Bank SinoPac and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2019 and 2018 and Independent Auditors' Report

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 June 30, 2019, December 31, 2018 and June 30, 2018, and the related consolidated statements of comprehensive income for the three months ended June 30, 2019 and 2018, six months ended June 30, 2019 and 2018, and changes in equity and cash flows for the six months ended June 30, 2019 and 2018, 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 June 30, 2019, December 31, 2018 and June 30, 2018, and its consolidated financial performance for the three months ended June 30, 2019 and 2018, and their consolidated financial performance and cash flows for the six months ended June 30, 2019 and 2018 in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the authority, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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 six months ended June 30, 2019. 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 six months ended June 30, 2019 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 six months ended June 30, 2019.

Refer to Notes 4, 5 and 44 c. 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 if Bank SinoPac as of and for the six months ended June 30, 2019 and 2018 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 the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the authority, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 six months ended June 30, 2019 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

August 16, 2019

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
(In Thousands of New Taiwan Dollars)

	June 30, 2019		December 31, 2018		June 30, 2018	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS, NET (Notes 6 and 40)	$ 20,432,317	1	$ 18,168,837	1	$ 20,850,752	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS, NET (Notes 7 and 40)	116,350,613	7	91,889,402	6	81,325,798	6
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 40)	59,478,454	4	49,834,007	4	64,529,763	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9 and 40)	216,296,069	13	205,643,312	14	233,722,318	16
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 10 and 41)	113,134,428	7	93,540,669	6	78,412,932	5
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 11 and 40)	16,777,698	1	22,710,233	2	22,312,476	2
RECEIVABLES, NET (Notes 12 and 40)	47,640,830	3	48,086,686	3	46,495,446	3
CURRENT TAX ASSETS (Notes 4, 29 and 40)	1,375,657	-	1,398,667	-	1,390,775	-
DISCOUNTS AND LOANS, NET (Notes 5, 13, 40 and 41)	1,015,948,271	62	919,303,206	62	877,615,359	60
OTHER FINANCIAL ASSETS, NET (Notes 14, 40 and 41)	15,031,576	1	17,455,051	1	11,368,052	1
PROPERTY AND EQUIPMENT, NET (Notes 3, 15, 17 and 40)	9,293,813	1	9,211,115	1	9,285,823	1
RIGHT-OF-USE ASSETS, NET (Notes 3, 4, 16 and 40)	1,818,464	-	-	-	-	-
INVESTMENT PROPERTY, NET (Note 17)	1,132,365	-	1,242,195	-	1,220,251	-
INTANGIBLE ASSETS, NET (Notes 18 and 40)	1,387,812	-	1,323,641	-	1,318,051	-
DEFERRED TAX ASSETS (Notes 4 and 29)	1,393,785	-	1,482,450	-	1,567,856	-
OTHER ASSETS, NET (Notes 3, 19 and 40)	2,831,940	-	4,031,550	-	4,836,887	-
TOTAL	$ 1,640,324,092	100	$ 1,485,321,021	100	$ 1,456,252,539	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 20 and 40)	$ 51,638,487	3	$ 37,964,931	3	$ 53,634,753	4
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 40)	16,564,532	1	19,766,915	1	22,376,276	1
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 8, 9, 10, 11 and 21)	14,961,242	1	25,504,487	2	28,570,603	2
PAYABLES (Notes 22, 27, 36 and 40)	20,612,727	1	17,694,396	1	23,348,996	2
CURRENT TAX LIABILITIES (Notes 4, 29 and 40)	789,981	-	491,436	-	485,489	-
DEPOSITS AND REMITTANCES (Notes 23 and 40)	1,344,195,310	82	1,195,974,154	81	1,142,853,858	78
BANK DEBENTURES (Notes 24 and 40)	37,221,383	3	32,722,483	2	39,720,764	3
OTHER FINANCIAL LIABILITIES (Notes 25 and 40)	16,002,771	1	19,211,583	1	13,328,168	1
PROVISIONS (Notes 26 and 27)	2,799,993	-	2,975,266	-	2,882,901	-
LEASE LIABILITIES (Notes 3, 4, 16 and 40)	1,800,690	-	-	-	-	-
DEFERRED TAX LIABILITIES (Notes 4 and 29)	959,564	-	873,352	-	819,893	-
OTHER LIABILITIES (Notes 28 and 40)	3,247,721	-	3,060,319	-	3,605,611	-
Total liabilities	1,510,794,401	92	1,356,239,322	91	1,331,627,312	91
EQUITY						
Capital						
Common shares	86,061,159	5	86,061,159	6	86,061,159	6
Capital surplus						
Additional paid-in capital in excess of par	4,001,872	-	4,001,872	-	4,001,872	-
Capital surplus from business combination	8,076,524	1	8,076,524	1	8,076,524	1
Others	69,244	-	69,244	-	69,244	-
Total capital surplus	12,147,640	1	12,147,640	1	12,147,640	1
Retained earnings						
Legal reserve	23,853,943	2	21,049,419	1	21,049,419	2
Special reserve	418,897	-	505,700	-	505,700	-
Unappropriated earnings	5,651,257	-	9,348,415	1	4,461,664	-
Total retained earnings	29,924,097	2	30,903,534	2	26,016,783	2
Other equity	1,396,795	-	(30,634)	-	399,645	-
Total equity	129,529,691	8	129,081,699	9	124,625,227	9
TOTAL	$ 1,640,324,092	100	$ 1,485,321,021	100	$ 1,456,252,539	100

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

BANK SINOPAC AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE	$ 7,823,911	113	$ 6,646,583	104	$ 15,250,106	105	$ 12,958,119	106
INTEREST EXPENSE	(4,242,612)	(61)	(2,952,035)	(46)	(8,047,350)	(55)	(5,655,150)	(46)
NET INTEREST (Notes 31 and 40)	3,581,299	52	3,694,548	58	7,202,756	50	7,302,969	60
NET REVENUES OTHER THAN INTEREST								
Commission and fee revenues, net (Notes 32 and 40)	1,390,518	20	1,298,931	20	3,456,995	24	2,883,008	23
Gains on financial assets and liabilities at fair value through profit or loss (Notes 33 and 40)	1,326,710	19	547,595	8	2,807,096	19	924,490	8
Realized gains (losses) on financial assets at fair value through other comprehensive income (Notes 34 and 40)	83,721	1	69,371	1	106,696	1	65,718	-
Foreign exchange gains, net	389,628	6	770,728	12	674,409	4	988,859	8
(Impairment loss on assets) reversal of impairment loss on assets (Note 5)	77,719	1	(13,272)	-	109,364	1	(12,097)	-
Other noninterest net revenues (Notes 35 and 40)	80,023	1	51,704	1	125,424	1	95,682	1
Total net revenues other than interest	3,348,319	48	2,725,057	42	7,279,984	50	4,945,660	40
TOTAL NET REVENUES	6,929,618	100	6,419,605	100	14,482,740	100	12,248,629	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 5, 6, 7, 12, 13, 14, 19 and 26)	(512,652)	(7)	(102,140)	(2)	(759,326)	(5)	(69,042)	(1)
OPERATING EXPENSES								
Employee benefits expenses (Notes 26, 36 and 40)	(2,155,766)	(31)	(2,009,320)	(31)	(4,414,292)	(31)	(4,041,091)	(33)
Depreciation and amortization expenses (Notes 16, 37 and 40)	(324,400)	(5)	(152,390)	(3)	(641,295)	(4)	(301,364)	(2)
Others (Notes 38 and 40)	(1,022,879)	(15)	(1,108,819)	(17)	(2,051,567)	(14)	(2,207,824)	(18)
Total operating expenses	(3,503,045)	(51)	(3,270,529)	(51)	(7,107,154)	(49)	(6,550,279)	(53)
INCOME BEFORE INCOME TAX	2,913,921	42	3,046,936	47	6,616,260	46	5,629,308	46
INCOME TAX EXPENSE (Notes 4 and 29)	(382,375)	(5)	(395,754)	(6)	(965,003)	(7)	(851,160)	(7)
NET INCOME	2,531,546	37	2,651,182	41	5,651,257	39	4,778,148	39

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BANK SINOPAC AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income (Note 30)	$ 97,408	1	$ 6,533	-	$ 206,150	1	$ (41,129)	-
Change in fair value of financial liability attributable to changes in the credit risk of liabilities (Note 30)	(19,973)	-	11,917	-	(59,177)	-	16,950	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4, 29 and 30)	-	-	(7,497)	-	-	-	(3,305)	-
Items that will not be reclassified subsequently to profit or loss	77,435	1	10,953	-	146,973	1	(27,484)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations (Note 30)	(126,214)	(2)	30,795	-	102,968	1	(222,971)	(2)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income (Note 30)	588,006	9	(21,405)	-	1,195,552	8	(109,002)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 29 and 30)	18,637	-	(9,215)	-	(18,064)	-	40,756	-
Items that may be reclassified subsequently to profit or loss	480,429	7	175	-	1,280,456	9	(291,217)	(3)
Other comprehensive income (loss) for the period, net of income tax	557,864	8	11,128	-	1,427,429	10	(318,701)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 3,089,410	45	$ 2,662,310	41	$ 7,078,686	49	$ 4,459,447	36
EARNINGS PER SHARE (Note 39)								
Basic	$0.29		$0.31		$0.66		$0.56	

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

			Retained Earnings (Note 30)				Other Equity (Note 30)					
	Common Shares (Note 30)	Capital Surplus (Note 30)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Changes in the Credit Risk of Liabilities	Total	Total Equity
BALANCE AT JANUARY 1, 2018	$ 86,061,159	$ 12,147,640	$ 18,712,695	$ 457,565	$ 7,789,078	$ 26,959,338	$ (9,348)	$ (136,290)	$ -	$ (20,170)	$ (165,808)	$ 125,002,329
Effect of retrospective application and retrospective restatement	-	-	-	-	(326,627)	(326,627)	-	136,290	758,007	-	894,297	567,670
BALANCE AT JANUARY 1, 2018 AS RESTATED	86,061,159	12,147,640	18,712,695	457,565	7,462,451	26,632,711	(9,348)	-	758,007	(20,170)	728,489	125,569,999
Appropriation and distribution of retained earnings generated in 2017												
Legal reserve	-	-	2,336,724	-	(2,336,724)	-	-	-	-	-	-	-
Special revenue	-	-	-	48,135	(48,135)	-	-	-	-	-	-	-
Cash dividends - common stock	-	-	-	-	(5,404,219)	(5,404,219)	-	-	-	-	-	(5,404,219)
Net profit for the six months ended June 30, 2018	-	-	-	-	4,778,148	4,778,148	-	-	-	-	-	4,778,148
Other comprehensive (loss) income for the six months ended June 30, 2018, net of income tax	-	-	-	-	10,143	10,143	(177,741)	-	(168,053)	16,950	(328,844)	(318,701)
Total comprehensive (loss) income for the six months ended June 30, 2018	-	-	-	-	4,788,291	4,788,291	(177,741)	-	(168,053)	16,950	(328,844)	4,459,447
BALANCE AT JUNE 30, 2018	$ 86,061,159	$ 12,147,640	$ 21,049,419	$ 505,700	$ 4,461,664	$ 26,016,783	$ (187,089)	$ -	$ 589,954	$ (3,220)	$ 399,645	$ 124,625,227
BALANCE AT JANUARY 1, 2019	$ 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
Appropriation and distribution of retained earnings generated in 2018												
Legal reserve	-	-	2,804,524	-	(2,804,524)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(86,803)	86,803	-	-	-	-	-	-	-
Cash dividends - common stock	-	-	-	-	(6,630,694)	(6,630,694)	-	-	-	-	-	(6,630,694)
Net profit for the six months ended June 30, 2019	-	-	-	-	5,651,257	5,651,257	-	-	-	-	-	5,651,257
Other comprehensive (loss) income for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	-	82,375	-	1,404,231	(59,177)	1,427,429	1,427,429
Total comprehensive (loss) income for the six months ended June 30, 2019	-	-	-	-	5,651,257	5,651,257	82,375	-	1,404,231	(59,177)	1,427,429	7,078,686
BALANCE AT JUNE 30, 2019	$ 86,061,159	$ 12,147,640	$ 23,853,943	$ 418,897	$ 5,651,257	$ 29,924,097	$ (314,035)	$ -	$ 1,777,843	$ (67,013)	$ 1,396,795	$ 129,529,691

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

BANK SINOPAC AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 6,616,260	$ 5,629,308
Adjustments to reconcile profit:		
Depreciation expenses	561,218	229,555
Amortization expenses	80,077	71,809
Provision for bad debt expense	1,173,419	415,139
Interest expenses	8,047,350	5,655,150
Interest revenues	(15,250,106)	(12,958,119)
Dividend revenues	(77,946)	(77,349)
Net change in provisions for guarantee liabilities	(16,151)	11,845
Net change in other provisions	(76,324)	(63,535)
Losses on disposal or retirement of property and equipment	1,613	4,270
Gains on disposal of investments properties	(35,975)	-
(Reversal of impairment loss) impairment loss on financial assets	(109,364)	12,097
Changes in operating assets and liabilities		
Increase in due from the Central Bank and call loans to other banks	(6,639,878)	(2,788,356)
(Increase) decrease in financial assets at fair value through profit or loss	(9,644,447)	6,089,134
Increase in financial assets at fair value through other comprehensive income	(9,255,945)	(28,720,448)
(Increase) decrease in investments in debt instruments at amortized cost	(19,594,795)	2,478,649
Decrease in securities purchased under resell agreements	534,011	993
Decrease (increase) in receivables	1,550,160	(2,112,666)
Increase in discounts and loans	(97,853,788)	(12,061,796)
Decrease (increase) in other financial assets	2,563,022	(5,555,440)
Decrease (increase) in other assets	1,191,265	(461,888)
Increase in deposits from the Central Bank and banks	13,673,556	24,013,827
(Decrease) increase in financial liabilities at fair value through profit or loss	(3,261,560)	2,079,770
(Decrease) increase in securities sold under repurchase agreements	(10,543,245)	2,391,795
Increase in payables	1,213,115	308,929
Increase (decrease) in deposits and remittances	148,221,156	(11,633,325)
(Decrease) increase in other financial liabilities	(3,208,812)	1,071,751
Decrease in provisions for employee benefits	(84,926)	(84,512)
Increase (decrease) in other liabilities	187,402	(1,587,635)
Net cash generated from (used in) operations	9,960,362	(27,641,048)
Interest received	15,253,185	12,821,766
Dividend received	28,376	31,749
Interest paid	(7,395,625)	(5,271,442)
Income tax paid	(487,560)	(648,727)
Net cash generated from (used in) operating activities	17,358,738	(20,707,702)

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BANK SINOPAC AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2019	**2018**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (260,414)	$ (587,026)
Proceeds from disposal of property and equipment	71	1,365
Acquisition of intangible assets	(110,338)	(34,196)
Acquisition of right-of-use assets	(113)	-
Acquisition of investment properties	(2,669)	(1,421)
Proceeds from disposal of investment properties	52,010	-
Net cash used in investing activities	(321,453)	(621,278)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank debentures issued	8,000,000	1,150,000
Repayment of bank debentures on maturity	(3,500,000)	(1,000,000)
Repayment of lease liabilities	(333,703)	-
Cash dividends paid	(6,630,694)	-
Net cash (used in) generated from financing activities	(2,464,397)	150,000
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	127,663	(176,370)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,700,551	(21,355,350)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	95,546,383	111,364,388
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 110,246,934	$ 90,009,038

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2019 and 2018:

	June 30	
	2019	**2018**
Cash and cash equivalents in consolidated balance sheets	$ 20,432,317	$ 20,850,752
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 “Statements of Cash Flow”	73,036,919	46,845,810
Securities purchased under agreement to resell reclassified as cash and cash equivalents under IAS 7 “Statements of Cash Flow”	16,777,698	22,312,476
Cash and cash equivalents in consolidated statements of cash flows	$ 110,246,934	$ 90,009,038

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

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.
May 1, 2019	SinoPac Call Center Co., Ltd. (SinoPac Call Center) which is a wholly-owned subsidiary of SPH was cash merged by the Bank. Under this merger, SinoPac Call Center was the dissolved company and the Bank was the surviving entity, assuming all business, assets, liabilities and all rights and obligations.

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on August 16, 2019.

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

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

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

- IFRS 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. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are 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. Prior to the application IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were 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.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. The Group accessed the impairment to all right-of-use assets under IAS 36.

