and liabilities that are not subject to balance sheet offsetting based on IAS 32 but are under master netting arrangements or similar agreements. These agreements allow both the Group and its counterparties to opt for the net settlement of financial assets and financial liabilities. If one party defaults, the other one may choose net settlement.

The netting information of financial assets and financial liabilities is set out below:

March 31, 2018

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	$ 16,259,475	$ -	$ 16,259,475	$ 11,626,447	$ 1,941,132	$ 2,691,896
Securities purchased under agreements to resell	26,968,289	-	26,968,289	26,967,086	-	1,203
	$ 43,227,764	$ -	$ 43,227,764	$ 38,593,533	$ 1,941,132	$ 2,693,099

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments	Cash Collaterals Pledged	
Derivative instruments	$ 17,245,027	$ -	$ 17,245,027	$ 11,626,447	$ 915,625	$ 4,702,955
Securities sold under agreements to repurchase	25,010,675	-	25,010,675	25,010,675	-	-
	$ 42,255,702	$ -	$ 42,255,702	$ 36,637,122	$ 915,625	$ 4,702,955

Note: Including netting settlement agreements and non-cash financial collaterals.

December 31, 2017

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	$ 18,324,743	$ -	$ 18,324,743	$ 14,102,793	$ 2,129,973	$ 2,091,977
Securities purchased under agreements to resell	23,553,031	-	23,553,031	23,550,042	-	2,989
	$ 41,877,774	$ -	$ 41,877,774	$ 37,652,835	$ 2,129,973	$ 2,094,966

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments	Cash Collaterals Pledged	
Derivative instruments	$ 18,825,375	$ -	$ 18,825,375	$ 14,102,793	$ 1,284,424	$ 3,438,158
Securities sold under agreements to repurchase	26,178,808	-	26,178,808	26,178,808	-	-
	$ 45,004,183	$ -	$ 45,004,183	$ 40,281,601	$ 1,284,424	$ 3,438,158

Note: Including netting settlement agreements and non-cash financial collaterals.

March 31, 2017

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	$ 13,788,301	$ -	$ 13,788,301	$ 7,116,480	$ 674,182	$ 5,997,639
Securities purchased under agreements to resell	8,254,417	-	8,254,417	8,253,660	-	757
	$ 22,042,718	$ -	$ 22,042,718	$ 15,370,140	$ 674,182	$ 5,998,396

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments	Cash Collaterals Pledged	
Derivative instruments	$ 15,997,102	$ -	$ 15,997,102	$ 7,507,779	$ 481,156	$ 8,008,167
Securities sold under agreements to repurchase	3,447,547	-	3,447,547	3,445,181	-	2,366
	$ 19,444,649	$ -	$ 19,444,649	$ 10,952,960	$ 481,156	$ 8,010,533

Note: Including netting settlement agreements and non-cash financial collaterals.

50. CAPITAL MANAGEMENT

a. Overview

The Group’s capital management goals are as follows:

As a basic target, the Group’s eligible capital should be sufficient to meet their operation need, and higher than minimum requirements of the capital adequacy ratio. Eligible capital and legal capital are calculated under the regulations announced by the authority.

The Group should have adequacy capital to bear the risks, measure capital demand according to risk combination and risk characteristics, fulfill the optimization of resource and capital allocation by risk management.

b. Capital management procedure

The Group’s capital adequacy ratio should meet the regulations announced by the authority. Also, the Group should maintain capital adequacy ratio by considering the Group’s business scale, major operating strategy, risk condition, eligible capital structure, and future capital increase plan, etc. The Group reported to the authority regularly. Overseas subsidiaries’ capital management is in accordance with local regulations.

The Group’s capital maintenance is in accordance with “Regulations Governing the Capital Adequacy and Capital Category of Banks”, etc., and is managed by the Group’s risk management and financing divisions.

51. RECLASSIFICATION - 2017

Financial assets have been reclassified on September 25, 2013. The fair value on the reclassification day were as follows:

	Before Reclassification	After Reclassification
Available-for-sale securities	$ 10,164,016	$ -
Held-to-maturity securities	-	10,164,016
	$ 10,164,016	$ 10,164,016

The effective interest rate of reclassified financial assets on the reclassification day was between 0.9795% and 2.0696%, and the estimated recoverable cash flow was $10,879,405.

