E.SUN Commercial Bank, Ltd. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities required to be included in the combined financial statements of E.SUN Commercial Bank, Ltd. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, E.SUN Commercial Bank, Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

E.SUN COMMERCIAL BANK, LTD.

By

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Gary K. L. Tseng
Chairman

March 15, 2019

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of E.SUN Commercial Bank, Ltd. (the Bank) and its subsidiaries (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, 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 Company as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the 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 Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Allowances for Possible Losses on Loans

The Company is engaged principally in providing loans to customers. As of December 31, 2018, the net amount of discounts and loans of the Company is NT$1,333,277,269 thousand, which represents approximately 59% of total consolidated assets, and is considered material to the consolidated financial statements as a whole. The Company's management performs loan impairment assessment through making judgements to measure the loss allowance at an amount equal to 12-month expected credit losses or the lifetime expected credit losses. Also, the allowance provision has to comply with relevant regulations issued by authorities. Impairment loss on loans is recognized by reducing its carrying amount through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. For accounting policies and relevant information about loan impairment assessment, please refer to Notes 4, 5 and 12 to the consolidated financial statements. We determined allowances for possible losses on loans to be a key audit matter for the year ended December 31, 2018 because the assessment involves critical judgements such as accounting estimates and assumptions made by the Company's management.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

1. Obtain an understanding of and perform test on the relevant internal controls in respect of the Company's loan impairment assessment.

2. Perform test on the reasonableness of key assumptions for the expected credit loss model.

3. Perform test on the reasonableness of the calculation of expected credit losses for selected loans.

4. Test the classification of credit assets in order to assess whether the provision of allowances for possible losses complies with relevant regulations issued by authorities.

Goodwill Impairment Assessment

The Company's management performs goodwill impairment assessment annually. When performing goodwill impairment assessment, the Company's management needs to determine the value in use of cash-generating units (CGUs) to which goodwill has been allocated. To determine value in use, the Company's management has to estimate the expected future cash flows generated from CGUs and applies the appropriate discount rate to those future cash flows. For accounting policies and relevant information about goodwill impairment assessment, please refer to Notes 4, 5, and 18 to the consolidated financial statements. We determined goodwill impairment assessment to be a key audit matter for the year ended December 31, 2018 because the assessment involves critical judgements such as accounting estimates and assumptions made by the Company's management.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

1. Assess the methodology and assumptions used in goodwill impairment assessment applied by the Company's management.

2 Perform sensitivity analysis in order to assess the extent to which a change in the key assumptions could indicate the risk of an impairment.

Other Matter

We have also audited the financial statements of E.SUN Commercial Bank, Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’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 Company 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 Company’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 consolidated 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 consolidated 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 Company’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 Company'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 Company 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 and appropriate audit evidence regarding the financial information of entities or business activities within the Company 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.

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2019

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

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

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 55,690,036	3	$ 54,962,324	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4 and 7)	76,688,375	3	76,080,043	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 37)	471,874,547	21	407,970,461	20
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 37 and 40)	183,206,425	8	-	-
INVESTMENTS IN DEBT INTRUMENTS AT AMORTIZED COST (Notes 4, 10, 37 and 40)	8,165,004	-	-	-
RECEIVABLES, NET (Notes 4, 11 and 36)	85,316,920	4	83,129,858	4
CURRENT TAX ASSETS (Notes 4 and 33)	11,644	-	5,054	-
DISCOUNTS AND LOANS, NET (Notes 4, 12, 36 and 37)	1,333,277,269	59	1,211,071,275	59
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET (Notes 4, 13 and 37)	-	-	170,204,638	8
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 4, 14 and 37)	-	-	3,078,813	-
OTHER FINANCIAL ASSETS, NET (Notes 4 and 15)	12,051,606	1	9,426,393	1
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 16)	31,949,501	1	27,558,614	1
INVESTMENT PROPERTIES, NET (Notes 4 and 17)	2,192,930	-	2,236,989	-
INTANGIBLE ASSETS, NET (Notes 4 and 18)	6,045,548	-	6,138,716	-
DEFERRED TAX ASSETS (Notes 4 and 33)	1,053,310	-	926,378	-
OTHER ASSETS, NET (Notes 4, 19, 36 and 38)	4,814,375	-	3,547,241	-
TOTAL	$ 2,272,337,490	100	$ 2,056,336,797	100
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 20)	$ 72,223,020	3	$ 66,652,215	3
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8 and 24)	50,277,088	2	43,359,847	2
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4, 9, 10, 13 and 21)	12,526,789	1	12,200,468	1
PAYABLES (Notes 22 and 36)	24,505,102	1	26,406,994	1
CURRENT TAX LIABILITIES (Notes 4, 33 and 36)	880,576	-	1,382,186	-
DEPOSITS AND REMITTANCES (Notes 23 and 36)	1,887,658,287	83	1,713,175,352	84
BANK DEBENTURES (Note 24)	36,850,000	2	36,750,000	2
OTHER FINANCIAL LIABILITIES (Notes 25, 36 and 38)	24,516,845	1	5,949,739	-
PROVISIONS (Notes 4, 26 and 27)	824,373	-	474,835	-
DEFERRED TAX LIABILITIES (Notes 4 and 33)	1,338,385	-	697,535	-
OTHER LIABILITIES (Notes 28 and 36)	2,466,805	-	2,029,857	-
Total liabilities	2,114,067,270	93	1,909,079,028	93
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital stock				
Common stock	86,370,000	4	83,121,000	4
Capital surplus				
Additional paid-in capital from share issuance in excess of par value	24,863,052	1	24,495,245	1
From treasury stock transactions	483	-	483	-
Others	452,832	-	370,239	-
Total capital surplus	25,316,367	1	24,865,967	1
Retained earnings				
Legal reserve	28,840,418	1	24,638,417	1
Special reserve	219,180	-	149,147	-
Unappropriated earnings	16,734,695	1	14,006,670	1
Total retained earnings	45,794,293	2	38,794,234	2
Other equity	666,231	-	363,337	-
Total equity attributable to owners of the Bank	158,146,891	7	147,144,538	7
NON-CONTROLLING INTERESTS	123,329	-	113,231	-
Total equity	158,270,220	7	147,257,769	7
TOTAL	$ 2,272,337,490	100	$ 2,056,336,797	100

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INTEREST REVENUE (Notes 4, 29 and 36)	$ 37,003,677	77	$ 32,656,734	73	13
INTEREST EXPENSE (Notes 4, 29 and 36)	(16,972,375)	(35)	(12,641,898)	(28)	34
NET INTEREST	20,031,302	42	20,014,836	45	-
NET REVENUES AND GAINS OTHER THAN INTEREST					
Service fee income, net (Notes 4, 30 and 36)	15,358,658	32	14,903,396	33	3
Gains on financial assets and liabilities at fair value through profit or loss (Notes 4 and 31)	18,445,289	38	1,011,060	2	1,724
Realized gains on available-for-sale financial assets (Note 4)	-	-	632,356	1	(100)
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 9)	742,868	1	-	-	-
Foreign exchange gains (losses), net (Note 4)	(6,702,816)	(14)	7,959,848	18	(184)
Reversal of impairment losses (impairment losses) on assets (Notes 4 and 17)	(5,990)	-	345	-	(1,836)
Other noninterest gains, net (Notes 4 and 36)	320,315	1	336,857	1	(5)
Total net revenues and gains other than interest	28,158,324	58	24,843,862	55	13
TOTAL NET REVENUES	48,189,626	100	44,858,698	100	7
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Notes 4 and 12)	(3,209,215)	(7)	(3,868,941)	(9)	(17)

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E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
OPERATING EXPENSES (Notes 4, 16, 17, 18, 27, 32 and 36)					
Employee benefits	$ (11,035,497)	(23)	$ (10,720,018)	(24)	3
Depreciation and amortization	(1,924,358)	(4)	(1,780,653)	(4)	8
General and administrative	(11,692,781)	(24)	(11,535,788)	(25)	1
Total operating expenses	(24,652,636)	(51)	(24,036,459)	(53)	3
INCOME BEFORE INCOME TAX	20,327,775	42	16,953,298	38	20
INCOME TAX EXPENSE (Notes 4 and 33)	(3,204,365)	(6)	(2,167,696)	(5)	48
NET INCOME FOR THE YEAR	17,123,410	36	14,785,602	33	16
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss (Notes 4, 27 and 33):					
Remeasurement of defined benefit plans	61,826	-	(52,783)	-	217
Unrealized losses on investments in equity instrument at fair value through other comprehensive income	(541,589)	(1)	-	-	-
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	78,430	-	(42,931)	-	283
Income tax relating to items that will not be reclassified subsequently to profit or loss	(3,177)	-	34	-	(9,444)
Items that will not be reclassified subsequently to profit or loss, net of income tax	(404,510)	(1)	(95,680)	-	323

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E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Items that may be reclassified subsequently to profit or loss (Notes 4 and 33):					
Exchange differences on the translation of financial statements of foreign operations	$ 365,742	1	$ (928,030)	(2)	139
Unrealized gains on available-for-sale financial assets	-	-	1,144,119	2	(100)
Unrealized losses on investment in debt instruments at fair value through other comprehensive income	(365,278)	(1)	-	-	-
Reversal of impairment losses on investments in debt instruments at fair value through other comprehensive income	5,210	-	-	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(17,724)	-	98,814	-	(118)
Items that may be reclassified subsequently to profit or loss, net of income tax	(12,050)	-	314,903	-	(104)
Other comprehensive income (loss) for the year, net of income tax	(416,560)	(1)	219,223	-	(290)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 16,706,850	35	$ 15,004,825	33	11
NET INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 17,108,315	36	$ 14,886,870	33	15
Non-controlling interests	15,095	-	(101,268)	-	115
	$ 17,123,410	36	$ 14,785,602	33	16
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	$ 16,691,577	35	$ 15,141,299	34	10
Non-controlling interests	15,273	-	(136,474)	(1)	111
	$ 16,706,850	35	$ 15,004,825	33	11

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E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2018		2017		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 34)					
Basic	$1.98		$1.78		

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank											
							Other Equity					
	Capital Stock (Note 35)			Retained Earnings (Notes 4, 39 and 35)								
	Shares (In Thousands)	Common Stock	Capital Surplus (Notes 4 and 35)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations (Note 4)	Unrealized Gains on Financial Assets at Fair Value Through Other Comprehensive Income (Notes 4 and 9)	Unrealized Gains on Available-for-sale Financial Assets (Note 4)	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss (Note 4)	Non-controlling Interests (Notes 4 and 44)	Total Equity
BALANCE AT JANUARY 1, 2017	7,262,883	$ 72,628,830	$ 19,837,781	$ 20,721,566	$ 83,866	$ 13,056,168	$ (143,277)	$ -	$ 141,075	$ 44,882	$ 663,639	$ 127,034,530
Appropriation of 2016 earnings												
Legal reserve	-	-	-	3,916,851	-	(3,916,851)	-	-	-	-	-	-
Special reserve	-	-	-	-	65,281	(65,281)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(4,619,000)	-	-	-	-	-	(4,619,000)
Stock dividends	445,217	4,452,170	-	-	-	(4,452,170)	-	-	-	-	-	-
Capital increase	604,000	6,040,000	4,460,000	-	-	-	-	-	-	-	-	10,500,000
Share-based payment arrangements involving ESFHC's common stock	-	-	568,186	-	-	-	-	-	-	-	-	568,186
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	(9,315)	(9,315)
Acquisition of interest in subsidiary	-	-	-	-	-	(830,475)	12,160	-	1,477	-	(404,619)	(1,221,457)
Transfer of changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	94	-	-	-	(94)	-	-
Net income for the year ended December 31, 2017	-	-	-	-	-	14,886,870	-	-	-	-	(101,268)	14,785,602
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(52,685)	(742,846)	-	1,092,891	(42,931)	(35,206)	219,223
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	14,834,185	(742,846)	-	1,092,891	(42,931)	(136,474)	15,004,825
BALANCE AT DECEMBER 31, 2017	8,312,100	83,121,000	24,865,967	24,638,417	149,147	14,006,670	(873,963)	-	1,235,443	1,857	113,231	147,257,769
Effect of retrospective application	-	-	-	-	-	(253,907)	-	1,825,883	(1,235,443)	-	-	336,533
BALANCE AT JANUARY 1, 2018 AS APPLIED RETROSPECTIVELY	8,312,100	83,121,000	24,865,967	24,638,417	149,147	13,752,763	(873,963)	1,825,883	-	1,857	113,231	147,594,302
Appropriation of 2017 earnings												
Legal reserve	-	-	-	4,202,001	-	(4,202,001)	-	-	-	-	-	-
Special reserve	-	-	-	-	70,033	(70,033)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(6,476,157)	-	-	-	-	-	(6,476,157)
Stock dividends	324,900	3,249,000	-	-	-	(3,249,000)	-	-	-	-	-	-
Share-based payment arrangements involving ESFHC's common stock	-	-	450,400	-	-	-	-	-	-	-	-	450,400
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	(5,175)	(5,175)
Disposals of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(192,465)	-	192,465	-	-	-	-
Transfer of changes in the fair value attributable to change in the credit risk of financial liabilities designated as at fair value through profit or loss upon derecognition	-	-	-	-	-	1,331	-	-	-	(1,331)	-	-
Net income for the year ended December 31, 2018	-	-	-	-	-	17,108,315	-	-	-	-	15,095	17,123,410
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	61,942	324,333	(881,443)	-	78,430	178	(416,560)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	17,170,257	324,333	(881,443)	-	78,430	15,273	16,706,850
BALANCE AT DECEMBER 31, 2018	8,637,000	$ 86,370,000	$ 25,316,367	$ 28,840,418	$ 219,180	$ 16,734,695	$ (549,630)	$ 1,136,905	$ -	$ 78,956	$ 123,329	$ 158,270,220