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

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

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

The interest rate range using the aforementioned incremental borrowing rate is 0.5609%-4.9329% on January 1, 2019. In compliance with the various types of underlying leases and certain equipment leases that qualifies as low-value assets, for which the recognition exemption is applied. The amount of the lease liability recognized on the initial application date is $1,713,112.

The Group as lessor

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

The impact on assets and liabilities as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	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, net	-	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 consolidated 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.

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	**Effective Date Announced by IASB**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 2)

Note 1: 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 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

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

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

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

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the Banking industry cannot be reasonably identified, the accounts included in the Group's consolidated financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 44 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 2.

The consolidated entities were as follows:

			% of Ownership			
				December 31,		
Investor	Investee	Main Business	June 30, 2019	2018	June 30, 2018	Remark
Bank SinoPac	SinoPac Capital Limited	In liquidation	100	100	100	Note 1
	SinoPac Life Insurance Agent Co., Ltd.	Life insurance agent	100	100	100	Note 2
	SinoPac Property Insurance Agent Co., Ltd.	Property insurance agent	100	100	100	Note 2
	Bank SinoPac (China) Ltd.	Commercial bank	100	100	100	
	SinoPac Insurance Brokers Ltd.	Insurance service	100	100	100	Note 1
SinoPac Capital Limited	SinoPac Capital (B.V.I.) Ltd.	In liquidation	100	100	100	Note 1
SinoPac Capital (B.V.I.) Ltd.	RSP Information Service Company Limited	In liquidation	100	100	100	Note 1

Note 1: 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 subsequently 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 entered into the liquidation process since February 2019. SinoPac Capital (B.V.I.) Ltd. has entered into the liquidation process since March 2019. SinoPac Capital Limited has entered into the liquidation process since April 2019.

Note 2: 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. The competent authorities approved that the Bank may operate within the insurance industry in July 2019.

Other Significant Accounting Policies

Please refer to the Group's consolidated financial statements for the year ended December 31, 2018 for the significant accounting policies, except for those described below.

a. Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

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

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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

1) 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.

2) 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.

3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

b. Retirement benefits

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

c. Income tax

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

Estimated Impairment of Discounts and Loans

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 44. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Also, the Group considers 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.

Impairment losses on loans and receivables are shown in Notes 12, 13, 14 and 44.

6. CASH AND CASH EQUIVALENTS, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	$ 7,055,499	$ 6,917,577	$ 6,653,795
Due from other banks	8,489,382	6,511,092	9,167,221
Notes and checks for clearing	4,887,731	4,741,346	5,031,341
	20,432,612	18,170,015	20,852,357
Less: Allowance for credit losses	(295)	(1,178)	(1,605)
Net amount	$ 20,432,317	$ 18,168,837	$ 20,850,752

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 BANKS, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Call loans to banks	$ 70,594,433	$ 44,243,397	$ 38,353,759
Trade finance advance - interbank	1,243,173	568,902	2,485,968
Deposit reserve - checking accounts	11,925,883	17,364,948	11,515,793
Due from the Central Bank - interbank settlement funds	2,500,944	1,533,060	1,522,993
Deposit reserve - demand accounts	27,578,761	25,619,713	25,911,717
Deposit reserve - foreign currencies	326,333	292,139	289,805
Deposit - other	2,210,937	2,282,832	1,252,622
	116,380,464	91,904,991	81,332,657
Less: Allowance for credit losses	(29,851)	(15,589)	(6,859)
Net amount	$ 116,350,613	$ 91,889,402	$ 81,325,798

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

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets mandatorily classified as at fair value through profit or loss			
Government bonds	$ 35,379,203	$ 21,040,447	$ 20,617,269
Bank debentures	4,657,791	8,518,499	13,134,784
Certificates of deposits	2,235,659	2,531,143	2,561,074
Corporate bonds	1,523,377	1,614,640	6,750,808
Currency swap contracts	9,393,316	11,095,439	14,541,132
Interest rate swap contracts	3,672,523	2,272,520	2,752,695
Forward contracts	854,752	985,247	1,469,051
Hybrid FX swap structured instruments	736,713	1,040,193	1,017,067
Others	1,025,120	735,879	1,685,883
	$ 59,478,454	$ 49,834,007	$ 64,529,763
Held-for-trading financial liabilities			
Currency swap contracts	$ 7,039,787	$ 11,226,721	$ 13,015,091
Interest rate swap contracts	3,679,967	2,070,503	2,012,289
Option contracts	2,608,870	2,724,883	2,725,359
Hybrid FX swap structured instruments	735,962	1,039,128	1,016,030
Forward contracts	725,502	898,164	1,580,976
Others	223,820	306,710	570,180
	15,013,908	18,266,109	20,919,925
Financial liabilities designated at fair value through profit or loss			
Bank debentures	1,550,624	1,500,806	1,456,351
	1,550,624	1,500,806	1,456,351
	$ 16,564,532	$ 19,766,915	$ 22,376,276

a. The Group designated to eliminate accounting inconsistences as financial assets and liabilities at FVTPL.

b. As of June 30, 2018, the par value of FVTPL under agreements to repurchase was $13,538,144. (June 30, 2019 and December 31, 2018: None).

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

	June 30, 2019	December 31, 2018	June 30, 2018
Difference between carrying amount and the amount due on maturity			
Fair value	$ 1,550,624	$ 1,500,806	$ 1,456,351
Amount due on maturity	(1,742,872)	(1,724,486)	(1,710,707)
	$ (192,248)	$ (223,680)	$ (254,356)

	Changes in Fair Value Attributable to Changes in Credit Risk
Change in amount during the period	
For the three months ended June 30, 2019	$ (19,973)
For the three months ended June 30, 2018	$ 11,917
For the six months ended June 30, 2019	$ (59,177)
For the six months ended June 30, 2018	$ 16,950
Accumulated amount of change	
As of June 30, 2019	$ (67,013)
As of December 31, 2018	$ (7,836)
As of June 30, 2018	$ (3,220)

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 June 30, 2019, December 31, 2018 and June 30, 2018 are shown as follows:

	Contract Amount		
	June 30, 2019	December 31, 2018	June 30, 2018
Currency swap contracts	$ 1,534,446,054	$ 1,613,594,413	$ 1,320,478,148
Interest rate swap contracts	813,751,890	758,855,769	727,425,260
Forward contracts	133,722,393	125,009,992	108,417,090
Option contracts	76,476,130	67,350,868	66,329,512
Cross-currency swap contracts	12,249,640	12,081,178	17,325,903
Hybrid FX swap structured instruments	10,845,599	11,258,638	11,611,628
Futures contracts	8,771,138	15,564,548	18,332,557
Assets swap contracts	585,000	50,000	303,400
Equity-linked swap contracts	205,124	369,300	520,428
Commodity-linked swap contracts	9,075	6,017	-

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2019	December 31, 2018	June 30, 2018
Equity instruments at fair value through other comprehensive income	$ 2,145,057	$ 1,938,907	$ 1,306,992
Debt instruments at fair value through other comprehensive income	214,151,012	203,704,405	232,415,326
	$ 216,296,069	$ 205,643,312	$ 233,722,318

a. Equity instruments at fair value through other comprehensive income

	June 30, 2019	December 31, 2018	June 30, 2018
Unlisted common shares	$ 1,145,057	$ 933,907	$ 1,306,992
Real estate investment trust beneficiary securities	1,000,000	1,005,000	-
	$ 2,145,057	$ 1,938,907	$ 1,306,992

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.

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

	June 30, 2019	December 31, 2018	June 30, 2018
Certificates of deposits	$ 100,776,980	$ 107,365,202	$ 114,359,750
Commercial paper	46,829,952	42,941,882	69,216,078
Bank debentures	45,683,367	37,901,034	32,972,372
Corporate bonds	18,438,819	13,187,733	12,006,405
Others	2,421,894	2,308,554	3,860,721
	$ 214,151,012	$ 203,704,405	$ 232,415,326

1) Loss allowance of debt instruments at fair value through other comprehensive income were $29,090, $25,714 and $22,926 on June 30, 2019, December 31, 2018 and June 30, 2018, respectively. Credit risk management and information of impairment valuation are shown in Note 44.

2) As of June 30, 2019, December 31, 2018 and June 30, 2018, the par value of debt instruments at FVTOCI under agreements to repurchase were $10,040,212, $8,276,597 and $4,377,138, respectively.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	June 30, 2019	December 31, 2018	June 30, 2018
Government bonds	$ 48,424,492	$ 37,655,313	$ 27,719,552
Certificates of deposits	36,900,738	32,204,098	25,697,854
Bank debentures	19,083,587	17,760,343	16,763,361
Corporate bonds	8,054,653	5,255,718	7,548,928
Others	678,283	671,430	690,001
	113,141,753	93,546,902	78,419,696
Less: Loss allowance	(7,325)	(6,233)	(6,764)
Net amount	$ 113,134,428	$ 93,540,669	$ 78,412,932

a. Credit risk management and information of impairment valuation of debt instrument investment measured at amortized cost are shown in Note 44.

b. Please refer to Note 41 for information relating to debt instrument investment measured at amortized cost pledged as security.

c. As of June 30, 2019, December 31, 2018 and June 30, 2018, the par value of financial assets under agreements to repurchase measured at amortized cost were $4,667,366, $12,467,673 and $12,042,100, respectively.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Bills	$ 8,593,856	$ 9,967,157	$ 7,489,000
Bonds	8,183,842	12,743,076	14,823,476
	$ 16,777,698	$ 22,710,233	$ 22,312,476
Agreed-upon resell amount	$ 16,804,605	$ 22,762,145	$ 22,353,700
Par value	$ 17,668,905	$ 24,386,008	$ 24,244,664
Expiry	September 2019	March 2019	September 2018

As of June 30, 2019, and December 31, 2018, the par value of securities purchased under agreements to resell under agreements to repurchase were $932,380 and $5,698,057, respectively (June 30, 2018: None).

12. RECEIVABLES, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Credit card receivable	$ 17,938,838	$ 15,430,592	$ 16,678,521
Accounts receivable - factoring	10,746,472	15,146,375	10,799,806
Accounts receivable - forfaiting	8,265,676	7,507,355	8,311,723
Interest and revenue receivables	3,736,881	4,193,743	3,059,691
Accounts and notes receivables	2,840,251	3,263,549	3,492,155
Acceptances	2,575,060	1,508,623	2,318,636
Trust administration fee revenue receivable	785,865	676,184	723,698
Accounts receivable - disposal of subsidiary	546,299	540,536	1,072,433
Others	957,049	620,790	787,487
	48,392,391	48,887,747	47,244,150
Less: Allowance for credit losses	(751,512)	(800,948)	(748,602)
Less: Premium or discount on receivables	(49)	(113)	(102)
Net amount	$ 47,640,830	$ 48,086,686	$ 46,495,446

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

	For the Six Months Ended June 30	
	2019	2018
Balance, January 1	$ 800,948	$ 803,721
Adjustments of IFRS 9 application	-	1,254
Provision	5,559	24,082
Write-off	(58,060)	(85,808)
Reclassifications	-	41
Effect of exchange rate changes	3,065	5,312
Balance, June 30	$ 751,512	$ 748,602

Please refer to Note 44 for the analysis of receivable impairment loss. The Group received payment for loans previous written-off $89,449 and $92,415 for the six months ended June 30, 2019 and 2018, respectively, which were recognized as deduction on provision expenses.

The board of directors of the Bank has resolved to sell 100% equity of SinoPac Bancorp to Cathay General 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). 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, listed in accounts receivable - disposal of subsidiary) 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. The above compensation price of 50% and 30% (US$17,578 thousand and US$10,546 thousand) had been received in July 2018 and 2019 and the Bank recognized the gain on disposal of the subsidiary amounting to $537,205 and $327,628.

13. DISCOUNTS AND LOANS, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Export negotiation	$ 693,864	$ 572,583	$ 811,672
Overdrafts	-	-	7,018
Secured overdrafts	74,116	83,772	84,577
Accounts receivable - financing	1,159,672	1,875,454	1,214,821
Short-term loans	190,735,103	174,019,884	161,355,006
Secured short-term loans	106,706,396	99,753,764	96,974,588
Medium-term loans	193,776,781	165,399,264	150,391,145
Secured medium-term loans	76,680,073	64,671,605	60,796,765
Long-term loans	7,259,072	5,949,425	5,095,446
Secured long-term loans	451,114,060	418,413,005	411,836,899
Nonperforming loans transferred from loans	1,939,225	1,890,228	1,921,100
	1,030,138,362	932,628,984	890,489,037
Less: Allowance for credit losses	(13,781,219)	(13,013,129)	(12,578,761)
Less: Premium or discount on discounts and loans	(408,872)	(312,649)	(294,917)
Net amount	$ 1,015,948,271	$ 919,303,206	$ 877,615,359

Please refer to Note 44 for the analysis of impairment loss on discounts and loans and Note 41 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 Six Months Ended June 30	
	2019	2018
Balance, January 1	$ 13,013,129	$ 12,511,538
Adjustments of IFRS 9 application	-	11,168
Provision	1,181,889	387,503
Write-off	(440,633)	(369,238)
Effect of exchange rate changes	26,834	37,790
Balance, June 30	$ 13,781,219	$ 12,578,761

The Group received payment for loans previously written-off of $223,327 and $191,857 for the six months ended June 30, 2019 and 2018, respectively, which were recognized as deduction of provision expenses.

14. OTHER FINANCIAL ASSETS, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Time deposits not belong to cash and cash equivalent	$ 12,435,197	$ 15,008,466	$ 9,062,019
Purchase of the PEM Group's instruments	4,528,271	4,468,375	4,360,747
Nonperforming receivables transferred from other than loans	51,611	93,857	85,773
Others	42,948	47,546	51,736
	17,058,027	19,618,244	13,560,275
Less: Allowance for credit loss	(53,329)	(96,574)	(87,907)
Less: Accumulated impairment	(1,973,122)	(2,066,619)	(2,104,316)
Net amount	$ 15,031,576	$ 17,455,051	$ 11,368,052

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 41 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 June 30, 2019, according to trust report, a reserve of US$63,487 thousand (NT$1,973,122) 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 Six Months Ended June 30	
	2019	2018
Balance, January 1	$ 96,574	$ 90,541
Adjustments of IFRS 9 application	-	105
(Reversal of) provision	(24,255)	5,706
Write-off	(18,988)	(8,446)
Effect of exchange rate changes	(2)	1
Balance, June 30	$ 53,329	$ 87,907

The Group received payment for loans previous written-off $7,552 and $5,426 for the six months ended June 30, 2019 and 2018, respectively, which were recognized as deduction of provision expenses

15. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment for the six months ended June 30, 2019 and 2018 are summarized as follows:

	For the Six Months Ended June 30, 2019							
	Land and Land Improvements	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Prepayments for Equipment and Construction in Progress	Total
Cost								
Balance, January 1	$ 5,526,334	$ 5,562,496	$ 1,861,133	$ 1,177	$ 1,411,272	$ 1,598,276	$ 115,667	$ 16,076,355
Adjustment on initial application of IFRS 16	-	-	-	-	-	(82,963)	-	(82,963)
Balance, January 1 as restated	5,526,334	5,562,496	1,861,133	1,177	1,411,272	1,515,313	115,667	15,993,392
Addition	290	11,672	129,506	-	18,146	13,258	80,225	253,097
Deduction	-	-	(25,314)	-	(17,209)	(667)	-	(43,190)
Reclassifications	49,128	100,596	5,237	-	1,893	7,953	(50,474)	114,333
Effect of exchange rate changes	-	3,866	2,812	17	438	1,547	218	8,898
Other (Note)	-	594	13,550	-	13,944	-	-	28,088
Balance, June 30	5,575,752	5,679,224	1,986,924	1,194	1,428,484	1,537,404	145,636	16,354,618
Accumulated depreciation								
Balance, January 1	-	2,976,725	1,422,437	1,177	1,116,401	1,348,500	-	6,865,240
Adjustment on initial application of IFRS 16	-	-	-	-	-	(69,670)	-	(69,670)
Balance, January 1 as restated	-	2,976,725	1,422,437	1,177	1,116,401	1,278,830	-	6,795,570
Depreciation	2	64,611	79,817	-	37,859	40,931	-	223,220
Deduction	-	-	(24,104)	-	(16,861)	(665)	-	(41,630)
Reclassifications	-	58,881	199	-	(199)	-	-	58,881
Effect of exchange rate changes	-	57	2,345	17	396	1,178	-	3,993
Other (Note)	-	282	9,379	-	11,110	-	-	20,771
Balance, June 30	2	3,100,556	1,490,073	1,194	1,148,706	1,320,274	-	7,060,805
Net amount								
Balance, June 30	$ 5,575,750	$ 2,578,668	$ 496,851	$ -	$ 279,778	$ 217,130	$ 145,636	$ 9,293,813

	For the Six Months Ended June 30, 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	-	364,297	102,836	-	34,264	15,396	70,233	587,026
Deduction	-	-	(56,525)	-	(21,781)	(39,229)	-	(117,535)
Reclassifications	(8,128)	18,779	6,485	-	5,031	23,826	(100,962)	(54,969)
Effect of exchange rate changes	-	-	1,566	17	389	(2,732)	43	(717)
Balance, June 30	5,526,334	5,536,220	1,831,001	1,167	1,402,664	1,598,597	97,596	15,993,579
Accumulated depreciation								
Balance, January 1	-	2,857,881	1,360,160	1,150	1,078,320	1,305,261	-	6,602,772
Depreciation	-	59,983	73,091	-	40,176	48,563	-	221,813
Deduction	-	-	(53,347)	-	(20,206)	(38,347)	-	(111,900)
Reclassifications	-	(4,426)	-	-	-	-	-	(4,426)
Effect of exchange rate changes	-	(48)	1,786	17	(125)	(2,133)	-	(503)
Balance, June 30	-	2,913,390	1,381,690	1,167	1,098,165	1,313,344	-	6,707,756
Net amount								
Balance, June 30	$ 5,526,334	$ 2,622,830	$ 449,311	$ -	$ 304,499	$ 285,253	$ 97,596	$ 9,285,823

Note: These are SinoPac Call Center's assets, liabilities and operations, which generated from merger.