The book value and fair value of financial assets reclassified:

	December 31, 2017	March 31, 2017
Held-to-maturity securities		
Book value	$ 2,157,635	$ 6,765,431
Fair value	2,250,406	6,849,140

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized) for the three months ended March 31, 2018 and 2017 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	For The Three Months Ended March 31, 2017
Held-to-maturity securities	
Recognition in profit (included in interest revenue)	$ 20,499
Assumed equity adjustment without such reclassification	115,525

These reclassification of the remaining of financial assets under IAS 39 has been classified as measured at amortized cost under IFRS 9 on January 1, 2018. Please refer to Note 3 (a.) and Note 6.

52. CROSS-SELLING INFORMATION

For the three months ended March 31, 2018 and 2017, the Bank charged SinoPac Securities for $631 and $472, respectively, as marketing and opening accounts. The rental fee the Bank charged SinoPac Securities for the three months ended March 31, 2018 and 2017 were $895 and $805, respectively.

The rental fee the Bank paid to SinoPac Securities were $154 for the three months ended March 31, 2017. The Bank paid to SinoPac Securities $832 and $1,337 for the three months ended March 31, 2018 and 2017 for bonus as part of the cross-selling agreement.

For other transactions between SPH and its subsidiaries, please refer to Note 45 and Table 4.

53. DISPOSAL OF SUBSIDIARY

The board of directors of the Bank has resolved to sell 100% equity of SinoPac Bancorp to Cathay General Bancorp (CATY) on July 8, 2016. The case was approved by the FSC on July 6, 2017, and the settlement was completed on July 14, 2017 (US time). The total transaction price is US$351,551 thousand, and the buyer will pay 10% of the total transaction price by issuing 926,192 shares of stock (recognized in financial assets at fair value through profit or loss) and then pay US$100,000 thousand according to the schedule of the contract (no later than one year after the settlement date). The above US$100,000 thousand was received on November 14, 2017 (US time). Besides according to the stock purchase agreement, the buyer reserves 10% of the transaction price (US$35,155 thousand) as compensation in the event the Bank breaches the contract. The buyer will repay the amount plus interest within three years after the settlement date, and the Bank will recognize the gains in the future. The Bank recognized the loss on disposal of subsidiary amounting to $657,901 in July 2017.

Under the terms of the agreement, the Bank may not sell, dispose of or otherwise transfer to a third party the 926,192 shares in an amount greater than 20% of the average daily trading volume of the shares, as reported by NASDAQ, for the 20 business day period immediately preceding such day. According to the agreement of the Bank and CATY, the abovementioned stock will be divided into three parts and transferred to the re-consigned account which the Bank opened in SinoPac Securities. These stocks had been transferred as of May 11, 2018, the date these financial statements were submitted to the board of directors.

a. Consideration of the transaction

	SinoPac Bancorp	
	USD	**NTD**
Cash	$ 181,241	$ 5,513,519
Listed stock in USA	35,155	1,069,452
Receivables (Note 13)		
Deferred consideration	100,000	3,042,094
Holdback	35,155	1,069,452
Total consideration received	$ 351,551	$ 10,694,517

b. The analysis of assets and liabilities loss of control

	SinoPac Bancorp	
	USD	**NTD**
Assets		
Loans	$ 682,149	$ 20,751,609
Other assets	494,757	15,050,992
Liabilities		
Deposits	(812,061)	(24,703,653)
Other liabilities	(45,439)	(1,382,308)
Disposal of net assets	$ 319,406	$ 9,716,640

c. Loss on disposal of subsidiary recognized on settlement date

	SinoPac Bancorp NTD
Consideration received	$ 10,694,517
Disposal of net assets	(9,716,640)
Holdback	(1,069,452)
Disposal expense	(133,201)
Assets held for sale (Note 1)	43,174
Unrealized gain reclassified to profit or loss of available-for-sale financial assets on disposal of foreign operations	4,352
Cumulative exchange difference reclassified to profit or loss due to loss of control over net asset of subsidiary	(480,651)
Loss on disposal of subsidiary recognized on settlement date	$ (657,901)

d. Cash generated from disposal of subsidiary

	SinoPac Bancorp NTD
Cash and cash equivalents received as consideration	$ 5,513,519
Less: Disposal of cash and cash equivalents	(544,968)
Disposal expense paid in 2017	(116,244)
	$ 4,852,307

Note 1: According to the stock purchase agreement, the Bank possessed the right to dispose of the designated real estate of SinoPac Bancorp's subsidiary, Far East National Bank, within one year. Furthermore, the Bank listed out the assets held for sale (under other assets) and finished sale of the asset in 2017. The Bank found no objective evidence that the assets had been impaired.