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 20,327,775	$ 16,953,298
Adjustments for:		
Depreciation expenses	1,328,670	1,215,688
Amortization expenses	595,688	564,965
Expected credit losses/bad-debt expenses	3,123,098	3,862,778
Gains on financial assets and liabilities at fair value through profit or loss	(18,445,289)	(1,011,060)
Interest expense	16,972,375	12,641,898
Interest revenue	(37,003,677)	(32,656,734)
Dividend income	(363,563)	(272,771)
Provision for losses on guarantees	85,605	6,163
Salary expenses on share-based payments	450,400	568,186
Losses (gains) on disposal of properties and equipment	(85,519)	29,878
Gains on disposal of investments	(379,305)	(409,443)
Impairment losses on non-financial assets	149	-
Reversal of impairment losses on non-financial assets	-	(345)
Net changes in operating assets and liabilities		
Due from the Central Bank and call loans to other banks	476,628	(12,748,087)
Financial assets at fair value through profit or loss	(29,677,634)	(27,718,286)
Financial assets at fair value through other comprehensive income	(13,658,532)	-
Investments in debt instruments at amortized cost	(5,064,613)	-
Securities purchased under resell agreements	-	140,934
Receivables	(1,628,813)	(7,317,622)
Discounts and loans	(125,426,376)	(96,024,898)
Available-for-sale financial assets	-	(30,535,217)
Held-to-maturity financial assets	-	501,592
Other financial assets	(3,777,767)	17,798,466
Other assets	57,052	27,119
Due to the Central Bank and other banks	5,570,805	14,136,209
Financial liabilities at fair value through profit or loss	(19,771,420)	(16,605,172)
Securities sold under repurchase agreements	326,321	3,318,745
Payables	(3,027,124)	2,264,077
Deposits and remittances	174,482,935	153,624,305
Other financial liabilities	17,887,652	(1,596,966)
Provision for employee benefits	(2,163)	(2,011)
Other liabilities	420,383	18,859
Cash generated from (used in) operations	(16,206,259)	774,548
Interest received	43,328,820	38,971,531
Dividend received	404,719	289,268
Interest paid	(16,722,922)	(12,872,727)
Income tax paid	(3,320,623)	(2,647,631)
Net cash generated from operating activities	7,483,735	24,514,989

(Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for properties and equipment	$ (5,854,596)	$ (3,204,058)
Proceeds from disposal of properties and equipment	136,105	1,008
Increase in refundable deposits	(1,280,879)	(12,405)
Payments for intangible assets	(421,791)	(448,984)
Increase in other assets	-	(2,701)
Net cash used in investing activities	(7,421,161)	(3,667,140)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(161,395)
Proceeds from issue of bank debentures	5,100,000	-
Repayments of bank debentures	(5,000,000)	(5,500,000)
Proceeds from long-term borrowings	-	767,608
Repayments of long-term borrowings	(886,330)	(2,766,867)
Increase in financial liabilities designated as at fair value through profit or loss	5,880,000	-
Proceeds from guarantee deposits received	1,564,307	92,056
Cash dividends paid to owners of the Bank	(6,476,157)	(4,619,000)
Capital increase	-	10,500,000
Cash dividends paid to non-controlling interests	(5,175)	(9,315)
Change in non-controlling interests (Note 45)	-	(1,221,457)
Net cash generated from (used in) financing activities	176,645	(2,918,370)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,551,067	908,537
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,790,286	18,838,016
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	57,917,859	39,079,843
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 59,708,145	$ 57,917,859

(Continued)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	December 31	
	2018	**2017**
RECONCILIATIONS OF THE AMOUNTS IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018 AND 2017		
Cash and cash equivalents in the consolidated balance sheets	$ 55,690,036	$ 54,962,324
Due from the Central Bank and call loans to other banks in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows"	4,018,109	2,955,535
Cash and cash equivalents at the end of the year	$ 59,708,145	$ 57,917,859

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

1. ORGANIZATION AND OPERATIONS

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

As of December 31, 2018, the Bank had 152 units, including a business department, an international banking department, a trust department, a credit card and payment division, an offshore banking unit (OBU), an insurance agent department, 8 overseas branches, and 138 domestic branches.

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

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

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

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

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

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

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

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

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

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

For the years ended December 31, 2018 and 2017, the average number of employees of the Company (ESBC, UCB and BankPro excluded) was 8,173 and 8,155, respectively. For the years ended December 31, 2018 and 2017, the average number of employees of ESBC, UCB and BankPro was 695 and 680, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The board of directors of the Bank approved and authorized for issue of the consolidated financial statements in their meeting on March 15, 2019.

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

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

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

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

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

   Classification, measurement and impairment of financial assets

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

	Measurement Category		Carrying Amount	
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Amortized cost (loans and receivables)	Amortized cost	$ 54,962,324	$ 54,962,324
Due from the Central Bank and call loans to other banks	Amortized cost (loans and receivables)	Amortized cost	76,080,043	76,080,043
Financial assets at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	407,970,461	407,970,461
Receivables, net	Amortized cost (loans and receivables)	Amortized cost	83,129,858	83,128,834
Discounts and loans, net	Amortized cost (loans and receivables)	Amortized cost	1,211,071,275	1,211,071,275

(Continued)

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9
Available-for-sale financial assets, net	Fair value through other comprehensive income	Fair value through profit or loss	$ 1,075,289	$ 1,075,289
	Fair value through other comprehensive income	Fair value through other comprehensive income	169,129,349	169,129,349
Held-to-maturity financial assets, net	Amortized cost	Amortized cost	3,078,813	3,078,219
Other financial assets, net	Amortized cost (loans and receivables)	Amortized cost	8,291,918	8,291,918
	Financial assets measured at cost	Fair value through other comprehensive income	537,515	1,069,639
	Amortized cost (debt instruments with no active market)	Fair value through other comprehensive income	596,960	667,353
Other assets, net	Amortized cost (refundable deposits)	Amortized cost	3,216,828	3,216,828

(Concluded)

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

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

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

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

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

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

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

b. The Company had not yet applied the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and the New IFRSs endorsed by the FSC for application starting from 2019

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

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

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

- IFRS 16 “Leases”

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

Definition of a lease

Upon initial application of IFRS 16, the Company will elect 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 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

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

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

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

The Company expects to apply the following practical expedients:

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

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

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

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

The Company as lessor

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

The anticipated impact on assets, liabilities and equity as of January 1, 2019 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
Right-of-use assets	$ -	$ 2,729,311	$ 2,729,311
Other assets, net	$ 4,814,375	(94,115)	$ 4,720,260
Total effect on assets		$ 2,635,196	
Lease liabilities	$ -	$ 2,657,756	$ 2,657,756
Provisions	$ 824,373	2,475	$ 826,848
Payables	$ 24,505,102	(50,881)	$ 24,454,221
Total effect on liabilities		$ 2,609,350	
Retained earnings	$ 45,794,293	$ 25,846	$ 45,820,139
Total effect on equity		$ 25,846	

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company has performed an assessment and found no significant impact on the Company's financial position and financial performance due to the application of other standards and interpretations.

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and IFRSs as endorsed and issued into effect by the FSC.

b. 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 net defined benefit liabilities/assets that are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

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

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

c. Basis of consolidation

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

The accounting policies of the Bank and subsidiaries are consistent.

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

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

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

d. Foreign-currency transactions

The Bank records foreign-currency transactions in the respective currencies in which these are denominated. Every month-end, foreign currency income and expenses are translated into New Taiwan dollars at the prevailing exchange rates. At month-end, monetary assets and liabilities denominated in foreign currencies are reported using the prevailing exchange rates, and exchange differences are recognized in profit or loss. Nonmonetary assets and liabilities measured at fair value are translated using the prevailing exchange rates at month-end. Translation differences on nonmonetary assets and liabilities measured at fair value are recognized in profit or loss, except for translation difference arising from nonmonetary items of which the change in fair values is recognized in other comprehensive income, in which case, the translation differences are also recognized directly in other comprehensive income. Nonmonetary assets and liabilities that are classified as carried at cost are recognized at the exchange rate on the transaction date.

In preparing the consolidated financial statements, foreign operations' financial statements are translated at the following rates: Assets and liabilities - the prevailing exchange rates on the balance sheet date; and income and expenses - at the average exchange rate for the period. Translation difference net of income tax is recorded as "other comprehensive income" and accumulated in equity, and is attributed to the owner of the Bank and non-controlling interests.

e. Current and noncurrent assets and liabilities

Since the operating cycle in the financial holding company and banking industry cannot be reasonably identified, accounts included in the financial statements of the Bank, UCB and ESBC are not classified as current or noncurrent. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by their liquidity.

Classification of accounts included in the financial statements of the other subsidiaries as current or noncurrent is as follows:

Current assets are assets held for trading purposes, assets expected to be converted to cash, sold or consumed within 12 months from the balance sheet date and cash and equivalents, excluding assets held for an exchange or held to settle a liability at more than 12 months after the balance sheet date and assets that are otherwise restricted. Properties and equipment, investment properties, intangible assets and other assets that are not classified as current are noncurrent assets. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within 12 months from the balance sheet date, even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial reports are authorized for issue, or when it does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Liabilities that are not classified as current are noncurrent liabilities. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The consolidated financial statements, however, do not show the classification of current or noncurrent assets/liabilities because the banking industry accounts for the major parts of the consolidated accounts. Thus, accounts in the consolidated financial statements are instead categorized by nature and sequenced by their liquidity.

f. Cash and cash equivalents

In the consolidated balance sheet, cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents defined in the consolidated balance sheet, due from the Central Bank, call loans to other banks and securities purchased under resell agreements that correspond to the definition of cash and cash equivalents in IAS 7 - "Statement of Cash Flows," as endorsed and issued into effect by the FSC.

g. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

2018

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

i. Financial asset at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, due from the Central Bank and call loans to other banks, receivables and discounts and loans, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
ii) Financial asset that are not credit-impaired on purchase or origination but has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

iii. Investments in debt instruments at FVTOCI

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

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

ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

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

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

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

<u>2017</u>

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

i. Financial assets at FVTPL

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

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

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

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

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

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

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

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

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

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

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

iii. Held-to-maturity financial assets

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

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

iv. Loans and receivables

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

b) Impairment of financial assets

2018

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

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

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

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

2017

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

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

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

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

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

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

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

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

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

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

2017 and 2018

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

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

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

c) Derecognition of financial assets

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

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

i. Financial liabilities at FVTPL

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

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

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

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

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

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

ii. Financial guarantee contracts

2018

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

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

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

2017

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

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivatives

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. If the fair value of a derivative is a positive number, the derivative is recognized as an asset and if the fair value is a negative number, the derivative is recognized as a liability.

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

h. Overdue loans

Under FSC guidelines, the Bank classifies loans and other credits (including accrued interest) that past due for at least six months as overdue loans.

Overdue loans (except other credits) are classified as discounts and loans, and the remaining are classified as other financial assets.

i. Securities purchased/sold under resell/repurchase agreements

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

j. Investment properties

Investment properties are properties owned specifically to generate profit through rental income and/or capital gains. Land for which the future purpose of use has not been decided is classified under investment properties.

Investment properties are initially recognized at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. The Company calculates depreciation by the straight-line method.

Any gain or loss recognized on derecognition of the investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the investment property is derecognized.

k. Properties and equipment

Properties and equipment are initially recognized at cost and subsequently measured at costs less accumulated depreciation and accumulated impairment losses.

Land for self-use is not depreciated. Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss recognized on the disposal or retirement of an item of property and equipment is the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognized.

l. Leasing

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

1) The Company as a lessor

Rental income from operating leases is recognized in revenues over the lease periods on a straight-line basis. Contingent rents arising under operating leases are recognized as income in the period in which they are incurred.

Lease incentives offered in the operating lease are recognized as an asset. The aggregate cost of incentives is recognized as a reduction of rental income on a straight-line basis over the lease term.

2) The Company as a lessee

Lease payments under an operating lease are expensed on a straight-line basis over the lease period. Under operating lease, contingent rentals are recognized as expenses at current period.

Lease incentives received in the operating leases are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

m. Goodwill

Goodwill (part of intangible assets) from business combination is recorded at acquisition cost and subsequently measured at cost less accumulated impairment.

For impairment test purposes, goodwill is allocated to each CGU that benefits from the synergy of a business combination.

In testing assets for impairment, the Company compares the carrying amounts of operating segments (CGUs with allocated goodwill) to their recoverable amounts on a yearly basis (or when impairment indicators exist). CGUs with goodwill allocated in the current year should be tested for impairment before the end of the year. When the recoverable amount of CGUs is below the carrying amount, an impairment loss should be recognized to reduce first the carrying amount of goodwill of the CGU and then the carrying amounts of other assets of the CGU proportionately. Any impairment loss should be directly recognized as loss in the current period, and subsequent reversal of impairment loss is not allowed.

On disposal of the relevant CGU, the amount attributable to goodwill is included in the determination of the gain or loss on disposal.

n. Intangible assets other than goodwill

1) Separate acquisition

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. At year-end, the Company examines its estimates of the asset useful lives, residual values, and amortization method, with the effect of any changes in estimate accounted for on a prospective basis. Unless the Company expects to dispose of an intangible asset before the end of its useful life, the residual value of an intangible asset with limited useful life is estimated to be zero. Effect of any changes in estimate accounted for on a prospective basis.