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

Items	Years
Land improvements	8-30 years
Buildings	2-60 years
Machinery and computer equipment	0.58-15 years
Transportation equipment	5 years
Other equipment	2-15 years
Leasehold improvements	1.58-15 years

There was no property and equipment pledged as security. The balance of other equipment rent for others' using on June 30, 2019 was $2,762.

16. LEASE ARRANGEMENTS

a. Right-of-use assets, net

	June 30, 2019
Carrying amounts	
Land	$ 3,590
Buildings	1,749,485
Machinery and computer equipment	41,208
Transportation equipment	11,534
Other equipment	569
Decommissioning restoration costs	12,078
	$ 1,818,464

	For the Six Months Ended June 30, 2019
Additions to right-of-use assets	$ 404,250
Depreciation charge for right-of-use assets	
Land	$ 793
Buildings	308,075
Machinery and computer equipment	13,130
Transportation equipment	5,047
Other equipment	313
Decommissioning restoration costs	2,584
	$ 329,942

b. Lease liabilities

	June 30, 2019
Carrying amounts	$ 1,800,690

Range of discount rate for lease liabilities was as follows:

	June 30, 2019
Land	0.7357%-4.8096%
Buildings	0.5609%-4.8096%
Machinery and computer equipment	0.7357%-1.8909%
Transportation equipment	0.5609%-5.5000%
Other equipment	0.5609%-0.7357%

c. Material lease-in activities and terms

The Group leases certain buildings for the use of business locations and offices with lease terms of 1 year to 9.3 years. The lease contract for major buildings located in Taiwan for the use of offices specifies that lease payments will be adjustment every year on the basis of changes in the consumer price index. The lease contract for major buildings located in Hong Kong for the use of management units and branches with fixed lease payments. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

1) Lease arrangements under operating leases for the leasing out of investment properties and equipment are set out in Notes 15, 17 and 44.

2) Other

2019

	For the Six Months Ended June 30, 2019
Expenses relating to short-term leases	$ 13,323
Expenses relating to low-value asset leases	$ 13,055
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 3,547
Total cash outflow for leases	$ (373,102)

Recognition exemption is applied which qualifies as short-term leases such as various types of assets and low-value asset leases such as other equipment. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

17. INVESTMENT PROPERTY, NET

The movements of investment property are summarized as follows:

	For the Six Months Ended June 30, 2019		
	Land	**Buildings**	**Total**
Cost			
Balance, January 1	$ 852,088	$ 797,398	$ 1,649,486
Addition	-	2,669	2,669
Deduction	(2,053)	(22,771)	(24,824)
Reclassifications	(49,128)	(98,037)	(147,165)
Balance, June 30	800,907	679,259	1,480,166
Accumulated depreciation			
Balance, January 1	-	407,291	407,291
Depreciation	-	8,056	8,056
Deduction	-	(8,665)	(8,665)
Reclassifications	-	(58,881)	(58,881)
Balance, June 30	-	347,801	347,801
Net amount			
Balance, June 30	$ 800,907	$ 331,458	$ 1,132,365

	For the Six Months Ended June 30, 2018		
	Land	**Buildings**	**Total**
Cost			
Balance, January 1	$ 849,188	$ 745,368	$ 1,594,556
Addition	-	1,421	1,421
Deduction	-	-	-
Reclassifications	8,128	15,398	23,526
Balance, June 30	857,316	762,187	1,619,503
Accumulated depreciation			
Balance, January 1	-	387,084	387,084
Depreciation	-	7,742	7,742
Deduction	-	-	-
Reclassifications	-	4,426	4,426
Balance, June 30	-	399,252	399,252
Net amount			
Balance, June 30	$ 857,316	$ 362,935	$ 1,220,251

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 June 30, 2019, December 31, 2018 and June 30, 2018 were $16,554,437, $16,554,437 and $16,508,719, 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.

18. INTANGIBLE ASSETS, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Goodwill	$ 876,717	$ 876,717	$ 876,717
Computer software	503,265	439,042	433,097
Others	7,830	7,882	8,237
	$ 1,387,812	$ 1,323,641	$ 1,318,051

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

	Goodwill	Computer Software	Others	Total
2019				
Balance, January 1	$ 876,717	$ 439,042	$ 7,882	$ 1,323,641
Addition	-	100,254	-	100,254
Amortization	-	(79,943)	(134)	(80,077)
Reclassifications	-	32,832	-	32,832
Effects of exchange rate changes	-	996	82	1,078
Other (Note)	-	10,084	-	10,084
Balance, June 30	$ 876,717	$ 503,265	$ 7,830	$ 1,387,812
2018				
Balance, January 1	$ 876,717	$ 449,643	$ -	$ 1,326,360
Addition	-	25,867	8,329	34,196
Amortization	-	(71,716)	(93)	(71,809)
Reclassifications	-	31,443	-	31,443
Effects of exchange rate changes	-	(2,140)	1	(2,139)
Balance, June 30	$ 876,717	$ 433,097	$ 8,237	$ 1,318,051

Note: These are SinoPac Call Center's assets, liabilities and operations, which generated from merger.

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 Bank 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 Bank's credit card department was $876,717 as of June 30, 2019, December 31, 2018 and June 30, 2018. The impairment tests on goodwill were conducted on October 31, 2018 and 2017. The actual net income for the six months ended June 30, 2019, for the year ended December 31, 2018 and for the six months ended June 30, 2018 amounted to $26,839, $190,146 and $97,392, respectively. The expected net income for the years 2019 and 2018 as assessed by the impairment test on goodwill would be $81,907 and $62,319, 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 June 30, 2019 and 2018.

19. OTHER ASSETS, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Guarantee deposits	$ 2,321,717	$ 3,537,197	$ 4,365,236
Prepayment	328,324	289,299	293,258
Temporary payment and suspense accounts	138,002	151,630	135,273
Others	50,897	64,420	53,042
	2,838,940	4,042,546	4,846,809
Less: Allowance for reduction of inventory to market - gold	-	-	(96)
Less: Accumulated impairments	(7,000)	(10,996)	(9,826)
Net amount	$ 2,831,940	$ 4,031,550	$ 4,836,887

20. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2019	December 31, 2018	June 30, 2018
Call loans from banks	$ 41,330,980	$ 37,317,591	$ 52,776,084
Redeposits from Chunghwa Post	10,190,900	543,485	664,491
Due to banks	116,607	103,855	194,178
	$ 51,638,487	$ 37,964,931	$ 53,634,753

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Bank debentures	$ 11,753,308	$ 5,144,956	$ 3,881,505
Government bonds	2,280,450	11,880,350	20,944,494
Bonds purchased agreements to resell	927,484	5,346,642	-
Corporate bonds	-	3,132,539	3,744,604
	$ 14,961,242	$ 25,504,487	$ 28,570,603
Agreed-upon repurchase price	$ 15,000,512	$ 25,629,241	$ 28,602,057
Par value	15,639,958	26,442,327	29,957,382
Maturity date	November 2019	June 2019	September 2018

22. PAYABLES

	June 30, 2019	December 31, 2018	June 30, 2018
Notes and checks in clearing	$ 4,887,731	$ 4,741,346	$ 5,031,341
Interest payables	3,031,283	2,392,504	2,214,663
Accounts payable - factoring	2,558,074	2,360,478	2,373,266
Accrued expenses	2,188,945	2,779,194	2,075,961
Acceptance payables	2,171,046	1,508,623	2,318,636
Dividends payables to SPH	1,435,025	1,435,025	6,839,244
Accounts payable	1,399,880	396,066	363,552
Purchase of security	1,214,909	609,851	666,499
Others	1,725,834	1,471,309	1,465,834
	$ 20,612,727	$ 17,694,396	$ 23,348,996

The Bank had signed a business-university collaboration contract with National Chung Hsing University in July 2012, to donate for the construction of Food Safety & Agricultural Chemicals and Machinery Research Building. With a budget not more than $300,000, the Bank had obtained the construction permit and signed the contract with building contractor in November 2016. The contract price is $250,998 and will be paid with previously estimated accrued expenses of $295,000. The balance of the accrued expenses was $6,413 as of June 30, 2019.

23. DEPOSITS AND REMITTANCES

	June 30, 2019	December 31, 2018	June 30, 2018
Checking	$ 16,352,373	$ 14,254,042	$ 13,153,654
Demand	262,168,629	239,376,113	243,238,216
Savings - demand	306,051,266	286,800,971	277,855,761
Time deposits	485,456,711	387,494,023	336,953,035
Negotiable certificates of deposit	21,903,300	25,324,300	27,578,700
Savings - time	251,205,156	241,827,107	243,147,156

(Continued)

	June 30, 2019	December 31, 2018	June 30, 2018
Inward remittances	$ 1,012,369	$ 809,448	$ 873,186
Outward remittances	45,506	88,150	54,150
	$ 1,344,195,310	$ 1,195,974,154	$ 1,142,853,858

(Concluded)

24. 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:

	June 30, 2019	December 31, 2018	June 30, 2018	Maturity Date	Rates
Second subordinated bank debentures issued in 2011 (A)	$ -	$ -	$ 3,799,958	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)	2,999,635	2,999,553	2,999,470	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	-	-	3,199,907	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)	4,699,917	4,699,735	4,699,549	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)	1,299,766	1,299,731	1,299,696	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	1,499,851	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	1,999,746	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	1,999,941	1,999,810	1,999,687	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	2,499,846	2,499,690	2,499,539	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)	1,879,802	1,879,677	1,879,551	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)	699,721	699,697	699,672	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	749,887	749,836	749,785	2015.07.22, no maturity date (Note 1).	Fixed interest rate of 3.90% (Note 4).
Second subordinated bank debentures issued in 2015	459,922	459,891	459,859	2015.09.08, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 4).
Third subordinated bank debentures issued in 2015	709,865	709,818	709,770	2015.11.05, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 4).
Fourth subordinated bank debentures issued in 2015	139,970	139,960	139,951	2015.12.15, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 4).
First subordinated bank debentures issued in 2016	1,499,682	1,499,588	1,499,499	2016.02.23, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 4).
Second subordinated bank debentures issued in 2016	1,029,752	1,029,683	1,029,617	2016.03.30, no maturity date (Note 2).	Fixed interest rate of 3.90% (Note 4).
Third subordinated bank debentures issued in 2016	1,419,436	1,419,376	1,419,315	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)	149,895	149,884	149,873	2017.02.24-2024.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.60%, interest is paid annually.
First subordinated bank debentures issued in 2017 (B)	2,099,116	2,099,062	2,099,010	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)	199,902	199,893	199,883	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)	539,710	539,693	539,677	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	2,998,902	2,998,759	2,998,619	2017.06.28, no maturity date (Note 3).	Fixed interest rate of 4.00% (Note 4).
First subordinated bank debentures issued in 2018 (A)	649,652	649,623	649,595	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)	499,715	499,699	499,685	2018.04.30-2028.04.30 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
First subordinated bank debentures issued in 2019	1,998,930	-	-	2019.01.25, no maturity date (Note 3).	Fixed interest rate of 2.40% (Note 4).
Second subordinated bank debentures issued in 2019 (A)	1,199,374	-	-	2019.01.25-2026.01.25 Principal is repayable on maturity date.	Fixed interest rate of 1.40%, interest is paid annually.
Second subordinated bank debentures issued in 2019 (B)	1,799,045	-	-	2019.01.25-2029.01.25 Principal is repayable on maturity date.	Fixed interest rate of 1.55%, interest is paid annually.
Third senior bank debentures issued in 2019	3,000,000	-	-	2019.06.26-2024.06.26 Principal is repayable on maturity date.	Fixed interest rate of 0.76%, interest is paid annually.
	$ 37,221,383	$ 32,722,483	$ 39,720,764		

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

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

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

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

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

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

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

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

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

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

25. OTHER FINANCIAL LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Principal of structured products	$ 15,605,988	$ 18,791,470	$ 13,191,988
Overseas certificate of deposit	310,781	307,488	-
Cumulative earnings on appropriated loan fund	86,002	112,385	135,899
Leases payable	-	240	281
	$ 16,002,771	$ 19,211,583	$ 13,328,168

26. PROVISIONS

	June 30, 2019	December 31, 2018	June 30, 2018
Provision for employee benefits	$ 2,388,463	$ 2,473,389	$ 2,342,216
Provision for guarantee liabilities	182,834	198,466	204,489
Provision for financing commitment	111,780	210,276	243,045
Provision for decommissioning liabilities	89,126	87,373	88,387
Other	27,790	5,762	4,764
	$ 2,799,993	$ 2,975,266	$ 2,882,901

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

	For the Six Months Ended June 30, 2019		
	Provision for Financing Commitment	Provision for Guarantee Liabilities	Other Provision
Balance, January 1	$ 210,276	$ 198,466	$ 5,762
(Reversal of) provision	(98,868)	(16,151)	22,160
Effect of exchange rate changes	372	519	(132)
Balance, June 30	$ 111,780	$ 182,834	$ 27,790

	For the Six Months Ended June 30, 2018		
	Provision for Financing Commitment	Provision for Guarantee Liabilities	Other Provision
Balance, January 1	$ -	$ 199,563	$ -
Adjustments of IFRS 9 application	304,856	-	1,552
(Reversal of) provision	(63,213)	11,845	(4,141)
Reclassifications	260	(7,612)	7,311
Effect of exchange rate changes	1,142	693	42
Balance, June 30	$ 243,045	$ 204,489	$ 4,764

27. PROVISIONS FOR EMPLOYEE BENEFITS

	June 30, 2019	December 31, 2018	June 30, 2018
Recognized in consolidated balance sheets (listed in account payables and provision)			
Defined contribution plans	$ 37,609	$ 36,444	$ 35,259
Defined benefit plans	2,105,868	2,194,514	2,083,894
Preferential interest on employees' deposits	271,214	264,531	251,880
Deferred annual leave and retirement benefit	11,381	14,344	6,442
	$ 2,426,072	$ 2,509,833	$ 2,377,475

The pension expenses related to defined benefit plans and preferential interest on employee's deposits plan are recognized according to the results of actuarial valuation on December 31, 2018 and 2017.

	For the Six Months Ended June 30	
	2019	2018
Operating expenses	$ 63,525	$ 67,464

28. OTHER LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Guarantee deposits received	$ 1,707,487	$ 1,588,995	$ 1,550,457
Temporary receipt and suspense accounts	719,198	684,698	730,714
Deferred revenue	634,839	623,985	1,161,311
Advance receipts	153,847	134,587	129,706
Others	32,350	28,054	33,423
	$ 3,247,721	$ 3,060,319	$ 3,605,611

29. INCOME TAX

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

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Current tax				
Current period	$ 354,217	$ 222,287	$ 822,992	$ 605,961
Adjustments for prior period	(15,457)	(1,654)	(15,457)	(1,654)
Deferred tax				
Temporary difference	43,615	175,121	157,468	406,686
Adjustments of tax rate	-	-	-	(159,833)
Income tax expenses recognized in profit or loss	$ 382,375	$ 395,754	$ 965,003	$ 851,160

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 is 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 Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Deferred tax				
Adjustments of tax rate	$ -	$ -	$ -	$ 4,245
Recognized in other comprehensive income				
Exchange difference on translating foreign operations	25,243	(6,159)	(20,593)	44,594
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	(6,606)	(10,553)	2,529	(11,388)
Income tax recognized in other comprehensive income	$ 18,637	$ (16,712)	$ (18,064)	$ 37,451

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

c. The Bank's tax returns through 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 about 2014 profit-seeking enterprise income tax to the tax authorities. The tax returns of SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. had been assessed by the tax authorities through 2017.

