Bank SinoPac and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are all the same as the Companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

BANK SINOPAC

March 15, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholder
Bank SinoPac

Opinion

We have audited the accompanying financial statements of Bank SinoPac and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China and the guidelines issued by the authorities.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Estimated Impairment of Discounts and Loans

To assess collectively the estimated impairment of discounts and loans, management makes judgments on assumptions of probability of default and loss given default based on historical experience, current market situation and forward-looking information. Assessment of evidence of default and credit impairment, whether the credit risk has increased significantly since the original recognition (including the adoption of forward-looking factors), and the assessment of the methodology and assumptions used for estimating impairment and the estimation of the amount and timing of future cash flows are critical judgments and estimates; therefore, the estimation of the provision for impairment of discounts and loans is identified as a key audit matter for the year ended December 31, 2018.

Refer to Notes 4, 5 and 48 to the accompanying consolidated financial statements for the relevant accounting policies, judgments for estimations, estimation uncertainty and other related disclosures of the estimated impairment of discounts and loans.

Our key audit procedures performed in respect of the above area included the following:

We understood and assessed management's impairment practices, accounting policies and related internal control procedures for discounts and loans to evaluate whether the methodology, assumptions and inputs used conform to the IFRS 9 impairment model and appropriately reflected the actual outcome. We assessed the rationality and consistency of the probability of default, the estimation of forward-looking factors, loss given default and exposure at default, etc. We performed sampling on discounts and loans to verify their completeness and rationality. Finally, we considered related guidelines issued by the authorities and tested whether the classification and the provision for impairment of discounts and loans complied with the related regulation issued by the authority.

Other Matter

We have also audited the parent company only financial statements of Bank SinoPac as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 authorities, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yi-Chun Wu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2019

<u>Notice to Readers</u>

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

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS, NET (Notes 4, 6 and 44)	$ 18,168,837	1	$ 24,285,350	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS, NET (Notes 4, 7 and 44)	91,889,402	6	95,212,951	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 3, 4, 8 and 44)	49,834,007	4	70,614,543	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 3, 4, 9 and 44)	205,643,312	14	-	-
INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST (Notes 3, 4, 10 and 45)	93,540,669	6	-	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4, 12 and 44)	22,710,233	2	23,553,031	2
RECEIVABLES, NET (Notes 4, 5, 13, 44, 45 and 52)	48,086,686	3	43,554,742	3
CURRENT TAX ASSETS (Notes 4, 32 and 44)	1,398,667	-	1,411,200	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 14, 44 and 45)	919,303,206	62	865,990,024	60
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 15, 16 and 50)	-	-	227,095,308	16
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 16, 45 and 50)	-	-	56,607,945	4
OTHER FINANCIAL ASSETS, NET (Notes 4, 18, 44 and 45)	17,455,051	1	7,253,176	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 19, 20 and 44)	9,211,115	1	8,977,002	1
INVESTMENT PROPERTY, NET (Notes 4 and 20)	1,242,195	-	1,207,472	-
INTANGIBLE ASSETS, NET (Notes 4, 21 and 44)	1,323,641	-	1,326,360	-
DEFERRED TAX ASSETS (Notes 4 and 32)	1,482,450	-	1,740,819	-
OTHER ASSETS, NET (Notes 4, 22 and 44)	4,031,550	-	4,378,478	-
TOTAL	$ 1,485,321,021	100	$ 1,433,208,401	100
LIABILITIES AND EQUITY				
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 23 and 44)	$ 37,964,931	3	$ 29,620,926	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 3, 4, 8 and 44)	19,766,915	1	20,313,456	1
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 8, 9, 10, 12, 15, 16, 24 and 44)	25,504,487	2	26,178,808	2
PAYABLES (Notes 25, 30, 40 and 44)	17,694,396	1	16,576,461	1
CURRENT TAX LIABILITIES (Notes 4, 32 and 44)	491,436	-	551,657	-
DEPOSITS AND REMITTANCES (Notes 26 and 44)	1,195,974,154	81	1,154,487,183	81
BANK DEBENTURES (Notes 4, 27 and 44)	32,722,483	2	39,569,669	3
OTHER FINANCIAL LIABILITIES (Notes 28 and 44)	19,211,583	1	12,256,417	1
PROVISIONS (Notes 3, 4, 29 and 30)	2,975,266	-	2,710,860	-
DEFERRED TAX LIABILITIES (Notes 4 and 32)	873,352	-	747,389	-
OTHER LIABILITIES (Notes 31 and 44)	3,060,319	-	5,193,246	-
Total liabilities	1,356,239,322	91	1,308,206,072	91
EQUITY				
Share capital				
Common shares	86,061,159	6	86,061,159	6
Capital surplus				
Additional paid-in capital in excess of par	4,001,872	-	4,001,872	-
Capital surplus from business combination	8,076,524	1	8,076,524	1
Others	69,244	-	69,244	-
Total capital surplus	12,147,640	1	12,147,640	1
Retained earnings				
Legal reserve	21,049,419	1	18,712,695	1
Special reserve	505,700	-	457,565	-
Unappropriated earnings	9,348,415	1	7,789,078	1
Total retained earnings	30,903,534	2	26,959,338	2
Other equity	(30,634)	-	(165,808)	-
Total equity	129,081,699	9	125,002,329	9
TOTAL	$ 1,485,321,021	100	$ 1,433,208,401	100

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INTEREST REVENUE	$ 27,223,114	108	$ 25,310,339	108	8
INTEREST EXPENSE	(12,396,557)	(49)	(10,523,101)	(45)	18
NET INTEREST (Notes 4, 34 and 44)	14,826,557	59	14,787,238	63	-
NET REVENUES OTHER THAN INTEREST (Note 4)					
Commission and fee revenues, net (Notes 35 and 44)	5,182,668	21	5,020,835	22	3
Gains on financial assets and liabilities at fair value through profit or loss (Notes 36 and 44)	2,628,154	10	2,712,820	12	(3)
Realized gains on available-for-sale financial assets (Notes 37 and 44)	-	-	7,725	-	(100)
Realized gains on financial assets at fair value through other comprehensive income (Notes 38 and 44)	65,830	-	-	-	-
Foreign exchange gains, net	1,661,958	7	1,218,012	5	36
Reversal (provision) of impairment loss on assets (Note 5)	40,817	-	(61,706)	-	166
Share of profit (loss) of associates (Note 17)	-	-	(3,197)	-	100
Gain (loss) on disposal of subsidiary (Note 52)	537,205	2	(657,901)	(3)	182
Other noninterest net revenues (Notes 39 and 44)	237,265	1	330,835	1	(28)
Total net revenues other than interest	10,353,897	41	8,567,423	37	21
TOTAL NET REVENUES	25,180,454	100	23,354,661	100	8
BAD DEBT EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4, 5, 6, 7, 13, 14, 18, 22 and 29)	(759,595)	(3)	(1,023,650)	(4)	(26)

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BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
OPERATING EXPENSES					
Employee benefits (Notes 4, 29, 40 and 44)	$ (7,844,895)	(31)	$ (7,823,889)	(34)	-
Depreciation and amortization (Notes 4 and 41)	(605,831)	(2)	(679,916)	(3)	(11)
Others (Notes 42 and 44)	(4,674,652)	(19)	(4,764,468)	(20)	(2)
Total operating expenses	(13,125,378)	(52)	(13,268,273)	(57)	(1)
INCOME BEFORE INCOME TAX	11,295,481	45	9,062,738	39	25
INCOME TAX EXPENSE (Notes 4 and 32)	(1,621,276)	(7)	(1,166,607)	(5)	39
NET INCOME	9,674,205	38	7,896,131	34	23
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans	(173,445)	-	(128,979)	(1)	34
Revaluation losses on investments in equity instruments measured at fair value through other comprehensive income	(231,060)	(1)	-	-	-
Change in fair value of financial liability attributable to changes in the credit risk of liability	12,334	-	(20,170)	-	161
Income tax relating to items that may not be reclassified subsequently to profit or loss (Notes 4, 32 and 33)	49,946	-	21,926	-	128
Items that may not be reclassified subsequently to profit or loss	(342,225)	(1)	(127,223)	(1)	169

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BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	$ (484,622)	(2)	$ (796,241)	(3)	(39)
Unrealized gains on valuation of available-for-sale financial assets	-	-	675,697	3	(100)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(13,756)	-	-	-	-
Income tax relating to items that may be reclassified subsequently (Notes 4, 32 and 33)	82,317	-	132,060	-	(38)
Items that may be reclassified subsequently to profit or loss	(416,061)	(2)	11,516	-	(3,713)
Other comprehensive income (loss) for the period, net of income tax	(758,286)	(3)	(115,707)	(1)	555
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 8,915,919	35	$ 7,780,424	33	15
EARNINGS PER SHARE (Note 43)					
Basic	$ 1.12		$ 0.92		

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Share Capital (Note 33)		Retained Earnings (Note 33)				Other Equity (Notes 4 and 33)					
	Common Shares	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 Change in Credit Risk of Liability	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
Appropriation and distribution of retained earnings generated in 2016												
Legal reserve	-	-	2,056,300	-	(2,056,300)	-	-	-	-	-	-	-
Special reserve	-	-	-	191,445	(191,445)	-	-	-	-	-	-	-
Cash dividends - common shares	-	-	-	-	(2,500,000)	(2,500,000)	-	-	-	-	-	(2,500,000)
Stock dividends - common shares	2,106,588	-	-	-	(2,106,588)	(2,106,588)	-	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	7,896,131	7,896,131	-	-	-	-	-	7,896,131
Other comprehensive (loss) income for the year ended December 31, 2017, net of income tax	-	-	-	-	(107,053)	(107,053)	(660,880)	672,396	-	(20,170)	(8,654)	(115,707)
Total comprehensive (loss) income for the year ended December 31, 2017	-	-	-	-	7,789,078	7,789,078	(660,880)	672,396	-	(20,170)	(8,654)	7,780,424
BALANCE AT DECEMBER 31, 2017	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
Appropriation and distribution of retained earnings generated in 2017												
Legal reserve	-	-	2,336,724	-	(2,336,724)	-	-	-	-	-	-	-
Special reserve	-	-	-	48,135	(48,135)	-	-	-	-	-	-	-
Cash dividend - common shares	-	-	-	-	(5,404,219)	(5,404,219)	-	-	-	-	-	(5,404,219)
Net profit for the year ended December 31, 2018	-	-	-	-	9,674,205	9,674,205	-	-	-	-	-	9,674,205
Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax	-	-	-	-	(128,613)	(128,613)	(387,062)	-	(254,945)	12,334	(629,673)	(758,286)
Total comprehensive (loss) income for the year ended December 31, 2018	-	-	-	-	9,545,592	9,545,592	(387,062)	-	(254,945)	12,334	(629,673)	8,915,919
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	129,450	129,450	-	-	(129,450)	-	(129,450)	-
BALANCE AT DECEMBER 31, 2018	$ 86,061,159	$ 12,147,640	$ 21,049,419	$ 505,700	$ 9,348,415	$ 30,903,534	$ (396,410)	$ -	$ 373,612	$ (7,836)	$ (30,634)	$ 129,081,699

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 11,295,481	$ 9,062,738
Adjustments to reconcile profit:		
Depreciation expenses	461,928	457,025
Amortization expenses	143,903	222,891
Provision for bad debt expense	1,405,233	1,725,982
Interest expenses	12,396,557	10,523,101
Interest revenues	(27,223,114)	(25,310,339)
Dividend revenues	(87,723)	(103,204)
Net change in provisions for guarantee liabilities	6,404	(3,655)
Net change in other provisions	(96,479)	(778)
Share of loss of associates	-	3,197
Losses (gains) on disposal or retirement of property and equipment	7,659	(96,403)
Gains on disposal of investment properties	(19,853)	-
Gain on disposal of investments	-	(3,707)
(Reversal of impairment loss) impairment loss on financial assets	(40,817)	61,706
(Gain) loss on disposal of subsidiary	(537,205)	657,901
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to other banks	(5,005,176)	10,073,676
Decrease (increase) in financial assets at fair value through profit or loss	20,784,890	(10,498,352)
Increase in financial assets at fair value through other comprehensive income	(738,712)	-
Increase in investments in debt instruments at amortized cost	(12,648,524)	-
Increase in securities purchased under resell agreements	(533,018)	(993)
Increase in receivables	(4,211,582)	(4,137,817)
(Increase) decrease in discounts and loans	(54,570,087)	1,129,260
Increase in other financial assets	(11,601,770)	(1,188,238)
Decrease (increase) in other assets	155,454	(1,953,276)
Increase (decrease) in deposits from the Central Bank and banks	8,344,005	(178,135)
Decrease in financial liabilities at fair value through profit or loss	(534,207)	(2,128,409)
(Decrease) increase in securities sold under repurchase agreements	(674,321)	24,342,007
Increase in payables	690,720	1,095,226
Increase (decrease) in deposits and remittances	41,486,971	(75,825,624)
Increase in other financial liabilities	6,955,166	1,268,656
Increase (decrease) in provisions for employee benefits	46,661	(141,474)
(Decrease) increase in other liabilities	(2,132,927)	2,173,423
Net cash used in operations	(16,474,483)	(58,773,615)
Interest received	26,579,037	26,155,506
Dividend received	87,723	103,204

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BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Interest paid	$ (11,833,289)	$ (10,345,805)
Income tax paid	(1,173,731)	(1,059,501)
Net cash used in operating activities	(2,814,743)	(43,920,211)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(1,942,446,143)
Proceeds from disposal of available-for-sale financial assets	-	1,949,786,612
Proceeds from repayment of non-active market debt instrument	-	5,183,850
Acquisition of held-to-maturity financial assets	-	(16,871,328)
Proceeds from repayments of held-to-maturity financial assets	-	36,506,684
Acquisition of unquoted equity instruments	-	(6,524)
Proceeds from disposal of unquoted equity instruments	-	93
Disposal of subsidiary	537,205	4,852,307
Acquisition of property and equipment	(785,091)	(446,262)
Proceeds from disposal of property and equipment	1,293	25,084
Acquisition of intangible assets	(75,081)	(80,464)
Acquisition of investment properties	(33,265)	(5,195)
Proceeds from disposal of investment properties	25,081	-
Net cash (used in) generated from investing activities	(329,858)	36,498,714
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank debentures issued	1,150,000	5,990,000
Repayment of bank debentures on maturity	(8,000,000)	(8,200,000)
Increase in financial liabilities designated at fair value through profit or loss	-	1,336,951
Distribution of cash dividends	(5,404,219)	(2,500,000)
Net cash used in financing activities	(12,254,219)	(3,373,049)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(419,185)	(398,675)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,818,005)	(11,193,221)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	111,364,388	122,557,609
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 95,546,383	$ 111,364,388

(Continued)

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

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

	2018	2017
Cash and cash equivalents in consolidated balance sheets	$ 18,168,837	$ 24,285,350
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	55,201,324	63,527,000
Securities purchased under agreement to resell reclassified as cash and cash equivalents under IAS 7 "Statement of Cash Flows"	22,176,222	23,552,038
Cash and cash equivalents in consolidated statements of cash flows	$ 95,546,383	$ 111,364,388

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.
December 21, 2018	The Bank announced that SinoPac Call Center Co., Ltd. (SinoPac Call Center) which is a wholly-owned subsidiary of SPH will be cash merged by the Bank. Under this merger, SinoPac Call Center will be the dissolved company and the Bank will be the surviving entity, assuming all business, assets, liabilities and all rights and obligations. The expected acquisition date is May 1, 2019.

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 consolidated financial statements are presented in New Taiwan dollar.

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 March 15, 2019.

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

a. Initial application of the amendments to 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, early adoption of the amendments to IFRS 9 and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to 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, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. The following table shows the original measurement categories and carrying 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, 2018.

	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
			Fair value through profit or loss	4,354
Available-for-sale financial assets	Fair value through other comprehensive income	227,095,308	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)	$ 3,667,313	$ (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 50). 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 above mentioned 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. Regulations Governing the Preparation of Financial Reports by Public Banks, the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2019

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

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

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

- IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

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

The Group as lessee

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

The Group is expected to recognize lease liability for leases classified as operating leases on the date of the initial application of IAS 17 and on the basis of individual leases, recognizing the right-of-use assets of lease liability. Comparative information will not be restated.

For leases classified as operating leases under IAS 17, lease liabilities will be measured at the present value of the remaining lease payments, discounted using either the lease implied rate or the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the afore mentioned incremental borrowing rate. Except for the following practical expedients (2) which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

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

2) The Group will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018 rather than assess the impairment in accordance with IAS 36.