Note 2: Foreign-currency amounts were converted to New Taiwan dollars at the exchange rate on the settlement date or the expense incurred date.

54. PROFITABILITY

Items		March 31, 2018	March 31, 2017
Return on total assets	Before income tax	0.18%	0.18%
	After income tax	0.15%	0.15%
Return on net worth	Before income tax	2.04%	2.25%
	After income tax	1.68%	1.91%
Profit margin		36.49%	38.02%

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

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

Note 3: Profit margin = Income after income tax ÷ Total net revenues.

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

55. ADDITIONAL DISCLOSURES

a. Disclosures prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks 18:

No.	Item	Explanation
1	Acquired and disposed of investment at costs or prices of at least NT$300 million or 10% of the issued capital	None
2	Acquisition of individual real estates at costs of at least NT$300 million or 10% of the issued capital	None
3	Disposal of individual real estates at prices of at least NT$300 million or 10% of the issued capital	None
4	Allowance for service fee to related parties amounting to at least NT$5 million	None
5	Receivables from related parties amounting to at least NT$300 million or 10% of the issued capital	Table 1
6	Trading information - sale of nonperforming loans	None
7	Financial asset securitization	None
8	Related parties transaction	Table 3
9	Other significant transactions which may affect the decisions of financial report users	None

b. Information related to subsidiary:

No.	Item	Explanation
1	Financing provided	None (Note)
2	Endorsements/guarantees provided	None (Note)
3	Marketable securities held	Table 2 (Note)
4	Acquisition and disposal of marketable securities at costs or prices of at least NT$300 million or 10% of the issued capital	None
5	Derivative transactions of the subsidiary	None
6	Acquisition of individual real estates at costs of at least NT$300 million or 10% of the issued capital	None
7	Disposal of individual real estates at prices of at least NT$300 million or 10% of the issued capital	None
8	Allowance for service fee 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 issued capital	None
10	Trading information - sale of nonperforming loans	None
11	Financial asset securitization	None
12	Related parties transaction	Table 3
13	Other significant transactions which may affect the decisions of financial report users	None

Note: Subsidiaries which belong to financial, insurance, securities industries and its main business registration include financing provided, endorsements/guarantees provided, acquisition and disposal of marketable securities do not need to disclose above information.

c. The related information and proportionate share in investees: None.

d. Information on investment in Mainland China: Table 4.

56. OPERATING SEGMENT INFORMATION

Based on chief decision maker's resource allocation and department performance review, the Bank has divided the business segments based on the services and products provided, excluding subsidiary accounted under the equity method.

The accounting standards and policies apply to all of the business segments in accordance with IFRS 8 "Operating Segments". The Bank's operating segments for the three months ended March 31, 2018 and 2017 are without change. The Bank reports the following:

Domestic branches: Provide services and products through 127 branches and Banking Division of the Head Office.

Financial transaction: Provide investment and bonds transaction services through financial operation units.

Overseas branches: Provide services and products for overseas customers through overseas branches.

Other business segments: Include consumer finance, automobile loan and SinoPac Insurance Brokers - the Bank's subsidiary, SinoPac Capital Limited - the Bank's subsidiary and Bank SinoPac (China) Ltd. - the Bank's subsidiary, the US subsidiary (the Bank disposed of the equity in SinoPac Bancorp in July 2017; for relevant information, please refer to Note 53) were not identified to disclose as individual segments.

The Group's reporting segments revenue and operating result are shown in the following table.