30. 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. The Bank's shares issued and fully paid capital is $86,061,159 which is 8,606,116 thousand common shares.

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 Financial Assets Measured at Fair Value Through Other Comprehensive Income		Change in Fair Value of Financial Liability Attributable to Changes in the Credit Risk of Liabilities	Total
		Equity Instrument	Debt Instrument		
Balance January 1, 2019	$ (396,410)	$ 552,135	$ (178,523)	$ (7,836)	$ (30,634)
Exchange differences					
Exchange differences arising on translating foreign operations	102,968	-	-	-	102,968
Related income tax	(20,593)	-	-	-	(20,593)
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value	-	206,150	1,219,064	-	1,425,214
Adjustment for loss allowance of debt instruments	-	-	5,238	-	5,238
Current disposal	-	-	(28,750)	-	(28,750)
Related income tax	-	-	2,529	-	2,529
Change in fair value of financial liability attributable to changes in the credit risk of liabilities					
Change in amount	-	-	-	(59,177)	(59,177)
Balance June 30, 2019	$ (314,035)	$ 758,285	$ 1,019,558	$ (67,013)	$ 1,396,795

	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		Change in Fair Value of Financial Liability Attributable to Changes in the Credit Risk of Liabilities	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 (IFRS 9)	(9,348)	-	907,531	(149,524)	(20,170)	728,489
Exchange differences						
Exchange differences arising on translating foreign operations	(222,971)	-	-	-	-	(222,971)
Related income tax	45,230	-	-	-	-	45,230
Financial assets at fair value through other comprehensive income						
Current adjustment for change in value	-	-	(41,129)	(105,407)	-	(146,536)
Adjustment for loss allowance of debt instruments	-	-	-	(8,747)	-	(8,747)
Current disposal	-	-	-	5,152	-	5,152
Related income tax	-	-	(13,448)	(4,474)	-	(17,922)
Change in fair value of financial liability attributable to changes in the credit risk of liabilities						
Change in amount	-	-	-	-	16,950	16,950
Balance June 30, 2018	$ (187,089)	$ -	$ 852,954	$ (263,000)	$ (3,220)	$ 399,645

Earnings Distribution and Dividend Policy

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

a. Deducted any deficit of prior years;

b. Paid all outstanding taxes;

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

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

e. Allocated shareholders' dividends.

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

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

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

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

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

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

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

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

Under Order No. 10510001510 issued by the FSC on May 25, 2016, before dispatching the net income of 2016 through 2018, the Public Bank shall reserve 0.5% to 1% of net income as special reserve. From the fiscal year of 2017, the Bank can reverse the amount of expenditure of employees' transfer arising from financial technology development within the amount of the abovementioned special reserve. Under Order No. 10802714560 issued by the FSC, it is no longer necessary to use special reserve as a way in response to the development of financial technology and the protection of the rights of employees in domestic banks from the fiscal year of 2019. The Bank can reserve the expenditure for employee transfer or placement and for employee training in financial technology development or banking business development.

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 22, 2018, 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 2017 earnings. The appropriations 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 June 21, 2019. The appropriations were as follows:

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

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.

31. NET INTEREST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest income				
Loans	$ 5,806,243	$ 4,915,465	$ 11,214,650	$ 9,478,135
Security investments	1,128,134	976,133	2,215,885	1,932,925
Due from the Central Bank and call loans to other banks	493,221	366,851	1,028,842	801,910
Credit card revolving interest rate income	148,889	146,047	300,387	289,396
Others	247,424	242,087	490,342	455,753
	7,823,911	6,646,583	15,250,106	12,958,119
Interest expense				
Deposits	(3,545,017)	(2,362,886)	(6,636,451)	(4,534,492)
Call loans from banks	(265,316)	(171,326)	(525,079)	(287,026)
Bank debentures	(200,520)	(216,551)	(399,540)	(431,451)
Interest expense of structured products	(141,443)	(117,673)	(287,278)	(232,248)
Others	(90,316)	(83,599)	(199,002)	(169,933)
	(4,242,612)	(2,952,035)	(8,047,350)	(5,655,150)
Net amount	$ 3,581,299	$ 3,694,548	$ 7,202,756	$ 7,302,969

32. COMMISSION AND FEE REVENUE, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Commissions and fees revenue				
Insurance services	$ 539,870	$ 522,517	$ 1,509,783	$ 1,160,333
Trust and related services	425,228	391,296	959,498	902,759
Loan services	240,400	145,809	617,471	344,748
Credit card services	246,139	273,658	494,689	540,376
Others	217,728	210,527	439,434	427,759
	1,669,365	1,543,807	4,020,875	3,375,975
Commissions and fees expense				
Credit card services	(120,011)	(111,410)	(231,934)	(220,544)
Interbank services	(39,537)	(38,209)	(80,342)	(77,593)
Trust services	(30,379)	(16,651)	(56,133)	(36,470)
Insurance services	(18,495)	(11,893)	(44,407)	(23,237)
Foreign exchange transaction	(12,547)	(14,405)	(28,420)	(25,577)
Others	(57,878)	(52,308)	(122,644)	(109,546)
	(278,847)	(244,876)	(563,880)	(492,967)
Net amount	$ 1,390,518	$ 1,298,931	$ 3,456,995	$ 2,883,008

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Realized gain (loss) on financial assets and liabilities at fair value through profit or loss				
Government bonds	$ 198,847	$ (383,874)	$ 312,808	$ (259,444)
Bank debentures	95,451	42,775	110,237	127,162
Corporate bonds	15,416	39,149	27,278	79,309
Stocks	-	51,400	-	65,269
Currency swap contracts and hybrid FX swap structured instruments	1,028,987	438,491	1,546,189	675,635
Interest rate swap contracts	470,748	581,824	316,981	478,843
Forward contracts	104,090	(96,203)	88,270	(102,263)
Cross-currency swap contracts	(89,975)	(49,689)	(157,597)	(56,100)
Others	(55,594)	(24,224)	(4,795)	77,764
	1,767,970	599,649	2,239,371	1,086,175
Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss				
Bank debentures	(25,342)	(105,765)	97,738	(193,427)
Government bonds	(2,180)	184,346	61,743	(487,445)
Stocks	-	(51,751)	-	(166,018)
Corporate bonds	(8,634)	(60,004)	(7,406)	(90,048)
Currency swap contracts and hybrid FX swap structured instruments	(87,865)	104,431	501,600	257,936
Option contracts	(56,741)	7,613	112,412	(110,755)
Forward contracts	113,136	(25,385)	44,798	(67,382)
Interest rate swap contracts	(383,227)	(105,800)	(211,808)	696,805
Others	9,593	261	(31,352)	(1,351)
	(441,260)	(52,054)	567,725	(161,685)
	$ 1,326,710	$ 547,595	$ 2,807,096	$ 924,490

Disposal gain or loss included in realized gain or loss on financial assets and liabilities at fair value through profit were $1,683,551 and $341,745, for the three months ended June 30, 2019 and 2018; $2,076,231 and $557,978 for the six months ended June 30, 2019 and 2018, respectively. Related interest and dividend revenues were $84,419 and $257,904 for the three months ended June 30, 2019 and 2018; $163,140 and $528,197 for the six months ended June 30, 2019 and 2018, respectively.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Dividends revenue - holding at the end of the reporting period	$ 77,946	$ 70,870	$ 77,946	$ 70,870
Gain or loss from disposal of bank debentures	5,775	(1,499)	28,750	(5,152)
	$ 83,721	$ 69,371	$ 106,696	$ 65,718

35. OTHER NONINTEREST NET REVENUES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Rental income	$ 23,545	$ 22,127	$ 48,109	$ 43,947
Net gains on disposal of property and equipment	35,975	-	35,975	-
Operating assets rental income	6,908	7,019	13,881	14,286
Transaction bonus	3,900	3,980	7,550	7,770
Government subsidy	-	9,288	-	9,288
Others	9,695	9,290	19,909	20,391
	$ 80,023	$ 51,704	$125,424	$ 95,682

36. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Salaries and wages	$ 1,791,016	$ 1,653,059	$ 3,661,635	$ 3,303,535
Labor insurance and national health insurance	111,783	103,521	245,424	231,576
Pension costs	81,628	80,502	161,749	160,468
Others	171,339	172,238	345,484	345,512
	$ 2,155,766	$ 2,009,320	$ 4,414,292	$ 4,041,091

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 $31,939 and $27,462 as employees' compensation and $13,357 and $11,880 as remuneration of directors for the six months ended June 30, 2019 and 2018.

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 approved $61,000 as employees' compensation and $19,523 as remuneration of directors on January 25, 2019 and March 15, 2019, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash. The Bank's board of directors resolved the remuneration of employees, directors and supervisors on behalf of the shareholder on June 21, 2019.

The board of directors approved $51,000 as employees' compensation and $14,129 as remuneration of directors on February 2, 2018 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 shareholder on June 22, 2018.

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

37. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Depreciation expense				
Buildings	$ 36,325	$ 35,258	$ 72,667	$ 67,725
Machinery and computer equipment	39,181	36,486	79,817	73,091
Other equipment	18,821	20,262	37,859	40,176
Leasehold improvements	20,403	26,898	40,931	48,563
Land improvements	2	-	2	-
Right-of-use assets	167,842	-	329,942	-
	282,574	118,904	561,218	229,555
Amortization expense	41,826	33,486	80,077	71,809
	$ 324,400	$ 152,390	$ 641,295	$ 301,364

38. OTHER OPERATING EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Taxation and fees	$ 310,955	$ 290,322	$ 634,847	$ 582,497
Marketing	134,263	114,699	275,610	225,312
Professional advisory	116,316	123,789	259,688	259,295
Location fee	99,210	93,408	190,698	182,848
Automated equipment	97,383	72,655	172,374	130,290
Insurance	70,716	70,169	141,538	140,207
Communications expense	59,508	56,593	119,033	112,962
Rent	19,891	172,328	40,165	345,296
Others	114,637	114,856	217,614	229,117
	$ 1,022,879	$ 1,108,819	$ 2,051,567	$ 2,207,824

39. EARNINGS PER SHARE

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

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

Dollar per share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Basic EPS	$ 0.29	$ 0.31	$ 0.66	$ 0.56

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

Net income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Net income for calculating basic EPS	$ 2,531,546	$ 2,651,182	$ 5,651,257	$ 4,778,148

Shares

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
The weighted-average number of common shares outstanding in the computation of basic EPS	8,606,116	8,606,116	8,606,116	8,606,116

40. RELATED-PARTY TRANSACTIONS

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

a. Related parties and their relationships with the Group

Name	Relationship with the Group
SinoPac Financial Holdings Company Limited (SPH)	Parent company of the Bank
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac 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

(Continued)

Name	Relationship with the Group
SinoPac Futures Corporation (SinoPac Futures)	Subsidiary of SinoPac Securities
SinoPac Securities (Asia) Ltd.	Affiliate of SinoPac Securities
Taipei Forex Inc. (TAIFX)	Affiliate of the Bank SinoPac's general manager
YFY International BVI Corp. (YFY International)	Affiliate of SPH's corporate director
YFY Cayman Co., Ltd. (YFY Cayman)	Affiliate of SPH's corporate director
Yuen Foong Shop Co., Ltd. (Yuen Foong Shop)	Affiliate of SPH's corporate director
Chunghwa Telecom Co., Ltd. (Chunghwa Telecom)	Affiliate of Bank SinoPac's director
Taipei Fubon Commercial Bank Co., Ltd (Taipei Fubon Bank)	Affiliate of SPL's corporate director
Hua Nan Commercial Bank, Ltd. (Hua Nan Bank)	Affiliate of SPL's corporate director's spouse
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
Chailease Auto Rental Co., Ltd. (Chailease Auto Rental)	Affiliate of Bank SinoPac's manager's spouse
Evercast Precision Industry Corporation (Evercast Precision)	Affiliate of first-degree kin of the Bank SinoPac's manager
Taiwan Printed Circuit Board Techvest Co., Ltd. (Taiwan PCB Techvest)	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
Shyang Yih Logistics Co., Ltd. (Shyang Yih Logistics)	Affiliate of third-degree kin of the Bank SinoPac's manager
Bolin Company Ltd. (Bolin Company)	Affiliate of third-degree kin of the Bank SinoPac's manager
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
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)
Taiwan Futures Exchange (TAIFEX)	Related party (before July 2019)
Cathay Securities Corporation (Cathay Securities)	Related party (before December 2018)
Hydis Technologies Co., Ltd.	Related party
Yuen Foong Yu Biotech Co., Ltd. (Yuen Foong Yu Biotech)	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

	June 30, 2019	December 31, 2018	June 30, 2018
Due from banks			
Chunghwa Post	$ -	$ -	$ 1,679

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

	For the Six Months Ended June 30, 2019		
	Ending Balance	Interest (%)	Interest Revenue
Call loans to banks			
Taipei Fubon Bank	$ -	2.3%-2.91%	$ 5,568
Hua Nan Bank	293,923	1.2%-4.9%	1,974

	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

	For the Six Months Ended June 30, 2018		
	Ending Balance	Interest (%)	Interest Revenue
Call loans to banks			
Taipei Fubon Bank	$ 1,435,702	0.05%-4.10%	$ 5,499

3) Derivative financial instruments

	June 30, 2019				
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Interest rate swap contracts					
SinoPac Securities	$ 900,000	2014.10.2-2020.8.26	$ (2,442)	Financial assets at fair value through profit or loss	$ 3,681
SinoPac Securities	300,000	2015.9.1-2020.9.1	494	Financial liabilities at fair value through profit or loss	1,350
Forward contracts					
YFY International	466,190	2019.5.24-2019.7.31	1,929	Financial assets at fair value through profit or loss	1,929
YFY International	621,587	2019.5.9-2019.7.22	(5,461)	Financial liabilities at fair value through profit or loss	5,461
YFY Cayman	621,587	2019.5.24-2019.7.31	3,245	Financial assets at fair value through profit or loss	3,245
YFY Cayman	1,553,967	2019.5.2-2019.7.24	(15,046)	Financial liabilities at fair value through profit or loss	15,046
Boardtek Electronics	31,079	2019.5.8-2019.7.10	295	Financial assets at fair value through profit or loss	295
Boardtek Electronics	31,079	2019.6.4-2019.8.2	(319)	Financial liabilities at fair value through profit or loss	319

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

	June 30, 2018				
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Currency swap contracts					
Taipei Fubon Bank	$ 12,202,300	2018.2.22-2019.4.2	$ 218,662	Financial assets at fair value through profit or loss	$ 218,662
Taipei Fubon Bank	9,456,783	2018.2.21-2018.12.17	(264,476)	Financial liabilities at fair value through profit or loss	264,476
Interest rate swap contracts					
SinoPac Securities	900,000	2014.10.2-2020.8.26	(1,717)	Financial assets at fair value through profit or loss	7,664
SinoPac Securities	800,000	2015.9.1-2020.9.1	865	Financial liabilities at fair value through profit or loss	2,254
Taipei Fubon Bank	4,730,000	2013.8.20-2022.3.29	(7,939)	Financial assets at fair value through profit or loss	18,652
Taipei Fubon Bank	5,930,001	2013.10.28-2022.6.20	8,021	Financial liabilities at fair value through profit or loss	41,682
Forward contracts					
YFY International	1,067,701	2018.4.17-2018.11.5	(47,385)	Financial liabilities at fair value through profit or loss	47,385
YFY Cayman	2,287,931	2018.4.12-2018.11.2	(107,541)	Financial liabilities at fair value through profit or loss	107,541

4) Securities purchased under agreements to resell

2019

	June 30		For the Six Months Ended June 30
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Securities	$ 3,667,050	$ 3,261,222	$ 64,762

2018

	December 31	
	Face Amount	Carrying Amount
SinoPac Securities	$ 4,446,661	$ 3,963,434

2018

	June 30		For the Six Months Ended June 30
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Securities	$ 2,275,729	$ 2,033,536	$ 3,035