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

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

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

The Group as lessor

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

Anticipated impact on assets and liabilities on January 1, 2019

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Property and equipment, net	$ 9,211,115	$ (13,293)	$ 9,197,822
Right-of-use assets	-	1,739,671	1,739,671
Other assets, net	4,031,550	(13,266)	4,018,284
Total effect on assets	$ 13,242,665	$ 1,713,112	$ 14,955,777
Lease liabilities	$ -	$ 1,713,112	$ 1,713,112
Total effect on liabilities	$ -	$ 1,713,112	$ 1,713,112

Except for the above impact, as of the date the financial statements were authorized for issue, the Group assessed that the application of other standards and interpretations would not have a material impact on the Group's financial position and financial performance.

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

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

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

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

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

As of the date the 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 IFRSs as endorsed by the FSC.

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, net defined benefit liability which present value of defined benefit obligation deduct fair value of plan assets 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 48 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 4.

The consolidated entities were as follows:

			% of Ownership		
			December 31		
Investor	**Investee**	**Main Business**	**2018**	**2017**	**Remark**
Bank SinoPac	SinoPac Bancorp	Holding company	-	-	Note 1
	SinoPac Capital Limited	Credit and investment service	100	100	Note 2
	SinoPac Life Insurance Agent Co., Ltd.	Life insurance agent	100	100	Note 3
	SinoPac Property Insurance Agent Co., Ltd.	Property insurance agent	100	100	Note 3
	Bank SinoPac (China) Ltd.	Commercial bank	100	100	
	SinoPac Insurance Brokers Ltd.	Insurance brokerage business	100	100	Note 2
SinoPac Bancorp	Far East National Bank	Commercial bank	-	-	Note 1
SinoPac Capital Limited	SinoPac Capital (B.V.I.) Ltd.	Financial advisory	100	100	Note 2
SinoPac Capital (B.V.I.) Ltd.	RSP Information Service Company Limited	General trading and internet service	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 52.

Note 2: To adjust the investment structure of parent-group, the board of directors of the Bank originally approved the liquidation plan of SinoPac Capital Limited and SinoPac Capital (B.V.I.) Ltd. in June and September 2016. The board of directors of the Bank also resolved the purchase of 100% of the shares of SinoPac Insurance Brokers Ltd., a subsidiary of SinoPac Capital Limited, and transfer 100% of the shares of RSP Information Service Company Limited, a subsidiary of SinoPac Capital (B.V.I.) Ltd., to SinoPac Venture Capital Co., Ltd. The Bank obtained 100% equity of SinoPac Insurance Broker Ltd., on November 1, 2017 (using the book value on the day before the date of the transfer as the transfer price). In August 2018, the board of directors of the Bank resolved to adjust the above-mentioned plan, deciding to liquidate RSP Information Service Company Limited directly and no longer transfer it to SinoPac Venture Capital Co., Ltd. RSP Information Service Company Limited has already entered into the liquidation process since February 2019. The liquidation operation of other corporation will be proceeded continually.

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. However, the case will be executed after approval by the competent authorities.

Foreign Currencies

a. Foreign currencies

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arise from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

b. Exchange differences on translating foreign operations

For the purposes of presenting financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

Cash and Cash Equivalents

Cash and cash equivalent in financial statements includes cash on hand, demand deposits and investments with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

For the purposes of presenting cash flows, the cash and cash equivalent includes cash and cash equivalents in balance sheets, due from the Central Bank and call loans to other banks and securities purchased under agreements to resell under IAS 7.

Investment Accounted for Using the Equity Method

The Group uses the equity method of accounting on investment of associates.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor on interest in a joint venture.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. Besides, the Group also recognizes the Group's share of the change in other equity of the associate.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Business Combination

Based on the series of questions and answers issued by the Accounting Research and Development Foundation, when adjusting the investment structure of parent-group, the interpretation letter issued by the FSC shall be applied and the book value shall be used as transfer price rather than adopt IFRS 3 Business Combination.

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.

Financial assets

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

a. Measurement category

   2018

   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.

   1) 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 gain or loss 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 47.

2) Financial assets at amortized cost

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

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

   b) 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:

   a) 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

   b) Financial asset that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

   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.

3) Investments in debt instruments at FVTOCI

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

   a) 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

   b) 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.

4) 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.

2017

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.

1) Financial assets at fair value through profit or loss

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

   A financial asset is designated as at fair value through profit or loss upon initial recognition if:

   a) The designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise without this designation; or

   b) 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 Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

   c) 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 gain or loss 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 47.

2) Available-for-sale financial assets

   Available-for-sale financial assets are non-derivatives that either are 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 47.

   Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets pertaining 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. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss that previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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 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 or loss.

3) 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.

4) 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

<u>2018</u>

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

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for 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 mentioned, 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. These will be written off after approved by the board of directors when evaluated as unrecoverable.

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 mentioned, 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. In addition, under the Financial Supervisory Commission (FSC) Official Letter No. 10010006830, there should be a provision at more than 1% of 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 allocate 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.

SinoPac (China) conforms to the “Guidelines for the Provision of Bank Loan Loss” for the special provisions, issued by the People's Bank of China. For the special-mentioned loan, substandard loans, doubtful loans and loss loans, recognizing special provisions based on 2%, 20% to 30%, 40% to 60% and 100% of the loan balance, respectively.

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:

1) Significant financial difficulty of the debtor;

2) The discounts and loans, receivables, and other financial assets are becoming overdue; or

3) 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 collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables.

The amount of the impairment loss recognized is the difference between the asset 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. 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. The Group evaluates 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 mentioned, 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. In addition, under the Financial Supervisory Commission (FSC) Official Letter No. 10010006830, there should be a provision at more than 1% of sum of a 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 allocate an allowance of at least 1.5% of repair loans and construction loans before 2016 year-end. 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.

SinoPac (China) conforms to the "Guidelines for the Provision of Bank Loan Loss" for the special provisions, issued by the People's Bank of China. For the special-mentioned loan, substandard loans, doubtful loans and loss loans, recognizing special provisions based on 2%, 20% to 30%, 40% to 60% and 100% of the loan balance, respectively.

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.

Before 2017, the difference between the carrying amount and consideration of the transaction plus any accumulated gain or loss recognized in other comprehensive income would be recognized in profit or loss. Since 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of 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 as profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group 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:

1) 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 47.

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

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

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

c) 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.

2) 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 are initially recognized at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the best estimate of the obligation under the contract or the amount initially recognized less cumulative amortization recognized.

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.

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 2017, 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 2017, 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.

Repurchase and Reverse Repurchase Transactions

Securities purchased under agreements to resell (reverse repurchase) agreements and securities sold under agreements to repurchase are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation on property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Leasing

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

a. The Group as lessor

   Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another system could be more representative of the effectiveness of time consumption of lease assets.

b. The Group as lessee

The financial leases are accounted at the smaller amount of the fair value of the leased assets at the beginning of the lease and the total amount of minimum lease payment. At the same time, the leasing liabilities are recognized.

The implied interest on the lease payments for each period is the current financial expense and is capitalized if it is directly attributable to the assets that meet the requirements.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term unless another system could be more representative of the effectiveness of time consumption of lease assets.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

b. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

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

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

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Provisions

Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee Benefits

a. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

   Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

c. Preferential interest on employees' deposits

The Group offers preferential interest rate to its current employees for their deposits within a prescribed amount.

Under Article 28 of the Regulation Governing the Preparation of Financial Reports by Public Bank, if the Group's preferential deposit interest rate for as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employee's retirement. The actuarial valuation assumptions and parameters are based on those announced by authority, if any.

d. Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

Share-based Payment Arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately.

The shares of the capital increased by cash of SPH were reserved for the Group's employees. The grant date was the date that the employee subscription and the fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense and paid-in capital.

Revenue Recognition

a. Interest income and expense

Except for financial assets and liabilities at fair value through profit or loss, all interest-earning financial assets and interest-bearing financial liabilities are accrued using the effective interest rate method and are accounted for as interest revenue and interest expense in the consolidated statement of comprehensive income.

Transaction costs and all other premium or discounts associated with the loans and receivables are adjusted to the carrying amount of the loans and receivables. The calculation of effective interest rate includes transaction costs and all other premium or discounts paid or received by the Group that is an integral part of the effective interest rate.

Interest should not be accrued for loans that are transferred to nonperforming loans. The interest revenue on those loans/credits is recognized upon collection.

Under Ministry of Finance (MOF) regulations, the interest revenue on structured loans is recognized upon collection.

Interest income on revolving credit card receivables and cash advance is recognized on an accrual basis.

b. Commission revenue

Commission fee revenue and expenses are recognized when loans or other services are provided. Service fees on significant projects are recognized when the project has been completed, for instance, loans syndicated fees are recognized over the period during which the service is performed, or as an adjustment to the effective interest rate on the loan and receivables.

Annual fee income is the membership fee received from card members and is recognized when card members fail to meet the criteria for annual fee exemption; an allowance is estimated using past experience and is recognized as a deduction from annual fee income within the year the annual fee income is recognized.

Revenue from rendering services is recognized at the amount corresponding to the percentage of services completed as of the balance sheet date.

c. Dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Income Tax

Income tax expense represents the sum of the current tax and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences, unused loss carryforward and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

c. Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

d. Linked-tax system

SPH adopted the linked-tax system for income tax filings with its qualified subsidiaries, including the Group. The different amounts between tax expense and deferred tax liabilities and assets based on consolidation and SPH with its qualified subsidiaries are adjusted on SPH; related amounts are recognized as current tax assets or current tax liabilities.

The accounting principle of the effect of tax rate amendment 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 discounts and loans - 2018

The estimate of impairment of discounts and loans is based on assumptions about probability of default and loss given default. 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 48. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Also, the Group should consider the specifications of the relevant authorities' letter to make sure that the classification and allowance for impairment are in compliance with the requirements of the regulations.

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 48.

6. CASH AND CASH EQUIVALENTS, NET

	December 31	
	2018	**2017**
Cash on hand	$ 6,917,577	$ 6,811,605
Due from other banks	6,511,092	12,607,129
Notes and checks for clearing	4,741,346	4,869,392
	18,170,015	24,288,126
Less: Allowance for credit losses	(1,178)	(2,776)
	$ 18,168,837	$ 24,285,350

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

	December 31	
	2018	2017
Call loans to banks	$ 44,243,397	$ 54,485,681
Trade finance advance - interbank	568,902	472,236
Deposit reserve - checking accounts	17,364,948	11,539,848
Due from the Central Bank - interbank settlement funds	1,533,060	1,521,064
Deposit reserve - demand accounts	25,619,713	25,851,784
Deposit reserve - foreign currencies	292,139	268,716
Deposit - other	2,282,832	1,086,162
	91,904,991	95,225,491
Less: Allowance for credit losses	(15,589)	(12,540)
	$ 91,889,402	$ 95,212,951

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) made deposit reserves in proportion to deposit account balances at the end of each month.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
Financial assets mandatorily classified as at fair value through profit or loss		
Government bonds	$ 21,040,447	$ -
Bank debentures	8,518,499	-
Certificates of deposits	2,531,143	-
Corporate bonds	1,549,451	-
Currency swap contracts	11,095,439	-
Interest rate swap contracts	2,272,520	-
Hybrid FX swap structured instruments	1,040,193	
Forward contracts	985,247	-
Others	801,068	-
	49,834,007	-
Held-for-trading financial assets		
Government bonds	-	30,888,732
Bank debentures	-	11,013,367
Corporate bonds	-	5,474,954
Stocks (Note)	-	1,770,705
Certificates of deposits	-	1,505,782
Currency swap contracts	-	15,878,108
Interest rate swap contracts	-	1,580,471

(Continued)

	December 31	
	2018	2017
Hybrid FX swap structured instruments	$ -	$ 556,876
Forward contracts	-	423,260
Others	-	592,465
	-	69,684,720
Financial assets designated as at fair value through profit or loss		
Convertible bonds	-	929,823
	-	929,823
	$ 49,834,007	$ 70,614,543
Held-for-trading financial liabilities		
Currency swap contracts	$ 11,226,721	$ 15,592,090
Option contracts	2,724,883	530,602
Interest rate swap contracts	2,070,503	1,574,809
Hybrid FX swap structured instruments	1,039,128	556,361
Forward contracts	898,164	465,475
Others	306,710	236,998
	18,266,109	18,956,335
Financial liabilities designated at fair value through profit or loss		
Bank debentures	1,500,806	1,357,121
	1,500,806	1,357,121
	$ 19,766,915	$ 20,313,456

(Concluded)

Note: Including acquiring Cathay General Bancorp stock by disposing SinoPac Bancorp. Please refer to Note 52 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 December 31, 2017, the par value of FVTPL had been under agreements to repurchase was $15,436,255. (December 31, 2018: None).

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

	December 31	
	2018	2017
Difference between carrying amounts and the amounts due on maturity		
Fair value	$ 1,500,806	$ 1,357,121
Amounts due on maturity	(1,724,486)	(1,674,347)
	$ (223,680)	$ (317,226)

	Changes in Fair Value Attributable to Changes in Credit Risk
Change in amount during the year	
For the year ended December 31, 2018	$ 12,334
For the year ended December 31, 2017	$ (20,170)
Accumulated amount of change	
As of December 31, 2018	$ (7,836)
As of December 31, 2017	$ (20,170)

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% coupon issued and an implicit internal of return of 4.5%. 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 December 31, 2018 and 2017 are shown as follows:

	Contract Amount	
	December 31	
	2018	2017
Currency swap contracts	$ 1,613,594,413	$ 1,653,189,318
Interest rate swap contracts	758,855,769	592,017,499
Forward contracts	125,009,992	47,543,141
Option contracts	67,350,868	29,515,445
Futures contracts	15,564,548	11,104,894
Cross-currency swap contracts	12,081,178	14,004,946
Hybrid FX swap structured instruments	11,258,638	12,792,837
Equity-linked swap contracts	369,300	368,651
Assets swap contracts	50,000	924,003
Commodity-linked swap contracts	6,017	113,087

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2018
Equity instruments at fair value through other comprehensive income	$ 1,938,907
Debt instruments at fair value through other comprehensive income	203,704,405
	$ 205,643,312

a. Equity instruments at fair value through other comprehensive income

	December 31, 2018
Real estate investment trust beneficiary securities	$ 1,005,000
Unlisted common shares	933,907
	$ 1,938,907

Since the Group holds equity instruments for the purpose of long-term strategic investment or acquiring stable income distribution to achieve the goal of increasing the rate of return of investment portfolio instead of for trading, the equity instruments are designated as at fair value through other comprehensive income. These unlisted common shares were classified as available-for sale financial assets and unquoted instruments under IAS 39. Their reclassification and related information for 2017 are shown in Notes 3, 15 and 18.

To adjust the investment structure of parent-group, the board of directors approved the liquidation plan of the Group's subsidiary, SinoPac Capital Limited. SinoPac Capital Limited sold equity instruments at fair value through other comprehensive income to the related party, SinoPac Venture Capital Co., Ltd. in November 2018. The fair value of this investment was $181,278 on the date of derecognition and the disposal gain of $129,450 was transferred from other equity to retained earnings.

b. Debt instrument at fair value through other comprehensive income

	December 31, 2018
Certificates of deposits	$ 107,365,202
Commercial paper	42,941,882
Bank debentures	37,901,034
Corporate bonds	13,187,733
Government bonds	1,801,082
Others	507,472
	$ 203,704,405

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

2) Part of debt instruments were classified as non-active market debt instruments under IAS 39; their reclassification and information for 2017 are shown in Notes 3 and 18.

3) Loss allowance of debt instruments at fair value through other comprehensive income was $25,714 on December 31, 2018. Credit risk management and information of impairment valuation of debt instruments at fair value through other comprehensive income are shown in Note 48.

4) As of December 31, 2018, the par value of debt instruments at FVTOCI under agreements to repurchase was $8,276,597.

10. DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	December 31, 2018
Government bonds	$ 37,655,313
Certificates of deposits	32,204,098
Bank debentures	17,760,343
Corporate bonds	5,255,718
Others	671,430
	93,546,902
Less: Loss allowance	(6,233)
	$ 93,540,669

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

b. Part of debt instruments were classified as debt investment without active market under IAS 39; their reclassification and information for 2017 are shown in Notes 3 and 18.

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

d. Credit risk management and information of impairment valuation of debt investment measured at amortized cost are shown in Note 48.

e. Please refer to Note 45 for information relating to debt investment measured at amortized cost pledged as security.

f. As of December 31, 2018, the par value of debt investment under agreements to repurchase measured at amortized cost was $12,467,673.