Segment revenues and results

		For the Three Months Ended March 31, 2018						
		Domestic Branches	Financial Transaction	Overseas Branches	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest	$ 2,629,193	$ (203,972)	$ 493,501	$ 385,674	$ 3,304,396	$ 304,025	$ 3,608,421
	Interest revenue	3,726,732	(21,246)	958,360	580,275	5,244,121	1,067,415	6,311,536
	Revenue amount segments	783,339	(75,850)	(201,017)	(64,442)	442,030	(442,030)	-
	Interest expense	(1,880,878)	(106,876)	(263,842)	(130,159)	(2,381,755)	(321,360)	(2,703,115)
	Commission and fee revenues, net	1,305,364	1,748	61,960	178,556	1,547,628	36,449	1,584,077
	Others	108,823	399,548	136,551	193,177	838,099	(201,573)	636,526
	Net revenue	4,043,380	197,324	692,012	757,407	5,690,123	138,901	5,829,024
	Allowance for (reversal of) doubtful accounts and guarantees	199,879	-	(100,666)	(11,567)	87,646	(54,548)	33,098
	Operating expense	(2,396,101)	(84,208)	(268,740)	(482,223)	(3,231,272)	(48,478)	(3,279,750)
	Income before income tax	1,847,158	113,116	322,606	263,617	2,546,497	35,875	2,582,372
	Income tax revenue (expense)	(295,774)	(20,047)	(61,852)	(57,409)	(435,082)	(20,324)	(455,406)
	Net income	1,551,384	93,069	260,754	206,208	2,111,415	15,551	2,126,966

Segment revenues and results

		For the Three Months Ended March 31, 2017						
		Domestic Branches	Financial Transaction	Overseas Branches	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest	$ 2,533,205	$ (122,907)	$ 430,760	$ 643,312	$ 3,484,370	$ 189,796	$ 3,674,166
	Interest revenue	3,631,652	39	734,354	803,212	5,169,257	1,110,208	6,279,465
	Revenue amount segments	780,910	(18,989)	(91,556)	(66,525)	603,840	(603,840)	-
	Interest expense	(1,879,357)	(103,957)	(212,038)	(93,375)	(2,288,727)	(316,572)	(2,605,299)
	Commission and fee revenues, net	1,153,166	(5,468)	62,016	181,305	1,391,019	21,826	1,412,845
	Others	127,544	691,830	85,061	52,192	956,627	18,625	975,252
	Net revenue	3,813,915	563,455	577,837	876,809	5,832,016	230,247	6,062,263
	Allowance for (reversal of) doubtful accounts and guarantees	213,711	-	(105,549)	(2,736)	105,426	(2,105)	103,321
	Operating expense	(2,413,675)	(96,770)	(269,959)	(624,817)	(3,405,221)	(50,322)	(3,455,543)
	Income before income tax	1,613,951	466,685	202,329	249,256	2,532,221	177,820	2,710,041
	Income tax revenue (expense)	(231,696)	(70,081)	(36,573)	(32,283)	(370,633)	(34,767)	(405,400)
	Net income	1,382,255	396,604	165,756	216,973	2,161,588	143,053	2,304,641

Note: The operation income of the subsidiary disposed of as of disposal date had been included in consolidated statements of comprehensive income.

TABLE 1

BANK SINOPAC AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Bank SinoPac	SinoPac Financial Holdings Company Limited	The parent company of the Bank	$ 1,262,336 (Note)	-	$ -	-	$ -	$ -

Note: Most of receivables resulted from the use of the linked-tax system (recognized in current tax assets) and related parties.

TABLE 2

BANK SINOPAC AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2018
(In Thousands of New Taiwan Dollars or Shares)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statements Account	March 31, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note 1)	Percentage of Ownership	Fair Value or Net Asset Value (Note 1)	
SinoPac Capital Limited	Stock							
	MeiTa Industrial Co., Ltd.	-	Financial assets at fair value through other comprehensive income	212	$ 225,169	0.49	$ 225,169	
	Fund							
	China Enterprise Capital Limited	-	Financial assets at fair value through profit or loss	0.02	3,674	-	3,674	
SinoPac Property Insurance Agent Co., Ltd.	Bond							
	Government bond 88-3	-	Financial assets measured at amortized cost	600	603	-	623	Pledge
SinoPac Life Insurance Agent Co., Ltd.	Bond							
	Government bond 88-3	-	Financial assets measured at amortized cost	600	603	-	623	Pledge

Note: Foreign-currency amounts were translated to New Taiwan dollars at the exchange rate as of the balance sheet date.