5) Receivables and payables

	June 30, 2019	December 31, 2018	June 30, 2018
Receivables	$ 58,717	$ 16,363	$ 57,848
Payables	$ 40,277	$ 44,139	$ 50,533
Cash dividends payable to SPH	$ 1,435,025	$ 1,435,025	$ 6,839,244

6) Current tax assets and liabilities

	June 30, 2019	December 31, 2018	June 30, 2018
Receivables from adopting the linked-tax system	$ 1,276,102	$ 1,276,102	$ 1,273,998
Payables from adopting the linked-tax system	$ 472,429	$ 272,975	$ 262,421

7) Loans

	For the Six Months Ended June 30, 2019			
	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
Loans	$ 9,001,577	$ 9,519,872	0-11.99	$ 67,810

Category	June 30, 2019						
	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	314	$ 486,165	$ 455,650	V	-	None	Yes
Household mortgage loans	1,001	4,960,766	4,743,730	V	-	Real estate	Yes
Others:							
	SPL	900,000	900,000	V	-	Real estate	Yes
	Boardtek Electronics	600,000	600,000	V	-	Real estate	Yes
	Evercast Precision	70,955	47,901	V	-	Real estate	Yes
	Hoss Venture	30,000	30,000	V	-	Real estate	Yes
	Taiwan PCB Techvest	19,938	16,313	V	-	None, Note 1	Yes
	Kim Great	18,721	18,004	V	-	Real estate	Yes
	Greatwell Enterprise Co., Ltd.	8,200	8,200	V	-	Real estate	Yes
	Shyang Yih Logistics	493	267	V	-	Vehicle	Yes
	Others	2,424,634	2,181,512	V	-	Certificates of deposit, certificates of fund and real estate	Yes
	Others subtotal	4,072,941	3,802,197				
	Total	$ 9,519,872	$ 9,001,577				

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

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	-	None, Note 1	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 Six Months Ended June 30, 2018			
	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
Loans	$ 8,806,112	$ 9,370,979	0-8.66	$ 65,129

Category	June 30, 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	514	$ 192,882	$ 160,049	V	-	None	Yes
Household mortgage loans	1,416	7,705,661	7,212,203	V	-	Real estate	Yes
Others:							
	SPL	860,000	860,000	V	-	Real estate	Yes
	Boardtek Electronics	400,000	400,000	V	-	Real estate	Yes
	Evercast Precision	39,034	37,999	V	-	Real estate	Yes
	Hoss Venture	30,000	30,000	V	-	Real estate	Yes
	Bolin Company	26,400	25,200	V	-	Real estate	Yes
	Kim Great	20,129	19,428	V	-	Real estate	Yes
	Jelyte Infodata	17,087	16,307	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	716	V	-	Vehicle	Yes
	Others	64,327	36,010	V	-	Vehicle, certificates of deposit and real estate	Yes
	Others subtotal	1,472,436	1,433,860				
	Total	$ 9,370,979	$ 8,806,112				

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

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

8) Guarantees

June 30, 2019

Related Party	Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
Others	$ 146	$ 39	$ -	1.75%-2.25%	None, Note	

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	

June 30, 2018

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

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

	June 30, 2019	December 31, 2018	June 30, 2018
FISC	$ 526,737	$ 394,196	$ 363,984
TAIFEX	196,650	192,521	255,079
TAIFX	12,750	13,199	31,593

10) Other financial assets

The Bank had interest revenue from call loans to security corporations for the six months ended June 30, 2019 and 2018 were $133 and $245, respectively.

11) Property and equipment

For the six months ended June 30, 2019, the Bank purchased machinery and computer equipment from its related parties for a total of $6,950, recognized as property and equipment.

The Bank leased other equipment from SPL, due to the date, June 30, 2019, December 31, 2018 and June 30, 2018, the carrying amount were $223, $258 and $293.

12) Intangible assets

For the six months ended June 30, 2019 and 2018, the Bank purchased computer software from its related parties in the amount of $6,634 and $48, respectively, recognized under intangible assets.

13) Other assets

	June 30, 2019	December 31, 2018	June 30, 2018
Prepayments			
Others	$ 393	$ -	$ -
Guarantee deposits			
SinoPac Futures	307,249	351,730	372,225
SinoPac Securities (Asia) Ltd.	41,723	104,240	37,910
Others	7,111	17,472	17,513

The Bank signed an agreement with others for the purchase. The Bank paid $15,441 and $7,696 for the six months ended June 30, 2019 and 2018, which were recorded as prepayments (other assets) or other operating expenses.

The amount of undiscounted guarantee deposits from lease contract is $6,820 as of June 30, 2019.

The amount of interest revenue through above guarantee for the six months ended June 30, 2019 and 2018 were $182 and $75, respectively.

14) Notes and bonds transaction

	For the Six Months Ended June 30, 2019	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Hua Nan Bank	$ 2,701,671	$ 2,705,613
Chailease Auto Rental	199,928	199,993
SPL	99,962	99,995
SinoPac Securities	-	4,800,000

	For the Six Months Ended June 30, 2018	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Taipei Fubon Bank	$ 14,621,178	$ 12,625,485
Chunghwa Post	-	3,235,943
Cathay Securities	-	1,649,927

15) Deposits from the Central Bank and other banks

2019

	June 30		For the Six Months Ended June 30
	Ending Balance	Interest Rates (%)	Interest Expense
Taipei Fubon Bank	$ -	0.05-4.4	$ 898
Hua Nan Bank	621,587	0.7-3.8	2,915

2018

	For the Year Ended December 31, 2018	
	Ending Balance	Interest Rates (%)
Taipei Fubon Bank	$ 800,043	0.05-4.8
Chunghwa Post	-	0.001-1.11

	June 30		For the Six Months Ended June 30
	Ending Balance	Interest Rates (%)	Interest Expense
Taipei Fubon Bank	$ 2,370,391	1.47-4.40	$ 11,345
Chunghwa Post	819,936	0.001-1.11	5,460

16) Deposits

2019

For the Six Months Ended June 30		
Ending Balance	Interest Rates (%)	Interest Expense
$ 26,574,642	0-13	$ 147,066

	Ending Balance	Interest Rate (%)
SinoPac Securities	$ 4,012,101	0-1.01
Chunghwa Telecom	3,200,000	0.54-0.58
Hydis Technologies Co., Ltd.	1,636,184	0.37-2.93
SinoPac Securities (Asia) Ltd.	900,311	0-2.88
FISC	768,878	0.07-1.065
Others	16,057,168	0-13
	$ 26,574,642	

2018

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

	Ending Balance	Interest Rate (%)
SinoPac Securities	$ 3,914,265	0-1.01
Chunghwa Telecom	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	

For the Six Months Ended June 30		
Ending Balance	Interest Rates (%)	Interest Expense
$ 26,614,972	0-13	$ 125,769

	Ending Balance	Interest Rate (%)
SinoPac Securities	$ 4,119,944	0-1.01
Chunghwa Telcom	3,100,000	0.46-0.49
Hydis Technologies Co., Ltd.	1,574,562	0.3-2.47
SPH	1,058,660	0-3.4
SinoPac Securities (Asia) Ltd.	965,764	0-2.5
Others	15,796,042	0-13
	$ 26,614,972	

17) Bank debentures

The Bank's bank debentures issued for the six months ended June 30, 2019 were underwritten by SinoPac Securities who were paid $2,400 commission fee (recognized as discount of bank debentures).

The Bank paid interest of bank debentures for the six months ended June 30, 2019 and 2018 were $1,650 and $6,270, 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.

18) Other financial liabilities

As of December 31, 2018 and June 30, 2018, the lease payable of SPL were $240 and $281, respectively.

19) Other liabilities

	June 30, 2019	December 31, 2018	June 30, 2018
Guarantee deposits received	$ 11,028	$ 12,241	$ 11,829
Advance receipts	3	7	2

20) Revenues and expenses

	For the Six Months Ended June 30	
	2019	2018
Lease contracts - guarantee deposits interest revenue	$ 161	$ -
Lease contracts - interest expenses	3,488	-
Commissions and fee revenues	28,843	41,396
Commissions and fee expenses	112,699	111,205
Realized gains on financial assets at fair value through other comprehensive income	50,226	46,891
Other revenues	8,744	7,787
Lease contracts - depreciation expenses	64,784	-
Other operating expenses (Note)	109,944	160,860

Note: Other operating expenses are mainly for professional advisory charges and marketing expenses. The Bank entered into professional advisory contracts with SinoPac Call Center, and the professional advisory charges and other operating expenses paid for the three months and six months ended June 30, 2019 and 2018 were $12,769, $38,448, $50,043 and $77,651, respectively.

21) Operating lease

The Group as a lessee

a) Right-of-use assets, net

The Group are in contract with SPL and others. The amount of right-of-use assets, net is $95,669 on June 30, 2019.

b) Lease liabilities

The Group are in contract with SPL and others. The amount of lease liabilities is $96,707 on June 30, 2019.

c) Guarantee deposits - 2019

Please refer to Note 40,b.13).

d) The guarantee deposits interest revenue, lease interest expense, lease depreciation expense and other lease expense (recognized as other operating expense), please refer to Note 40,b.20).

e) Operating lease - 2018

Lessor	Other Operating Expense For the Six Months Ended June 30, 2018	Lease Term	Payment Frequency
SPL	$ 62,345	February 2020	Rentals paid monthly
Others	919	January 2021	Rentals paid quarterly or monthly

The Group as a lessor

Lessee	Rental Income For the Six Months Ended June 30 2019	2018	Lease Term	Receiving Frequency
SinoPac Securities	$ 13,111	$ 13,168	July 2024	Rentals received monthly
SinoPac Securities Investment Trust	7,348	7,167	July 2023	Rentals received monthly
SPL	3,168	3,147	July 2021	Rentals received monthly
Yuen Foong Shop	2,167	2,160	January 2021	Rentals received monthly
SinoPac Call Center	1,190	1,797	April 2019 (Note)	Rentals received monthly
Yuen Foong Yu Biotech	1,729	1,684	December 2023	Rentals received monthly
Others	3,810	2,817	July 2023	Rentals received monthly

Note: The Bank acquire SinoPac Call Center on May 1, 2019.

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 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 Six Months Ended June 30 2019	2018
Short-term employee benefits	$ 49,182	$ 54,882
Post-employment benefits	1,916	2,172
	$ 51,098	$ 57,054

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

41. 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	June 30, 2019	December 31, 2018	June 30, 2018	Purposes
Investment in debt instruments measured at amortized cost	Certificate of deposits	$ 8,155,397	$ 5,153,757	$ 8,152,529	Note 1
Investment in debt instruments measured at amortized cost	Government bonds	1,404,177	1,674,078	1,616,691	Note 2
Discounts and loans	Loans	2,338,539	3,113,555	3,706,022	Note 3
Other financial assets	Certificates of deposits	2,713,134	2,685,720	2,760,006	Note 4

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 with the Federal Reserve Bank under the discount window program.

Note 4: Pledged with intraday overdraft of settlement banks.

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. In addition to those disclosed in other notes, significant unrecognized commitments of the Group as of June 30, 2019, December 31, 2018 and June 30, 2018 were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Trust assets	$ 407,043,274	$ 292,990,512	$ 264,766,757
Securities under custody	151,474,416	147,845,328	148,884,111
Agent for government bonds	77,925,700	46,772,200	28,388,600
Receipts under custody	30,479,020	31,876,430	33,698,519
Guarantee notes payable	11,986,331	9,063,977	12,215,735
Agent for marketable securities under custody	9,207,100	9,412,200	4,274,300
Appointment of investment	3,286,851	3,612,119	4,057,404
Goods under custody	1,125,794	1,295,570	1,149,046
Travelers' checks consigned-in	179,001	189,626	194,078
Others	-	3,299	5,028
Entrusted loan	-	-	28,903

As of June 30, 2019, in addition to abovementioned unrecognized commitments, the Bank and SinoPac Securities had applied for tax concessions to Ministry of Finance regarding their technical support service expenditure relating to the financial transaction system, and had jointly signed to the system manufacturer the letter of indemnity of which the total compensation is not more than US$1,300 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 SinoPac Securities is US$433 thousand. The deadline of compensation guarantee period is December 31, 2027.

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 June 30, 2019, the Bank recognized operating expense in the amount of $111,000 and related payable in the amount of $42,482.

b. The Group entered into contracts to buy computers and office equipment for $685,300 of which $539,664 had not been paid as of June 30, 2019.

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. The Bank and SinoPac Leasing filed the appeal to Taiwan High Court on May 7, 2019. However, the SFIPC decided to file an appeal on June 6, 2019.

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. Supreme Court ruled in favor of the Bank on June 13, 2019. The case is affirmed.

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.

43. 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.

b. Financial instrument measured at fair value

1) Hierarchy information of fair value of financial instruments

Financial Instruments Measured at Fair Value	June 30, 2019			
	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	$ 41,560,371	$ 37,042,360	$ 2,093,224	$ 2,424,787
Others	2,235,659	-	2,235,659	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks and others	2,145,057	-	1,000,000	1,145,057
Debt instruments at FVTOCI				
Bonds	66,471,685	45,040,040	20,499,265	932,380
Certificates of deposits and others	147,679,327	-	147,679,327	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designed at fair value through profit or loss	1,550,624	-	1,550,624	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	15,682,424	53,079	14,836,665	792,680
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	15,013,908	47,036	13,934,632	1,032,240

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 and others	1,938,907	-	1,005,000	933,907
Debt instruments at FVTOCI				
Bonds	53,339,088	39,636,506	12,780,038	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	June 30, 2018			
	Total	Level 1	Level 2	Level 3
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	$ 653,815	$ 653,815	$ -	$ -
Bonds	40,502,861	34,261,954	6,240,907	-
Others	2,761,074	-	2,761,074	-
Financial assets at fair value through other comprehensive income				
Equity instruments at FVTOCI				
Stocks	1,306,992	-	-	1,306,992
Debt instruments at FVTOCI				
Bonds	48,839,498	33,785,428	15,054,070	-
Certificates of deposits and others	183,575,828	-	183,575,828	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities designed at fair value through profit or loss	1,456,351	-	1,456,351	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	20,612,013	189,886	18,907,384	1,514,743
Liabilities				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	20,919,925	203,937	19,538,994	1,176,994

2) Fair value measurement technique

Financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income 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 cross-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 or price calculated through an internal price; (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 six months ended June 30, 2019, the Group transferred part of the foreign bank debentures from Level 1 to Level 2 because the Group determined these investments were not in an active market.

For the six months ended June 30, 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.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

For the Six Months Ended June 30, 2019									
Items	Beginning Balance	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Non-derivative financial instruments									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	$ 3,219,887	$ 94,682	$ -	$ -	$ 544,705	$ (1,476,165)	$ -	$ 41,678	$ 2,424,787
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	933,907	-	211,150	-	-	-	-	-	1,145,057
Debt instruments at FVTOCI	922,544	-	-	-	-	-	-	9,836	932,380
Derivative financial instruments									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	1,430,750	(638,070)	-	-	-	-	-	-	792,680

For the Six Months Ended June 30, 2018									
Items	Beginning Balance (Note)	Gains (Losses) on Valuation		Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Non-derivative financial instruments									
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI	$ 1,342,786	$ -	$ (41,129)	$ -	$ -	$ -	$ -	$ 5,335	$ 1,306,992
Derivative financial instruments									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	654,607	860,136	-	-	-	-	-	-	1,514,743

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

For the six months ended June 30, 2019 and 2018, the gains and losses on valuation included in net losses with assets still held were losses $197,682 and gains $880,031, respectively.