11. FINANCIAL INSTRUMENTS FOR HEDGING

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

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. As of December 31, 2018 and 2017, there is no financial instruments for hedging. The gains or losses for the year ended December 31, 2017, as follows:

For the year ended December 31, 2017

Hedged Item	Hedging Instrument	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	$ 4,529	$ (4,529)

12. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	December 31	
	2018	2017
Bonds	$ 12,743,076	$ 6,390,067
Bills	9,967,157	17,162,964
	$ 22,710,233	$ 23,553,031
Agreed-upon resell amount	$ 22,762,145	$ 23,565,636
Par value	$ 24,386,008	$ 24,341,885
Expiry	March 2019	March 2018

As of December 31, 2018, the par value of securities purchased under agreements to resell under agreements to repurchase was $5,698,057. (December 31, 2017: None)

13. RECEIVABLES, NET

	December 31	
	2018	2017
Credit card receivable	$ 15,430,592	$ 15,205,884
Accounts receivable - factoring	15,146,375	12,252,832
Accounts receivable - forfaiting	7,507,355	7,988,912
Interest and revenue receivables	4,193,743	3,732,133
Accounts and notes receivables	3,263,549	1,247,774
Acceptances	1,508,623	1,641,862
Trust administration fee revenue receivable	676,184	705,412
Accounts receivable - disposal of subsidiary (Note 52)	540,536	1,049,639
Others	620,790	534,111
	48,887,747	44,358,559
Less: Allowance for credit losses	(800,948)	(803,721)
Less: Premium or discount on receivables	(113)	(96)
Net amount	$ 48,086,686	$ 43,554,742

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

	For the Year Ended December 31	
	2018	2017
Balance, January 1	$ 803,721	$ 985,103
Adjustments of IFRS 9 application	1,254	-
Provision	186,878	338,504
Write-off	(193,249)	(491,794)
Reclassification	41	-
Effect of exchange rate changes	2,303	(28,092)
Balance, December 31	$ 800,948	$ 803,721

Please refer to Note 48 for the analysis of receivable impairment loss and Note 45 for information relating to receivables pledged as security. The Group received payment for loans previous written-off $186,597 and $227,269 for the years ended December 31, 2018 and 2017, respectively, which were recognized as deduction on provision expenses

14. DISCOUNTS AND LOANS, NET

	December 31	
	2018	2017
Export negotiation	$ 572,583	$ 592,801
Secured overdrafts	83,772	124,150
Accounts receivable - financing	1,875,454	1,388,164
Short-term loans	174,019,884	151,962,972
Secured short-term loans	99,753,764	97,517,050
Medium-term loans	165,399,264	140,257,502
Secured medium-term loans	64,671,605	62,429,557
Long-term loans	5,949,425	4,723,295
Secured long-term loans	418,413,005	417,770,857
Nonperforming loans transferred from loans	1,890,228	2,021,188
	932,628,984	878,787,536
Less: Allowance for credit losses	(13,013,129)	(12,511,538)
Less: Premium or discount on discounts and loans	(312,649)	(285,974)
Net amount	$ 919,303,206	$ 865,990,024

Please refer to Note 48 for the analysis of impairment loss on discounts and loans, and Note 45 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 Year Ended December 31	
	2018	2017
Balance, January 1	$ 12,511,538	$ 13,290,421
Adjustments of IFRS 9 application	11,168	-
Provision	1,192,270	1,362,577
Write-off	(755,314)	(1,239,221)
Recovery of written-off credits	-	66,657
Reclassifications	-	(4,072)
Disposal of subsidiaries	-	(767,457)
Effect of exchange rate changes	53,467	(197,367)
Balance, December 31	$ 13,013,129	$ 12,511,538

The Group received payment for loans previously written-off $352,490 and $451,707 for the years ended December 31, 2018 and 2017, respectively, which were recognized as deduction on provision expenses.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31, 2017
Certificates of deposits	$ 100,112,949
Bank debentures	56,933,476
Commercial paper	45,329,901
Corporate bonds	20,461,448
Others	4,384,200
	227,221,974
Adjustments for change in value of available-for-sale financial assets	(100,900)
Less: Accumulated impairments	(25,766)
Net amount	$ 227,095,308

As of December 31, 2017, the par value of available-for-sale financial assets under agreements to repurchase was $1,698,173.

16. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31, 2017
Government bonds	$ 32,977,165
Certificates of deposit	23,179,984
Others	450,796
	$ 56,607,945

As of December 31, 2017, the par value of held-to-maturity financial assets under agreements to repurchase was $10,309,100.

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 50 for the related information.

Please refer to Note 45 for information relating to held-to-maturity financial assets pledged as security.

17. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

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 July 14, 2017, the above investment was derecognized with the settlement of SinoPac Bancorp.

The associate’s financial information is summarized as follows:

	For the Year Ended December 31, 2017
The Group’s share of:	
Net profit (loss) from continuing operations	$ (3,197)

18. OTHER FINANCIAL ASSETS, NET

	December 31	
	2018	2017
Time deposits not belong to cash and cash equivalent	$ 15,008,466	$ 3,204,424
Purchase of the PEM Group's instruments	4,468,375	4,211,044
Nonperforming receivables transferred from other than loans	93,857	100,429
Unquoted equity instruments - 2017		
Unlisted equity investments	-	348,570
Debt investments without active market - 2017		
Certificates of deposits	-	1,064,900
Others	47,546	453,106
	19,618,244	9,382,473
Less: Allowance for credit loss	(96,574)	(90,541)
Less: Accumulated impairment	(2,066,619)	(2,038,756)
Net amount	$ 17,455,051	$ 7,253,176

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 45 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 December 31, 2018, according to trust report, a reserve of US$67,204 thousand (NT$2,066,619) 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 Year Ended December 31	
	2018	2017
Balance, January 1	$ 90,541	$ 97,403
Adjustments of IFRS 9 application	105	-
Provision	19,970	15,451
Write-off	(14,045)	(21,923)
Effect of exchange rate changes	3	(390)
Balance, December 31	$ 96,574	$ 90,541

The Group received payment for loans previous written-off $12,052 and $20,356 for the years ended December 31, 2018 and 2017, respectively, which were recognized as deduction on provision expenses

19. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment for the years ended December 31, 2018 and 2017 are summarized as follows:

	For the Year Ended December 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	-	376,019	169,061	-	62,570	28,626	148,815	785,091
Deduction	-	-	(92,606)	-	(43,473)	(53,597)	(173)	(189,849)
Reclassifications	(8,128)	33,333	6,380	-	7,169	23,826	(161,037)	(98,457)
Effect of exchange rate changes	-	-	1,659	27	245	(1,915)	(220)	(204)
Balance, December 31	5,526,334	5,562,496	1,861,133	1,177	1,411,272	1,598,276	115,667	16,076,355
Accumulated depreciation								
Balance, January 1	-	2,857,881	1,360,160	1,150	1,078,320	1,305,261	-	6,602,772
Depreciation	-	123,474	147,343	-	79,458	95,834	-	446,109
Deduction	-	-	(87,510)	-	(41,470)	(51,917)	-	(180,897)
Reclassifications	-	(4,388)	-	-	-	-	-	(4,388)
Effect of exchange rate changes	-	(242)	2,444	27	93	(678)	-	1,644
Balance, December 31	-	2,976,725	1,422,437	1,177	1,116,401	1,348,500	-	6,865,240
Net amount								
Balance, December 31	$ 5,526,334	$ 2,585,771	$ 438,696	$ -	$ 294,871	$ 249,776	$ 115,667	$ 9,211,115

	For the Year Ended December 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	-	21,349	122,015	-	72,538	48,362	181,998	446,262
Deduction	-	-	(192,444)	-	(37,059)	(39,702)	-	(269,205)
Deduction - disposal of subsidiaries	(31,967)	(17,538)	(46,376)	(3,783)	(138,952)	(119,379)	-	(357,995)
Reclassifications	15,247	51,355	6,643	-	4,796	27,967	(185,267)	(79,259)
Effect of exchange rate changes	(1,960)	(1,077)	(22,435)	(331)	(11,261)	(20,538)	155	(57,447)
Balance, December 31	5,534,462	5,153,144	1,776,639	1,150	1,384,761	1,601,336	128,282	15,579,774
Accumulated depreciation								
Balance, January 1	-	2,756,474	1,458,030	5,264	1,163,344	1,379,325	-	6,762,437
Depreciation	-	115,038	152,008	-	77,713	95,886	-	440,645
Deduction	-	-	(187,266)	-	(36,118)	(37,733)	-	(261,117)
Deduction - disposal of subsidiaries	-	(12,331)	(45,522)	(3,783)	(125,403)	(115,011)	-	(302,050)
Reclassifications	-	(68)	-	-	8,163	-	-	8,095
Effect of exchange rate changes	-	(1,232)	(17,090)	(331)	(9,379)	(17,206)	-	(45,238)
Balance, December 31	-	2,857,881	1,360,160	1,150	1,078,320	1,305,261	-	6,602,772
Net amount								
Balance, December 31	$ 5,534,462	$ 2,295,263	$ 416,479	$ -	$ 306,441	$ 296,075	$ 128,282	$ 8,977,002

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

Items	Years
Buildings	2-60 years
Machinery and computer equipment	0.58-15 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 Year Ended December 31, 2018		
	Land	**Buildings**	**Total**
Cost			
Balance, January 1	$ 849,188	$ 745,368	$ 1,594,556
Addition	-	33,265	33,265
Deduction	(5,228)	-	(5,228)
Reclassifications	8,128	18,765	26,893
Balance, December 31	852,088	797,398	1,649,486
Accumulated depreciation			
Balance, January 1	-	387,084	387,084
Depreciation	-	15,819	15,819
Deduction	-	-	-
Reclassifications	-	4,388	4,388
Balance, December 31	-	407,291	407,291
Net amount			
Balance, December 31	$ 852,088	$ 390,107	$ 1,242,195

	For the Year Ended December 31, 2017		
	Land	**Buildings**	**Total**
Cost			
Balance, January 1	$ 864,435	$ 761,491	$ 1,625,926
Addition	-	5,195	5,195
Deduction	-	-	-
Reclassifications	(15,247)	(21,318)	(36,565)
Balance, December 31	849,188	745,368	1,594,556
Accumulated depreciation			
Balance, January 1	-	378,799	378,799
Depreciation	-	16,380	16,380
Deduction	-	-	-
Reclassifications	-	(8,095)	(8,095)
Balance, December 31	-	387,084	387,084
Net amount			
Balance, December 31	$ 849,188	$ 358,284	$ 1,207,472

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 Group is for the purpose of earning rental income or capital appreciation or both. The fair values of properties used mainly or partially by lease for investment property as of December 31, 2018 and 2017 were $16,554,437 and $16,292,841, 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

	December 31	
	2018	2017
Goodwill	$ 876,717	$ 876,717
Computer software	439,042	449,643
Others	7,882	-
	$ 1,323,641	$ 1,326,360

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	-	66,976	8,105	75,081
Amortization	-	(143,675)	(228)	(143,903)
Reclassifications	-	71,564	-	71,564
Effect of exchange rate changes	-	(5,466)	5	(5,461)
Balance, December 31	$ 876,717	$ 439,042	$ 7,882	$ 1,323,641

	Goodwill	Computer Software	Total
2017			
Balance, January 1	$ 1,397,281	$ 490,511	$ 1,887,792
Addition	-	80,464	80,464
Deduction - disposal of subsidiaries	(490,489)	(8,721)	(499,210)
Amortization	-	(222,891)	(222,891)
Reclassifications	-	115,824	115,824
Effect of exchange rate changes	(30,075)	(5,544)	(35,619)
Balance, December 31	$ 876,717	$ 449,643	$ 1,326,360

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

Item	Years
Computer software	3-10 years

Goodwill includes $876,717, resulted from the Bank’s cash merger with SinoPac Card Services, and this merger was treated as a reorganized of SPH.

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 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 December 31, 2018 and 2017. The impairment tests on goodwill were conducted on October 31, 2018 and 2017. The actual net income for the years ended December 31, 2018 and 2017 amounted to $190,146 and $113,537, 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 December 31, 2018 and 2017.

22. OTHER ASSETS, NET

	December 31	
	2018	2017
Guarantee deposits	$ 3,537,197	$ 3,579,251
Prepayment	289,299	299,270
Temporary payment and suspense accounts	151,630	456,073
Others	64,420	50,971
	4,042,546	4,385,565
Less: Allowance for reduction of inventory to market - gold	-	(59)
Less: Accumulated impairments	(10,996)	(7,028)
	$ 4,031,550	$ 4,378,478

23. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2018	2017
Call loans from banks	$ 37,317,591	$ 28,308,774
Redeposits from Chunghwa Post	543,485	1,160,565
Due to banks	103,855	151,587
	$ 37,964,931	$ 29,620,926

24. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	December 31	
	2018	2017
Government bonds	$ 11,880,350	$ 25,491,724
Bonds purchased under agreements to resell	5,346,642	-
Bank debentures	5,144,956	687,084
Corporate bonds	3,132,539	-
	$ 25,504,487	$ 26,178,808
Agreed-upon repurchase price	$ 25,629,241	$ 26,215,262
Par value	$ 26,442,327	$ 27,443,528
Maturity date	June 2019	March 2018

25. PAYABLES

	December 31	
	2018	2017
Notes and checks in clearing	$ 4,741,346	$ 4,869,392
Accrued expenses	2,779,194	2,682,439
Interest payables	2,392,504	1,832,050
Accounts payable - factoring	2,360,478	2,411,752
Acceptance payables	1,508,623	1,641,862
Dividends payables to SPH	1,435,025	1,435,025
Accounts payables	1,005,917	368,633
Others	1,471,309	1,335,308
	$ 17,694,396	$ 16,576,461

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 the 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 $36,375 as of December 31, 2018.

26. DEPOSITS AND REMITTANCES

	December 31 2018	December 31 2017
Checking	$ 14,254,042	$ 14,116,721
Demand	239,376,113	244,661,718
Savings - demand	286,800,971	278,285,112
Time deposits	387,494,023	341,858,423
Negotiable certificates of deposit	25,324,300	25,848,400
Savings - time	241,827,107	248,546,739
Inward remittances	809,448	1,087,911
Outward remittances	88,150	82,159
	$ 1,195,974,154	$ 1,154,487,183

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:

	December 31 2018	December 31 2017	Maturity Date	Rates
First subordinated bank debentures issued in 2011	$ -	$ 999,980	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)	-	3,799,810	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)	2,999,553	2,999,390	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	-	3,199,777	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)	4,699,735	4,699,369	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)	1,299,731	1,299,662	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	1,499,952	1,499,755	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	1,999,873	1,999,623	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	1,999,810	1,999,561	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	2,499,690	2,499,387	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)	1,879,677	1,879,429	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)	699,697	699,647	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	749,836	749,736	2015.07.22, no maturity date (Note 1).	Fixed interest rate of 3.90% (Note 4).
Second subordinated bank debentures issued in 2015	459,891	459,829	2015.09.08, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 4).
Third subordinated bank debentures issued in 2015	709,818	709,724	2015.11.05, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 4).
Fourth subordinated bank debentures issued in 2015	139,960	139,941	2015.12.15, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 4).
First subordinated bank debentures issued in 2016	1,499,588	1,499,408	2016.02.23, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 4).
Second subordinated bank debentures issued in 2016	1,029,683	1,029,550	2016.03.30, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 4).
Third subordinated bank debentures issued in 2016	1,419,376	1,419,256	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)	149,884	149,863	2017.02.24-2024.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.60%, interest is paid annually.