2) Acquisition as part of a business combination

Intangible asset acquired through business combination is measured at its fair value on the acquisition date, and is recognized separately from goodwill. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition

Gains or losses recognized on derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognized.

o. Impairment of tangible and intangible assets other than goodwill

At the balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets (except goodwill) for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Corporate assets are allocated to the individual CGUs on a reasonable and consistent basis of allocation. The recoverable amount is the higher of fair value less selling costs or value in use.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. If asset impairment loss reverses, the increase in the carrying amount resulting from reversal is credited to earnings. However, loss reversal should not be more than the carrying amount (net of depreciation or amortization) had the impairment loss not been recognized.

p. Foreclosed collaterals

Foreclosed collaterals (part of other assets) are recorded at the fair value on recognition and recorded at the lower of cost or net fair value as of the balance sheet date. Net fair value falling below book value indicates impairment, and impairment loss should be recognized. If the net fair value recovers, the recovery of impairment loss is recognized as gain. For foreclosed collaterals that should have been disposed of in the statutory term, unless the disposal period is prolonged, an additional provision for losses should be made and impairment loss should be recognized, as required under a FSC directive.

q. Provisions

Provision is the best estimate of the consideration required to settle a present obligation at the balance sheet date, taking into account the risks and uncertainties on the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

r. Recognition of revenue

Interest revenue on loans is recorded on an accrual basis. Under the guidance of the FSC, no interest revenue is recognized on loans that are classified as overdue loans. The interest revenue on these loans is recognized upon collection of the loans and credits.

Service fees are recognized when a major part of the earnings process is completed and cash is collected.

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

The points earned by customers under loyalty program are treated as multiple-element arrangements, in which consideration is allocated to the goods or services and the award credits based on fair value through the eyes of the customer. The consideration is not recognized in earnings at the original sales transactions but at the time when the points are redeemed and the Company's obligation is fulfilled.

s. Employee benefits

1) Short-term employee benefits

Short-term and non-discounted employee benefits are recognized as expenses in the current period as services are rendered.

2) Post-employment benefits

Payments to defined contribution post-employment benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Preferential interest deposits for employees

The preferential interest deposit for entitled employees is for deposits within a certain amount. The preferential rates for employees' deposits in excess of market rate should be treated as employee benefit.

t. Share-based payment

The Company's employees subscribed for the reserved shares of E.SUN Financial Holding Company, Ltd., (ESFHC) in accordance with the Financial Holding Company Act, and the Company recognized the fair value of the stock options under salary expenses and under capital surplus for share-based payment on the grant date, i.e., the date when the Company and its employees made an agreement for the employees to subscribe for ESFHC's shares.

u. Taxation

Income tax expense represents the sum of tax currently and deferred income tax.

1) Current income tax

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

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

2) Deferred income tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill.

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

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

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

3) Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred taxes arises from the initial accounting for a business combination/the acquisition of a subsidiary, the tax effect is included in the accounting for the business combination/investments in the subsidiary.

ESFHC and subsidiaries elected to file consolidated tax returns for periods starting in 2003. However, since the Bank applied the accounting treatment mentioned in the preceding paragraph to income tax, any distribution of cash payments and receipts among the consolidated group members is recorded as current tax assets or current tax liabilities.

v. Business combination

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized as expenses as incurred.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Business combination involving entities under common control is not accounted for by acquisition method but accounted for at the carrying amounts of the entities. Prior period comparative information in the financial statements is restated as if a business combination involving entities under common control had already occurred in that period.

w. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred income that is recognized in profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss of the period in which they become receivable.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of loans - 2018

The provision for impairment of loans is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Impairment losses on loans - 2017

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

c. Impairment of goodwill

The assessment of impairment of goodwill requires the Company to estimate the value in use of the CGUs to which goodwill has been allocated. For calculating the value in use, management is required to estimate the future cash flows expected to arise from each CGU and the discount rate to be used in calculating present value. If the actual cash flow falls below expectation, an impairment loss might be incurred.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 14,393,133	$ 11,905,579
Checks for clearing	8,685,830	10,495,503
Due from banks	32,580,039	32,538,944
Cash in transit	37,501	22,298
	55,696,503	54,962,324
Less: Allowance for possible losses	(6,467)	-
	$ 55,690,036	$ 54,962,324

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

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

	December 31	
	2018	2017
Deposit reserves - account A	$ 22,218,598	$ 22,725,604
Deposit reserves - account B	39,784,413	38,287,417
Reserves for deposits - foreign currency deposits	460,995	423,842
Due from the Central Bank - other	9,613,040	8,360,993
Deposit in the Central Bank - deposits of government agencies	7,054	6,284
Call loans to banks	4,645,774	4,843,647
Trade finance advance - interbank	-	1,492,400
	76,729,874	76,140,187
Less: Allowance for possible losses	(41,499)	(60,144)
	$ 76,688,375	$ 76,080,043

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

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
Held-for-trading financial assets		
Negotiable certificates of deposits	$ -	$ 237,642,004
Commercial paper	-	54,287,282
Currency swap contracts	-	3,038,019
Interest rate swap contracts	-	1,098,268
Currency option contracts	-	630,142
Forward contracts	-	443,540
Listed stocks	-	267,693
Bank debentures	-	88,659
Futures exchange margins	-	35,563
Non-deliverable forward contracts	-	17,135
Metal commodity swap contracts	-	11,441
Cross-currency swap contracts	-	148
	-	297,559,894
Financial assets designated as at fair value through profit or loss		
Corporate bonds	-	59,110,659
Bank debentures	-	49,740,994
Overseas government bonds	-	1,558,914
	-	110,410,567

(Continued)

	December 31	
	2018	2017
Financial assets mandatorily classified as at fair value through profit or loss		
Negotiable certificates of deposits	280,550,446	-
Commercial paper	50,697,502	-
Corporate bonds	66,809,958	-
Bank debentures	66,773,345	-
Listed stocks	361,445	-
Currency swap contracts	4,528,238	-
Interest rate swap contracts	1,144,186	-
Currency option contracts	635,170	
Forward contracts	266,692	-
Futures exchange margins	53,602	-
Non-deliverable forward contracts	42,808	-
Cross-currency swap contracts	10,697	-
Metal commodity swap contracts	404	-
Credit default swap contracts	54	-
	471,874,547	-
	$ 471,874,547	$ 407,970,461
Held-for-trading financial liabilities		
Interest rate swap contracts	$ 2,735,167	$ 926,432
Currency swap contracts	2,040,257	3,125,175
Currency option contracts	679,429	867,889
Forward contracts	268,393	296,093
Non-deliverable forward contracts	40,813	16,793
Cross-currency swap contracts	6,138	63,193
Metal commodity swap contracts	-	4,854
	5,770,197	5,300,429
Financial liabilities designated as at fair value through profit or loss		
Bank debentures (Note 24)	44,258,039	37,773,748
Structured products	248,852	285,670
	44,506,891	38,059,418
	$ 50,277,088	$ 43,359,847

(Concluded)

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

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

	December 31	
	2018	2017
Currency swap contracts	$ 577,726,058	$ 471,503,214
Currency option contracts	106,997,086	93,223,864
Interest rate swap contracts	102,273,937	59,141,164
Forward contracts	26,179,084	26,408,762
Non-deliverable forward contracts	4,648,966	802,163
Cross-currency swap contracts	4,339,105	910,525
Metal commodity swap contracts	18,812	244,232
Credit default swap contracts	34,530	-

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

		December 31, 2018			
		Open Position			
Items	Products	Buy/Sell	Number of Contracts	Contract Amounts or Premium Paid (Charged)	Fair Values
Futures contracts	Commodity future	Buy	30	$ 139,384	$ 138,042
	Commodity future	Sell	28	133,323	128,795
	Interest rate future	Buy	150	3,167,014	3,176,517
	Interest rate future	Sell	200	5,973,573	5,990,015

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

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

	December 31, 2018
Investments in equity instruments at FVTOCI	$ 6,421,118
Investments in debt instruments at FVTOCI	176,785,307
	$ 183,206,425

a. Investments in equity instruments at FVTOCI

	December 31, 2018
Listed shares	$ 5,493,425
Unlisted shares	927,693
	$ 6,421,118

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

In 2018, the Company sold shares of stocks for $1,084,573 thousand for the return on investment positions and risk management. The related other equity - unrealized loss on financial assets at FVTOCI of $192,465 thousand was transferred to retained earnings.

Dividends income of $363,563 thousand were recognized in profit or loss for the year ended December 31, 2018. The dividends related to investments held at the end of the reporting period were $318,217 thousand.

b. Investments in debt instruments at FVTOCI

	December 31, 2018
Bank debentures	$ 90,543,845
Government bonds	59,774,281
Corporate bonds	22,698,299
Overseas bonds	450,181
Negotiable certificates of deposit	2,293,744
Discounted note	1,024,957
	$ 176,785,307

1) As of December 31, 2018, the investments in debt instruments at FVTOCI, which amounted to $11,839,947 thousand, had been sold under repurchase agreements.

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

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

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST - 2018

	December 31, 2018
Overseas bonds	$ 5,441,147
Bank debentures	2,339,671
Corporate bonds	308,244
Overseas certificates of deposits	76,832
	8,165,894
Less: Allowance for impairment loss	(890)
	$ 8,165,004

As of December 2018, the investments in debt instruments at amortized cost, which amounted to $1,059,315 thousand, had been sold under repurchase agreements.

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

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

11. RECEIVABLES, NET

	December 31	
	2018	2017
Receivables on credit cards	$ 64,606,766	$ 60,787,798
Accounts receivable factored without recourse	13,442,092	15,036,201
Accrued interest	4,421,148	3,716,759
Accounts receivable	1,785,903	2,221,198
Acceptances	1,440,849	2,051,400
Others	1,637,135	1,340,683
	87,333,893	85,154,039
Less: Allowance for possible losses	(2,016,973)	(2,024,181)
	$ 85,316,920	$ 83,129,858

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

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

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

<table>
<tr><th colspan="2" rowspan="2">Items</th><th colspan="2">December 31, 2017</th></tr>
<tr><th>Receivables</th><th>Allowance for Possible Losses</th></tr>
<tr><td rowspan="2">With objective evidence of impairment</td><td>Assessment for individual impairment</td><td>$ 429,195</td><td>$ 88,385</td></tr>
<tr><td>Assessment for collective impairment</td><td>2,092,360</td><td>628,509</td></tr>
<tr><td>With no objective evidence of impairment</td><td>Assessment for collective impairment</td><td>80,178,126</td><td>1,307,287</td></tr>
<tr><td colspan="2">Total</td><td>82,699,681</td><td>2,024,181</td></tr>
</table>

The changes in allowance for possible losses and gross carrying amount of receivables for the year ended December 31, 2018 were as follows:

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 105,551	$ 26,465	$ 823,947	$ 955,963	$ 1,069,242	$ 2,025,205
Changes of financial instruments recognized at the beginning of the current year						
Transfers to						
Lifetime ECL	(233)	567	(334)	-	-	-
Credit-impaired financial assets	(1,661)	(9,184)	10,845	-	-	-
12-month ECL	10,866	(7,582)	(3,284)	-	-	-
Derecognition of financial assets in the current year	(6,062)	(9,024)	(70,028)	(85,114)	-	(85,114)
New financial assets purchased or originated	13,225	1,065	384,118	398,408	-	398,408
Difference of impairment loss under regulations	-	-	-	-	(221,964)	(221,964)
Write-offs	-	-	(852,538)	(852,538)	-	(852,538)
Recovery of written-off receivables	-	-	489,916	489,916	-	489,916
Change in model or risk parameters	(12,220)	20,419	236,105	244,304	-	244,304
Change in exchange rates or others	70	8	(12,026)	(11,948)	30,704	18,756
Balance at December 31, 2018	$ 109,536	$ 22,734	$ 1,006,721	$ 1,138,991	$ 877,982	$ 2,016,973

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 80,294,864	$ 2,469,906	$ 2,389,269	$ 85,154,039
Transfers to				
Lifetime ECL	(125,836)	127,224	(1,388)	-
Credit-impaired financial assets	(659,017)	(57,083)	716,100	-
12-month ECL	99,374	(90,387)	(8,987)	-
Derecognition of financial assets in the current year	(16,219,278)	(2,314,514)	(101,516)	(18,635,308)
New financial assets purchased or originated	20,761,681	61,550	844,797	21,668,028
Write-offs	-	-	(852,538)	(852,538)
Change in exchange rates or others	(727)	252	147	(328)
Balance at December 31, 2018	$ 84,151,061	$ 196,948	$ 2,985,884	$ 87,333,893

The changes in allowance for possible losses for the year ended December 31, 2017 were as follows:

	For the Year Ended December 31, 2017
Balance, January 1	$ 1,852,786
Provision for possible losses	461,099
Write-offs	(728,890)
Recovery of written-off receivables	482,984
Effects of exchange rate changes and other changes	(43,798)
Balance, December 31	$ 2,024,181

12. DISCOUNTS AND LOANS, NET

	December 31	
	2018	2017
Loans		
Short-term	$ 297,266,947	$ 288,611,551
Medium-term	331,187,808	300,039,994
Long-term	717,060,406	632,517,129
Overdue loans	2,390,377	2,433,082
Bills negotiated and discounts	2,365,176	2,991,996
	1,350,270,714	1,226,593,752
Less: Allowance for possible losses	(16,865,753)	(15,366,436)
Less: Adjustment of premium or discount	(127,692)	(156,041)
	$ 1,333,277,269	$ 1,211,071,275

As of December 31, 2018 and 2017, the loan and credit balances of the Bank, for which the accrual of interest revenues was discontinued, amounted to $2,107,074 thousand and $2,100,884 thousand, respectively. The unrecognized interest revenues on these loans and credits of the Bank were $47,558 thousand and $35,211 thousand for the years ended December 31, 2018 and 2017, respectively.