For the six months ended June 30, 2019 and 2018, the gains and losses on valuation included in other comprehensive income with assets still held were gains $211,150 and losses $41,129, respectively.

b) Reconciliation of Level 3 items of financial liabilities

For the Six Months Ended June 30, 2019								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Derivative financial instruments								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	$ 1,210,463	$ (178,223)	$ -	$ -	$ -	$ -	$ -	$ 1,032,240

For the Six Months Ended June 30, 2018								
Items	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease		Effects of Changes in Exchange Rate	Ending Balance
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Derivative financial instruments								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	$ 686,411	$ 490,583	$ -	$ -	$ -	$ -	$ -	$ 1,176,994

For the six months ended June 30, 2019 and 2018, the gains and losses on valuation results included in net income from liabilities still held were gains $66,318 and losses $536,966, 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:

June 30, 2019

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	$ 736,713	$ 735,962	Sellers' quote	(Note 1)	-
Others	55,967	296,278	Sellers' quote	(Notes 1 and 2)	-
	$ 792,680	$ 1,032,240			
Non-derivative financial instruments					
Financial assets at fair value through profit or loss					
Financial assets mandatorily classified as at FVTPL					
Bonds	$ 2,424,787	$ -	Taipei Exchange's quote or Bloomberg's model price	(Note 3)	-
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Unlisted shares	$ 1,145,057	$ -	Market method or market value with liquidity valuation discount	Discount factor of liquidity	0%-30%
Debt instruments at FVTOCI					
Bonds	$ 932,380	$ -	Taipei Exchange's quote or Bloomberg's model price	(Note 3)	-

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	(Notes 1 and 2)	-
	$ 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 model price	(Note 3)	-
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 model price	(Note 3)	-

June 30, 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	$ 1,017,067	$ 1,016,030	Sellers' quote	(Note 1)	-
Others	497,676	160,964	Sellers' quote	(Note 1 and 2)	-
	$ 1,514,743	$ 1,176,994			
Non-derivative financial instruments					
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Unlisted shares	$ 1,306,992	$ -	Market method or market value with liquidity valuation discount	Discount factor of liquidity	0%-30%

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: Considering the risk model, seller's quote is provided for reference, consequences of significant unobservable inputs and fair values are not fully captured in practice. Therefore, both inputs are not disclosed.

Note 3: No disclosure have been made because zero coupon callable bonds and international bonds listed in the OTC market 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.

8) The sensitivity analysis of reasonable, possible and alternative hypothesis for the third level of fair value measurements.

The Bank evaluates financial instruments reasonably, although using different valuation model and parameter, may cause different valuation results. For financial instruments classified as Level 3 and the fair value source used lacks observable, liquidity reduction factor. If the change of estimated liquidity cost, estimating 99% confidence interval and based on historical data of market turnover in the past two years, are included in the estimation, the impact on profit and loss is as follows:

June 30, 2019

Item	**Changes in the Fair Value Reflected in Current Profit or Loss**	
	Unfavorable Change	**Favorable Change**
Asset		
Financial assets at fair value through profit or loss		
Financial assets mandatorily classified as at fair value through profit or loss	$ (59,181)	$ 59,181
Financial assets at fair value through other comprehensive income		
Debt instruments at fair value through other comprehensive income	(17,992)	17,992

December 31, 2018

Item	Changes in the Fair Value Reflected in Current Profit or Loss	
	Unfavorable Change	Favorable Change
Asset		
Financial assets at fair value through profit or loss		
Financial assets mandatorily classified as at fair value through profit or loss	$ (76,197)	$ 76,197
Financial assets at fair value through other comprehensive income		
Debt instruments at fair value through other comprehensive income	(17,802)	17,802

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.

	June 30, 2019	
Items	Carrying Amount	Fair Value
Debt instrument investments at amortized cost	$ 113,134,428	$ 114,251,083
Bank debentures	37,221,383	37,762,016

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

	June 30, 2018	
Items	Carrying Amount	Fair Value
Debt instrument investments at amortized cost	$ 78,412,932	$ 78,571,082
Bank debentures	39,720,764	40,271,917

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Debt instrument investments at amortized cost	$ 114,251,083	$ 55,777,678	$ 58,473,405	$ -
Bank debentures	37,762,016	3,000,000	25,076,116	9,685,900

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	June 30, 2018			
	Total	Level 1	Level 2	Level 3
Debt instrument investments at amortized cost	$ 78,571,082	$ 22,036,743	$ 56,534,339	$ -
Bank debentures	40,271,917	5,383,986	27,222,031	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: Debt instruments investments at amortized cost with quoted price in an active market are using market price as fair value; debt instruments investments at amortized cost with no quoted price in an active market are estimated by valuation methods or opponent's price.

d) 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.

e) 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.

44. FINANCIAL RISK MANAGEMENT

a. Overview

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

b. Risk management framework

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

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

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

c. Credit risk

1) Sources and definitions of credit risk

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

2) Policies and strategies

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

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

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

Credit risk management procedures and measurements are as follows:

a) Loan business (includes loan commitment and guarantee)

Loan business classification and qualities are shown as follows:

i. Classification

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

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

ii. Credit quality level

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

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

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

b) Investment business

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

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

3) Credit risk hedge or mitigation policies

a) Collateral

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

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

b) Credit risk limits and credit risk concentration control

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

c) Agreement of net settlement

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

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

a) Loan business

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

Key indicators include:

i. Quantitative indicators

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

ii. Qualitative indicators

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

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

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

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

b) Investment business

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

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

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

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

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

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

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

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

5) Definition of financial asset default and credit impairment

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

a) Quantitative indicators

Principal or interest is overdue for more than three months.

b) Qualitative indicators

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

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

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

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

iv. Other situation with objective evidence of impairment.

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

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

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

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

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

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

6) Write-off policy

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

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' disposal of existing financial asset and recording of new financial asset at fair value.

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

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

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

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

8) Measurement of expected credit losses

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

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

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

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

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

9) Forward-looking information considerations

a) Credit assets

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

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

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

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

b) Investment business

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

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

10) The allowance for loss of the Group

Change in allowance for discounts and loans

For the Six Months Ended June 30, 2019	12-month ECL	Lifetime ECL (Collectively 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	$ 1,542,056	$ 318,552	$ 1,036,959	$ 2,897,567	$ 10,115,562	$ 13,013,129
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(2,435)	249,366	(41,943)	204,988	-	204,988
From conversion to credit-impaired financial assets	(1,300)	(59,047)	287,302	226,955	-	226,955
To 12-month ECL	1,015	(127,918)	(382)	(127,285)	-	(127,285)
Derecognizing financial assets during the current period	(1,477,297)	(188,173)	(171,507)	(1,836,977)	-	(1,836,977)
Purchased or originated new financial assets	1,084,262	2,956	108,646	1,195,864	-	1,195,864
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans (Note 1)	-	-	-	-	1,383,613	1,383,613
Write-off (Note 2)	-	-	(225,681)	(225,681)	-	(225,681)
Changes in model/risk parameters	(12,323)	12,945	(80,843)	(80,221)	-	(80,221)
Effect of exchange rate changes and others	6,153	416	2,570	9,139	17,695	26,834
Balance, June 30	$ 1,140,131	$ 209,097	$ 915,121	$ 2,264,349	$ 11,516,870	$ 13,781,219

For the Six Months Ended June 30, 2018	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)	Impairment in Accordance With 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 recognized at the beginning of the period:							
To lifetime ECL	(3,793)	269,879	54	(8,022)	258,118	-	258,118
From conversion to credit-impaired financial assets	(2,410)	(95,613)	-	305,470	207,447	-	207,447
To 12-month ECL	1,262	(86,357)	-	(1,371)	(86,466)	-	(86,466)
Derecognizing financial assets during the current period	(1,718,668)	(353,715)	(11,352)	(152,647)	(2,236,382)	-	(2,236,382)
Purchased or originated new financial assets	1,603,277	1,754	-	67,164	1,672,195	-	1,672,195
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans (Note 1)	-	-	-	-	-	396,194	396,194
Write-off (Note 2)	-	-	-	(192,841)	(192,841)	-	(192,841)
Effect of exchange rate changes and others	8,865	560	155	3,347	12,927	24,863	37,790
Balance, June 30	$ 1,451,483	$ 172,711	$ -	$ 1,053,071	$ 2,677,265	$ 9,901,496	$ 12,578,761

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 accounts receivable

For the Six Months Ended June 30, 2019	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	$ 19,757	$ 5,705	$ 369,656	$ 395,118	$ 499,687	$ 894,805
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(49)	7,308	(2,921)	4,338	-	4,338
From conversion to credit-impaired financial assets	(7)	(5,088)	45,196	40,101	-	40,101
To 12-month ECL	20	(2,144)	(24)	(2,148)	-	(2,148)
Derecognizing financial assets during the current period	(20,264)	(313)	(39,615)	(60,192)	-	(60,192)
Purchased or originated new financial assets	17,087	16	813	17,916	-	17,916
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	(59,143)	(59,143)
Write-off (Note 2)	-	(96)	(33,409)	(33,505)	-	(33,505)
Changes in model/risk parameters	(162)	(192)	(1,745)	(2,099)	-	(2,099)
Effect of exchange rate changes and others	103	6	1,702	1,811	1,239	3,050
Balance, June 30	$ 16,485	$ 5,202	$ 339,653	$ 361,340	$ 441,783	$ 803,123

For the Six Months Ended June 30, 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	(57)	12,127	(3,388)	8,682	-	8,682
From conversion to credit-impaired financial assets	(7)	(12,086)	44,631	32,538	-	32,538
To 12-month ECL	4	(1,086)	(20)	(1,102)	-	(1,102)
Derecognizing financial assets during the current period	(23,792)	(2,368)	(20,850)	(47,010)	-	(47,010)
Purchased or originated new financial assets	24,872	3	208	25,083	-	25,083
Adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	(33,105)	(33,105)
Write-off (Note 2)	-	(767)	(47,045)	(47,812)	-	(47,812)
Effect of exchange rate changes and others	140	(1,937)	1,751	(46)	5,399	5,353
Balance, June 30	$ 18,278	$ 7,133	$ 383,559	$ 408,970	$ 425,405	$ 834,375

Note 1: The amounts of receivables include other financial assets' nonperforming loans transferred from loans.

Note 2: 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		
	June 30, 2019	December 31, 2018	June 30, 2018
Undrawn credit card commitments	$ 166,369,721	$ 157,665,810	$ 153,643,616
Undrawn loan commitments	29,243,297	21,429,676	18,455,265
Guarantees	18,083,869	16,416,274	21,616,351
Standby letter of credit	4,784,873	3,796,932	3,141,045

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	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Private enterprise	$ 507,716,562	49.29	$ 453,640,544	48.64	$ 409,369,267	45.97
Public enterprise	9,618,079	0.93	11,883,947	1.28	10,869,325	1.22
Government sponsored enterprise and business	9,263,330	0.90	4,126,846	0.44	4,417,233	0.50
Nonprofit organization	289,858	0.03	217,467	0.02	131,816	0.01
Private	482,552,993	46.84	447,344,776	47.97	438,839,755	49.28
Financial institutions	20,697,540	2.01	15,415,404	1.65	26,861,641	3.02
Total	$1,030,138,362	100.00	$ 932,628,984	100.00	$ 890,489,037	100.00

b) By region

Regions	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Domestic	$ 844,703,445	82.00	$ 785,273,030	84.20	$ 745,881,752	83.76
Asia	103,132,640	10.01	83,307,763	8.93	84,944,000	9.54
North America	55,072,724	5.35	41,589,575	4.46	37,654,716	4.23
Others	27,229,553	2.64	22,458,616	2.41	22,008,569	2.47
Total	$1,030,138,362	100.00	$ 932,628,984	100.00	$ 890,489,037	100.00

c) By collateral

Collaterals	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	%	Amount	%	Amount	%
Credit	$ 384,748,149	37.35	$ 340,758,579	36.54	$ 312,075,012	35.05
Secured						
Stocks	4,021,229	0.39	3,492,609	0.37	4,620,027	0.52
Bonds	17,470,331	1.69	16,043,250	1.72	13,779,875	1.55
Real estate	568,343,881	55.17	524,644,868	56.25	513,312,976	57.64
Movable collaterals	32,620,813	3.17	27,214,932	2.92	23,705,709	2.66
Guarantees	9,962,975	0.97	8,100,113	0.87	10,420,934	1.17
Others	12,970,984	1.26	12,374,633	1.33	12,574,504	1.41
Total	$1,030,138,362	100.00	$ 932,628,984	100.00	$ 890,489,037	100.00

d) Credit risk exposure rating

June 30, 2019	Principal				Allowance				
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL (Collectively Assessed)	Stage 3 Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL (Collectively Assessed)	Stage 3 Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming Nonaccrual Loans (Note 1)	Total
Discounts and loans									
Corporate banking	$ 545,771,288	$ 602,715	$ 2,683,367	$ 549,057,370	$ 1,076,000	$ 76,278	$ 681,693	$ 5,529,510	$ 7,363,481
Consumer banking	474,802,082	4,710,908	1,568,002	481,080,992	64,131	132,819	233,428	5,987,360	6,417,738
Receivables									
Credit card	16,816,194	234,346	888,298	17,938,838	3,173	4,532	53,850	158,759	220,314
Accounts receivable - factoring (Note 2)	8,188,398	-	-	8,188,398	1,360	-	-	121,448	122,808
Other receivable (Note 3)	19,410,171	12,125	336,396	19,758,692	11,952	670	285,803	161,576	460,001

December 31, 2018	Principal				Allowance				
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL (Collectively Assessed)	Stage 3 Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL (Collectively Assessed)	Stage 3 Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	The Adjustments Under 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

June 30, 2018	Principal				Allowance				
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL (Collectively Assessed)	Stage 3 Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL (Collectively Assessed)	Stage 3 Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming Nonaccrual Loans (Note 1)	Total
Discounts and loans									
Corporate banking	$ 448,356,030	$ 318,178	$ 3,292,971	$ 451,967,179	$ 1,402,194	$ 39,286	$ 857,684	$ 4,227,928	$ 6,527,092
Consumer banking	432,224,158	4,857,440	1,440,260	438,521,858	49,289	133,425	195,387	5,673,568	6,051,669
Receivables									
Credit card	15,485,271	238,700	954,550	16,678,521	2,408	6,719	64,078	147,316	220,521
Accounts receivable - factoring (Note 2)	8,419,195	7,345	-	8,426,540	3,866	170	-	117,216	121,252
Other receivable (Note 3)	19,480,482	9,159	361,955	19,851,596	12,004	244	319,481	160,873	492,602

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

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 June 30, 2019, December 31, 2018 and June 30, 2018, the amount of discounts and loans were $4,251,369, $4,309,274 and $4,733,231, with a provision for loss allowance of $915,121, $1,036,959 and $1,076,556 under IFRS 9 Stage 3, and credit guarantees, real estate, movable assets or certificates of deposit, etc., which reduced the potential loss, amounted to $2,961,068, $2,817,681 and $3,037,900.

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

The contracted amount of financial assets that have been written off by the Bank and still have recourse activities is $47,392,297, $47,276,926 and $47,110,155 on June 30, 2019, December 31, 2018 and June 30, 2018.