(Continued)

	December 31 2018	December 31 2017	Maturity Date	Rates
First subordinated bank debentures issued in 2017 (B)	$ 2,099,062	$ 2,098,957	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)	199,893	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)	539,693	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	2,998,759	2,998,481	2017.06.28, no maturity date (Note 3).	Fixed interest rate of 4.00% (Note 4).
First subordinated bank debentures issued in 2018 (A)	649,623	-	2018.04.30-2025.04.30 Principal is repayable on maturity date.	Fixed interest rate of 1.40%, interest is paid annually.
First subordinated bank debentures issued in 2018 (B)	499,699	-	2018.04.30-2028.04.30 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
	$ 32,722,483	$ 39,569,669		

(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 last 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

	December 31	
	2018	2017
Principal of structured products	$ 18,791,470	$ 12,089,923
Overseas certificate of deposit	307,488	-
Cumulative earnings on appropriated loan fund	112,385	166,174
Leases payable	240	320
	$ 19,211,583	$ 12,256,417

29. PROVISIONS

	December 31	
	2018	2017
Provision for employee benefits	$ 2,473,389	$ 2,426,728
Provision for financing commitment	210,276	-
Provision for guarantee liabilities	198,466	199,563
Provision for decommissioning liabilities	87,373	84,569
Other provision	5,762	-
	$ 2,975,266	$ 2,710,860

The movements of provision for financing commitment, provision for guarantee liabilities and other provision were shown as follows:

	Provision for Financing Commitment	Provision for Guarantee Liabilities	Other Provision
Balance, January 1	$ -	$ 199,563	$ -
Adjustments of IFRS application	304,856	-	1,552
Reversal of provision	(96,042)	6,404	(3,241)
Reclassifications	-	(7,612)	7,571
Effect of exchange rate changes	1,462	111	(120)
Balance, December 31	$ 210,276	$ 198,466	$ 5,762

30. PROVISIONS FOR EMPLOYEE BENEFITS

	December 31	
	2018	2017
Recognized in consolidated balance sheets (listed in account payables and provision)		
Defined contribution plans	$ 36,444	$ 33,438
Defined benefit plans	2,194,514	2,173,237
Preferential interest on employees' deposits	264,531	245,096
Deferred annual leave and retirement benefit	14,344	8,395
	$ 2,509,833	$ 2,460,166

a. Defined contribution plans

The Bank, SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, the Bank makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Overseas branches and overseas subsidiaries' defined contribution plans is in accordance with local regulations.

The total expense recognized in profit or loss for the years ended December 31, 2018 and 2017 were $212,138 and $216,280, respectively, represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

b. Defined benefit plans

For the Bank and SinoPac Life Insurance Agent Co., Ltd. employees who adopt for defined benefit plans regulated by the Labor Standards Act, the retirement benefits are paid to employees as follow: (i) a lump sum payment equal to two base units for each year of service; (ii) that each year of service exceeding 15 years is entitled to only one base unit of wage; and (iii) that the maximum payment is for up to 45 base units. Any fraction of a year that is equal to six months or more is counted as one year of service, and any fraction of a year that is less than six months is counted as half a year of service.

Pension contributions are deposited in the Trust department of Bank of Taiwan, Bank SinoPac and SinoPac Life Insurance Agent Co., Ltd. in the Organization of Supervisory Committee of Business Entities' Labor Retirement Reserve's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund deposited in the Trust department of Bank of Taiwan is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Group has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Bank's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 5,097,931	$ 5,007,347
Fair value of plan assets	(2,903,417)	(2,834,110)
Deficit	2,194,514	2,173,237
Asset ceiling	-	-
Net defined benefit liability	$ 2,194,514	$ 2,173,237

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2017	$ 5,002,854	$ (2,840,908)	$ 2,161,946
Service cost			
Current service cost	84,289	-	84,289
Prior service cost	11,057	-	11,057
Net interest expense (income)	73,788	(43,085)	30,703
Recognized in (profit) or loss	169,134	(43,085)	126,049
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	16,310	16,310
Actuarial (gain) loss - changes in financial assumptions	148,015	-	148,015
Actuarial (gain) loss - changes in demographic assumptions	1,875	-	1,875
Actuarial (gain) loss - experience adjustments	(32,659)	-	(32,659)
Recognized in other comprehensive income	117,231	16,310	133,541
Contributions from the employer	-	(248,299)	(248,299)
Benefits paid	(152,373)	152,373	-
Pay off or reduce the payment	(129,499)	129,499	-
Balance at December 31, 2017	$ 5,007,347	$ (2,834,110)	$ 2,173,237
Balance at January 1, 2018	$ 5,007,347	$ (2,834,110)	$ 2,173,237
Service cost			
Current service cost	75,474	-	75,474
Prior service cost	5,875	-	5,875
Net interest expense (income)	61,695	(35,926)	25,769
Recognized in (profit) or loss	143,044	(35,926)	107,118
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(32,016)	(32,016)
Actuarial (gain) loss - changes in financial assumptions	143,430	-	143,430

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Actuarial (gain) loss - changes in demographic assumptions	$ 764	$ -	$ 764
Actuarial (gain) loss - experience adjustments	46,335	-	46,335
Recognized in other comprehensive income	190,529	(32,016)	158,513
Contributions from the employer	-	(244,354)	(244,354)
Benefits paid	(226,149)	226,149	-
Pay off or reduce the payment	(16,840)	16,840	-
Balance at December 31, 2018	$ 5,097,931	$ (2,903,417)	$ 2,194,514

(Concluded)

The plan assets actual returns were $67,942 and $26,775 for the years ended December 31, 2018 and 2017.

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

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

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

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

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate	1.00%	1.25%
Expected rate of salary increase	1.75%	1.75%
Turnover rate	0.52%	0.58%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	**2017**
Discount rate (2018: 1.00%; 2017: 1.25%)		
0.25% increase	$ (143,170)	$ (145,723)
0.25% decrease	$ 148,888	$ 151,750
Expected rate of salary increase (1.75%)		
0.25% increase	$ 147,395	$ 150,601
0.25% decrease	$ (142,475)	$ (145,361)
Turnover rate (2018: 0.52%; 2017: 0.58%)		
110% of expected turnover rate	$ (507)	$ (843)
90% of expected turnover rate	$ 509	$ 844

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 221,043	$ 223,489
The average duration of the defined benefit obligation	11 years	11 years

c. Preferential interest on employees' deposits

The Bank offers preferential interest on employees' deposits to both current and retired employees.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	**2017**
Discount rate	4.00%	4.00%
Expected interest rate on preferential interest on employees' deposits		
Manager	7.09%	7.09%
Staff	13.00%	13.00%
Normal deposit interest rate	1.09%	1.09%
Return on deposits	2.00%	2.00%
Excess preferential interest		
Manager	4.00%	4.00%
Staff	9.91%	9.91%
The probability of preferential interest on employees' deposits is canceled within ten years	50.00%	50.00%

The amounts included in the balance sheets arising from the Bank's obligation in respect of its preferential interest on employee's deposits were as follows:

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 264,531	$ 245,096
Fair value of plan assets	-	-
Deficit	264,531	245,096
Asset ceiling	-	-
Net defined benefit liability	$ 264,531	$ 245,096

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2017	$ 241,914	$ -	$ 241,914
Service cost			
Prior service cost	22,214	-	22,214
Net interest expense	5,466	-	5,466
Recognized in (profit) or loss	27,680	-	27,680
Remeasurement			
Actuarial (gain) loss - experience adjustments	(4,360)	-	(4,360)
Actuarial (gain) loss - changes in assumptions	(202)	-	(202)
Recognized in other comprehensive income	(4,562)	-	(4,562)
Benefits paid	(19,936)	-	(19,936)
Balance at December 31, 2017	$ 245,096	$ -	$ 245,096
Balance at January 1, 2018	$ 245,096	$ -	$ 245,096
Service cost			
Prior service cost	20,278	-	20,278
Net interest expense	4,788	-	4,788
Recognized in (profit) or loss	25,066	-	25,066
Remeasurement			
Actuarial (gain) loss - experience adjustments	14,932	-	14,932
Actuarial (gain) loss - changes in assumptions	-	-	-
Recognized in other comprehensive income	14,932	-	14,932
Benefits paid	(20,563)	-	(20,563)
Balance at December 31, 2018	$ 264,531	$ -	$ 264,531

31. OTHER LIABILITIES

	December 31	
	2018	2017
Guarantee deposits received	$ 1,588,995	$ 3,162,205
Temporary receipt and suspense accounts	684,698	722,913
Deferred revenue	623,985	1,135,879
Advance receipts	134,587	135,841
Others	28,054	36,408
	$ 3,060,319	$ 5,193,246

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 Year Ended December 31	
	2018	2017
Current tax		
Current period	$ 1,130,977	$ 1,099,841
Adjustments for prior period	5,154	8,010
Other	-	(30,703)
	1,136,131	1,077,148
Deferred tax		
Temporary adjustment	644,978	89,459
Adjustments of tax rate	(159,833)	-
Income tax expenses recognized in profit or loss	$ 1,621,276	$ 1,166,607

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2018	**2017**
Profit before tax	$ 11,295,482	$ 9,062,738
Income tax expense calculated at the statutory rate (2018: 20%; 2017: 17%)	$ 2,259,096	$ 1,540,665
Tax effect of adjusting items:		
Permanent difference	(540,994)	(430,876)
Tax-exempt income	(13,579)	(49,748)
Additional income tax under the Alternative minimum Tax Act	20,853	159,666
Unrecognized temporary difference	35,873	(112,822)
Effect number of difference tax rates in several other operating subsidiaries	13,590	71,798
Effect of exchange rate changes	(159,833)	-
Others	1,116	(20,086)
Adjustments for prior years' tax	5,154	8,010
Income tax expense recognized in profit or loss	$ 1,621,276	$ 1,166,607

As the status of 2019 appropriation of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

The income tax rate that is applicable to the Group is 17%. In February 2018, the ROC Income Tax Act was amended, the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. The income tax rate that is applicable to the subsidiaries in China is 25%; other jurisdictions are calculated based on the respective income tax rate.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Adjustments of tax rate	$ 4,245	$ -
Adjustments of current period		
Exchange difference on translating foreign operations	96,924	135,361
Unrealized loss on available-for-sale financial assets	-	(3,301)
Defined benefit plans remeasurement	34,689	21,926
Unrealized gains on financial assets at fair value through other comprehensive income	(3,595)	-
Income tax recognized in other comprehensive income	$ 132,263	$ 153,986

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. Current tax assets and liabilities

	December 31 2018	December 31 2017
Current tax assets		
Receivables from adopting the linked-tax system	$ 1,264,274	$ 1,262,171
Subsidiary tax receivable	15,633	33,494
Others	118,760	115,535
	$ 1,398,667	$ 1,411,200
Current tax liabilities		
Payables for adopting the linked-tax system	$ 272,975	$ 469,625
Subsidiary tax payable	178,056	51,394
Others	40,405	30,638
	$ 491,436	$ 551,657

d. Deferred tax assets and liabilities

	December 31 2018	December 31 2017
Deferred tax assets		
Provision	$ 722,431	$ 630,506
Provision for defined benefit	438,281	364,613
Exchange differences on translating foreign operations	101,163	3,603
Loss carryforwards	166,504	579,663
Loss carryforwards from subsidiaries	-	21,024
Others	54,071	141,410
	$ 1,482,450	$ 1,740,819
Deferred tax liabilities		
Land value increment tax	$ 587,038	$ 587,038
Investments accounted for using the equity method	140,450	51,431
Exchange and derivative products unrealized losses	90,623	-
Others	55,241	108,920
	$ 873,352	$ 747,389

Deferred tax expenses recognized in profit or loss are shown as follows:

	For the Year Ended December 31	
	2018	2017
Loss carryforwards	$ 410,086	$ 57,774
Unrealized gains or losses on exchanges and derivative instruments	157,489	(39,486)
Investments accounted for using the equity method	58,470	(21,170)
Provision for defined benefit	(28,835)	24,046
Provision	(104,225)	19,525
Others	(7,840)	48,770
	$ 485,145	$ 89,459

As of December 31, 2018 and 2017, the carrying amounts of deferred income tax assets were $1,482,450 and $1,740,819, respectively. The realizability of the deferred income tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. If the actual future profits generated are less than expected, a material reversal of deferred income tax assets may arise, which would be recognized no profit or loss for the period in which reversal takes place.

The unused loss carryforwards as of December 31, 2018 was $1,387,533, and the last year of claiming deductible loss is 2019.

e. The Bank's tax returns through 2014 had been assessed by the tax authorities. It was beneficial to the Bank under Ministry of Finance Order No. 10701031420. Therefore, the Bank planned to submit application for correction to the tax authorities.

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
			Equity Instrument	Debt Instrument		
Balance January 1, 2018 (IAS 39)	$ (9,348)	$ (136,290)	$ -	$ -	$ (20,170)	$ (165,808)
Effect of retrospective application and restatement	-	136,290	907,531	(149,524)	-	894,297
Restated balance January 1, 2018	(9,348)	-	907,531	(149,524)	(20,170)	728,489
Exchange differences						
Exchange differences arising on translating foreign operations	(484,622)	-	-	-	-	(484,622)
Income tax	97,560	-	-	-	-	97,560
Financial assets at fair value through other comprehensive income						
Current adjustment for change in value	-	-	(231,060)	(11,470)	-	(242,530)
Adjustment for loss allowance of debt instruments	-	-	-	(7,420)	-	(7,420)
Disposal	-	-	-	5,134	-	5,134
Gain or loss from disposal reclassified to retained earnings	-	-	(129,450)	-	-	(129,450)
Income tax	-	-	5,114	(15,243)	-	(10,129)
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	-	-	-	-	12,334	12,334
Balance December 31, 2018	$ (396,410)	$ -	$ 552,135	$ (178,523)	$ (7,836)	$ (30,634)

	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	(1,276,892)	-	-	-	(1,276,892)
Unrealized gain or loss on revaluation reclassified to profit or loss on sale of foreign operations	480,651	-	-	-	480,651
Income tax	135,361	-	-	-	135,361
Available-for-sale financial assets					
Unrealized gain or loss on revaluation	-	678,580	-	-	678,580
Cumulative gain or loss reclassified to profit or loss on sale of available-for-sale financial assets	-	1,469	-	-	1,469
Unrealized gain or loss on revaluation reclassified to profit or loss on sale of foreign operations	-	(4,352)	-	-	(4,352)
Income tax	-	(3,301)	-	-	(3,301)
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	-	-	-	(20,170)	(20,170)
Balance December 31, 2017	$ (9,348)	$ (136,290)	$ -	$ (20,170)	$ (165,808)

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 above mentioned 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 and earnings per share for 2017 have been proposed by the Bank's board of directors under an authorization to exercise the rights and functions of shareholders' meeting on June 22, 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 appropriations of earnings for 2018 have been proposed by the Bank's board of directors on March 15, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 2,804,524	
Special reserve reversal	(86,803)	
Cash dividends	6,630,694	$ 0.77046299

The board of directors approved the 2018 appropriations of earnings on March 15, 2019, 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 Year Ended December 31	
	2018	2017
Interest income		
Loans	$ 19,820,201	$ 18,499,637
Security investments	4,000,490	4,094,697
Due from the Central Bank and call loans to other banks	1,765,242	1,615,089
Credit card revolving interest rate income	593,732	570,569
Securities purchased under agreements to resell	369,379	77,694
Accounts receivable - forfaiting	224,010	144,774
Others	450,060	307,879
	27,223,114	25,310,339
Interest expense		
Deposits	(9,944,175)	(8,424,572)
Bank debentures	(834,956)	(914,573)
Call loans from banks	(774,145)	(501,023)
Interest expense of structured products	(487,977)	(468,586)
Others	(355,304)	(214,347)
	(12,396,557)	(10,523,101)
	$ 14,826,557	$ 14,787,238

35. COMMISSION AND FEE REVENUES, NET

	For the Year Ended December 31	
	2018	2017
Commission and fee revenues		
Insurance services	$ 2,102,438	$ 1,801,700
Trust and related services	1,509,197	1,653,882
Credit card services	1,082,552	1,107,541
Loan services	654,917	610,996
Others	850,392	832,827
	6,199,496	6,006,946
Commissions and fees expense		
Credit card services	(454,270)	(442,296)
Interbank services	(157,281)	(151,799)
Trust services	(71,794)	(77,078)
Foreign exchange transaction	(53,749)	(49,499)
Others	(279,734)	(265,439)
	(1,016,828)	(986,111)
	$ 5,182,668	$ 5,020,835

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

	For the Year Ended December 31	
	2018	2017
Realized gain (loss) on financial assets and liabilities at fair value through profit or loss		
Bank debentures	$ 177,376	$ 272,393
Corporate bonds	61,966	73,803
Stocks	53,346	19,065
Government bonds	(335,437)	537,992
Currency swap contracts and hybrid FX swap structured instruments	1,855,629	1,335,501
Interest rate swap contracts	1,165,806	(181,013)
Option contracts	64,346	102,579
Cross-currency swap contracts	(98,806)	(174,105)
Futures contracts	(134,458)	(38,988)
Forward contracts	(337,123)	271,863
Others	83,183	63,808
	2,555,828	2,282,898
Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss		
Bank debentures	(12,703)	134,133
Stocks	(123,918)	133,764
Government bonds	(267,880)	977,161
Currency swap contracts and hybrid FX swap structured instruments	304,842	192,420
Interest rate swap contracts	150,091	(327,097)
Forward contracts	135,453	(804,533)
Futures contracts	9,112	15,069
Option contracts	(109,522)	79,562
Others	(13,149)	29,443
	72,326	429,922
	$ 2,628,154	$ 2,712,820

Disposal gain or loss included in realized gain or loss on financial assets and liabilities at fair value through profit or loss was $1,757,191 and $1,327,679 for the years ended December 31, 2018 and 2017, respectively. Related interest and dividend revenues were $798,637 and $955,219 for the years ended December 31, 2018 and 2017, respectively.