The allowances for possible losses of discounts and loans assessed for impairment as of December 31, 2018 and 2017 were as follows:

Items		December 31, 2017	
		Discounts and Loans	Allowance for Possible Losses
With objective evidence of impairment	Assessment for individual impairment	$ 3,326,059	$ 1,153,393
	Assessment for collective impairment	4,677,777	1,668,516
With no objective evidence of impairment	Assessment for collective impairment	1,218,589,916	12,544,527
Total		1,226,593,752	15,366,436

The changes in allowance for possible losses and gross carrying amount of discount and loans for the year ended December 31, 2018 were as follows:

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 844,210	$ 637,296	$ 3,325,298	$ 4,806,804	$ 10,559,632	$ 15,366,436
Changes of financial instruments recognized at the beginning of the current year						
Transfers to						
Lifetime ECL	(5,344)	28,958	(23,614)	-	-	-
Credit-impaired financial assets	(2,757)	(28,369)	31,126	-	-	-
12-month ECL	547,311	(461,805)	(85,506)	-	-	-
Derecognition of financial assets in the current year	(350,841)	(117,913)	(398,312)	(867,066)	-	(867,066)
New financial assets purchased or originated	498,025	16,435	508,363	1,022,823	-	1,022,823
Difference of impairment loss under regulations	-	-	-	-	1,511,952	1,511,952
Write-offs	-	-	(2,524,665)	(2,524,665)	-	(2,524,665)
Recovery of written-off credits	-	-	1,228,466	1,228,466	-	1,228,466
Change in model or risk parameters	(708,421)	18,174	1,769,541	1,079,294	-	1,079,294
Change in exchange rates or others	(1,104)	59	(747)	(1,792)	50,305	48,513
Balance at December 31, 2018	$ 821,079	$ 92,835	$ 3,829,950	$ 4,743,864	$ 12,121,889	$ 16,865,753

Gross Carrying Amount	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 1,170,145,601	$ 47,877,032	$ 8,571,119	$ 1,226,593,752
Transfers to				
Lifetime ECL	(2,774,973)	2,875,482	(100,509)	-
Credit-impaired financial assets	(3,049,270)	(1,711,665)	4,760,935	-
12-month ECL	35,423,344	(35,021,328)	(402,016)	-
Derecognition of financial assets in the current year	(486,995,168)	(9,833,596)	(1,984,074)	(498,812,838)
New financial assets purchased or originated	623,302,057	644,584	962,172	624,908,813
Write-offs	-	-	(2,524,665)	(2,524,665)
Change in exchange rates or others	103,718	1,493	441	105,652
Balance at December 31, 2018	$ 1,336,155,309	$ 4,832,002	$ 9,283,403	$ 1,350,270,714

The changes in allowance for possible losses for the year ended December 31, 2017 were as follows:

	For the Year Ended December 31, 2017
Balance, January 1	$ 14,730,154
Provision for possible losses	3,348,067
Write-offs	(3,304,151)
Recovery of written-off credits	678,507
Effects of exchange rate changes and other changes	(86,141)
Balance, December 31	$ 15,366,436

The bad-debt expenses and provision for losses on commitments and guarantees for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	**2017**
Provision for possible losses on due from banks	$ 6,353	$ -
Provision (reversal of provision) for possible losses on call loans to other banks	(19,164)	53,655
Provision for possible losses on receivables	335,634	461,099
Provision for possible losses on discounts and loans	2,747,003	3,348,067
Reversal of provision for possible losses on remittance	-	(43)
Provision for possible losses on guarantees	85,605	6,163
Provision for possible losses on financing commitments	53,784	-
	$ 3,209,215	$ 3,868,941

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

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31, 2017
Bank debentures	$ 84,110,009
Government bonds	58,640,004
Corporate bonds	20,110,812
Listed stocks	6,089,816
Overseas bonds	1,253,997
	$ 170,204,638

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

14. HELD-TO-MATURITY FINANCIAL ASSETS, NET

	December 31, 2017
Overseas bonds	$ 1,871,918
Bank debentures	1,132,275
Overseas certificates of deposits	74,620
	$ 3,078,813

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

15. OTHER FINANCIAL ASSETS, NET

	December 31	
	2018	2017
Due from banks	$ 12,051,606	$ 8,291,918
Debt instruments with no active market-bank debentures	-	596,960
Financial assets carried at cost, net	-	537,515
	$ 12,051,606	$ 9,426,393

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

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

16. PROPERTIES AND EQUIPMENT, NET

	December 31	
	2018	2017
Carrying amount		
Land	$ 14,417,236	$ 13,987,410
Buildings	10,474,749	9,507,383
Computers	2,379,333	1,975,247
Transportation equipment	351,130	324,236
Miscellaneous equipment	1,303,721	1,112,706
Prepayments for properties and equipment	3,023,332	651,632
	$ 31,949,501	$ 27,558,614

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Prepayments	Total
Cost							
Balance, January 1, 2018	$ 13,987,410	$ 13,186,065	$ 4,817,154	$ 809,813	$ 3,067,041	$ 651,632	$ 36,519,115
Addition	465,502	981,226	902,643	82,195	438,735	2,949,625	5,819,926
Disposal	(34,862)	(38,009)	(110,545)	(20,812)	(93,836)	-	(298,064)
Net exchange difference	7,773	(12,768)	(740)	1,285	6,140	146	1,836
Reclassification and others	(8,587)	487,095	1,869	2	-	(578,071)	(97,692)
Balance, December 31, 2018	$ 14,417,236	$ 14,603,609	$ 5,610,381	$ 872,483	$ 3,418,080	$ 3,023,332	$ 41,945,121
Cost							
Balance, January 1, 2017	$ 13,278,624	$ 10,409,031	$ 4,301,117	$ 709,785	$ 2,874,095	$ 2,242,411	$ 33,815,063
Addition	640,834	1,129,414	547,633	133,230	304,607	488,536	3,244,254
Disposal	-	-	(46,622)	(41,456)	(155,521)	-	(243,599)
Net exchange difference	(21,628)	(17,788)	(9,829)	(4,714)	(25,830)	(19,418)	(99,207)
Reclassification and others	89,580	1,665,408	24,855	12,968	69,690	(2,059,897)	(197,396)
Balance, December 31, 2017	$ 13,987,410	$ 13,186,065	$ 4,817,154	$ 809,813	$ 3,067,041	$ 651,632	$ 36,519,115

	Land	Buildings	Computers	Transportation Equipment	Miscellaneous Equipment	Total
Accumulated depreciation and impairment						
Balance, January 1, 2018	$ -	$ (3,678,682)	$ (2,841,907)	$ (485,577)	$ (1,954,335)	$ (8,960,501)
Disposal	-	27,335	107,815	20,812	92,803	248,765
Depreciation expenses	-	(474,428)	(496,286)	(55,383)	(249,542)	(1,275,639)
Net exchange difference	-	102	(670)	(1,205)	(3,285)	(5,058)
Reclassification and others	-	(3,187)	-	-	-	(3,187)
Balance, December 31, 2018	$ -	$ (4,128,860)	$ (3,231,048)	$ (521,353)	$ (2,114,359)	$ (9,995,620)
Balance, January 1, 2017	$ -	$ (3,293,520)	$ (2,435,662)	$ (477,480)	$ (1,823,020)	$ (8,029,682)
Disposal	-	-	46,605	41,455	123,669	211,729
Depreciation expenses	-	(388,148)	(458,596)	(52,667)	(263,683)	(1,163,094)
Net exchange difference	-	2,029	4,946	3,115	8,699	18,789
Reclassification and others	-	957	800	-	-	1,757
Balance, December 31, 2017	$ -	$ (3,678,682)	$ (2,841,907)	$ (485,577)	$ (1,954,335)	$ (8,960,501)

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

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

17. INVESTMENT PROPERTIES, NET

	December 31 2018	December 31 2017
Land	$ 372,223	$ 342,425
Buildings	1,820,707	1,894,564
	$ 2,192,930	$ 2,236,989

	Land	Buildings	Total
Cost			
Balance, January 1, 2018	$ 342,425	$ 1,984,850	$ 2,327,275
Net exchange difference	-	(42,377)	(42,377)
Reclassification	29,802	16,140	45,942
Balance, December 31, 2018	$ 372,227	$ 1,958,613	$ 2,330,840
Balance, January 1, 2017	$ 327,898	$ 2,004,353	$ 2,332,251
Net exchange difference	(1,553)	(17,809)	(19,362)
Reclassification	16,080	(1,694)	14,386
Balance, December 31, 2017	$ 342,425	$ 1,984,850	$ 2,327,275
Accumulated depreciation and impairment			
Balance, January 1, 2018	$ -	$ (90,286)	$ (90,286)
Depreciation expenses	-	(53,031)	(53,031)
Impairment losses	(4)	(145)	(149)
Net exchange difference	-	2,369	2,369
Reclassification	-	3,187	3,187
Balance, December 31, 2018	$ (4)	$ (137,906)	$ (137,910)
Balance, January 1, 2017	$ (11)	$ (36,452)	$ (36,463)
Depreciation expenses	-	(52,594)	(52,594)
Reversal of impairment losses	11	334	345
Net exchange difference	-	(617)	(617)
Reclassification	-	(957)	(957)
Balance, December 31, 2017	$ -	$ (90,286)	$ (90,286)

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

As of December 31, 2018 and 2017, the fair values of investment properties were $3,261,608 thousand, and $3,360,214 thousand, respectively. The fair values were based on the valuation of discounted cash flow analysis method from external real estate appraiser joint firm (that were not the Company's related parties), and the comparison of price of the comparable property from external appraisal company and the Company's appraisal center.

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

	For the Year Ended December 31	
	2018	2017
Rental income from investment properties	$ 80,292	$ 63,786
Direct operating expenses of investment properties that generate rental income	(55,117)	(50,129)
Direct operating expenses of investment properties that do not generate rental income	(574)	(15,314)
	$ 24,601	$ (1,657)

18. INTANGIBLE ASSETS, NET

	December 31 2018	December 31 2017
Goodwill	$ 4,487,600	$ 4,469,844
Computer software	976,598	1,054,890
Banking licenses	490,253	476,135
Core deposits	24,581	63,151
Developed technology	43,782	49,255
Customer relationship	22,734	25,441
	$ 6,045,548	$ 6,138,716

	Goodwill	Computer Software	Banking Licenses	Core Deposits	Developed Technology	Customer Relationship	Total
Balance, January 1, 2018	$ 4,469,844	$ 1,054,890	$ 476,135	$ 63,151	$ 49,255	$ 25,441	$ 6,138,716
Separate acquisition	-	428,238	-	-	-	-	428,238
Amortization expenses	-	(545,810)	-	(38,980)	(5,473)	(2,707)	(592,970)
Reclassification	-	40,200	-	-	-	-	40,200
Net exchange difference	17,756	(920)	14,118	410	-	-	31,364
Balance, December 31, 2018	$ 4,487,600	$ 976,598	$ 490,253	$ 24,581	$ 43,782	$ 22,734	$ 6,045,548
Balance, January 1, 2017	$ 4,518,619	$ 918,975	$ 514,915	$ 126,950	$ 54,727	$ 28,149	$ 6,162,335
Separate acquisition	-	453,114	-	-	-	-	453,114
Amortization expenses	-	(495,270)	-	(57,531)	(5,472)	(2,708)	(560,981)
Reclassification	-	182,210	-	-	-	-	182,210
Net exchange difference	(48,775)	(4,139)	(38,780)	(6,268)	-	-	(97,962)
Balance, December 31, 2017	$ 4,469,844	$ 1,054,890	$ 476,135	$ 63,151	$ 49,255	$ 25,441	$ 6,138,716

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

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

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

19. OTHER ASSETS, NET

	December 31	
	2018	2017
Refundable deposits, net	$ 4,497,707	$ 3,216,828
Prepaid expenses	222,408	267,473
Others	94,260	62,940
	$ 4,814,375	$ 3,547,241

20. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2018	2017
Call loans from banks	$ 63,712,441	$ 59,546,987
Due to banks	3,638,576	1,929,380
Deposits from Chunghwa Post Co., Ltd.	2,687,937	2,972,032
Call loans from the Central Bank	1,536,650	1,790,880
Banks overdrafts	374,082	387,339
Due to the Central Bank	273,334	25,597
	$ 72,223,020	$ 66,652,215

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for $12,526,789 thousand and $12,200,468 thousand under repurchase agreements as of December 31, 2018 and 2017, respectively, would subsequently be purchased for $12,572,637 thousand and $12,243,835 thousand, respectively.