14) Management policies of collaterals assumed

Collaterals assumed are classified as other assets. According to regulations, the Bank should dispose of collaterals within four years. There are no assumed collaterals of the Group as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

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

a) Overdue loans and receivables

Date			June 30, 2019				
Items			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		$ 876,990	$ 175,533,369	0.50%	$ 2,454,240	279.85%
	Unsecured		326,938	354,314,613	0.09%	4,695,066	1,436.07%
Consumer loan	Mortgage (Note 4)		620,776	269,450,854	0.23%	4,133,750	665.90%
	Cash card		23	5,797	0.40%	13,805	60,021.74%
	Micro credit (Note 5)		62,337	19,979,479	0.31%	213,852	343.06%
	Others (Note 6)	Secured	457,164	189,198,364	0.24%	2,028,325	443.68%
		Unsecured	3,339	2,446,498	0.14%	28,006	838.75%
Total			2,347,567	1,010,928,974	0.23%	13,567,044	577.92%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			43,167	17,938,838	0.24%	220,313	510.37%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	10,798,084	-	174,420	-

Date			June 30, 2018				
Items			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		$ 943,033	$ 153,948,198	0.61%	$ 2,171,425	230.26%
	Unsecured		369,710	280,454,395	0.13%	4,032,319	1,090.67%
Consumer loan	Mortgage (Note 4)		516,676	244,101,211	0.21%	3,737,140	723.30%
	Cash card		19	7,524	0.25%	13,883	73,068.42%
	Micro credit (Note 5)		59,899	19,273,693	0.31%	204,060	340.67%
	Others (Note 6)	Secured	436,112	172,534,597	0.25%	2,060,103	472.38%
		Unsecured	8,796	2,604,833	0.34%	36,483	414.77%
Total			2,334,245	872,924,451	0.27%	12,255,413	525.03%
			Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			$ 48,477	$ 16,678,521	0.29%	$ 220,521	454.90%
Accounts receivable - factoring with no recourse (Notes 7 and 8)			-	10,885,542	-	206,989	-

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

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

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

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

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

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

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

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

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

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

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

b) Excluded NPLs and excluded overdue receivables

Date	June 30, 2019		June 30, 2018	
Items	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreement (Note 1)	$ 1,327	$ 57,597	$ 1,926	$ 78,858
As a result of consumer debt clearance (Note 2)	11,404	672,568	7,724	691,080
Total	$ 12,731	$ 730,165	$ 9,650	$ 769,938

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	June 30, 2019		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (manufacture of computers)	$ 9,449,867	7.30
2	B Group (manufacture of other computer peripheral equipment)	8,717,381	6.73
3	C Group (spinning of yarn, cotton and wool)	8,453,251	6.53
4	D Group (manufacture of computers)	6,848,794	5.29
5	E Group (rolling and extruding of iron and steel)	6,329,316	4.89
6	F Group (manufacture of computers)	6,281,313	4.85
7	G Group (manufacture of liquid crystal panel and components)	5,371,327	4.15
8	H Company (other metalworking activities)	5,000,000	3.86
9	I Group (real estate development activities)	3,078,000	2.38
10	J Company (investment consultancy)	2,810,032	2.17

Year	June 30, 2018		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (manufacture of computers)	$ 8,645,636	6.94
2	B Group (manufacture of liquid crystal panel and components)	5,230,020	4.20
3	C Group (rolling and extruding of iron and steel)	5,171,178	4.15
4	D Company (manufacture of metal die)	5,000,000	4.01
5	E Group (manufacture of computers)	4,684,762	3.76
6	F Group (manufacture of other computer peripheral equipment)	4,519,672	3.63
7	G Group (wired telecommunications activities)	3,582,495	2.87
8	H Group (securities)	3,475,000	2.79
9	I Group (government)	3,050,575	2.45
10	J Company (manufacture of other computer peripheral equipment)	2,894,115	2.32

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

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 21,984,724	$ 8,975,093	$ 12,753,093	$ 5,096,884	$ -	$ 48,809,794
Financial liabilities at fair value through profit or loss	-	-	-	-	1,742,872	1,742,872
Securities sold under repurchase agreements	5,322,294	6,319,034	3,359,184	-	-	15,000,512
Payables	9,202,463	540,060	85,404	1,670,581	2,544,061	14,042,569
Deposits and remittances	724,853,147	189,952,352	153,031,100	236,505,948	27,857,621	1,332,200,168
Bank debentures	73,965	6,857,788	99,488	4,722,386	28,061,064	39,814,691
Other financial liabilities - certificate of deposit	-	-	311,131	-	-	311,131

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 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 repurchase agreements	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

June 30, 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 banks	$ 40,319,817	$ 5,165,370	$ 4,373,257	$ 2,765,615	$ -	$ 52,624,059
Financial liabilities at fair value through profit or loss	-	-	-	-	1,710,707	1,710,707
Securities sold under repurchase agreements	23,541,133	5,060,924	-	-	-	28,602,057
Payables	13,329,652	985,002	536,621	1,529,847	2,253,775	18,634,897
Deposits and remittances	654,624,166	147,612,657	117,107,792	192,101,391	24,525,119	1,135,971,125
Bank debentures	23,426	3,941,859	3,398,377	3,895,279	31,056,244	42,315,185

Bank SinoPac (China)

(In Thousands of CNY)

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 609,176	$ 69,237	$ -	$ -	$ -	$ 678,413
Payables	135,225	1,212	89	115,219	-	251,745
Deposits and remittances	1,046,994	914,722	1,609,125	666,446	432,555	4,669,842

(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 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 CNY)

June 30, 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 banks	$ 577,222	$ 271,785	$ 305,696	$ -	$ -	$ 1,154,703
Payables	25,921	1,974	170	14,644	447	43,156
Deposits and remittances	683,802	1,275,410	416,468	290,962	375,350	3,041,992

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.

The Bank

June 30, 2019	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	$ 14,666,112	$ -	$ -	$ -	$ -	$ 14,666,112

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

June 30, 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	$ 20,919,925	$ -	$ -	$ -	$ -	$ 20,919,925

Bank SinoPac (China)

(In Thousands of CNY)

June 30, 2019	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	$ 76,914	$ -	$ -	$ -	$ -	$ 76,914

(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

June 30, 2018: None.

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.

The Bank

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	$ 299,943	$ 1,736,056	$ 2,751,941	$ 3,599,282	$ 20,714,766	$ 29,101,988
Guarantees	3,718,150	3,108,632	1,278,549	4,393,373	5,123,160	17,621,864
Standby letter of credit	1,471,430	1,654,392	597,762	253,478	14,839	3,991,901

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

June 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	$ 621,680	$ 391,374	$ 1,344,663	$ 2,411,890	$ 13,685,658	$ 18,455,265
Guarantees	3,516,893	1,616,074	3,189,368	2,172,716	6,739,634	17,234,685
Standby letter of credit	1,076,777	1,474,794	443,128	94,324	-	3,089,023

Bank SinoPac (China)

(In Thousands of CNY)

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loans commitments	$ -	$ -	$ 31,250	$ -	$ -	$ 31,250
Guarantee	33,402	110,543	509,202	457,519	35,030	1,145,696
Standby letter of credit	24,391	15,395	-	135,577	-	175,363

(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 CNY)

June 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Guarantee	$ 599	$ 105,299	$ 228,349	$ 614,287	$ 4,000	$ 952,534
Standby letter of credit	7,276	4,033	-	-	-	11,309

4) Maturity analysis of lease commitments

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

Maturity analysis of lease commitments is summarized as follows:

June 30, 2019	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement commitments				
Lease liabilities (lessee)	$ 665,995	$ 1,136,792	$ 58,812	$ 1,861,599
Operating lease income (lessor)	88,808	158,490	1,474	248,772

December 31, 2018	Less than 1 Year	1-5 Years	Over 5 Years	Total
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

June 30, 2018	Less than 1 Year	1-5 Years	Over 5 Years	Total
Lease commitments				
Operating lease expense (lessee)	$ 469,173	$ 913,660	$ 68,706	$ 1,451,539
Operating lease income (lessor)	79,340	127,107	4,760	211,207
Financial lease expense total amount (lessee)	97	211	-	308
Financial lease expense present value (lessee)	83	198	-	281

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)

	June 30, 2019						
	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	$ 1,443,605,803	$ 193,867,897	$ 193,552,338	$ 224,772,571	$ 118,671,584	$ 100,486,796	$ 612,254,617
Main capital outflow on maturity	1,812,303,821	110,056,417	129,192,056	294,419,955	248,011,636	350,382,332	680,241,425
Gap	(368,698,018)	83,811,480	64,360,282	(69,647,384)	(129,340,052)	(249,895,536)	(67,986,808)

	June 30, 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	$ 1,236,633,382	$ 140,016,163	$ 214,141,641	$ 186,656,042	$ 95,452,412	$ 74,904,311	$ 525,462,813
Main capital outflow on maturity	1,605,482,906	94,997,892	126,351,611	246,075,097	212,352,407	302,416,268	623,289,631
Gap	(368,849,524)	45,018,271	87,790,030	(59,419,055)	(116,899,995)	(227,511,957)	(97,826,818)

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)

	June 30, 2019					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 38,363,838	$ 12,293,582	$ 9,915,444	$ 5,808,920	$ 5,863,063	$ 4,482,829
Main capital outflow on maturity	39,403,883	10,817,254	10,610,550	7,417,600	7,238,497	3,319,982
Gap	(1,040,045)	1,476,328	(695,106)	(1,608,680)	(1,375,434)	1,162,847

(In Thousands of U.S. Dollars)

	June 30, 2018					
	Total	**0-30 Days**	**31-90 Days**	**91-180 Days**	**181 Days to 1 Year**	**Over 1 Year**
Main capital inflow on maturity	$ 34,177,042	$ 12,014,247	$ 9,760,495	$ 4,585,294	$ 4,433,678	$ 3,383,328
Main capital outflow on maturity	34,755,220	11,132,398	9,830,268	5,398,547	5,617,803	2,776,204
Gap	(578,178)	881,849	(69,773)	(813,253)	(1,184,125)	607,124

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 44 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 44 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 44 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 44 e, 10).

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

9) Banking book interest rate risk management

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

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

a) Strategies

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

b) Risk measurement

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

c) Risk monitoring

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

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

10) Market risk measurement technique

Value at Risk (VaR)

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

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

The Bank's trading book VaR overview.

	For the Six Months Ended June 30, 2019		
	Average	**Maximum**	**Minimum**
Exchange rate risk	$ 12,258	$ 29,929	$ 5,140
Interest rate risk	65,049	88,216	52,194
Equity risk	-	-	-
Total VaR	67,353	90,511	52,866

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

Note 2: Historical data period: 2019.01.02 - 2019.06.28

	For the Six Months Ended June 30, 2018		
	Average	**Maximum**	**Minimum**
Exchange rate risk	$ 8,848	$ 17,371	$ 4,322
Interest rate risk	99,110	136,537	59,272
Equity risk	20,796	49,244	4,780
Total VaR	103,115	142,152	61,145

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

Note 2: Historical data period: 2018.01.02 - 2018.06.29

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

(In Thousands of CNY)

	For the Six Months Ended June 30, 2019		
	Average	**Maximum**	**Minimum**
Exchange rate risk	$ 310	$ 773	$ 61
Interest rate risk	223	1,204	-
Equity risk	-	-	-
Total VaR	436	1,266	49

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

Note 2: Historical data period: 2019.01.01 - 2019.06.30

(In Thousands of USD)

	For the Six Months Ended June 30, 2018		
	Average	**Maximum**	**Minimum**
Exchange rate risk	$ 43	$ 130	$ 6
Interest rate risk	13	32	4
Equity risk	-	-	-
Total VaR	39	99	13

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

Note 2: Historical data period: 2018.01.02 - 2018.06.30

11) Exchange rate risks

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

	June 30, 2019		
	Foreign Currency (In Thousands)	**Exchange Rate**	**Converted to NTD**
Financial assets			
Monetary items			
USD	$ 10,514,995	31.07933	$ 326,798,990
CNY	14,692,855	4.52189	66,439,475
Nonmonetary items			
USD	410,535	31.07933	12,759,146
Financial liabilities			
Monetary items			
USD	13,634,987	31.07933	423,766,266
CNY	15,362,274	4.52189	69,466,513

	December 31, 2018		
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
Financial assets			
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
Financial liabilities			
Monetary items			
USD	12,127,054	30.75146	372,924,622
CNY	19,117,864	4.4762	85,575,383

	June 30, 2018		
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
Financial assets			
Monetary items			
USD	$ 9,682,166	30.50575	$ 295,361,727
CNY	17,501,427	4.60001	80,506,740
Nonmonetary items			
USD	430,726	30.50575	13,139,629
Financial liabilities			
Monetary items			
USD	11,269,708	30.50575	343,790,880
CNY	18,125,054	4.60001	83,375,430

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

a) Interest rate sensitivity information (New Taiwan dollars)

June 30, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 948,485,572	$ 18,963,334	$ 62,467,405	$ 98,111,922	$ 1,128,028,233
Interest rate-sensitive liabilities	327,293,775	483,621,588	76,163,302	37,701,815	924,780,480
Interest rate-sensitive gap	621,191,797	(464,658,254)	(13,695,897)	60,410,107	203,247,753
Net worth					127,972,832
Ratio of interest rate-sensitive assets to liabilities (%)					121.98%
Ratio of interest rate-sensitive gap to net worth (%)					158.82%

June 30, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 875,317,300	$ 20,488,335	$ 54,438,122	$ 74,086,215	$ 1,024,329,972
Interest rate-sensitive liabilities	322,232,028	437,865,257	73,789,382	37,324,065	871,210,732
Interest rate-sensitive gap	553,085,272	(417,376,922)	(19,351,260)	36,762,150	153,119,240
Net worth					124,588,544
Ratio of interest rate-sensitive assets to liabilities (%)					117.58%
Ratio of interest rate-sensitive gap to net worth (%)					122.90%

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)

June 30, 2019

(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	$ 7,256,432	$ 463,531	$ 190,653	$ 1,253,286	$ 9,163,902
Interest rate-sensitive liabilities	4,913,626	4,871,408	2,114,473	149,625	12,049,132
Interest rate-sensitive gap	2,342,806	(4,407,877)	(1,923,820)	1,103,661	(2,885,230)
Net worth					29,829
Ratio of interest rate-sensitive assets to liabilities (%)					76.05%
Ratio of interest rate-sensitive gap to net worth (%)					(9,672.57%)

June 30, 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	$ 5,997,964	$ 325,848	$ 232,734	$ 1,078,011	$ 7,634,557
Interest rate-sensitive liabilities	3,700,503	4,403,318	995,889	152,267	9,251,977
Interest rate-sensitive gap	2,297,461	(4,077,470)	(763,155)	925,744	(1,617,420)
Net worth					3,629
Ratio of interest rate-sensitive assets to liabilities (%)					82.52%
Ratio of interest rate-sensitive gap to net worth (%)					(44,569.30%)

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	June 30, 2019				
	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	$ 10,135,658	$ 9,416,511	$ 10,135,658	$ 9,416,511	$ 719,147
Investment in debt instruments at amortized cost					
Transactions under agreements to repurchase	4,409,360	4,286,796	4,529,403	4,286,796	242,607
Securities purchased under resell agreements					
Transactions under agreements to repurchase	855,418	927,484	855,418	927,484	(72,066)

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
Investment in debt instruments 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 resell agreements					
Transactions under agreements to repurchase	5,037,558	5,346,642	5,037,558	5,346,642	(309,084)

Category of Financial Asset	June 30, 2018				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through profit or loss					
Transactions under agreements to repurchase	$ 13,151,566	$ 12,404,326	$13,151,566	$ 12,404,326	$ 747,240
Financial assets at fair value through other comprehensive income					
Transactions under agreements to repurchase	4,332,737	4,124,021	4,332,737	4,124,021	208,716
Investment in debt instruments at amortized cost					
Transactions under agreements to repurchase	12,328,801	11,800,000	12,387,530	11,800,000	587,530

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:

June 30, 2019

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	$ 14,828,503	$ -	$ 14,828,503	$ 10,213,767	$ 1,034,782	$ 3,579,954
Securities purchased under agreements to resell	16,777,698	-	16,777,698	16,777,281	-	417
	$ 31,606,201	$ -	$ 31,606,201	$ 26,991,048	$ 1,034,782	$ 3,580,371

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	$ 14,579,907	$ -	$ 14,579,907	$ 10,552,422	$ 574,552	$ 3,452,933
Securities sold under agreements to repurchase	14,961,242	-	14,961,242	14,958,924	-	2,318
	$ 29,541,149	$ -	$ 29,541,149	$ 25,511,346	$ 574,552	$ 3,455,251

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

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.

June 30, 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	$ 19,404,162	$ -	$ 19,404,162	$ 11,559,061	$ 1,347,457	$ 6,497,644
Securities purchased under agreements to resell	22,312,476	-	22,312,476	22,311,859	-	617
	$ 41,716,638	$ -	$ 41,716,638	$ 33,870,920	$ 1,347,457	$ 6,498,261

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	$ 20,059,532	$ -	$ 20,059,532	$ 12,109,476	$ 1,965,743	$ 5,984,313
Securities sold under agreements to repurchase	28,570,603	-	28,570,603	28,570,518	-	85
	$ 48,630,135	$ -	$ 48,630,135	$ 40,679,994	$ 1,965,743	$ 5,984,398

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

45. 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 \ Year			June 30, 2019	
			Standalone	Consolidation
Eligible capital	Common shares equity		$ 119,292,621	$ 121,678,187
	Other Tier 1 capital		7,021,592	9,498,553
	Tier 2 capital		16,071,139	21,025,060
	Eligible capital		142,385,352	152,201,800
Risk-weighted assets	Credit risk	Standardized approach	986,395,731	1,026,305,896
		Internal rating - based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	42,129,799	44,607,491
		Standardized approach/ alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	54,770,975	54,715,225
		Internal model approach	-	-
	Total risk-weighted assets		1,083,296,505	1,125,628,612
Capital adequacy ratio			13.14%	13.52%
Common shares equity risk - based capital ratio			11.01%	10.81%
Tier 1 risk - based capital ratio			11.66%	11.65%
Leverage ratio			7.37%	7.61%

Analysis Items \ Year			December 31, 2018		June 30, 2018	
			Standalone	Consolidation	Standalone	Consolidation
Eligible capital	Common shares equity		$ 119,826,740	$ 122,428,221	$ 114,883,072	$ 117,493,437
	Other Tier 1 capital		4,804,658	7,498,553	4,805,082	7,498,977
	Tier 2 capital		12,074,184	17,431,269	14,344,414	19,732,203
	Eligible capital		136,705,582	147,358,043	134,032,568	144,724,617
Risk-weighted assets	Credit risk	Standardized approach	899,340,063	929,863,006	878,113,466	908,194,197
		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	48,638,692	49,072,217
		Internal model approach	-	-	-	-
	Total risk-weighted assets		985,656,300	1,020,598,272	968,652,173	1,001,551,326
Capital adequacy ratio			13.87%	14.44%	13.84%	14.45%
Common shares equity risk - based capital ratio			12.16%	12.00%	11.86%	11.73%
Tier 1 risk - based capital ratio			12.64%	12.73%	12.36%	12.48%
Leverage ratio			8.11%	8.40%	7.81%	8.11%

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 period 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.