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

	For the Year Ended December 31, 2017
Dividends revenue	$ 4,018
Gains on bank debentures	1,864
Gains on corporate bonds	1,654
Others	189
	$ 7,725

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

	For the Year Ended December 31, 2018
Dividends revenue	
Holding at the end of the reporting period	$ 66,411
Derecognition in the reporting period	4,553
Loss from disposal of debt instruments	(5,134)
	$ 65,830

39. OTHER NONINTEREST NET REVENUES

	For the Year Ended December 31	
	2018	2017
Rental income	$ 135,914	$ 85,456
Operating assets rental income	28,267	28,334
Net gains on disposal of property and equipment	19,838	104,409
Transaction bonus	13,060	13,170
Government subsidy	9,126	-
Net gains on unquoted equity instruments	-	86,673
Life insurance cash surrender revenue	-	19,192
Others	31,060	(6,399)
	$ 237,265	$ 330,835

40. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2018	2017
Salaries and wages	$ 6,420,811	$ 6,406,766
Labor insurance and national health insurance	426,532	439,831
Pension costs	319,739	342,421
Others	677,813	634,871
	$ 7,844,895	$ 7,823,889

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 $61,000 and $51,000 as employees’ compensation and $19,523 and $14,129 as remuneration of directors for the years ended December 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 $61,000 as employees' compensation and $19,523 as remuneration to directors and supervisors on January 25 and March 15, 2019, respectively. These amounts were the same as those recognized in the financial statements.

The board of directors approved $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 Bank's board of directors resolved the remuneration of employees, directors and supervisors on behalf of the shareholders on June 22, 2018.

The information on employees' compensation approved by the board of directors 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.

41. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31	
	2018	**2017**
Depreciation expense		
Buildings	$ 139,293	$ 131,418
Computers and machinery equipment	147,343	152,008
Other equipment	79,458	77,713
Leasehold improvements	95,834	95,886
	461,928	457,025
Amortization expense	143,903	222,891
	$ 605,831	$ 679,916

42. OTHER OPERATING EXPENSES

	For the Year Ended December 31	
	2018	**2017**
Taxation and fees	$ 1,171,125	$ 1,126,980
Rent	684,206	761,246
Marketing	558,360	536,986
Professional advisory	524,733	556,762
Location fee	392,966	382,559
Automated equipment	333,816	315,046
Insurance	280,206	286,457
Communications expense	227,559	250,726
Others	501,681	547,706
	$ 4,674,652	$ 4,764,468

43. 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:

Dollars Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic EPS	$ 1.12	$ 0.92

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

Net income

	For the Year Ended December 31	
	2018	**2017**
Net income for calculating basic EPS	$ 9,674,205	$ 7,896,131

Shares

Shares in Thousands

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

44. 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

Related Party	Relationship with the Group
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Securities Investment Trust)	Subsidiary of SPH
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary of SPH
SinoPac Leasing Corporation (SPL)	Subsidiary of SPH
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities

(Continued)

Related Party	Relationship with the Group
SinoPac Capital International Limited (SPCI) (the original name was Grand Capital International Limited, and renamed to SinoPac Capital International Limited at October 4, 2018)	Subsidiary of SPL
Taiwan Futures Exchange Corporation (TAIFEX)	Affiliate of SPH's general manager (before July 2018)
Taipei Forex Inc. (TAIFX)	Affiliate of the Bank SinoPac's general manager
YFY Inc.	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 director
YFY Packaging Inc. (YFY Packaging)	Affiliate of SPH's director
Yuen Foong Shop Co., Ltd. (Yuen Foong Shop)	Affiliate of SPH's director
Chunghwa Telecom Co., Ltd. (Chunghwa Telecom)	Affiliate of the Bank SinoPac's director
Taipei Fubon Commercial Bank Co., Ltd (Taipei Fubon Bank)	Affiliate of SPL's corporate director
Boardtek Electronics Corporation (Boardtek Electronics)	Affiliate of the key management personnel of SPH
Financial Information Services Co., Ltd. (FISC)	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)
Wafer Works Corporation (Wafer Works)	Affiliate of Bank SinoPac managers' spouse (before November 2018)
Taiwan Printed Circuit Board Techvest Co., Ltd. (Taiwan PCB Techvest)	Affiliate of first-degree kin of the Bank SinoPac's manager
Evercast Precision Industry Corporation (Evercast Precision)	Affiliate of first-degree kin of the Bank SinoPac's manager
Kim Great Co., Ltd. (Kim Great)	Affiliate of second-degree kin of the Bank SinoPac's manager
International Rice Noodle Corp.	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)
Greatwell Enterprise Co., Ltd.	Affiliate of second-degree in-laws of the Bank SinoPac's manager
Kung Sing Engineering Corporation (Kung Sing Engineering)	Affiliate of second-degree in-laws of the Bank SinoPac's manager
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

(Continued)

Related Party	Relationship with the Group
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 (before July 2018)
Hoss Venture Inc. (Hoss Venture)	Related party
Jelyte Infodata Inc. (Jelyte Infodata)	Related party (before November 2018)
MiCareo Taiwan Co., Ltd. (MiCareo)	Related party
Cathay Securities Corporation (Cathay Securities)	Related party (before December 2018)
SYSTEX Corporation (SYSTEX)	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

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

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

2018

	For the Year Ended December 31, 2018		
	Ending Balance	Interest (%)	Interest Revenue
Call loans to banks			
Taipei Fubon Bank	$ 922,544	0.05-4.10	$ 18,635

2017

	For the Year Ended December 31, 2017		
	Ending Balance	Interest (%)	Interest Revenue
Call loans to banks			
Taipei Fubon Bank	$ 1,149,889	0.03-2.05	$ 588

3) Derivative financial instruments

	December 31, 2018				
	Contract (Notional) Amount	**Contract Period**	**Valuation Gains or Losses**	**Account**	**Balance**
Currency swap contracts					
Taipei Fubon Bank	$ 7,380,350	2018.5.21-2019.8.27	$ 35,831	Financial assets at fair value through profit or loss	$ 35,831
Taipei Fubon Bank	16,298,274	2018.6.28-2019.9.18	(127,722)	Financial liabilities at fair value through profit or loss	127,722
Interest rate swap contracts					
SinoPac Securities	900,000	2014.10.2-2020.8.26	(3,258)	Financial assets at fair value through profit or loss	6,123
SinoPac Securities	300,000	2015.9.1-2020.9.1	247	Financial liabilities at fair value through profit or loss	1,843
Taipei Fubon Bank	3,230,000	2014.6.19-2023.11.16	(3,027)	Financial assets at fair value through profit or loss	15,629
Taipei Fubon Bank	6,523,810	2014.2.24-2023.10.18	6,941	Financial liabilities at fair value through profit or loss	40,088
Forward contracts					
YFY International	1,691,330	2018.10.18-2019.5.6	19,957	Financial assets at fair value through profit or loss	19,957
YFY Cayman	2,306,360	2018.10.4-2019.5.20	29,084	Financial assets at fair value through profit or loss	29,084

	December 31, 2017				
	Contract (Notional) Amount	**Contract Period**	**Valuation Gains or Losses**	**Account**	**Balance**
Currency swap contracts					
Taipei Fubon Bank	$ 5,225,038	2017.1.12-2018.6.20	$ 137,919	Financial assets at fair value through profit or loss	$ 137,919
Taipei Fubon Bank	3,284,310	2017.1.11-2018.6.4	(260,754)	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	212	Financial assets at fair value through profit or loss	10,107
SinoPac Securities	1,100,000	2013.4.26-2020.9.1	(355)	Financial liabilities at fair value through profit or loss	3,678
Taipei Fubon Bank	5,758,920	2013.6.21-2022.3.29	28,096	Financial assets at fair value through profit or loss	28,096
Taipei Fubon Bank	7,928,920	2013.3.7-2022.6.20	(52,656)	Financial liabilities at fair value through profit or loss	52,656
Forward contracts					
YFY International	1,567,511	2017.2.8-2018.3.28	39,277	Financial assets at fair value through profit or loss	39,277

4) Securities purchased under agreements to resell

2018

	December 31		For the Year Ended December 31
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Securities	$ 4,446,661	$ 3,963,434	$ 53,167

2017

	December 31		For the Year Ended December 31
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Securities	$ 59,715	$ 53,251	$ 57

5) Receivables and payables

	December 31	
	2018	2017
Receivables	$ 16,363	$ 3,870
Payables	$ 44,139	$ 54,423
Cash dividends payable to SPH	$ 1,435,025	$ 1,435,025

6) Current tax assets and liabilities

	December 31	
	2018	2017
Receivables from adopting the linked-tax system	$ 1,276,102	$ 1,273,998
Payables from adopting the linked-tax system	$ 272,975	$ 469,625

7) Loans

	For the Year Ended December 31, 2018			
	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
Loans	$ 8,692,573	$ 9,696,429	0-8.66	$ 128,721

Category	December 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	450	$ 187,307	$ 137,893	V	-	None	Yes
Household mortgage loans	1,369	7,736,223	7,072,522	V	-	Real estate	Yes
Others:							
	SPL	900,000	900,000	V	-	Real estate	Yes
	Boardtek Electronics	450,000	450,000	V	-	Real estate	Yes
	Taiwan PCB Techvest	216,857	19,938	V	-	Real estate	Yes
	Evercast Precision	39,034	36,955	V	-	Real estate	Yes
	Hoss Venture	30,000	30,000	V	-	Real estate	Yes
	Bolin Company	26,400	-	V	-	Real estate	Yes
	Kim Great	20,129	18,721	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	493	V	-	Vehicle	Yes
	Others	75,020	17,851	V	-	Vehicle, certificates of deposit, certificates of fund and real estate	Yes
	Others subtotal	1,772,899	1,482,158				
	Total	$ 9,696,429	$ 8,692,573				

	For the Year Ended December 31, 2017			
	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
Loans	$ 8,578,342	$ 9,792,961	0-16.14	$ 129,990

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				

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

Note 2: Debtors of related party loans are all 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

December 31, 2018

Related Party	Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
Kung Sing Engineering	$ 39,027	$ -	$ -	1.00%	None, Note	
Others	194	146	-	1.75%-2.25%	None, Note	

December 31, 2017

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

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

9) Financial assets at fair value through other comprehensive income

	December 31, 2018
FISC	$ 394,196
TAIFX	13,199

10) Other financial assets

	December 31, 2017
Unquoted equity instruments	
FISC	$ 91,000
TAIFEX	21,490
TAIFX	6,800
Excess margin of futures and options	
SinoPac Securities (Asia) Ltd.	48,503
SinoPac Futures	280,359

The Bank had interest revenue from call loans to security corporations for the years ended December 31, 2018 and 2017 were $290 and $2,921, respectively.

The Bank had interest revenue from excess margin of futures and options for the year ended December 31, 2017 in the amount of $113.

11) Property and equipment

For the year ended December 31, 2017, the Bank purchased machinery and computer equipment from its related parties for a total of $6,173, recognized under property and equipment.

The Bank leased other equipment from SPL with financial leasing, due to the date, December 31, 2018 and 2017, the carrying amount were $258 and $328, respectively.

12) Intangible assets

For the years ended December 31, 2018 and 2017, the Bank purchased computer software from its related parties in the amount of $248 and $727, respectively, recognized under intangible assets.

13) Other assets

	December 31	
	2018	2017
Guarantee deposits		
SinoPac Futures	$ 351,730	$ -
SinoPac Securities (Asia) Ltd.	104,240	-
Others	17,472	17,530

The Bank signed an agreement with Others for the purchase. The Bank paid $24,602 and $20,252 for the years ended December 31, 2018 and 2017, respectively, which were recorded as prepayments (other assets) or other operating expenses.

The Bank had interest revenue from excess margin of futures and options for the year ended December 31, 2018 in the amount of $193.

14) Notes and bonds transaction

	For the Year Ended December 31, 2018	
	Purchase of Notes and Bonds	**Sell of Notes and Bonds**
Taipei Fubon Bank	$ 15,815,770	$ 16,622,283
Chunghwa Post	-	3,235,943
Cathay Securities	-	1,649,927

	For the Year Ended December 31, 2017	
	Purchase of Notes and Bonds	**Sell of Notes and Bonds**
Taipei Fubon Bank	$ 15,672,279	$ 16,681,017
SinoPac Securities	951,471	328,871
Cathay Securities	299,871	-
YFY Packaging	249,958	249,973
SPL	149,980	149,987
SYSTEX	149,954	149,993
YFY Inc.	119,683	119,691

15) Deposits from the Central Bank and other banks

2018

	For the Year Ended December 31		
	Ending Balance	**Interest Rates (%)**	**Interest Expense**
Taipei Fubon Bank	$ 800,043	0.05-4.8	$ 25,009
Chunghwa Post	-	0.001-1.11	5,460

2017

	For the Year Ended December 31		
	Ending Balance	**Interest Rates (%)**	**Interest Expense**
Chunghwa Post	$ 1,283,271	0.001-1.2	$ 26,347
Taipei Fubon Bank	681,200	0.6-4.4	3,967

16) Securities sold under agreements to repurchase

2017

	December 31		For the Year Ended December 31
	Face Amount	Carrying Amount	Interest Expense
Ho, Show Chung	$ -	$ -	$ 360

17) Deposits

2018

For the Year Ended December 31		
Ending Balance	Interest Rates (%)	Interest Expense
$ 23,416,993	0-13	$ 266,203

	Ending Balance	Interest Rate (%)
SinoPac Securities	$ 3,914,265	0-1.01
Chunghwa Post	2,200,000	0.58-0.6
Hydis Technologies Co., Ltd.	1,597,241	0.35-2.7
SPH	1,029,134	0-3.4
SinoPac Securities (Asia) Ltd.	1,004,635	0-2.88
Others	13,671,718	0-13
	$ 23,416,993	

2017

For the Year Ended December 31		
Ending Balance	Interest Rates (%)	Interest Expense
$ 26,842,040	0-13	$ 282,952

	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	

18) Bank debentures

The Bank's bank debentures issued for the year ended December 31, 2017 were underwritten by SinoPac Securities who were paid $2,070 commission fee (listed in discount of bank debentures).

The Bank paid interest of bank debentures for the years ended December 31, 2018 and 2017 in the amount of $44,215 and $50,044, respectively.

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.

19) Other financial liabilities

As of December 31, 2018 and 2017, the lease payable of SPL were $240 and $320, respectively.

20) Other liabilities

	December 31	
	2018	**2017**
Guarantee deposits received	$ 12,241	$ 11,829
Advance receipts	7	4

21) Revenues and expenses

	For the Year Ended December 31	
	2018	**2017**
Commissions and fee revenues	$ 65,019	$ 76,049
Commissions and fee expenses	222,982	203,362
Gains on unquoted instruments	-	40,830
Gains on financial assets and liabilities at fair value through profit	-	16
Realized gains (losses) on financial assets at fair value through other comprehensive income	46,891	-
Realized gains on available for sale financial assets	-	856
Other revenues	14,671	8,541
Other operating expense (Note)	295,533	333,071

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 years ended December 31, 2018 and 2017 were $151,864 and $162,694, respectively.

22) Operating lease

a) The Group as a lessee

	Other Operating Expense For the Year Ended December 31			
Lessor	**2018**	**2017**	**Lease Term**	**Payment Frequency**
SPL	$ 123,788	$ 124,749	August 2024	Rentals paid monthly
Others	2,035	1,837	January 2021	Rentals paid quarterly or monthly

b) The Bank as a lessor

Lessee	Rental Income For the Year Ended December 31 2018	2017	Lease Term	Receiving Frequency
SinoPac Securities	$ 26,355	$ 25,970	December 2021	Rentals received monthly
SinoPac Securities Investment Trust	14,336	14,359	December 2023	Rentals received monthly
SPL	6,312	6,270	July 2021	Rentals received monthly
Yuen Foong Shop	4,320	4,320	January 2021	Rentals received monthly
SinoPac Call Center	3,588	3,458	September 2021	Rentals received monthly
Yuen Foong Yu Biotech	3,367	3,367	December 2023	Rentals received monthly
Others	6,462	6,202	July 2023	Rentals received monthly

23) Other transactions

The SinoPac Capital Limited transferred the loan to SPCI for US$2,800 thousand on June 29, 2018.