TABLE 3

BANK SINOPAC AND SUBSIDIARIES

RELATED PARTIES TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statements Account	Transaction Amount	Transaction Item	Percentage of Consolidated Revenue/Assets (Note 3)
0	Bank SinoPac	SinoPac Capital Limited	a	Deposits and remittances	$ 771,878	Note 4	0.05
		SinoPac Capital (B.V.I.) Ltd.	a	Deposits and remittances	45,323	Note 4	-
		RSP Information Service Company Limited	a	Deposits and remittances	13,796	Note 4	-
		SinoPac Insurance Brokers Ltd.	a	Deposits and remittances	52,369	Note 4	-
		SinoPac Life Insurance Agency Co., Ltd.	a	Receivables, net	167,708	Note 4	0.01
		SinoPac Life Insurance Agency Co., Ltd.	a	Deposits and remittances	1,301,478	Note 4	0.09
		SinoPac Life Insurance Agency Co., Ltd.	a	Fee revenues, net (fee revenue)	164,571	Note 4	2.82
		SinoPac Life Insurance Agency Co., Ltd.	a	Other noninterest net revenues	1,856	Note 4	0.03
		SinoPac Property Insurance Agent Co., Ltd.	a	Deposits and remittances	31,654	Note 4	-
		Bank SinoPac (China) Ltd.	a	Due from the Central Bank and call loans to other banks, net	2,822,167	Note 4	0.19
		Bank SinoPac (China) Ltd.	a	Receivables, net	117,665	Note 4	0.01
		Bank SinoPac (China) Ltd.	a	Interest revenue	32,261	Note 4	0.55
1	SinoPac Capital Limited	Bank SinoPac	b	Cash and cash equivalents, net	93,259	Note 4	0.01
		Bank SinoPac	b	Other financial assets, net	678,619	Note 4	0.05
2	SinoPac Capital (B.V.I.) Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	45,323	Note 4	-
3	RSP Information Service Company Limited	Bank SinoPac	b	Cash and cash equivalents, net	13,796	Note 4	-
4	SinoPac Insurance Brokers Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	26,399	Note 4	-
		Bank SinoPac	b	Other financial assets, net	25,970	Note 4	-
5	SinoPac Life Insurance Agency Co., Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	1,301,478	Note 4	0.09
		Bank SinoPac	b	Payables	167,708	Note 4	0.01
		Bank SinoPac	b	Fee revenues, net (fee expenses)	164,571	Note 4	2.82
		Bank SinoPac	b	Other operating expenses	1,856	Note 4	0.03
6	SinoPac Property Insurance Agent Co., Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	31,654	Note 4	-
7	Bank SinoPac (China) Ltd.	Bank SinoPac	b	Deposits from the Central Bank and banks	2,822,167	Note 4	0.19
		Bank SinoPac	b	Payables	117,665	Note 4	0.01
		Bank SinoPac	b	Interest expense	32,261	Note 4	0.55

(Continued)

Note 1: Transactions between parent company and subsidiaries should be distinguished as follows:

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

Note 2: Types of transactions with related parties were classified as follows:

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

Types of transactions with related parties classified as category a, in the trading relationship and material intercompany transactions between parent company and subsidiaries above, are XBRL reporting items which are based on the Taiwan Stock Exchange letter (Ref. No. 1030005380).

Note 3: In the computation of percentage of consolidated revenue/assets, if the amount is the ending balance of assets or liabilities, the accounts percentage will be calculated by dividing the consolidated assets or liabilities; if the amount is the amount of income or expense, the accounts percentage will be cumulated by dividing the consolidated revenues in the same period.

Note 4: For the transactions between the Bank and related parties, the terms are similar to those transacted with unrelated parties.

(Concluded)

BANK SINOPAC AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2018	Earnings (Losses) of Investee (Notes 2 and 3)	Percentage of Ownership	Equity in the Earnings (Losses) (Notes 2 and 3)	Carrying Value (Notes 2 and 3)	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
Bank SinoPac (China) Ltd.	Commercial Bank	$ 9,433,051	Investment in Mainland China directly	$ 9,433,051	$ -	$ -	$ 9,433,051	$ 131,895	100	$ 131,895	$ 9,765,050	$ -

Accumulated Investment in Mainland China as of March 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$9,433,051	$9,433,051	$76,420,281

Note 1: The accumulated investment amounts in Mainland China as of March 31, 2018 are US$323,871 thousand and had been authorized by the Investment Commission, MOEA are US$323,871 thousand.

Note 2: Earnings of investee, equity in the earnings and carrying value for the year ended March 31, 2018 have been reviewed by independent certified public accountants.

Note 3: Foreign currencies are translated to New Taiwan dollars with current rate of the date of balance sheet, only the gains or losses investments are translated with current period average rate.