46. CROSS-SELLING INFORMATION

For the six months ended June 30, 2019 and 2018, the Bank charged SinoPac Securities for $1,272 and $1,992, respectively, as marketing and opening accounts. The rental fee the Bank charged SinoPac Securities for the six months ended June 30, 2019 and 2018 were $1,634 and $1,791, respectively.

The Bank paid to SinoPac Securities $2,434 and $2,044 for the six months ended June 30, 2019 and 2018 for bonus as part of the cross-selling agreement.

The Bank paid to SinoPac Venture Capital $6 for the six months ended June 30, 2019 for bonus as part of the cross-selling agreement.

For other transactions between SPH and its subsidiaries, please refer to Note 40 and Table 2.

47. PROFITABILITY

Items		June 30, 2019	June 30, 2018
Return on total assets	Before income tax	0.42%	0.39%
	After income tax	0.36%	0.33%
Return on net worth	Before income tax	5.12%	4.50%
	After income tax	4.37%	3.82%
Profit margin		39.02%	39.01%

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 six months ended June 30, 2019 and 2018.

48. 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
June 30, 2019 and 2018

	June 30, 2019			
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	%
Trust assets				
Bank deposits	$ 2,749,371	$ -	$ 2,749,371	1
Bonds	8,249,477	-	8,249,477	2
Stocks	16,714,173	-	16,714,173	4
Funds	106,241,890	-	106,241,890	26
Securities lent	519,725	-	519,725	-
Receivables	95,156	-	95,156	-
Prepayments	118	-	118	-
Real estate				
Land	3,884,427	-	3,884,427	1
Buildings	98,202	-	98,202	-
Construction in progress	729,133	-	729,133	-
Securities under custody	267,762,404	-	267,762,404	66
Total trust assets	$ 407,044,076	$ -	$ 407,044,076	100
Trust liabilities				
Payables	$ 802	$ -	$ 802	-
Payable on securities under custody	267,762,404	-	267,762,404	66
Trust capital	137,658,902	-	137,658,902	34
Reserves and cumulative earnings				
Net income	1,422,769	-	1,422,769	-
Cumulative earnings	270,011	-	270,011	-
Deferred amount	(70,812)	-	(70,812)	-
Total trust liabilities	$ 407,044,076	$ -	$ 407,044,076	100

	June 30, 2018			
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	%
Trust assets				
Bank deposits	$ 5,886,060	$ -	$ 5,886,060	2
Bonds	7,842,013	-	7,842,013	3
Stocks	14,444,329	-	14,444,329	6
Funds	105,919,935	-	105,919,935	40
Securities lent	2,114,842	-	2,114,842	1
Receivables	98,511	-	98,511	-
Prepayments	1,527	-	1,527	-
Real estate				
Land	3,430,286	-	3,430,286	1
Buildings	84,358	-	84,358	-
Construction in progress	608,331	-	608,331	-
Securities under custody	124,338,149	-	124,338,149	47
Total trust assets	$ 264,768,341	$ -	$ 264,768,341	100
Trust liabilities				
Payables	$ 1,584	$ -	$ 1,584	-
Payable on securities under custody	124,338,149	-	124,338,149	47
Trust capital	138,774,227	-	138,774,227	52
Reserves and cumulative earnings				
Net income	189,776	-	189,776	-
Cumulative earnings	1,501,796	-	1,501,796	1
Deferred amount	(37,191)	-	(37,191)	-
Total trust liabilities	$ 264,768,341	$ -	$ 264,768,341	100

Trust Properties of Trust Accounts
June 30, 2019 and 2018

	June 30	
Investment Portfolio	**2019**	**2018**
Bank deposits	$ 2,749,371	$ 5,886,060
Bonds	8,249,477	7,842,013
Stocks	16,714,173	14,444,329
Funds	106,241,890	105,919,935
Securities lent	519,725	2,114,842
Real estate		
Land	3,884,427	3,430,286
Buildings	98,202	84,358
Construction in progress	729,133	608,331
Securities under custody	267,762,404	124,338,149
Total	$ 406,948,802	$ 264,668,303

Income Statements of Trust Account

	For the Six Months Ended June 30, 2019			
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	%
Trust income				
Interest income	$ 8,616	$ -	$ 8,616	-
Borrowed Securities income	7,368	-	7,368	-
Cash dividends	2,580	-	2,580	-
Gains from beneficial certificates	1,141	-	1,141	-
Realized investment income	45,282	-	45,282	3
Unrealized investment income	1,891,398	-	1,891,398	97
Other revenues	125	-	125	-
Donation revenue - charitable trust	-	-	-	-
Total trust income	1,956,510	-	1,956,510	100
Trust expense				
Trust administrative expenses	2,443	-	2,443	-
Tax expenses	-	-	-	-
Donation expense - charitable trust	2,744	-	2,744	-
Realized investment loss	13,383	-	13,383	1
Unrealized investment loss	514,987	-	514,987	26
Other expense	184	-	184	-
Total trust expense	533,741	-	533,741	27
Income before income tax	1,422,769	-	1,422,769	73
Income tax expense	-	-	-	-
Income after income tax	$ 1,422,769	$ -	$ 1,422,769	73

	For the Six Months Ended June 30, 2018			
	Other Trust Business	Financial Assets and Real Estate Trust Plan	Total	%
Trust income				
Interest income	$ 8,372	$ -	$ 8,372	3
Borrowed Securities income	8,130	-	8,130	3
Cash dividends	9,170	-	9,170	3
Gains from beneficial certificates	1,561	-	1,561	-
Realized investment income	24,307	-	24,307	8
Unrealized investment income	259,173	-	259,173	83
Other revenues	55	-	55	-
Total trust income	310,768	-	310,768	100
Trust expense				
Trust administrative expenses	2,559	-	2,559	1
Donation expense - charitable trust	2,075	-	2,075	1
Realized investment loss	855	-	855	-
Unrealized investment loss	115,307	-	115,307	37
Other expense	196	-	196	-
Total trust expense	120,992	-	120,992	39
Income before income tax	189,776	-	189,776	61
Income tax expense	-	-	-	-
Income after income tax	$ 189,776	$ -	$ 189,776	61

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.

49. 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 2
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	None (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	None
7	Disposal of individual real estates at prices of at least NT$300 million or 10% of the issued capital	None
8	Allowance for service fee to related parties amounting to at least NT$5 million	None
9	Receivables from related parties amounting to at least NT$300 million or 10% of the issued capital	None
10	Trading information - sale of nonperforming loans	None
11	Financial asset securitization	None
12	Related parties transaction	Table 2
13	Other significant transactions which may affect the decisions of financial report users	None

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

c. The related information and proportionate share in investees: Table 3.

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

50. 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 the business segments in accordance with IFRS 8 "Operating Segments". The Bank's operating segments for the six months ended June 30, 2019 and 2018 are without change. The Bank reports the following:

Domestic branches: Provide services and products through 124 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 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 Six Months Ended June 30, 2019						
		Domestic Branches	Financial Transaction	Overseas Branches	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest	$ 5,873,961	$ (136,050)	$ 1,300,327	$ 815,262	$ 7,853,500	$ (650,744)	$ 7,202,756
	Interest revenue	8,640,410	101,891	2,932,072	1,337,487	13,011,860	2,238,246	15,250,106
	Revenue amount segments	2,986,451	(19,418)	(723,645)	(141,057)	2,102,331	(2,102,331)	-
	Interest expense	(5,752,900)	(218,523)	(908,100)	(381,168)	(7,260,691)	(786,659)	(8,047,350)
	Commission and fee revenues net	2,844,018	(13,700)	203,635	337,528	3,371,481	85,514	3,456,995
	Others	285,457	1,371,597	193,131	31,753	1,881,938	1,941,051	3,822,989
	Net revenue	9,003,436	1,221,847	1,697,093	1,184,543	13,106,919	1,375,821	14,482,740
	Bad debts expense, commitment and guarantee liability provision	(630,517)	-	(311,373)	45,389	(896,501)	137,175	(759,326)
	Operating expense	(4,552,553)	(196,587)	(617,793)	(1,107,734)	(6,474,667)	(632,487)	(7,107,154)
	Income before income tax	3,820,366	1,025,260	767,927	122,198	5,735,751	880,509	6,616,260
	Income tax expense	(516,256)	(138,546)	(103,772)	(22,134)	(780,708)	(184,295)	(965,003)
	Net income	3,304,110	886,714	664,155	100,064	4,955,043	696,214	5,651,257

Segment revenues and results

		For the Six Months Ended June 30, 2018						
		Domestic Branches	Financial Transaction	Overseas Branches	Others	Operating Segments	Non-operating Segments	Total
Income (loss)	Net interest	$ 5,243,978	$ (414,059)	$ 1,030,049	$ 789,209	$ 6,649,177	$ 653,792	$ 7,302,969
	Interest revenue	7,489,312	7,005	2,075,534	1,172,988	10,744,839	2,213,280	12,958,119
	Revenue amount segments	1,382,492	(203,826)	(456,339)	(129,362)	592,965	(592,965)	-
	Interest expense	(3,627,826)	(217,238)	(589,146)	(254,417)	(4,688,627)	(966,523)	(5,655,150)
	Commission and fee revenues, net	2,350,858	(502)	118,388	348,436	2,817,180	65,828	2,883,008
	Others	198,983	878,382	254,736	225,157	1,557,258	505,394	2,062,652
	Net revenue	7,793,819	463,821	1,403,173	1,362,802	11,023,615	1,225,014	12,248,629
	Bad debts expense and guarantee liability provision	64,816	-	(146,882)	25,309	(56,757)	(12,285)	(69,042)
	Operating expense	(4,824,360)	(147,882)	(587,790)	(971,288)	(6,531,320)	(18,959)	(6,550,279)
	Income before income tax	3,034,275	315,939	668,501	416,823	4,435,538	1,193,770	5,629,308
	Income tax profit (expense)	(425,228)	(44,276)	(93,685)	(77,569)	(640,758)	(210,402)	(851,160)
	Net income	2,609,047	271,663	574,816	339,254	3,794,780	983,368	4,778,148

TABLE 1

BANK SINOPAC AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
JUNE 30, 2019
(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	$ 1,264,804 (Note)	-	$ -	-	$ -	$ -

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

TABLE 2

BANK SINOPAC AND SUBSIDIARIES

RELATED PARTIES TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(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	Bank SinoPac (China) Ltd.	a	Receivables, net	$ 100,700	Note 4	0.01
		SinoPac Insurance Brokers Ltd.	a	Deposits and remittances	70,688	Note 4	-
		SinoPac Capital Limited	a	Deposits and remittances	359,128	Note 4	0.02
		SinoPac Capital (B.V.I.) Ltd.	a	Deposits and remittances	49,772	Note 4	-
		RSP Information Service Company Limited	a	Deposits and remittances	13,408	Note 4	-
		SinoPac Life Insurance Agency Co., Ltd.	a	Receivables, net	131,626	Note 4	0.01
		SinoPac Life Insurance Agency Co., Ltd.	a	Deposits and remittances	954,750	Note 4	0.06
		SinoPac Life Insurance Agency Co., Ltd.	a	Fee revenues, net (fee revenues)	384,937	Note 4	2.66
		SinoPac Life Insurance Agency Co., Ltd.	a	Other noninterest net revenues	3,870	Note 4	0.03
1	Bank SinoPac (China) Ltd.	Bank SinoPac	b	Payables	100,700	Note 4	0.01
2	SinoPac Insurance Brokers Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	18,938	Note 4	-
		Bank SinoPac	b	Other financial assets, net	51,750	Note 4	-
3	SinoPac Capital Limited	Bank SinoPac	b	Cash and cash equivalents, net	8,527	Note 4	-
		Bank SinoPac	b	Other financial assets, net	350,601	Note 4	0.02
4	SinoPac Capital (B.V.I.) Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	2,005	Note 4	-
		Bank SinoPac	b	Other financial assets, net	47,767	Note 4	-
5	RSP Information Service Company Limited	Bank SinoPac	b	Cash and cash equivalents, net	13,408	Note 4	-
6	SinoPac Life Insurance Agency Co., Ltd.	Bank SinoPac	b	Cash and cash equivalents, net	954,750	Note 4	0.06
		Bank SinoPac	b	Right-of-use assets, net	20,730	Note 4	-
		Bank SinoPac	b	Payables	131,626	Note 4	0.01
		Bank SinoPac	b	Lease liabilities	20,788	Note 4	-
		Bank SinoPac	b	Interest expense	125	Note 4	-
		Bank SinoPac	b	Fee revenues, net (fee expenses)	384,937	Note 4	2.66
		Bank SinoPac	b	Depreciation and amortization expenses	2,303	Note 4	0.02
		Bank SinoPac	b	Other operating expenses	1,500	Note 4	0.01

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.

(Continued)

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 were similar to those for unrelated parties.

(Concluded)

TABLE 3

BANK SINOPAC AND SUBSIDIARIES

INFORMATION ON INVESTED ENTERPRISES
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(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
						Shares (In Thousands)	Imitated Shares	Total		
								Shares	Percentage of Ownership (%)	
Financial related enterprise										
Bank SinoPac (China) Ltd.	China	Commercial Bank	100.00	$ 9,771,279	$ 47,404	-	-	-	100.00	Subsidiary and Note 1
SinoPac Capital Limited	Hong Kong	Credit and investment service	100.00	422,957	498	29,998	-	29,998	100.00	Subsidiary and Note 1
SinoPac Life Insurance Agent Co., Ltd.	Taiwan	Life insurance agent	100.00	785,222	776,857	500	-	500	100.00	Subsidiary
SinoPac Insurance Brokers Ltd.	Hong Kong	Insurance services	100.00	75,562	9,639	100	-	100	100.00	Subsidiary and Note 1
SinoPac Property Insurance Agent Co., Ltd.	Taiwan	Property insurance agent	100.00	15,689	7,423	500	-	500	100.00	Subsidiary
Global Securities Finance Corporation	Taiwan	Securities financing	2.63	49,830	1,555	11,494	-	11,494	2.87	Note 2
Taipei Foreign Exchange Inc.	Taiwan	Foreign exchange market maker	3.43	12,750	4,080	680	-	680	3.43	Note 2
Taiwan Futures Exchange	Taiwan	Futures exchange and settlement	1.07	196,650	13,103	6,964	-	6,964	2.08	Note 2
Fuh Hwa Securities Investment Trust Co., Ltd.	Taiwan	Securities investment trust and consultant	4.63	89,914	22,235	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	526,737	33,043	12,238	-	12,238	2.34	Note 2
Taiwan Asset Management Corporation	Taiwan	Evaluating, auctioning, and managing for financial institutions' loan	0.28	19,650	1,950	3,000	-	3,000	0.28	Note 2
Taiwan Financial Asset Service Co.	Taiwan	Auction	5.88	136,200	700	10,000	-	10,000	5.88	Note 2
Sunny Asset Management Corp.	Taiwan	Purchasing for financial institutions' loan assets	1.42	674	110	85	-	85	1.42	Note 2
Taiwan Depository and Clearing Co.	Taiwan	Computerizing book-entry operation for securities	0.08	16,336	1,076	3,408	-	3,408	0.92	Note 2
Taiwan Mobile Payment Corporation	Taiwan	Promoting E-commerce and developing E-billing	1.00	3,366	-	600	-	600	1.00	
Nonfinancial related enterprise										
Taiwan Television Enterprise, Ltd.	Taiwan	Wireless television company	4.84	91,317	-	13,717	-	13,717	4.89	
Victor Taichung Machinery Works Co., Ltd.	Taiwan	Manufacturer and seller of tool machine, plastic machine and other precise equipment	0.08	1,633	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 six months ended June 30, 2019.

Note 2: Investment gains are dividend income.

Note 3: Above shares are in thousands of shares.

TABLE 4

BANK SINOPAC AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2019	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	$ 10,065,691	Investment in Mainland China directly	$ 10,065,691	$ -	$ -	$ 10,065,691	$ 29,536	100	$ 47,404	$ 9,771,279	$ -

Accumulated Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$10,065,691	$10,065,691	$77,717,815

Note 1: The accumulated investment amounts in Mainland China as of June 30, 2019 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 six months ended June 30, 2019 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 gains or losses investments are translated with current period average rate.