22. PAYABLES

	December 31	
	2018	2017
Checks for clearing	$ 8,685,830	$ 10,495,503
Accrued expenses	3,852,931	3,827,710
Accrued interest	3,560,552	2,393,252
Factored accounts payable	2,351,823	1,981,765
Acceptances	1,482,874	2,074,754
Accounts payable	913,026	1,354,121
Payable on credit cards	614,995	512,962
Collections payable	340,101	608,050
Tax payable	334,201	304,187
Others	2,368,769	2,854,690
	$ 24,505,102	$ 26,406,994

23. DEPOSITS AND REMITTANCES

	December 31	
	2018	2017
Deposits		
Checking	$ 15,905,628	$ 15,902,709
Demand	463,539,893	467,668,455
Savings - demand	508,532,868	488,482,280
Time	588,044,997	458,858,749
Negotiable certificates of deposits	11,219,755	1,856,070
Savings - time	288,840,651	269,859,324
Treasury deposits	10,765,922	9,444,465
Remittances	808,573	1,103,300
	$ 1,887,658,287	$ 1,713,175,352

24. BANK DEBENTURES

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

	December 31	
	2018	2017
Subordinated bonds issued on May 24, 2011; 1.73% interest payable annually; principal repayable on maturity (7 years after the issue date).	$ -	$ 2,100,000
Subordinated bonds issued on October 28, 2011; 1.80% interest payable annually; principal repayable on maturity (7 years after the issue date).	-	2,900,000
Subordinated bonds issued on April 27, 2012; 1.58% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,280,000	2,280,000
Subordinated bonds issued on June 28, 2012; 1.68% interest payable annually; principal repayable on maturity (10 years after the issue date).	2,720,000	2,720,000
Two types of subordinated bonds issued on August 27, 2012; interest rate at (a) 1.50% for type A bond and (b) 1.62% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	8,000,000	8,000,000
Two types of subordinated bonds issued on May 24, 2013; interest rate at (a) 1.55% for type A bond and (b) 1.70% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	2,300,000	2,300,000
Subordinated bonds issued on August 28, 2013; 1.75% interest payable annually; principal repayable on maturity (7 years after the issue date).	2,700,000	2,700,000

(Continued)

	December 31	
	2018	2017
Two types of subordinated bonds issued on December 19, 2013; interest rate at (a) 1.75% for type A bond and (b) 1.85% for type B bond; interest payable annually for both bond types; principal repayable on maturity (5.5 years for type A bond and 7 years for type B bond after the issue date).	$ 1,500,000	$ 1,500,000
Two types of subordinated bonds issued on March 7, 2014; interest rate at (a) 1.80% for type A bond and (b) 1.95% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	3,500,000	3,500,000
Two types of subordinated bonds issued on April 30, 2015; interest rate at (a) 1.80% for type A bond and (b) 2.10% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	5,000,000	5,000,000
Two types of subordinated bonds issued on September 29, 2015; interest rate at (a) 1.65% for type A bond and (b) 2.00% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	3,750,000	3,750,000
Two types of subordinated bonds issued on March 30, 2018; interest rate at (a) 1.30% for type A bond and (b) 1.55% for type B bond; interest payable annually for both bond types; principal repayable on maturity (7 years for type A bond and 10 years for type B bond after the issue date).	4,000,000	-
Bonds issued on April 24, 2018; interest rate at 0.66%; interest payable annually; principal repayable on maturity (2 years after the issue date).	1,100,000	-
	$ 36,850,000	$ 36,750,000

(Concluded)

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

	December 31	
	2018	2017
Unsecured USD-denominated subordinated bonds issued on May 27, 2015	$ 3,065,878	$ 2,884,604
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on May 27, 2015	2,353,576	2,430,415
Unsecured USD-denominated subordinated bonds issued on October 28, 2015	2,250,454	2,158,563
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on October 28, 2015	1,239,340	1,310,496
Unsecured USD-denominated subordinated bonds issued on January 22, 2016	8,323,252	8,134,900
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on January 22, 2016	6,711,081	6,777,596

(Continued)

	December 31	
	2018	2017
Unsecured USD-denominated subordinated bonds issued on June 6, 2016	$ 2,979,170	$ 2,799,052
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on June 6, 2016	2,704,771	2,719,679
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on December 29, 2016	2,677,115	2,786,618
Unsecured USD-denominated bonds issued on May 19, 2017	1,766,846	1,745,022
Unsecured USD-denominated bonds issued on November 21, 2017	4,026,898	4,026,803
Unsecured noncumulative perpetual USD-denominated subordinated bonds issued on February 12, 2018	6,159,658	-
	$ 44,258,039	$ 37,773,748

(Concluded)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On March 13, 2019, the Bank issued unsecured bank debentures amounting to US$10,000 thousand with a 10-year maturity and with a 3.8% interest payable annually on March 13. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after three months from the issue date and each three months afterward, or make bond repayments on the maturity date.

As of the date of the consolidated financial statements were authorized for issue, debentures amounting to US$190,000 thousand had not yet been issued.

25. OTHER FINANCIAL LIABILITIES

	December 31 2018	December 31 2017
Principal of structured products	$ 22,187,234	$ 3,949,340
Guarantee deposits received	1,960,517	396,210
Long-term borrowing	369,094	1,253,949
Financial products	-	350,240
	$ 24,516,845	$ 5,949,739

26. PROVISIONS

	December 31 2018	December 31 2017
Loan commitments	$ 316,855	$ -
Provision for employee benefits	256,227	320,215
Provision for losses on guarantees	218,541	129,547
Others	32,750	25,073
	$ 824,373	$ 474,835

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

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

The changes in provision for losses on guarantees and financing commitments for the year ended December 31, 2018 are summarized below:

Allowance for Possible Losses	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 249,190	$ 14,573	$ 6,306	$ 270,069	$ 123,732	$ 393,801
Changes of financial instruments recognized at the beginning of the current reporting period						
Transfers to						
Lifetime ECL	(52)	53	(1)	-	-	-
Credit-impaired financial instruments	(122)	(52)	174	-	-	-
12-month ECL	13,547	(13,285)	(262)	-	-	-
Derecognition of financial instruments in the current reporting period	(88,877)	(1,102)	(3,818)	(93,797)	-	(93,797)
New financial instruments purchased or originated	105,218	95	146	105,459	-	105,459
Difference of impairment loss under regulations	-	-	-	-	160,542	160,542
Change in model or risk parameters	(34,311)	1,338	158	(32,815)	-	(32,815)
Change in exchange rates or others	(75)	-	-	(75)	2,281	2,206
Balance at December 31, 2018	$ 244,518	$ 1,620	$ 2,703	$ 248,841	$ 286,555	$ 535,396

27. POST-EMPLOYMENT BENEFIT PLAN

a. Defined contribution plan

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

The Company recognized expenses of $316,155 thousand and $351,444 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017, respectively, in accordance with the defined contribution plan.

b. Defined benefit plan

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

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

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

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

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 1,921,235	$ 1,857,580
Fair value of plan assets	(1,665,008)	(1,537,365)
Net defined benefit liability (part of provision for employee benefits)	$ 256,227	$ 320,215

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Total
Balance at January 1, 2017	$ 1,734,591	$ (1,465,148)	$ 269,443
Service cost			
Current service cost	22,909	-	22,909
Net interest expense (income)	29,201	(24,916)	4,285
Recognized in profit or loss	52,110	(24,916)	27,194
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(76,560)	(76,560)
Actuarial loss - changes in financial assumptions	87,998	-	87,998
Actuarial loss - experience adjustments	41,345	-	41,345
Recognized in other comprehensive income	129,343	(76,560)	52,783
Contributions from the employer	-	(29,205)	(29,205)
Benefits paid	(58,464)	58,464	-
Balance at December 31, 2017	1,857,580	(1,537,365)	320,215
Service cost			
Current service cost	23,319	-	23,319
Net interest expense (income)	24,827	(20,724)	4,103
Recognized in profit or loss	48,146	(20,724)	27,422
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(127,870)	(127,870)
Actuarial loss - changes in financial assumptions	62,747	-	62,747
Actuarial loss - experience adjustments	3,297	-	3,297
Recognized in other comprehensive income	66,044	(127,870)	(61,826)
Contributions from the employer	-	(29,584)	(29,584)
Benefits paid	(50,535)	50,535	-
Balance at December 31, 2018	$ 1,921,235	$ (1,665,008)	$ 256,227

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

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

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

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

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

	December 31	
	2018	**2017**
Discount rate	0.75%-1.10%	1.00%-1.35%
Expected rates of return on plan assets	1.10%	1.35%
Expected rates of future salary increase	2.50%-3.00%	2.50%-3.00%

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

	December 31	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (62,733)	$ (63,481)
0.25% decrease	$ 65,516	$ 66,398
Expected rate(s) of salary increase		
0.25% increase	$ 63,235	$ 64,311
0.25% decrease	$ (60,920)	$ (61,856)

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

As of December 31, 2018 and 2017, the expected contributions to the plan for the next year were $28,303 thousand and $28,316 thousand, respectively; the average durations of the defined benefit obligation were 6 to 13.52 years and 7 to 14.15 years, respectively.

28. OTHER LIABILITIES

	December 31	
	2018	**2017**
Advance receipts	$ 1,800,374	$ 1,471,482
Deferred revenue	662,574	554,434
Others	3,857	3,941
	$ 2,466,805	$ 2,029,857

29. NET INTEREST

	For the Year Ended December 31	
	2018	2017
Interest revenue		
From discounts and loans	$ 29,301,826	$ 25,975,267
From investments	3,705,145	3,148,720
From revolving interests of credit cards	2,077,081	1,977,215
From due from banks and call loans to banks	1,532,128	1,324,966
Others	387,497	230,566
	37,003,677	32,656,734
Interest expense		
From deposits	(13,933,034)	(10,260,122)
From due to the Central Bank and other banks	(1,820,803)	(1,299,786)
From issuing bank debentures	(667,599)	(706,865)
Others	(550,939)	(375,125)
	(16,972,375)	(12,641,898)
	$ 20,031,302	$ 20,014,836

30. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2018	2017
Service fee income		
From credit cards	$ 6,077,629	$ 5,732,714
From insurance	4,408,206	4,068,879
From trust business	3,388,090	3,429,709
From loans	1,388,528	1,440,767
Others	2,028,768	1,982,635
	17,291,221	16,654,704
Service charge		
From agency	(815,079)	(731,149)
From cross-bank transactions	(349,597)	(336,753)
From computer processing	(244,233)	(217,635)
Others	(523,654)	(465,771)
	(1,932,563)	(1,751,308)
	$ 15,358,658	$ 14,903,396

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

	For the Year Ended December 31, 2018				
	Dividend Revenue	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Financial assets mandatorily classified as at fair value through profit or loss	$ 41,156	$ 7,171,782	$ 31,644,900	$ 1,330,527	$ 40,188,365
Held-for-trading financial liabilities	-	-	(20,995,008)	(561,746)	(21,556,754)
Financial liabilities designated as at fair value through profit or loss	-	(2,075,466)	(8,358)	1,897,502	(186,322)
	$ 41,156	$ 5,096,316	$ 10,641,534	$ 2,666,283	$ 18,445,289

	For the Year Ended December 31, 2017				
	Dividend Revenue	Interest Revenue (Expense)	Gain (Loss) on Disposal	Gain (Loss) on Valuation	Total
Held-for-trading financial assets	$ 16,497	$ 1,452,057	$ 14,868,474	$ (1,003,901)	$ 15,333,127
Financial assets designated as at fair value through profit or loss	-	4,204,392	158,375	3,183	4,365,950
Held-for-trading financial liabilities	-	-	(17,471,329)	969,105	(16,502,224)
Financial liabilities designated as at fair value through profit or loss	-	(1,622,662)	465	(563,596)	(2,185,793)
	$ 16,497	$ 4,033,787	$ (2,444,015)	$ (595,209)	$ 1,011,060

32. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2018	2017
Employee benefits		
Salaries	$ 9,378,156	$ 9,037,894
Insurance	633,027	608,994
Excessive interest from preferential rates	182,367	176,596
Post-employment benefits	343,577	378,638
Others	498,370	517,896
Depreciation expenses	1,328,670	1,215,688
Amortization expenses	595,688	564,965

Under the Articles of Incorporation of the Bank, the Bank accrued employees' compensation and remuneration of directors at the rates 3% and no higher than 0.6%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors (after offsetting accumulated deficit). Accrued employees' compensation were $614,187 thousand and $508,282 thousand in 2018 and 2017, respectively; and the remuneration of directors were $104,000 thousand and $86,000 thousand in 2018 and 2017, respectively.

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

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

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

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

The employees' compensation to employees and the remuneration of directors for 2018, which were approved by the Bank's board of directors on March 15, 2019, were as follows:

	2018
Employees' compensation - cash	$ 614,192
Remuneration of directors - cash	104,000

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

33. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
Current period	$ 2,702,138	$ 2,824,230
Additional 10% income tax on unappropriated earnings	3,443	1,245
Prior year's adjustments	(4,897)	(14,067)
	2,700,684	2,811,408
Deferred tax		
Current period	479,246	(635,071)
Prior year's adjustments	-	(8,641)
Effect of change in tax rate	24,435	-
	503,681	(643,712)
Income tax expense recognized in profit or loss	$ 3,204,365	$ 2,167,696

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

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 20,327,775	$ 16,953,298
Income tax expense calculated at the statutory rate	$ 4,065,555	$ 2,882,061
Nondeductible expenses in determining taxable income	37,124	115,099
Tax-exempt income	(1,180,505)	(974,444)
Additional 10% income tax on unappropriated earnings	3,443	1,245
Unrecognized deductible temporary differences	172,018	61,643
Effect of different tax rate of overseas branches operating in other jurisdictions	87,192	104,800
Effect of change in tax rate	24,435	-
Adjustments for prior year's income tax	(4,897)	(22,708)
Income tax expense recognized in profit or loss	$ 3,204,365	$ 2,167,696

In 2017, the applicable corporate income tax rate used by the Company in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