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 Year Ended December 31 2018	2017
Short-term employee benefits	$ 227,253	$ 219,075
Post-employment benefits	4,068	29,818
	$ 231,321	$ 248,893

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

45. 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	December 31 2018	December 31 2017	Purposes
Investment in debt instruments measured at amortized cost	Certificates of deposit	$ 5,153,757	$ -	Note 1
Investment in debt instruments measured at amortized cost	Government bonds	1,674,078	-	Note 2
Accounts receivable	Expired government bonds	-	1,600	Note 3
Discounts and loans	Loans	3,113,555	4,442,118	Note 4
Held-to-maturity financial assets	Certificates of deposit	-	8,000,000	Note 1
Held-to-maturity financial assets	Government bonds	-	1,351,731	Note 2
Other financial assets	Certificates of deposit	2,685,720	1,980,643	Note 5

Note 1: Pledged in accordance with the Central Bank for foreign-exchange, 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 under the discount window program.

Note 5: Pledged in accordance with requirements of the California Department of Financial Institutions, and with intraday overdraft of settlement banks.

46. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	December 31 2018	December 31 2017
Trust assets	$ 292,990,512	$ 242,898,571
Securities under custody	147,845,328	146,889,475
Agent for government bonds	46,772,200	35,259,600
Receipts under custody	31,876,430	34,375,022
Guarantee notes payable	9,063,977	11,064,443
Appointment of investment	3,612,119	4,055,287
Agent for marketable securities under custody	9,412,200	4,601,700
Goods under custody	1,295,570	1,194,913
Travelers' checks consigned-in	189,626	205,067
Entrusted loans	-	114,874
Others	3,299	5,044

As of December 31, 2018, in addition to above mentioned unrecognized commitments, the Bank and SinoPac Securities had applied for tax concessions to the Ministry of Finance regarding their technical support service expenditure relating to their 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 thousand to obtain the proxy of the manufacturer thereof to apply for foresaid tax concession. The compensation distributable to the Bank is US$867 thousand and to the SinoPac Securities is US$433 thousand.

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 December 31, 2018, the Bank recognized operating expense in the amount of $106,500 and related payable in the amount of $42,924.

b. The Group entered into contracts to buy computers and office equipment for $533,286, of which $417,620 had not been paid as of December 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 (renamed as SinoPac Capital International Limited on October 4, 2018) 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 26, 2017 and remanded the case to Taiwan High Court. The case is still under process. The SFIPC reduced their declaration to $4,161,219 because it reached an accord with part of the defendants and some investors withdrew their right to litigation.

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 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.

47. 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	December 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				
Bonds	$ 31,173,586	$ 25,079,132	$ 2,874,567	$ 3,219,887
Others	2,531,143	-	2,531,143	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks	1,938,907	-	1,005,000	933,907
Debt instruments at FVTOCI				
Bonds	53,339,088	39,861,948	12,554,596	922,544
Certificates of deposit and others	150,365,317	-	150,365,317	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designed at fair value through profit or loss	1,500,806	-	1,500,806	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	16,129,278	72,909	14,625,619	1,430,750
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	18,266,109	73,309	16,982,337	1,210,463

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	39,488,139	42,099,073	-
Certificates of deposit 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

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) domestic listed stocks, Taipei Exchange Stocks and Stocks of Real Estate Investment Trust - 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 year ended December 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 year ended December 31, 2017, 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.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the Year Ended December 31, 2018									
Items	Beginning Balance (Note 1)	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 (Note 2)	Transfer Out of Level 3		
Non-derivative financial instruments									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	$ -	$ 169,275	$ -	$ -	$ 3,050,612	$ -	$ -	$ -	$ 3,219,887
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	1,342,786	-	(236,060)	9,197	-	(183,690)	-	1,674	933,907
Debt instruments at FVTOCI	-	-	-	-	922,544	-	-	-	922,544
Derivative financial instruments									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	654,607	776,143	-	-	-	-	-	-	1,430,750

Note 1: 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.

Note 2: The investee reduces the capital.

Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
For the Year Ended December 31, 2017		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	$ (4,409)	$ -	$ 627,004	$ -	$ -	$ (987,088)	$ (16,710)	$ -
Available-for-sale financial assets	81,219	-	(9,989)	-	-	-	-	-	71,230
Derivative financial instruments									
Financial assets at fair value through profit or loss									
Held-for-trading financial assets	1,670,854	(1,016,247)	-	-	-	-	-	-	654,607

Note: For the year ended December 31, 2017, items transferring out Level 3 are because the price can be obtained from the securities market.

For the years ended December 31, 2018 and 2017, the gain or loss on valuation included in net gain and loss with assets still held were gain $975,124 and loss $929,508, respectively.

For the years ended December 31, 2018 and 2017, the losses on valuation included in other comprehensive income with assets still held were $177,429 and $9,989, respectively.

b) Reconciliation of Level 3 items of financial liabilities

Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
For the Year Ended December 31, 2018			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	$ 524,052	$ -	$ -	$ -	$ -	$ -	$ 1,210,463

Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
For the Year Ended December 31, 2017			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	$ (982,615)	$ -	$ -	$ -	$ -	$ -	$ 686,411

For the years ended December 31, 2018 and 2017, the gain or loss on valuation results included in net income from liabilities still held was loss $586,147 and gain $895,524, 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:

December 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	$ 1,040,193	$ 1,039,128	Sellers' quote	(Note 1)	-
Others	390,557	171,335	Sellers' quote	(Note 1)	-
	$ 1,430,750	$ 1,210,463			
Non-derivative financial instruments					
Financial assets at fair value through profit or loss					
Financial assets mandatorily classified as at FVTPL					
Bonds	$ 3,219,887	$ -	Taipei Exchange's quote or Bloomberg's theoretical price	(Note 2)	-
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Unlisted shares	$ 933,907	$ -	Market method or market value with liquidity valuation discount	Discount factor of liquidity	0%-30%
Debt instruments at FVTOCI					
Bonds	$ 922,544	$ -	Taipei Exchange's quote or Bloomberg's theoretical price	(Note 2)	-

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					
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%

Note 1: On pairs of back-to-back transactions, consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed.

Note 2: No disclosure have been made because international bonds lack liquidity in the market, resulting in no observable, liquidity reduction factor could be obtained.

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 and the board of directors by month.

The risk management department is responsible for independent testify of fair value of non-derivative financial instruments. 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.

Items	December 31, 2018 Carrying Amount	December 31, 2018 Fair Value
Debt instrument investments at amortized cost	$ 93,540,669	$ 93,681,130
Bank debentures	32,722,483	33,208,131

Items	December 31, 2017 Carrying Amount	December 31, 2017 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

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Debt instrument investments at amortized cost	$ 93,681,130	$ 35,071,196	$ 58,609,934	$ -
Bank debentures	33,208,131	2,163,981	23,378,250	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

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.

48. 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, and derivative instruments transactions. 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 under chairman of the Board to be responsible for the services above; the Bank has also set up a credit committee in the board of directors 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 mentioned, 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 Group 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 probability 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 applying 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 Group 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 Group's 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 probability 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 loss given default 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 credit losses of the Group

Changes in allowance for discounts and loans

For the Year Ended December 31, 2018	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)	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 (Note 1)	Total
Balance, January 1	$ 1,562,950	$ 436,203	$ 11,143	$ 1,031,971	$ 3,042,267	$ 9,480,439	$ 12,522,706
Changes due to financial instruments that have been identified at the beginning of the period:							
To lifetime ECL	(9,383)	703,150	53	(26,159)	667,661	-	667,661
From conversion to credit-impaired financial assets	(5,828)	(218,182)	-	758,098	534,088	-	534,088
To 12-month ECL	1,667	(141,453)	-	(4,828)	(144,614)	-	(144,614)
Derecognizing financial assets during the current period	(3,547,972)	(467,399)	(11,274)	(565,066)	(4,591,711)	-	(4,591,711)
Purchased or originated new financial assets	3,525,595	5,666	-	242,344	3,773,605	-	3,773,605
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans (Note 1)	-	-	-	-	-	604,892	604,892
Write-off (Note 2)	-	-	-	(406,965)	(406,965)	-	(406,965)
Effect of exchange rate changes and others	15,027	567	78	7,564	23,236	30,231	53,467
Balance, December 31	$ 1,542,056	$ 318,552	$ -	$ 1,036,959	$ 2,897,567	$ 10,115,562	$ 13,013,129

Note 1: The amounts of the listings of Bank SinoPac (China) in accordance with local supervision regulation are included.

Note 2: The amounts to be replenished the allowance when the written-off is included.

Changes in allowance for receivable

For the Year Ended December 31, 2018	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (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	$ 408,272	$ 438,637	$ 453,111	$ 891,748
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(99)	22,446	(7,016)	15,331	-	15,331
From conversion to credit-impaired financial assets	(20)	(21,434)	85,612	64,158	-	64,158
To 12-month ECL	9	(2,176)	(588)	(2,755)	-	(2,755)
Derecognizing financial assets during the current period	(49,230)	(5,256)	(22,933)	(77,419)	-	(77,419)
Purchased or originated new financial assets	52,481	11	5,665	58,157	-	58,157
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-			42,000	42,000
Write-off (Note)		(1,085)	(97,674)	(98,759)	-	(98,759)
Effect of exchange rate changes and others	(502)	(48)	(1,682)	(2,232)	4,576	2,344
Balance, December 31	$ 19,757	$ 5,705	$ 369,656	$ 395,118	$ 499,687	$ 894,805

Note: The amounts of receivables include other financial assets' nonperforming loans transferred from loans; the amounts to be replenished when the written-off is included.

11) The maximum credit exposure of the financial instruments held by the Bank 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	
	December 31, 2018	December 31, 2017
Undrawn credit card commitments	$ 157,665,810	$ 154,191,950
Undrawn loan commitments	21,429,676	18,989,439
Guarantees	16,416,274	20,304,889
Standby letter of credit	3,796,932	4,510,506

The Bank 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	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Private enterprise	$ 453,640,544	48.64	$ 395,419,314	45.00
Public enterprise	11,883,947	1.28	11,708,897	1.33
Government sponsored enterprise and business	4,126,846	0.44	4,323,346	0.49
Nonprofit organization	217,467	0.02	137,097	0.02
Private	447,344,776	47.97	442,955,629	50.40
Financial institutions	15,415,404	1.65	24,243,253	2.76
Total	$ 932,628,984	100.00	$ 878,787,536	100.00

b) By region

Regions	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Domestic	$ 785,273,030	84.20	$ 748,868,534	85.22
Asia	83,307,763	8.93	73,938,908	8.41
North America	41,589,575	4.46	34,521,120	3.93
Others	22,458,616	2.41	21,458,974	2.44
Total	$ 932,628,984	100.00	$ 878,787,536	100.00

c) By collateral

Collaterals	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Credit	$ 340,758,579	36.54	$ 293,426,477	33.39
Secured				
Stocks	3,492,609	0.37	4,543,366	0.52
Bonds	16,043,250	1.72	11,807,273	1.34
Real estate	524,644,868	56.25	520,794,751	59.26
Movable collaterals	27,214,932	2.92	23,130,469	2.63
Guarantees	8,100,113	0.87	11,431,471	1.30
Others	12,374,633	1.33	13,653,729	1.56
Total	$ 932,628,984	100.00	$ 878,787,536	100.00

d) Credit risk exposure rating - 2018

December 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 (Note 1)	Total
Discounts and loans									
Corporate banking	$ 482,797,976	$ 365,015	$ 2,875,406	$ 486,038,397	$ 1,488,884	$ 194,797	$ 833,836	$ 4,520,625	$ 7,038,142
Consumer banking	440,539,124	4,617,595	1,433,868	446,590,587	53,172	123,755	203,123	5,594,937	5,974,987
Receivables									
Credit card	14,289,719	234,006	906,867	15,430,592	3,219	5,198	58,601	153,432	220,450
Accounts receivable - factoring (Note 2)	12,785,897	-	-	12,785,897	5,765	-	-	185,424	191,189
Other receivable (Note 3)	18,041,742	9,631	353,264	18,404,637	10,773	507	311,055	160,831	483,166

Note 1: The amounts of listings of Bank SinoPac (China) in accordance with local supervision regulation is included.

Note 2: Accounts receivable - factoring and accounts payable - factoring are offset and presented net.

Note 3: Other receivable contains nonperforming receivables transferred other than loan included in other financial assets.

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 December 31, 2018, the amount of discounts and loans was $4,309,274, with a provision for loss allowance of $1,036,959 under IFRS 9 Stage 3, and credit guarantees, real estate, movable assets or certificates of deposit, etc., which reduced the potential loss, amounted to $2,817,681.

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

As of December 31, 2018, the contracted amount of financial assets that have been written off by the Bank and still have recourse activities is $47,276,926.

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 above mentioned 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

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

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

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

16) Analysis of financial assets impairment - 2017

Analysis of the impairment of bond investments is summarized in Note 48 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	**December 31, 2017**
With objective evidence of impairment	Individually assessed	$ 945,944	$ 160,364
	Collectively assessed	3,865,029	953,584
With no objective evidence of impairment	Collectively assessed	873,976,563	11,397,590

Items		Receivables	Allowance for Credit Losses
		December 31, 2017	**December 31, 2017**
With objective evidence of impairment (Note 2)	Individually assessed	$ 314,044	$ 280,638
	Collectively assessed	1,082,861	195,185
With no objective evidence of impairment	Collectively assessed	43,062,083	414,671

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. FENB should dispose of collaterals within five years. There are no assumed collaterals of the Group as of December 31, 2018 and 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			December 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		$ 923,217	$ 158,263,492	0.58%	$ 2,258,091	244.59%
	Unsecured		346,673	312,837,925	0.11%	4,532,824	1307.52%
Consumer loan	Mortgage (Note 4)		545,892	247,236,052	0.22%	3,780,926	692.61%
	Cash card		-	6,586	0.00%	13,828	-
	Micro credit (Note 5)		61,334	19,211,979	0.32%	205,267	334.67%
	Others (Note 6)	Secured	390,055	177,660,436	0.22%	1,942,714	498.06%
		Unsecured	7,695	2,475,534	0.31%	32,251	419.12%
Total			2,274,866	917,692,004	0.25%	12,765,901	561.17%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			24,118	15,430,592	0.16%	220,450	914.05%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	15,240,232	-	285,046	-

Date			December 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		$ 957,639	$ 156,746,852	0.61%	$ 2,256,773	235.66%
	Unsecured		490,464	266,059,717	0.18%	3,930,602	801.40%
Consumer loan	Mortgage (Note 4)		501,602	248,532,465	0.20%	3,799,464	757.47%
	Cash card		20	8,534	0.23%	13,948	69,740.00%
	Micro credit (Note 5)		60,090	18,030,231	0.33%	214,973	357.75%
	Others (Note 6)	Secured	443,291	173,378,277	0.26%	2,018,764	455.40%
		Unsecured	1,184	2,516,530	0.05%	29,373	2,480.83%
Total			2,454,290	865,272,606	0.28%	12,263,897	499.69%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			$ 34,075	$ 15,205,884	0.22%	$ 220,171	646.14%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	12,337,511	-	231,868	-

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 were included.

b) Excluded NPLs and excluded overdue receivables

Date	December 31, 2018		December 31, 2017	
Items	**Excluded NPL**	**Excluded Overdue Receivables**	**Excluded NPL**	**Excluded Overdue Receivables**
As a result of debt negotiation and loan agreement (Note 1)	$ 1,673	$ 67,705	$ 2,286	$ 90,797
As a result of consumer debt clearance (Note 2)	9,688	681,229	8,163	712,977
Total	$ 11,361	$ 748,934	$ 10,449	$ 803,774

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	December 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 other computer peripheral equipment)	$ 11,562,079	8.96
2	B Group (spinning of yarn, cotton and wool)	9,029,973	7.00
3	C Group (manufacture of computers)	8,989,728	6.96
4	D Company (mechanics, telecommunications and electricity facilities installation)	5,317,254	4.12
5	E Group (manufacture of monitors and terminals)	5,283,656	4.09
6	F Group (other metalworking activities)	5,000,000	3.87
7	G Group (manufacture of other computer peripheral equipment and software in specialized stores)	4,577,166	3.55
8	H Group (TV programming and communication)	3,462,075	2.68
9	I Company (real estate development activities)	3,028,000	2.35
10	J Company (government)	2,767,631	2.14

Year	December 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 other computer peripheral equipment)	$ 8,843,976	7.08
2	B Group (manufacture of computers)	7,751,123	6.20
3	C Group (manufacture of liquid crystal panel and components)	5,348,626	4.28
4	D Group (manufacture of metal die)	5,070,000	4.06
5	E Group (manufacture of computers)	5,008,705	4.01
6	F Group (manufacture of computers)	4,960,271	3.97
7	G Group (rolling and extruding of iron and steel)	4,641,552	3.71
8	H Group (wired telecommunications activities)	3,692,880	2.95
9	I Group (government)	2,985,736	2.39
10	J Group (real estate development activities)	2,522,258	2.02

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 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.