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

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Effect of change in tax rate	$ (32,025)	$ -
In respect of the current period		
Income tax relating to items that will not be reclassified subsequently to profit or loss		
Fair value changes of financial assets at fair value through other comprehensive income	3,390	-
Remeasurement of defined benefit plans	8	(34)
Income tax relating to items that may be reclassified subsequently to profit or loss		
Exchange differences on the translation of financial statements of foreign operations	73,131	(149,638)
Fair value changes of financial assets in debt instruments at fair value through other comprehensive income	(23,603)	-
Unrealized gains or losses on available-for-sale financial assets	-	50,824
Income tax expense (benefit) recognized in other comprehensive income	$ 20,901	$ (98,848)

c. Current tax assets and liabilities

	December 31	
	2018	**2017**
Current tax assets		
Prepaid taxes	$ 11,644	$ 5,054
Current tax liabilities		
Consolidated tax return payables	$ 566,329	$ 1,202,813
Income tax payable	314,247	179,373
	$ 880,576	$ 1,382,186

d. Deferred tax assets and liabilities

Movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
Deferred tax assets						
Temporary differences						
Financial instruments at fair value through profit or loss	$ 293,369	$ 220,865	$ -	$ (69)	$ -	$ 514,165
Investments in debt instruments at fair value through other comprehensive income	-	-	34,551	-	-	34,551
Allowance for possible losses	22,772	115,623	-	(527)	-	137,868
Available-for-sale financial assets	5,208	-	(5,185)	(23)	-	-
Other financial assets	1,003	177	-	-	-	1,180
Investment properties	-	29	-	-	-	29
Properties and equipment	5,833	(954)	-	22	-	4,901
Foreclosed collaterals	2,133	377	-	-	-	2,510
Other assets	107	19	-	-	-	126
Payable for annual leave	57,870	10,220	-	-	-	68,090
Other liabilities	31,314	15,004	-	-	-	46,318
Defined benefit plans	1,250	-	213	-	-	1,463
Exchange differences on foreign operations	180,225	-	(41,327)	-	-	138,898
Payable for long-term compensation of employees	1,254	4,966	-	-	-	6,220
Others	2,745	(100)	-	72	-	2,717
	605,083	366,226	(11,748)	(525)	-	959,036
Unused loss carryforward	321,295	(231,247)	-	4,226	-	94,274
	$ 926,378	$ 134,979	$ (11,748)	$ 3,701	$ -	$ 1,053,310
Deferred tax liabilities						
Temporary differences						
Available-for-sale financial assets	$ 75,480	$ -	$ (75,500)	$ 20	$ -	$ -
Properties and equipment	-	397	-	7	-	404
Financial instruments at fair value through profit or loss	-	544,351	-	-	-	544,351
Investments in debt instruments at fair value through other comprehensive income	-	-	79,464	(545)	-	78,919
Investments in equity instruments at fair value through other comprehensive income	-	-	5,189	36	-	5,225
Intangible assets	512,676	90,472	-	-	-	603,148
Unrealized foreign exchange gains	18,869	3,440	-	42	-	22,351
Provision of land revaluation increment tax	90,510	-	-	-	(6,523)	83,987
	$ 697,535	$ 638,660	$ 9,153	$ (440)	$ (6,523)	$ 1,338,385

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Others	Closing Balance
Deferred tax assets						
Temporary differences						
Financial instruments at fair value through profit or loss	$ 128,911	$ 164,458	$ -	$ -	$ -	$ 293,369
Allowance for possible losses	24,965	(320)	-	(1,873)	-	22,772
Available-for-sale financial assets	-	-	5,128	80	-	5,208
Other financial assets	1,003	-	-	-	-	1,003
Investment properties	57	(57)	-	-	-	-
Properties and equipment	3,844	2,027	-	(38)	-	5,833
Foreclosed collaterals	2,133	-	-	-	-	2,133
Other assets	107	-	-	-	-	107
Payable for annual leave	45,722	12,148	-	-	-	57,870
Other liabilities	26,285	5,029	-	-	-	31,314
Defined benefit plans	1,216	-	34	-	-	1,250
Exchange differences on foreign operations	30,587	-	149,638	-	-	180,225
Payable for long-term compensation of employees	-	1,254	-	-	-	1,254
Others	2,550	366	-	(171)	-	2,745
	267,380	184,905	154,800	(2,002)	-	605,083
Unused loss carryforward	156,326	176,159	-	(11,190)	-	321,295
	$ 423,706	$ 361,064	$ 154,800	$ (13,192)	$ -	$ 926,378
Deferred tax liabilities						
Temporary differences						
Available-for-sale financial assets	$ 19,607	$ 170	$ 55,952	$ (249)	$ -	$ 75,480
Properties and equipment	3,994	(3,763)	-	(231)	-	-
Financial instruments at fair value through profit or loss	270,621	(270,621)	-	-	-	-
Intangible assets	520,781	(8,105)	-	-	-	512,676
Unrealized foreign exchange gains	19,231	(329)	-	(33)	-	18,869
Provision of land revaluation increment tax	90,510	-	-	-	-	90,510
	$ 924,744	$ (282,648)	$ 55,952	$ (513)	$ -	$ 697,535

e. Unrecognized deferred tax assets

	December 31 2018	December 31 2017
Deductible temporary difference	$ 4,694,638	$ 4,393,728

f. The income tax returns through 2013 have been assessed by the tax authorities.

g. In 2017 and prior years, the parent company ESFHC issued shares to the employees of the Bank and the Bank accounted for the shares as salary expenses on share-based payments. However, the Bank excluded the salary expenses on share-based payments in its income tax returns to comply with the guidelines of the Ministry of Finance of the ROC (MOF) issued on April 20, 2011 and recognized the additional taxes derived from such transactions. On December 28, 2018, the MOF issued guidelines stating that if a company compensates the services of the employees of its subsidiary by issuing new shares or giving its own shares or other equity instruments, and the subsidiary measures and recognizes expenses for the services of the employees during the vesting period, the subsidiary can then recognize the expenses as salary expenses in the income tax returns. The Bank believes the MOF guidelines on December 28, 2018 are applicable to the shares issued by ESFHC to the employees of the Bank, and the shares should be accounted for as salary expenses in the income tax returns of the Bank. Accordingly, the Bank will file an administrative remedy or apply for tax authority's review and reassessment of the tax returns from 2010 to 2017 in view of the December 28, 2018 guidelines. While the final result is subject to the examination of the taxation administration, the Bank will continue to follow through the development of the issues and evaluate the impact on the taxation of the Bank.

34. EARNINGS PER SHARE

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

	Amount (Numerator)	Shares (Denominator in Thousands)	Earnings Per Share (Dollars)
For the year ended December 31, 2018			
Basic earnings per share			
Net income	$ 17,108,315	8,637,000	$ 1.98
For the year ended December 31, 2017			
Basic earnings per share			
Net income	$ 14,886,870	8,368,762	$ 1.78

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

Unit: NT$ Per Share

	For the Year Ended December 31, 2017	
	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 1.85	$ 1.78

35. EQUITY

a. Capital stock

Common stock

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

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

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

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

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

b. Capital surplus

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

Under the Articles of Incorporation of ESFHC, the employees of ESFHC's subsidiaries could be included in the distribution of employees' compensation. Thus, the Bank recognized the estimated distribution of shares to the Bank's employees under both salary expenses and capital surplus at $452,832 thousand and $370,239 thousand for the years ended December 31, 2018 and 2017, respectively. Material differences between the estimated amounts and the amounts approved by ESFHC's board of directors before the date the annual consolidated financial statements are authorized for issue are adjusted in the year which the amounts is recognized. If there is a change in the approved amounts after the annual consolidated financial statements were authorized for issue, the differences are recognized in the next fiscal year as a change in accounting estimate. The distributions of employees' stock compensation of 2017 and 2016 approved by the ESFHC's board of directors to the Bank's employees was $367,807 thousand and $345,844 thousand under both salary expenses and capital surplus, respectively. The differences resulted from a change in the accounting estimate was adjusted in profit or loss for the years ended December 31, 2018 and 2017, respectively.

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

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

c. Special reserve

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

According to Order No. 10510001510 issued by the FSC, a special reserve should be appropriated between 0.5% and 1% of net income after tax when banks appropriate earnings of 2016 through 2018. Since 2017, the Bank is allowed to reverse the special reserve at the amount of the costs of employee transfer and arrangement in connection with the development of financial technology. As of December 31, 2018, the special reserve, which amounted to $135,314 thousand, had been appropriated under the stipulation.

d. Appropriation of earnings

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

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

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

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

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

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

The appropriation of earnings for 2018 had been proposed by the Bank's board of directors on March 15, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 5,020,408	
Special reserve	83,673	
Cash dividends	7,514,402	$0.870
Share dividends	4,111,000	0.476

The appropriation of earnings for 2018 are subject to the resolution of the stockholders' meeting. Information on earnings appropriation or deficit offsetting is available at the website of the Taiwan Stock Exchange (http://emops.tse.com.tw).

e. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance, January 1	$ 113,231	$ 663,639
Cash dividends distributed by subsidiary	(5,175)	(9,315)
Acquisition of non-controlling interests of UCB (Note 45)	-	(404,619)
Attributable to non-controlling interests:		
Net income	15,095	(101,268)
Exchange differences on the translation of financial statement of foreign operations	82	(35,546)
Unrealized gains on available-for-sale financial assets	-	404
Remeasurement of defined benefit plans	96	(64)
Balance, December 31	$ 123,329	$ 113,231

36. RELATED-PARTY TRANSACTIONS

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

a. Related parties

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

b. Significant transactions between the Company and related parties

1) Loans

	Highest Balance (Note)	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended December 31, 2018				
Sister companies	$ 341,000	$ -	$ 12	
Key management	272,735	208,451	3,147	
Others	2,478,307	2,190,974	31,841	
	$ 3,092,042	$ 2,399,425	$ 35,000	1.38-2.10

	Highest Balance (Note)	Ending Balance	Interest Revenue	Interest Rate (%)
For the year ended December 31, 2017				
Sister companies	$ 479,500	$ -	$ 20	
Key management	247,834	221,070	2,861	
Others	2,106,260	1,967,374	27,200	
	$ 2,833,594	$ 2,188,444	$ 30,081	1.38-2.10

2) Deposits

	Highest Balance (Note)	Ending Balance	Interest Expense	Interest Rate (%)
For the year ended December 31, 2018				
ESFHC	$ 6,790,062	$ 386,336	$ 640	
Sister companies	3,073,188	1,599,449	10,740	
Key management	1,021,838	796,226	2,271	
Others	2,237,468	1,186,558	15,805	
	$ 13,122,556	$ 3,968,569	$ 29,456	0-6.62
For the year ended December 31, 2017				
ESFHC	$ 15,565,947	$ 120,902	$ 1,790	
Sister companies	3,813,992	1,748,078	10,465	
Key management	1,151,377	477,484	1,741	
Others	2,241,450	1,077,443	13,879	
	$ 22,772,766	$ 3,423,907	$ 27,875	0-6.62

Note: The sum of the respective highest balances of each account for the years ended December 31, 2018 and 2017.

	December 31	
	2018	2017
3) Accounts receivable (part of receivables)		
Sister companies	$ 9,812	$ 41,475
4) Interest receivable (part of receivables)		
Key management	$ 93	$ 105
Others	1,366	1,256
	$ 1,459	$ 1,361

	December 31	
	2018	2017
5) Refundable deposit (part of other assets)		
Sister companies	$ 1,086	$ 1,086
6) Prepaid expense (part of other assets)		
Sister companies	$ 2,131	$ 2,423
7) Payable (part of payables)		
Sister companies	$ 14,858	$ 15,626
8) Interest payable (part of payables)		
Parent company	$ 1	$ -
Sister companies	634	576
Key management	399	275
Others	1,472	1,127
	$ 2,506	$ 1,978
9) Remuneration of directors (part of payables)		
Parent company	$ 104,000	$ 86,000
10) Consolidated tax return payables (part of current tax liabilities)		
Parent company	$ 566,329	$ 1,202,813
11) Guarantee deposits received (part of other financial liabilities)		
Parent company	$ 1,472	$ 1,472
Sister companies	2,104	2,594
	$ 3,576	$ 4,066
12) Unearned revenue (part of other liabilities)		
Parent company	$ 534	$ 505
Sister companies	1,075	1,075
	$ 1,609	$ 1,580

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

	For the Year Ended December 31	
	2018	2017
13) Service fee income (part of service fee income, net)		
Parent company	$ -	$ 28
14) Rental revenue (part of other noninterest gains, net)		
Parent company	$ 6,214	$ 6,203
Sister companies	8,143	9,462
	$ 14,357	$ 15,665
15) Rental income from operating assets (part of other noninterest gains, net)		
Parent company	$ 218	$ 107
Sister companies	3,323	4,185
	$ 3,541	$ 4,292
16) Donation (part of general and administrative expenses)		
E.SUN Volunteer & Social Welfare Foundation	$ 77,733	$ 45,302
17) Other (part of employee benefits, general and administrative expenses)		
Parent company	$ 104,000	$ 86,000
Sister companies	14,618	14,539
	$ 118,618	$ 100,539

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

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

19) In August 2012, E.SUN Volunteer & Social Welfare Foundation entrusted some properties to the Bank. The Bank charged $209 thousand and $167 thousand (part of service fee income, net) accordingly for the years ended December 31, 2018 and 2017, respectively.

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

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

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

c. Compensation of key management

The compensation of the directors and other key management for the years ended December 31, 2018 and 2017 are summarized as follows:

	For the Year Ended December 31	
	2018	2017
Salaries and other short-term employment benefits	$ 304,368	$ 258,977
Post-employment benefits	2,401	2,203
Interest arising from the employees' preferential rates in excess of normal rates	672	661
	$ 307,441	$ 261,841

37. PLEDGED ASSETS

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

	December 31	
	2018	2017
Financial assets at fair value through profit or loss (face value)	$ 24,200,000	$ 24,200,000
Investments in debt instruments at amortized cost (face value)	2,175,927	-
Investments in debt instruments at fair value through other comprehensive income (face value)	1,118,976	-
Held-to-maturity financial assets (face value)	-	1,351,950
Available-for-sale financial assets (face value)	-	1,173,454
	$ 27,494,903	$ 26,725,404

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

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

(In Thousands of U.S. Dollars)

Date	Outstanding Loan Balance	Collateral Value
December 31, 2018	$ 26,000	$ 18,199
December 31, 2017	$ 35,860	$ 23,816

38. CONTINGENCIES AND COMMITMENTS

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

a. E.SUN Bank

1) Lease agreements on premises occupied by the Bank's branches are operating lease. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2018, refundable deposits on these leases totaled $617,668 thousand (part of refundable deposits). Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	$ 900,299	$ 883,030
Over one to five years	1,676,012	1,957,136
Over five years	66,429	25,766
	$ 2,642,740	$ 2,865,932

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31	
	2018	2017
Minimum lease payments	$ 810,383	$ 733,244
Contingent rentals	902	238
	$ 811,285	$ 733,482

2) Lease agreements on investment properties owned by the Bank and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly, quarterly or semiannually. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of December 31, 2018, refundable deposits on these leases totaled $5,122 thousand (part of guarantee deposits received). Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	$ 22,007	$ 18,136
Over one to five years	17,885	33,061
	$ 39,892	$ 51,197

3) As of December 31, 2018, agreements on the acquisition and decoration of buildings and various purchases related to the improvements of existing premises occupied by the Bank's branches amounted to approximately $8,391,329 thousand, and the remaining unpaid amount was approximately $5,489,479 thousand.

b. Union Commercial Bank (UCB)

1) Lease agreements on premises occupied by UCB are operating lease. As of December 31, 2018, refundable deposits on these leases totaled $13,861 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	$ 20,485	$ 15,419
Over one to five years	37,925	20,746
Over five years	10,280	63,636
	$ 68,690	$ 99,801

2) As of December 31, 2018, decoration of buildings and various purchases related to the improvements of existing premises occupied by UCB amounted to approximately $945,296 thousand, and the remaining unpaid amount was approximately $138,450 thousand.

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

1) Lease agreements on premises occupied by ESBC are operating lease. As of December 31, 2018, refundable deposits on these leases totaled $31,212 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	$ 141,813	$ 120,438
Over one to five years	288,252	292,746
Over five years	155,398	218,121
	$ 585,463	$ 631,305

2) Lease agreements on investment properties owned by ESBC and rent to others are operating lease. Rentals are calculated on the basis of the leased areas and are receivable monthly. The lessees have no preemptive rights to buy properties at the end of the lease agreements. As of December 31, 2018, refundable deposits on these leases totaled $10,966 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	$ 49,347	$ 42,073
Over one to five years	282,883	270,982
Over five years	83,940	154,811
	$ 416,170	$ 467,866

3) As of December 31, 2018, decoration of buildings and various purchases related to the improvements of existing premises occupied by ESBC amounted to approximately $14,929 thousand, and the remaining unpaid amount was approximately $14,929 thousand.

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

Lease agreements on premises occupied by BankPro are operating lease. As of December 31, 2018, refundable deposits on these leases totaled $3,184 thousand. Minimum future annual rentals were as follows:

	December 31	
	2018	2017
Within one year	$ 10,521	$ 2,327
Over one to five years	2,864	-
	$ 13,385	$ 2,327

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

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

	For the Year Ended December 31			
	2018		2017	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents and other financial assets - due from banks	$ 35,590,177	2.33	$ 33,091,645	2.10
Call loans to banks	19,466,197	2.02	18,723,291	1.42
Due from the Central Bank	39,075,569	0.33	37,493,521	0.33
Financial assets mandatorily classified as at fair value through profit or loss - bonds	125,630,547	4.37	-	-
Financial assets mandatorily classified as at fair value through profit or loss - bills	310,056,058	0.54	-	-
Held-for-trading financial assets - bonds	-	-	8,045	2.35
Held-for-trading financial assets - bills	-	-	274,604,774	0.53
Financial assets designated as at fair value through profit or loss - bonds	-	-	104,419,547	4.03
Securities purchased under resell agreements	-	-	24,967	2.28
Accounts receivable factored without recourse	9,143,584	2.84	8,551,049	2.05
Discounts and loans	1,254,514,140	2.21	1,158,314,793	2.13
Receivables on credit cards	27,510,313	7.50	26,008,972	7.55
Debt instruments at fair value through other comprehensive income	149,377,649	2.29	-	-
Available-for-sale financial assets - bonds	-	-	149,172,631	2.01

(Continued)

	For the Year Ended December 31					
	2018			2017		
	Average Balance		Average Rate (%)	Average Balance		Average Rate (%)
Investments in debt instruments at amortized cost	$	4,190,118	1.79	$	-	-
Held-to-maturity financial assets		-	-		2,036,053	1.31
Debt instruments with no active market		-	-		1,054,084	4.23
Interest-bearing liabilities						
Due to the Central Bank and other banks		85,868,508	2.04		77,164,222	1.35
Financial liabilities at fair value through profit or loss		42,784,677	4.88		32,815,088	4.96
Securities sold under repurchase agreements		10,090,557	1.69		12,034,384	1.49
Demand deposits		451,223,036	0.19		430,230,545	0.14
Savings - demand deposits		507,287,591	0.20		482,632,186	0.20
Time deposits		491,669,116	1.82		406,098,117	1.40
Savings - time deposits		278,769,965	1.05		270,375,857	1.05
Negotiable certificates of deposits		4,658,660	1.07		2,655,807	0.92
Bank debentures		38,759,315	1.72		39,304,795	1.82
Principal of structured products		9,592,381	1.74		6,462,035	1.61

(Concluded)

40. FINANCIAL INSTRUMENTS

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

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

	December 31			
	2018		2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Held-to-maturity financial assets	$ -	$ -	$ 3,078,813	$ 2,960,498
Debt instruments with no active market	-	-	596,960	667,353
Investments in debt instruments at amortized cost	8,165,004	8,121,714	-	-
Financial liabilities				
Bank debentures	36,850,000	37,621,627	36,750,000	37,598,007

Fair value hierarchy as of December 31, 2018

	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortized cost	$ 8,121,714	$ 8,121,714	$ -	$ -
Financial liabilities				
Bank debentures	37,621,627	-	37,621,627	-

Fair value hierarchy as of December 31, 2017

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

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

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

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

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

For valuation of debt instruments with no active market, the fair value is determined on the basis of the discounted cash flow method. The Company uses a discount rate approximating the rate of return of financial instruments with similar terms and characteristics, including the credit risk of the debtors, the residual period during which the fixed interest rate prescribed by contracts is accrued, the residual period for principal repayments, and the type of currency (New Taiwan dollars, U.S. dollars, etc.) to be used for payments. As of December 31, 2018 and 2017, the discount rates used ranged from 0.264% to 1.415% and 0.184% to 1.655%, respectively, for the New Taiwan dollars and from 2.250% to 3.030% and 1.400% to 2.531%, respectively, for the U.S. dollars.

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

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

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

	December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss				
Derivative instruments	$ 6,681,851	$ 53,602	$ 6,628,249	$ -
Equity instruments	361,445	361,445	-	-
Debt instruments	133,583,303	-	133,583,303	-
Others	331,247,948	-	331,247,948	-
Financial assets at fair value through other comprehensive income				
Equity instruments	6,421,118	5,493,425	-	927,693
Debt instruments	176,785,307	83,809,704	92,975,603	-
Financial liabilities at fair value through profit or loss				
Derivative instruments	5,770,197	-	5,770,197	-
Financial liabilities designated as at fair value through profit or loss	44,506,891	-	44,506,891	-

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

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

There were no significant transfers between Level 1 and Level 2 for the years ended December 31, 2018 and 2017.

d. Reconciliation of the financial instruments classified in Level 3

For the year ended December 31, 2018

	Financial Assets at Fair Value Through Other Comprehensive Income
Balance at January 1 under IAS 39	$ -
Adjustment on retrospective application of IFRS 9	1,069,639
Balance at January 1 under IFRS 9	1,069,639
Valuation losses recognized in other comprehensive income	(126,946)
Capital reduction and cash distribution	(15,000)
Balance at December 31	$ 927,693

e. Valuation process on fair value in Level 3

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

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

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

December 31, 2018

	Fair value	Valuation Techniques	Significant Unobservable Input	Range (Weighted-average)	The Relation Between Inputs and Fair Value
Financial assets at fair value through other comprehensive income					
Investments in equity instruments	$ 898,713	Market approach	Lack of liquidity discount	10%	The higher the lack of liquidity, the lower the fair value is
	28,980	Asset approach	Lack of liquidity discount; allowance of minority interest	10%; 10%	The higher the lack of liquidity or the higher the equity dispersion, the lower the fair value is

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

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

December 31, 2018

	Changes in Fair Value Are Reflected in Other Comprehensive Income for the Current Period	
	Favorable Changes	**Unfavorable Changes**
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	$ 92,769	$ (92,769)

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

	December 31	
	2018	**2017**
Difference between carrying amounts and the amounts due on maturity		
Fair value	$ 44,506,891	$ 38,059,418
Amounts due on maturity	47,372,532	38,956,926
	$ (2,865,641)	$ (897,508)

	Change in Fair Values Resulting from Credit Risk Variations
Change in amount in the period	
For the year ended December 31, 2018	$ (78,430)
For the year ended December 31, 2017	$ 42,931
Accumulated amount of change	
As of December 31, 2018	$ (78,956)
As of December 31, 2017	$ (1,857)

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

i. Information on financial risk management

1) Risk management

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

2) Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Due from and call loans to other banks

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

c) Investments in debt instruments and derivatives

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

December 31, 2018

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 176,203,204	$ 8,165,894	$ 184,369,098
Less: Allowance for impairment loss	(59,297)	(890)	(60,187)
Amortized cost	176,143,907	$ 8,165,004	184,308,911
Adjustment to fair value	641,400		641,400
	$ 176,785,307		$ 184,950,311

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

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

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

Credit Rating	Description	Basis for Recognizing Expected Credit Losses	Expected Credit Loss Rate	Gross Carrying Amount at December 31, 2018
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	0%-0.94%	$ 184,369,098

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

Allowance for Impairment Loss	Credit Rating Performing (12-month ECL)
Balance at January 1, 2018 under IAS 39	$ -
Effect of retrospective application of IFRS 9	56,874
Balance at January 1, 2018 under IFRS 9	56,874
New financial assets purchased	31,186
Derecognition	(25,302)
Change in exchange rates or others	(2,571)
Balance at December 31, 2018	$ 60,187

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

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

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

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

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

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

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

December 31, 2018

	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired Financial Assets)	Difference of Impairment Loss under Regulations	Total
Maximum exposure to credit risk	$ 1,011,444,375	$ 339,654	$ 2,318,603	$ -	$ 1,014,102,632
Allowance for possible losses	(244,518)	(1,620)	(2,703)	-	(248,841)
Difference of impairment loss under regulations	-	-	-	(286,555)	(286,555)
	$ 1,011,199,857	$ 338,034	$ 2,315,900	$ (286,555)	$ 1,013,567,236

	December 31, 2017
Irrevocable loan commitments issued	$ 96,299,743
Credit card commitments	357,259,135
Letters of credit issued and yet unused	9,527,165
Other guarantees	16,619,110

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

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

December 31, 2018

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangements	Other Credit Enhancements	Total
Credit-impaired financial assets					
Receivables					
Credit cards	$ 2,459,743	$ 261	$ -	$ -	$ 261
Other	526,141	21,184	-	-	21,184
Discounts and loans	9,283,403	5,523,815	-	-	5,523,815

December 31, 2017

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

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

	December 31			
	2018		2017	
Credit Risk Profile by Group or Industry	Amount	%	Amount	%
Natural person	$ 656,316,326	48	$ 594,148,968	48
Manufacturing	271,418,138	20	249,323,099	20
Wholesale, retail and restaurants	128,255,014	9	126,482,725	10

	December 31			
	2018		2017	
Credit Risk Profile by Regions	Amount	%	Amount	%
Domestic	$ 1,152,581,148	85	$ 1,058,755,015	86

	December 31			
	2018		2017	
Credit Risk Profile by Collaterals	Amount	%	Amount	%
Unsecured	$ 361,993,163	27	$ 334,576,667	27
Secured				
Real estate	859,586,036	63	785,800,905	64

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

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

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

	December 31, 2018
Credit rating	
Strong	$ 667,463,737
Medium	617,982,739
Weak	50,708,833
Carrying value	1,336,155,309
Allowance for possible loss	(821,079)
	$ 1,335,334,230

b) Credit quality analysis on discounts, loans and receivables

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

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

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

d) Credit quality analysis on securities

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

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

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

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

3) Market risk

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

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

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

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

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

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

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

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

Information on the VaR of the Bank was as follows:

For the year ended December 31, 2018

Historical Values at Risk (99%, 10-day)	**Average**	**Minimum**	**Maximum**	**December 31, 2018**
By risk type				
Currency	$ 3,180,602	$ 2,673,423	$ 3,684,856	$ 3,567,715
Interest	440,903	301,397	1,055,463	436,484
Equity	49,672	26,819	76,545	31,421
Risk diversification	(470,051)	-	-	(474,839)
Total risk exposure	$ 3,201,126			$ 3,560,781

For the year ended December 31, 2017

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

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

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

4) Liquidity risk

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

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

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

The liquidity reserve ratios of the Bank for December 2018 and 2017 were 29.02% and 30.14%, respectively.