The Bank

December 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	$ 20,918,546	$ 10,159,918	$ 2,630,152	$ 948,255	$ -	$ 34,656,871
Financial liabilities at fair value through profit or loss	-	-	-	-	1,724,486	1,724,486
Securities sold under agreements to repurchase	18,359,589	2,959,860	4,309,792	-	-	25,629,241
Payables	9,315,463	794,156	455,975	94,401	2,086,294	12,746,289
Deposits and remittances	681,629,361	161,666,678	116,558,942	201,872,039	25,871,769	1,187,598,789
Bank debentures	60,504	1,664,195	81,796	11,596,898	21,524,156	34,927,549
Other financial liabilities - certificate of deposit	-	-	-	307,838	-	307,838

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

Bank SinoPac (China)

(In Thousands of CNY)

December 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	$ 718,400	$ 367,105	$ 6,448	$ -	$ -	$ 1,091,953
Payables	27,607	1,235	5,932	28,707	447	63,928
Deposits and remittances	787,332	1,281,707	550,300	776,533	404,072	3,799,944

(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

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 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.

<u>The Bank</u>

December 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	$ 18,235,839	$ -	$ -	$ -	$ -	$ 18,235,839

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

<u>Bank SinoPac (China)</u>

(In Thousands of CNY)

December 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	$ 6,763	$ -	$ -	$ -	$ -	$ 6,763

(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 and Bank SinoPac (China) 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.

<u>The Bank</u>

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	$ 127,470	$ 976,779	$ 847,249	$ 3,762,510	$ 15,715,668	$ 21,429,676
Guarantees	3,232,580	2,138,261	2,059,442	2,588,994	5,970,995	15,990,272
Standby letter of credit	902,827	2,045,620	749,387	43,640	-	3,741,474

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

Bank SinoPac (China)

(In Thousands of CNY)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Guarantee	$ 21,526	$ 136,612	$ 55,500	$ 664,781	$ 96,085	$ 974,504
Standby letter of credit	7,445	-	4,945	-	-	12,390

(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

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:

December 31, 2018	Less than 1 Year	1-5 Years	Over 5 Years	Total
Operating lease commitments				
Operating lease expense (lessee)	$ 669,045	$ 1,061,532	$ 60,078	$ 1,790,655
Operating lease income (lessor)	89,997	178,337	3,080	271,414
Financial lease expense total amount (lessee)	97	162	-	259
Financial lease expense present value (lessee)	86	154	-	240

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

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)

	December 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	$ 1,317,814,824	$ 153,434,880	$ 189,730,290	$ 262,104,934	$ 81,663,952	$ 81,328,434	$ 549,552,334
Main capital outflow on maturity	1,636,414,951	86,037,022	130,314,404	254,527,428	221,732,561	324,968,070	618,835,466
Gap	(318,600,127)	67,397,858	59,415,886	7,577,506	(140,068,609)	(243,639,636)	(69,283,132)

	December 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	$ 1,210,464,073	$ 127,692,265	$ 186,119,262	$ 202,915,815	$ 87,874,480	$ 73,271,527	$ 532,590,724
Main capital outflow on maturity	1,529,645,246	73,478,627	125,620,067	251,316,747	192,576,271	318,846,054	567,807,480
Gap	(319,181,173)	54,213,638	60,499,195	(48,400,932)	(104,701,791)	(245,574,527)	(35,216,756)

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)

	December 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	$ 39,682,973	$ 13,879,506	$ 9,107,959	$ 6,743,952	$ 6,308,028	$ 3,643,528
Main capital outflow on maturity	42,511,086	13,637,277	10,527,766	6,311,254	7,252,993	4,781,796
Gap	(2,828,113)	242,229	(1,419,807)	432,698	(944,965)	(1,138,268)

(In Thousands of U.S. Dollars)

	December 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	$ 38,893,513	$ 15,842,277	$ 9,314,723	$ 4,799,603	$ 5,636,877	$ 3,300,033
Main capital outflow on maturity	39,535,437	14,688,144	9,897,981	5,706,669	6,457,257	2,785,386
Gap	(641,924)	1,154,133	(583,258)	(907,066)	(820,380)	514,647

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 48 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 48 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 48 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 48 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

<u>Value at Risk (VaR)</u>

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 Year Ended December 31, 2018		
	Average	**Maximum**	**Minimum**
Exchange rate risk	11,709	34,595	4,322
Interest rate risk	76,808	136,537	38,496
Equity risk	11,553	49,244	-
Total VaR	81,055	142,152	42,056

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

Note 2: Historical data period: 2018.01.02 - 2018.12.31

	For the Year Ended December 31, 2017		
	Average	**Maximum**	**Minimum**
Exchange rate risk	9,460	23,804	3,470
Interest rate risk	128,881	188,006	63,850
Equity risk	6,187	23,881	9,865
Total VaR	135,220	193,484	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 - 2017.12.29

Bank SinoPac (China)'s trading book VaR overview.

(In Thousands of CNY)

	For the Year Ended December 31, 2018		
	Average	**Maximum**	**Minimum**
Exchange rate risk	271	846	40
Interest rate risk	179	776	23
Equity risk	-	-	-
Total VaR	391	1,398	83

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

Note 2: Historical data period: 2018.01.02 - 2018.12.31

11) Exchange rate risks

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

	December 31, 2018		
	Foreign Currency (In Thousands)	**Exchange Rate**	**Converted to NTD**
<u>Financial assets</u>			
Monetary items			
USD	$ 9,381,113	30.75146	$ 288,482,935
CNY	18,150,153	4.4762	81,243,716
Nonmonetary items			
USD	406,423	30.75146	12,498,106
<u>Financial liabilities</u>			
Monetary items			
USD	12,127,054	30.75146	372,924,622
CNY	19,117,864	4.4762	85,575,383

	December 31, 2017		
	Foreign Currency (In Thousands)	**Exchange Rate**	**Converted to NTD**
<u>Financial assets</u>			
Monetary items			
USD	$ 8,726,018	29.85736	$ 260,535,858
CNY	17,451,437	4.57839	79,899,483
Nonmonetary items			
USD	456,660	29.85736	13,634,672
<u>Financial liabilities</u>			
Monetary items			
USD	10,125,628	29.85736	302,324,519
CNY	15,411,263	4.57839	70,558,772

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

a) Interest rate sensitivity information (New Taiwan dollars)

December 31, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 898,897,239	$ 17,880,514	$ 52,439,135	$ 72,609,131	$ 1,041,826,019
Interest rate-sensitive liabilities	308,751,126	438,752,661	78,309,021	32,306,599	858,119,407
Interest rate-sensitive gap	590,146,113	(420,872,147)	(25,869,886)	40,302,532	183,706,612
Net worth					128,869,604
Ratio of interest rate-sensitive assets to liabilities (%)					121.41%
Ratio of interest rate-sensitive gap to net worth (%)					142.55%

December 31, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 853,332,499	$ 8,823,419	$ 49,252,997	$ 81,457,510	$ 992,866,425
Interest rate-sensitive liabilities	300,147,727	432,382,935	85,767,771	41,551,364	859,849,797
Interest rate-sensitive gap	553,184,772	(423,559,516)	(36,514,774)	39,906,146	133,016,628
Net worth					124,776,619
Ratio of interest rate-sensitive assets to liabilities (%)					115.47%
Ratio of interest rate-sensitive gap to net worth (%)					106.60%

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)

December 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	$ 6,039,870	$ 300,836	$ 231,234	$ 1,025,167	$ 7,597,107
Interest rate-sensitive liabilities	4,689,821	4,186,576	1,320,195	156,501	10,353,093
Interest rate-sensitive gap	1,350,049	(3,885,740)	(1,088,961)	868,666	(2,755,986)
Net worth					7,025
Ratio of interest rate-sensitive assets to liabilities (%)					73.38%
Ratio of interest rate-sensitive gap to net worth (%)					(39,231.12%)

December 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	$ 6,142,237	$ 397,327	$ 168,938	$ 1,282,479	$ 7,990,981
Interest rate-sensitive liabilities	4,066,000	4,361,915	850,176	12,120	9,290,211
Interest rate-sensitive gap	2,076,237	(3,964,588)	(681,238)	1,270,359	(1,299,230)
Net worth					1,825
Ratio of interest rate-sensitive assets to liabilities (%)					86.02%
Ratio of interest rate-sensitive gap to net worth (%)					(71,190.68%)

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	**December 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 other comprehensive income					
Transactions under agreements to repurchase	$ 8,148,104	$ 7,766,751	$ 8,148,104	$ 7,766,751	$ 381,353
Debt instruments investment at amortized cost					
Transactions under agreements to repurchase	12,388,738	12,160,744	12,400,139	12,160,744	239,395
Securities purchased under agreements to resell					
Transactions under agreements to repurchase	5,037,558	5,346,642	5,037,558	5,346,642	(309,084)

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

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:

December 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	$ 14,896,583	$ -	$ 14,896,583	$ 12,043,535	$ 936,518	$ 1,916,530
Securities purchased under agreements to resell	22,710,233	-	22,710,233	22,709,331	-	902
	$ 37,606,816	$ -	$ 37,606,816	$ 34,752,866	$ 936,518	$ 1,917,432

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	$ 17,637,775	$ -	$ 17,637,775	$ 12,612,435	$ 1,470,152	$ 3,555,188
Securities sold under agreements to repurchase	25,504,487	-	25,504,487	25,504,306	-	181
	$ 43,142,262	$ -	$ 43,142,262	$ 38,116,741	$ 1,470,152	$ 3,555,369

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.

49. 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.

c. Statement of capital adequacy

Analysis Items			December 31, 2018 Standalone	December 31, 2018 Consolidation	December 31, 2017 Standalone	December 31, 2017 Consolidation
Eligible capital	Common shares equity		$ 119,826,740	$ 122,428,221	$ 115,611,758	$ 118,474,990
	Other Tier 1 capital		4,804,658	7,498,553	4,531,840	7,498,977
	Tier 2 capital		12,074,184	17,431,269	13,542,779	19,477,053
	Eligible capital		136,705,582	147,358,043	133,686,377	145,451,020
Risk-weighted assets	Credit risk	Standardized approach	899,340,063	929,863,006	839,030,764	866,497,325
		Internal rating - based approach	-	-	-	-
		Securitization	-	-	-	-
	Operational risk	Basic indicator approach	42,129,799	44,607,491	41,900,015	44,284,912
		Standardized approach/ alternative standardized approach	-	-	-	-
		Advanced measurement approach	-	-	-	-
	Market risk	Standardized approach	44,186,438	46,127,775	40,677,159	41,115,034
		Internal model approach	-	-	-	-
	Total risk-weighted assets		985,656,300	1,020,598,272	921,607,938	951,897,271
Capital adequacy ratio			13.87%	14.44%	14.51%	15.28%
Common shares equity risk - based capital ratio			12.16%	12.00%	12.54%	12.45%
Tier 1 risk - based capital ratio			12.64%	12.73%	13.04%	13.23%
Leverage ratio			8.11%	8.40%	8.01%	8.25%

Note 1: These tables were filled according to "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: The Bank shall disclose the capital adequacy ratio for the current and previous years in annual financial reports. For semiannual financial report, the Bank shall disclose the capital adequacy ratio for the current period, previous period, and previous year-end.

Note 3: The formula is as follows:

1) Eligible capital = Common shares equity + Other Tier 1 capital + Tier 2 capital.

2) Total risk-weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) x 12.5.

3) Ratio of capital adequacy = Eligible capital ÷ Total risk-weighted assets.

4) Common shares equity risk-based capital ratio = Common shares equity ÷ Total risk-weighted assets.

5) Tier 1 risk - based capital ratio = (Common shares equity + Other Tier 1 capital) ÷ Total risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Total exposure risk.

Note 4: In accordance with Financial Supervisory Commission Guideline No. 09900146911, gains from the sale of idle assets are not to be included in the Bank's capital adequacy ratio calculation until disposed outside the Group.

50. RECLASSIFICATION - 2017

Financial assets have been reclassified on September 25, 2013. The fair value on the reclassification day was 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
Held-to-maturity securities	
Book value	$ 2,157,635
Fair value	2,250,406

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

	For the Year Ended December 31, 2017
Held-to-maturity securities	
Recognition in profit (included in interest revenue)	$ 58,057
Assumed equity adjustment without such reclassification	115,464

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 6 of Note 3 a.

51. CROSS-SELLING INFORMATION

For the years ended December 31, 2018 and 2017, the Bank charged SinoPac Securities for $3,439 and $2,400, respectively, as marketing and opening accounts. The rental fee the Bank charged SinoPac Securities for the years ended December 31, 2018 and 2017 were $3,455 and $3,286, respectively.

The rental fee the Bank paid to SinoPac Securities was $607 for the year ended December 31, 2017. The Bank paid to SinoPac Securities $4,720 and $4,886 for the years ended December 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 44 and Table 5.

52. 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. The Bank has already disposed all the stock 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 2017. 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. The above compensation price of 50% (US$17,578 thousand) had been received in July 2018 and the Bank recognized the gain on disposal of the subsidiary amounting to $537,205.

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.

53. PROFITABILITY

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.77%	0.62%
	After income tax	0.66%	0.54%
Return on net worth	Before income tax	8.87%	7.41%
	After income tax	7.60%	6.45%
Profit margin		38.42%	33.81%

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 years ended December 31, 2018 and 2017.

54. TRUST BUSINESS UNDER THE TRUST LAW

a. Balance sheets, income statement and trust properties of trust accounts

These statements were managed by the Bank's Trust Department. However, these items were not included in the Bank's financial statements.

Balance Sheets of Trust Accounts
December 31, 2018 and 2017

	December 31, 2018			
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	%
Trust assets				
Bank deposits	$ 4,648,287	$ -	$ 4,648,287	2
Bonds	8,252,467	-	8,252,467	3
Stocks	13,845,279	-	13,845,279	5
Funds	103,185,223	-	103,185,223	35
Securities lent	3,329,979	-	3,329,979	1
Receivables	95,134	-	95,134	-
Prepayments	15,486	-	15,486	-
Real estate				
Land	3,756,357	-	3,756,357	1
Buildings	149,611	-	149,611	-
Construction in progress	608,695	-	608,695	-
Securities under custody	155,105,417	-	155,105,417	53
Total trust assets	$ 292,991,935	$ -	$ 292,991,935	100
Trust liabilities				
Payables	$ 1,423	$ -	$ 1,423	-
Payable on securities under custody	155,105,417	-	155,105,417	53
Trust capital	137,615,084	-	137,615,084	47
Reserves and cumulative earnings				
Net income	(344,821)	-	(344,821)	-
Cumulative earnings	1,501,796	-	1,501,796	-
Deferred amount	(886,964)	-	(886,964)	-
Total trust liabilities	$ 292,991,935	$ -	$ 292,991,935	100

	December 31, 2017			
	Other Trust Business	**Financial Assets and Real Estate Trust Plan**	**Total**	**%**
Trust assets				
Bank deposits	$ 4,350,971	$ -	$ 4,350,971	2
Bonds	7,284,681	-	7,284,681	3
Stocks	14,691,278	-	14,691,278	6
Funds	103,923,888	-	103,923,888	43
Securities lent	1,975,174	-	1,975,174	1
Receivables	79,178	-	79,178	-
Prepayments	9,684	-	9,684	-
Real estate				
Land	3,473,721	-	3,473,721	1
Buildings	74,761	-	74,761	-
Construction in progress	562,030	-	562,030	-
Securities under custody	106,474,427	-	106,474,427	44
Total trust assets	$ 242,899,793	$ -	$ 242,899,793	100
Trust liabilities				
Payables	$ 1,222	$ -	$ 1,222	-
Payable on securities under custody	106,474,427	-	106,474,427	44
Trust capital	134,922,348	-	134,922,348	55
Reserves and cumulative earnings				
Net income	1,832,766	-	1,832,766	1
Cumulative earnings	273,724	-	273,724	-
Deferred amount	(604,694)	-	(604,694)	-
Total trust liabilities	$ 242,899,793	$ -	$ 242,899,793	100

Trust Properties of Trust Accounts
December 31, 2018 and 2017

	December 31	
Investment Portfolio	**2018**	**2017**
Bank deposits	$ 4,648,287	$ 4,350,971
Bonds	8,252,467	7,284,681
Stocks	13,845,279	14,691,278
Funds	103,185,223	103,923,888
Securities lent	3,329,979	1,975,174
Real estate		
Land	3,756,357	3,473,721
Buildings	149,611	74,761
Construction in progress	608,695	562,030
Securities under custody	155,105,417	106,474,427
Total	$ 292,881,315	$ 242,810,931

Income Statements of Trust Account
Years Ended December 31, 2018 and 2017

	Year Ended December 31, 2018			
	Other Trust Business	**Financial Assets and Real Estate Trust Plan**	**Total**	**%**
Trust income				
Interest income	$ 17,175	$ -	$ 17,175	1
Borrowed Securities income	15,492	-	15,492	1
Cash dividends	924,551	-	924,551	44
Gains from beneficial certificates	3,260	-	3,260	-
Realized investment income	45,367	-	45,367	2
Unrealized investment income	1,083,941	-	1,083,941	52
Other revenues	1,954	-	1,954	-
Donation revenue - charitable trust	5,283	-	5,283	-
Total trust income	2,097,023	-	2,097,023	100
Trust expense				
Trust administrative expenses	6,121	-	6,121	-
Tax expenses	27	-	27	-
Donation expense - charitable trust	3,373	-	3,373	-
Realized investment loss	10,068	-	10,068	1
Unrealized investment loss	2,421,878	-	2,421,878	115
Other expense	377	-	377	-
Total trust expense	2,441,844	-	2,441,844	116
Income before income tax	(344,821)	-	(344,821)	(16)
Income tax expense	-	-	-	-
Income after income tax	$ (344,821)	$ -	$ (344,821)	(16)

	Year Ended December 31, 2017			
	Other Trust Business	**Financial Assets and Real Estate Trust Plan**	**Total**	**%**
Trust income				
Interest income	$ 15,525	$ -	$ 15,525	1
Borrowed Securities income	23,859	-	23,859	1
Cash dividends	569,202	-	569,202	26
Gains from beneficial certificates	2,689	-	2,689	-
Realized investment income	71,041	-	71,041	3
Unrealized investment income	1,509,607	-	1,509,607	69
Other revenues	415	-	415	-
Donation revenue - charitable trust	6,450	-	6,450	-
Total trust income	2,198,788	-	2,198,788	100
Trust expense				
Trust administrative expenses	6,867	-	6,867	-
Tax expenses	26	-	26	-
Donation expense - charitable trust	3,920	-	3,920	-
Realized investment loss	7,338	-	7,338	1
Unrealized investment loss	347,304	-	347,304	16
Other expense	567	-	567	-
Total trust expense	366,022	-	366,022	17
Income before income tax	1,832,766	-	1,832,766	83
Income tax expense	-	-	-	-
Income after income tax	$ 1,832,766	$ -	$ 1,832,766	83

b. The operations of the Bank's Trust Department consist of planning, managing and operating of trust business and affiliated business. These operations are governed by the Banking Law and the Trust Law.

55. ADDITIONAL DISCLOSURES

a. Relevant information of material transaction:

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 5
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 investment 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	Table 3
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	Table 4
11	Financial asset securitization	None
12	Related parties transaction	Table 5
13	Other significant transactions which may affect the decisions of financial report users	None

Note: Subsidiaries which belong to finance, 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: Table 6.

d. Information on investment in Mainland China: Table 7.

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 years ended December 31, 2018 and 2017 are without change. The Bank reports the following:

Domestic branches: Provide services and products through 126 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 52) 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 Year Ended December 31, 2018						
		Domestic Branches	**Financial Transaction**	**Overseas Branches**	**Others**	**Operating Segments**	**Non-operating Segments**	**Total**
Income (loss)	Net interest	$ 10,702,542	$ (662,624)	$ 2,201,487	$ 1,592,901	$ 13,834,306	$ 992,251	$ 14,826,557
	Interest revenue	15,538,924	122,442	4,617,843	2,455,456	22,734,665	4,488,449	27,223,114
	Revenue amount segments	3,056,065	(339,028)	(1,038,144)	(263,452)	1,415,441	(1,415,441)	-
	Interest expense	(7,892,447)	(446,038)	(1,378,212)	(599,103)	(10,315,800)	(2,080,757)	(12,396,557)
	Commission and fee revenues, net	4,103,813	(13,491)	227,674	724,518	5,042,514	140,154	5,182,668
	Others	409,606	1,996,499	442,781	337,232	3,186,118	1,985,111	5,171,229
	Net revenue	15,215,961	1,320,384	2,871,942	2,654,651	22,062,938	3,117,516	25,180,454
	Allowance for (reversal of) doubtful accounts and guarantees	(629,415)	-	(142,415)	139,133	(632,697)	(126,898)	(759,595)
	Operating expense	(7,364,811)	(320,240)	(1,193,990)	(2,011,028)	(10,890,069)	(2,235,309)	(13,125,378)
	Income before income tax	7,221,735	1,000,144	1,535,537	782,756	10,540,172	755,309	11,295,481
	Income tax expense	(951,790)	(131,814)	(202,056)	(144,996)	(1,430,656)	(190,620)	(1,621,276)
	Net income	6,269,945	868,330	1,333,481	637,760	9,109,516	564,689	9,674,205

Area segment

	For the Year Ended December 31, 2018			
	Taiwan	**America**	**Asia**	**Total**
Net revenue	$ 21,494,035	$ 321,140	$ 3,365,279	$ 25,180,454

Segment revenues and results

		For the Year Ended December 31, 2017						
		Domestic Branches	**Financial Transaction**	**Overseas Branches**	**Others**	**Operating Segments**	**Non-operating Segments**	**Total**
Income (loss)	Net interest	$ 10,385,291	$ (660,236)	$ 1,874,152	$ 2,067,603	$ 13,666,810	$ 1,120,428	$ 14,787,238
	Interest revenue	14,913,529	(97,304)	3,290,031	2,735,497	20,841,753	4,468,586	25,310,339
	Revenue amount segments	2,861,680	(145,052)	(573,419)	(266,973)	1,876,236	(1,876,236)	-
	Interest expense	(7,389,918)	(417,880)	(842,460)	(400,921)	(9,051,179)	(1,471,922)	(10,523,101)
	Commission and fee revenues, net	3,861,874	(18,868)	303,841	727,467	4,874,314	146,521	5,020,835
	Others	457,652	2,467,731	441,887	348,001	3,715,271	(168,683)	3,546,588
	Net revenue	14,704,817	1,788,627	2,619,880	3,143,071	22,256,395	1,098,266	23,354,661
	Allowance for (reversal of) doubtful accounts and guarantees	(858,291)	-	(253,205)	4,744	(1,106,752)	83,102	(1,023,650)
	Operating expense	(9,507,478)	(361,353)	(1,045,146)	(2,229,971)	(13,143,948)	(124,325)	(13,268,273)
	Income before income tax	4,339,048	1,427,274	1,321,529	917,844	8,005,695	1,057,043	9,062,738
	Income tax expense	(512,646)	(178,997)	(185,600)	(102,808)	(980,051)	(186,556)	(1,166,607)
	Net income	3,826,402	1,248,277	1,135,929	815,036	7,025,644	870,487	7,896,131

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

Area segment

	For the Year Ended December 31, 2017			
	Taiwan	**America**	**Asia**	**Total**
Net revenue	$ 19,573,957	$ 988,768	$ 2,791,936	$ 23,354,661

TABLE 1

BANK SINOPAC AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
DECEMBER 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	$ 1,264,482 (Note)	-	$ -	-	$ -	$ -

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

BANK SINOPAC AND SUBSIDIARIES

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

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statements Account	December 31, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note)	Percentage of Ownership	Fair Value or Net Asset Value (Note)	
SinoPac Property Insurance Agent Co., Ltd.	Bond							
	Government bond 88-3	-	Financial assets measured at amortized cost	600	$ 600	-	$ 602	Pledge
SinoPac Life Insurance Agent Co., Ltd.	Bond							
	Government bond 88-3	-	Financial assets measured at amortized cost	600	600	-	602	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

ACQUISITION OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST $300 MILLION OR 10% OF THE ISSUED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment	Counterparty	Relationship	Former Transfer Information of Those Related-party Counterparty				Price Reference	Purpose of Acquisition	Other Terms
							All	Relation with the Company	Transfer Date	Amount			
Bank SinoPac (China) Ltd.	Nanjing Financial City Office Building	First half of 2018	CNY65,572 thousand	CNY3,557 thousand have not been paid	Nanjing Financial City Construction & Development Co., Ltd.	-	-	-	-	-	External real estate estimator's appraisal report	Office use, normal use	None

Note: Bank SinoPac (China) Ltd. announced purchase of real estate at April 24, 2015. The transaction expense has been confirmed after construction during the first half of 2018 and the property has been transferred from other assets temporary payment to property and equipment. The transaction amount is CNY65,572 thousand.

TABLE 4

BANK SINOPAC AND SUBSIDIARIES

TRADING INFORMATION - SALE OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Date	Counterparty	Loans	Carrying Amount (Note)	Selling Price (Note)	Gain or (Loss) on Disposal	Attachment	Relation
Bank SinoPac (China) Ltd.							
December 25, 2018	Ningbo Financial Asset Management Co., Ltd.	Fixed asset loans	$ 13,638	$ 13,429	$ (209)	-	None
December 25, 2018	Ningbo Meishan Free Trade Harbour Niuhua Asset Management Limited	Liquidity loans	64,465	94,000	29,535	-	None

Note: Carrying amounts were original credit amount net of doubtful account, and were translated to New Taiwan dollars at the exchange rate as of the balance sheet date.

BANK SINOPAC AND SUBSIDIARIES

RELATED PARTIES TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 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	Payables	$ 3,305	Note 4	-
		SinoPac Capital Limited	a	Deposits and remittances	1,140,672	Note 4	0.08
		SinoPac Capital Limited	a	Interest expense	16,502	Note 4	0.07
		SinoPac Capital (B.V.I.) Ltd.	a	Deposits and remittances	48,640	Note 4	-
		RSP Information Service Company Limited	a	Deposits and remittances	13,299	Note 4	-
		SinoPac Insurance Brokers Ltd.	a	Deposits and remittances	63,762	Note 4	-
		SinoPac Life Insurance Agency Co., Ltd.	a	Receivables, net	58,642	Note 4	-
		SinoPac Life Insurance Agency Co., Ltd.	a	Deposits and remittances	1,274,009	Note 4	0.09
		SinoPac Life Insurance Agency Co., Ltd.	a	Fee revenues, net (fee revenue)	523,816	Note 4	2.08
		SinoPac Life Insurance Agency Co., Ltd.	a	Other noninterest net revenues	10,586	Note 4	0.04
		SinoPac Property Insurance Agent Co., Ltd.	a	Deposits and remittances	22,846	Note 4	-
		SinoPac Property Insurance Agent Co., Ltd.	a	Fee revenues, net (fee revenue)	11,948	Note 4	0.05
		SinoPac Property Insurance Agent Co., Ltd.	a	Other noninterest net revenues	2,008	Note 4	0.01
		Bank SinoPac (China) Ltd.	a	Due from the Central Bank and call loans to other banks, net	1,369,252	Note 4	0.09
		Bank SinoPac (China) Ltd.	a	Receivables, net	121,158	Note 4	0.01
		Bank SinoPac (China) Ltd.	a	Interest revenue	110,096	Note 4	0.44
		Bank SinoPac (China) Ltd.	a	Interest expense	10	Note 4	-
1	SinoPac Capital Limited	Bank SinoPac	b	Cash and cash equivalents, net	1,140,672	Note 4	0.08
		Bank SinoPac	b	Receivables, net	3,305	Note 4	-
		Bank SinoPac	b	Interest revenue	16,502	Note 4	0.07
2	SinoPac Capital (B.V.I.) Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	1,451	Note 4	-
		Bank SinoPac	b	Other financial assets, net	47,189	Note 4	-
3	RSP Information Service Company Limited	Bank SinoPac	b	Cash and cash equivalents, net	13,299	Note 4	-
4	SinoPac Insurance Brokers Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	12,710	Note 4	-
		Bank SinoPac	b	Other financial assets, net	51,052	Note 4	-
5	SinoPac Life Insurance Agency Co., Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	1,274,009	Note 4	0.09
		Bank SinoPac	b	Payables	58,642	Note 4	-
		Bank SinoPac	b	Fee revenues, net (fee expenses)	523,816	Note 4	2.08
		Bank SinoPac	b	Other operating expenses	10,586	Note 4	0.04

(Continued)

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)**
6	SinoPac Property Insurance Agent Co., Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	$ 22,846	Note 4	-
		Bank SinoPac	b	Fee revenues, net (fee expenses)	11,948	Note 4	0.05
		Bank SinoPac	b	Other operating expenses	2,008	Note 4	0.01
7	Bank SinoPac (China) Ltd.	Bank SinoPac	b	Deposits from the Central Bank and banks	1,369,252	Note 4	0.09
		Bank SinoPac	b	Payables	121,158	Note 4	0.01
		Bank SinoPac	b	Interest revenue	10	Note 4	-
		Bank SinoPac	b	Interest expense	110,096	Note 4	0.44

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 INVESTED ENTERPRISES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Shares)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Gains (Losses)	Consolidated Investment				Note
								Total		
						Shares (In Thousands)	Imitated Shares	Shares	Percentage of Ownership (%)	
Financial related enterprise										
Bank SinoPac (China) Ltd.	China	Commercial Bank	100.00	$ 9,629,714	$ 221,388	-	-	-	100.00	Subsidiary and Note 1
SinoPac Capital Limited	Hong Kong	Credit and investment service	100.00	1,202,330	19,478	229,998	-	229,998	100.00	Subsidiary and Note 1
SinoPac Life Insurance Agent Co., Ltd.	Taiwan	Life insurance agent	100.00	1,061,627	1,055,262	300	-	300	100.00	Subsidiary
SinoPac Insurance Brokers Ltd.	Hong Kong	Insurance services	100.00	64,963	7,704	100	-	100	100.00	Subsidiary and Note 1
SinoPac Property Insurance Agent Co., Ltd.	Taiwan	Property insurance agent	100.00	33,873	27,606	300	-	300	100.00	Subsidiary
Global Securities Finance Corporation	Taiwan	Securities financing	2.63	48,148	213	11,494	-	11,494	2.87	Note 2
Taipei Foreign Exchange Inc.	Taiwan	Foreign exchange market maker	3.43	13,199	3,060	680	-	680	3.43	Note 2
Taiwan Futures Exchange	Taiwan	Futures exchange and settlement	1.07	192,521	12,361	6,964	-	6,964	2.08	Note 2
Fuh Hwa Securities Investment Trust Co., Ltd.	Taiwan	Securities investment trust and consultant	4.63	54,921	15,000	2,779	-	2,779	4.63	Note 2
Financial Information Service Co., Ltd.	Taiwan	Planning and developing the information system of across banking institution and managing the information web system	2.34	394,196	31,470	12,238	-	12,238	2.34	Note 2
Taiwan Asset Management Corporation	Taiwan	Evaluating, auctioning, and managing for financial institutions' loan	0.28	20,490	2,427	3,000	-	3,000	0.28	Note 2
Taiwan Financial Asset Service Co.	Taiwan	Auction	5.88	119,900	700	10,000	-	10,000	5.88	Note 2
Sunny Asset Management Corp.	Taiwan	Purchasing for financial institutions' loan assets	1.42	694	111	85	-	85	1.42	Note 2
Taiwan Depository and Clearing Co.	Taiwan	Computerizing book-entry operation for securities	0.08	16,066	975	3,408	-	3,408	0.92	Note 2
Taiwan Mobile Payment Corporation	Taiwan	Promoting E-commerce and developing E-billing	1.00	3,570	-	600		600	1.00	
Nonfinancial related enterprise							-			
Taiwan Television Enterprise, Ltd.	Taiwan	Wireless television company	4.84	68,624	-	13,731	-	13,731	4.89	
Victor Taichung Machinery Works Co., Ltd.	Taiwan	Manufacturer and seller of tool machine, plastic machine and other precise equipment	0.08	1,578	94	157	-	157	0.08	Note 2

Note 1: Foreign-currency amounts were translated at the exchange rate on the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2018.

Note 2: Investment gains are dividend income.

Note 3: Above shares are in thousands of shares.

BANK SINOPAC AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 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 December 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	$ 9,959,503	Investment in Mainland China directly	$ 9,959,503	$ -	$ -	$ 9,959,503	$ 221,388	100.00	$ 221,388	$ 9,629,714	$ -

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$9,959,503	$9,959,503	$77,449,019

Note 1: The accumulated investment amounts in Mainland China as of December 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 December 31, 2018 have been audited 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 gain or loss investments are translated with current period average rate.