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

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the Central Bank and other banks	$ 43,493,224	$ 27,091,412	$ 1,116,801	$ 521,583	$ -	$ 72,223,020
Nonderivative financial liabilities at fair value through profit or loss	73	678	-	564,135	46,807,646	47,372,532
Securities sold under repurchase agreements	10,273,828	1,853,233	445,576	-	-	12,572,637
Payables	18,483,395	849,642	1,375,960	823,283	2,598,652	24,130,932
Deposits and remittances	651,544,989	152,705,821	178,741,750	334,126,196	570,539,531	1,887,658,287
Bank debentures	-	-	3,280,000	4,500,000	29,070,000	36,850,000
Other items of cash outflow on maturity	5,212,642	1,098,168	76,833	705,095	17,424,107	24,516,845

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

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

a) Derivative financial liabilities to be settled at net amount

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency	$ 4,087	$ 2,066	$ 4,180	$ 30,604	$ -	$ 40,937

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

b) Derivative financial liabilities to be settled at gross amounts

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss						
Currency derivatives						
Cash outflow	$ 233,176,525	$ 172,015,357	$ 109,332,162	$ 83,007,963	$ 499,635	$ 598,031,642
Cash inflow	233,642,737	170,783,269	108,277,549	82,087,132	483,352	595,274,039
Interest derivatives						
Cash outflow	3,399,080	768,880	761,303	583,582	33,180,228	38,693,073
Cash inflow	3,755,348	494,715	902,636	568,453	38,697,942	44,419,094
Total cash outflow	236,575,605	172,784,237	110,093,465	83,591,545	33,679,863	636,724,715
Total cash inflow	237,398,085	171,277,984	109,180,185	82,655,585	39,181,294	639,693,133
Net cash outflow (inflow)	$ (822,480)	$ 1,506,253	$ 913,280	$ 935,960	$ (5,501,431)	$ (2,968,418)

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

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

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 6,129,093	$ 13,116,992	$ 24,749,332	$ 49,144,044	$ 41,000,142	$ 134,139,603
Credit card commitments	987,084	2,924,299	5,551,364	12,267,547	351,405,171	373,135,465
Letters of credit issued and yet unused	3,224,312	4,813,478	765,211	303,282	662,520	9,768,803
Other guarantees	4,388,627	2,874,257	10,774,196	5,930,608	2,324,723	26,292,411

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

j. Transfers of financial assets

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

December 31, 2018					
Category of Financial Assets	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Associated Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Associated Financial Liabilities**	**Fair Value of Net Position**
Investments in debt instruments at FVTOCI - securities sold under repurchase agreements	$ 11,839,947	$ 11,484,694	$ 11,839,947	$ 11,484,694	$ 355,253
Investments in debt instruments at amortized cost - securities sold under repurchase agreement	1,059,315	1,042,095	1,045,427	1,042,095	3,332

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

k. Offsetting financial assets and financial liabilities

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

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

December 31, 2018

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Received	Net Amounts
Derivatives	$ 6,681,851	$ -	$ 6,681,851	$ (1,699,049)	$ (2,621,941)	$ 2,360,861

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Offset in the Balance Sheet: Financial Instruments	Related Amounts Not Offset in the Balance Sheet: Cash Collateral Pledged	Net Amounts
Derivatives	$ 5,770,197	$ -	$ 5,770,197	$ (1,699,049)	$ (3,307,130)	$ 764,018
Repurchase agreements	12,551,682	-	12,551,682	(12,551,682)	-	-
	$ 18,321,879	$ -	$ 18,321,879	$ (14,250,731)	$ (3,307,130)	$ 764,018

December 31, 2017

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

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

41. CAPITAL MANAGEMENT

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

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

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

Information on the Bank's CAR was as follows:

(Unit: In Thousands of New Taiwan Dollars, %)

Items		Year	December 31, 2018 Standalone	December 31, 2018 Consolidated
Eligible capital	Common equity		$ 149,446,951	$ 151,529,663
	Other Tier 1 capital		20,368,923	23,787,739
	Tier 2 capital		44,371,239	51,792,894
	Eligible capital		214,187,113	227,110,296
Risk-weighted assets	Credit risk	Standardized approach	1,298,702,048	1,352,101,364
		Internal ratings-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	74,177,125	77,731,050
		Advanced measurement approach	-	-
	Market risk	Standardized approach	42,608,000	47,862,450
		Internal model approach	-	-
	Risk-weighted assets		1,415,487,173	1,477,694,864
Capital adequacy ratio (%)			15.13	15.37
Ratio of common equity to risk-weighted assets (%)			10.56	10.25
Ratio of Tier 1 capital to risk-weighted assets (%)			12.00	11.86
Leverage ratio (%)			7.17	7.22

Items		Year	December 31, 2017 Standalone	December 31, 2017 Consolidated
Eligible capital	Common equity		$ 137,835,715	$ 139,863,762
	Other Tier 1 capital		14,647,495	18,020,470
	Tier 2 capital		42,000,841	49,344,778
	Eligible capital		194,484,051	207,229,010
Risk-weighted assets	Credit risk	Standardized approach	1,185,638,241	1,232,233,279
		Internal ratings-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/alternative standardized approach	66,504,500	69,492,363
		Advanced measurement approach	-	-
	Market risk	Standardized approach	43,661,600	44,490,150
		Internal model approach	-	-
	Risk-weighted assets		1,295,804,341	1,346,215,792
Capital adequacy ratio (%)			15.01	15.39
Ratio of common equity to risk-weighted assets (%)			10.64	10.39
Ratio of Tier 1 capital to risk-weighted assets (%)			11.77	11.73
Leverage ratio (%)			7.11	7.23

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk - Weighted Assets of Banks."

Note 2: Formulas used were as follows:

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

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

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

a. Asset quality: Table 4 (attached).

b. Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

Rank (Note 1)	December 31, 2018			December 31, 2017		
	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of E.SUN Bank's Equity	Industry of Group Enterprise (Note 2)	Total Amount of Credit Endorsement or Other Transactions (Note 3)	Percentage of E.SUN Bank's Equity
1	Group A Air transport	$ 10,923,358	6.91	Group A Ocean transportation	$ 6,248,664	4.25
2	Group B Other activities auxiliary to financial service activities not elsewhere classified	9,762,558	6.17	Group B Real estate agencies activities	4,863,522	3.31
3	Group C Manufacture of computers	5,758,388	3.64	Group D Manufacture of computers	4,845,824	3.29
4	Group D Manufacture of computers	5,690,617	3.60	Group K Wholesale of computers, computer peripheral equipment and software	4,627,383	3.14
5	Group E Manufacture of liquid crystal panel and components	4,779,849	3.02	Group G Wired telecommunications activities	4,603,560	3.13
6	Group F Activities of head offices	4,761,637	3.01	Group F Activities of head offices	4,341,597	2.95
7	Group G Wired telecommunications activities	4,479,713	2.83	Group L Manufacture of liquid crystal panel and components	4,247,555	2.89
8	Group H Retail sale of computers, computer peripheral equipment and software	4,053,270	2.56	Group C Manufacture of computers	4,208,262	2.86
9	Group I Manufacture of computers	3,880,375	2.45	Group M Real estate development	4,155,897	2.82
10	Group J Manufacture of electric wires and cables	3,866,539	2.44	Group H Retail sale of computers, computer peripheral equipment and software	3,914,337	2.66

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate - General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings".

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

c. Interest rate sensitivity information

Interest Rate Sensitivity (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars, %)

December 31, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,341,983,782	$ 57,512,457	$ 62,017,752	$ 81,124,178	$ 1,542,638,169
Interest rate-sensitive liabilities	349,468,414	794,930,758	91,586,531	49,853,991	1,285,839,694
Interest rate sensitivity gap	992,515,368	(737,418,301)	(29,568,779)	31,270,187	256,798,475
Net worth					147,289,659
Ratio of interest rate-sensitive assets to liabilities					119.97
Ratio of interest rate sensitivity gap to net worth					174.35

December 31, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,252,931,710	$ 32,214,598	$ 37,982,689	$ 98,074,142	$ 1,421,203,139
Interest rate-sensitive liabilities	304,988,151	791,160,851	72,759,219	38,196,622	1,207,104,843
Interest rate sensitivity gap	947,943,559	(758,946,253)	(34,776,530)	59,877,520	214,098,296
Net worth					137,499,335
Ratio of interest rate-sensitive assets to liabilities					117.74
Ratio of interest rate sensitivity gap to net worth					155.71

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

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

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

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

Interest Rate Sensitivity (U.S. Dollars)

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

December 31, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 12,020,982	$ 563,137	$ 189,732	$ 1,077,799	$ 13,851,650
Interest rate-sensitive liabilities	15,123,128	2,225,585	1,755,486	1,463,821	20,568,020
Interest rate sensitivity gap	(3,102,146)	(1,662,448)	(1,565,754)	(386,022)	(6,716,370)
Net worth					247,470
Ratio of interest rate-sensitive assets to liabilities					67.35
Ratio of interest rate sensitivity gap to net worth					(2,714.01)

December 31, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 10,234,659	$ 245,564	$ 56,656	$ 1,077,846	$ 11,614,725
Interest rate-sensitive liabilities	12,859,330	1,535,050	1,477,999	1,259,171	17,131,550
Interest rate sensitivity gap	(2,624,671)	(1,289,486)	(1,421,343)	(181,325)	(5,516,825)
Net worth					234,112
Ratio of interest rate-sensitive assets to liabilities					67.80
Ratio of interest rate sensitivity gap to net worth					(2,356.49)

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

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

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

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

d. Profitability

Unit: %

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.95	0.89
	After income tax	0.80	0.77
Return on equity	Before income tax	13.17	12.60
	After income tax	11.20	10.89
Net income ratio		36.68	34.91

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

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

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

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

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)

(In Thousands of New Taiwan Dollars)

December 31, 2018

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,805,518,735	$ 207,555,376	$ 163,032,287	$ 127,059,389	$ 146,137,691	$ 163,309,053	$ 998,424,939
Main capital outflow on maturity	2,166,123,108	107,623,400	111,009,647	229,180,650	234,082,199	381,039,872	1,103,187,340
Gap	(360,604,373)	99,931,976	52,022,640	(102,121,261)	(87,944,508)	(217,730,819)	(104,762,401)

December 31, 2017

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,650,199,551	$ 389,699,265	$ 83,599,219	$ 91,199,421	$ 93,174,035	$ 106,966,600	$ 885,561,011
Main capital outflow on maturity	1,985,853,350	82,158,139	111,425,641	198,925,457	201,115,368	332,174,382	1,060,054,363
Gap	(335,653,799)	307,541,126	(27,826,422)	(107,726,036)	(107,941,333)	(225,207,782)	(174,493,352)

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

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

(In Thousands of U.S. Dollars)

December 31, 2018

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 28,268,588	$ 9,360,708	$ 4,900,541	$ 3,726,816	$ 2,290,484	$ 7,990,039
Main capital outflow on maturity	32,378,540	8,865,754	7,578,817	5,578,578	6,423,755	3,931,636
Gap	(4,109,952)	494,954	(2,678,276)	(1,851,762)	(4,133,271)	4,058,403

December 31, 2017

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 23,816,942	$ 7,716,085	$ 3,694,241	$ 2,953,161	$ 2,828,607	$ 6,624,848
Main capital outflow on maturity	27,840,699	6,953,177	6,503,639	4,854,481	6,048,192	3,481,210
Gap	(4,023,757)	762,908	(2,809,398)	(1,901,320)	(3,219,585)	3,143,638

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

43. TRUST BUSINESS UNDER THE TRUST LAW

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

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

Balance Sheets of Trust Accounts
December 31, 2018 and 2017

Trust Assets	2018	2017	Trust Liabilities	2018	2017
Cash in banks	$ 4,520,486	$ 6,467,320	Accounts payable on securities under custody	$ 389,009,330	$ 263,371,825
Investments	228,445,903	212,142,200	Other liabilities	4	-
Receivables	-	1	Trust capital		
Real estate	4,005,567	5,612,113	Cash	232,898,840	218,238,361
Securities under custody	389,009,330	263,371,825	Securities	1,787,807	1,963,495
			Real estate	3,608,130	5,217,391
			Reserves and accumulated deficit	(8,272,004)	(8,735,833)
			Net income	6,949,179	7,538,220
Total assets	$ 625,981,286	$ 487,593,459	Total liabilities	$ 625,981,286	$ 487,593,459

Trust Property List
December 31, 2018 and 2017

	2018	2017
Cash in banks	$ 4,514,719	$ 6,467,168
Cash in other banks	5,767	152
Stocks	6,811,210	6,195,188
Mutual funds	189,204,786	176,915,356
Bonds	27,135,778	24,808,927
Structured products	4,744,202	3,484,049
Beneficial certificates pending settlement	549,927	738,680
Receivables	-	1
Real estate	4,005,567	5,612,113
Securities under custody	389,009,330	263,371,825
	$ 625,981,286	$ 487,593,459

Statements of Income on Trust Accounts
For the Years Ended December 31, 2018 and 2017

	2018	2017
Revenues		
Interest	$ 17,572	$ 15,850
Cash dividend	7,654,572	6,012,912
Realized capital gain - common stocks	7,932	2,829
Unrealized capital gain - common stocks	12,221	17,479
Unrealized capital gain - funds	-	72
Property gain	2,687,509	3,553,717
Realized capital gain	2,035,467	1,744,408
Revenues from beneficial certificates	6,055	5,312
Revenues from rent for stocks	1,247	1,433
Total revenues	12,422,575	11,354,012
Expenses		
Management fees	262,354	239,189
Supervisor fees	60	105
Service fees	126	265
Property loss	4,727,962	3,465,945
Income tax	1,189	1,032
Tax expenditures	14,440	15,432
Other expenses	12,111	9,980
Realized capital loss	443,634	83,590
Unrealized capital loss	11,520	254
Total expenses	5,473,396	3,815,792
Net income	$ 6,949,179	$ 7,538,220

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

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

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

	Bank	E.SUN Securities	Total	Allocation Method
For the year ended December 31, 2018				
Broadcasting and security systems	$ 15	$ 15	$ 30	50% each
Others	1,901	1,677	3,578	Utilities - 50% each Building maintenance fee - based on space actually occupied
	$ 1,916	$ 1,692	$ 3,608	
For the year ended December 31, 2017				
Broadcasting and security systems	$ 72	$ 72	$ 144	50% each
Others	716	618	1,334	Utilities - 50% each Building maintenance fee - based on space actually occupied
	$ 788	$ 690	$ 1,478	

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

	For the Year Ended December 31	
	2018	2017
Revenue	$ 4,224	$ 5,388
Expense	$ 65,396	$ 102,109

45. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

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

46. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

For the year ended December 31, 2018

			Non-cash Changes		
	Opening Balance	Cash Inflows (Outflows)	Fair Value Adjustment (Including Changes in the Fair Value Attributable to Changes in the Credit Risk)	Others	Closing Balance
Bank debentures	$ 36,750,000	$ 100,000	$ -	$ -	$ 36,850,000
Long-term borrowings	1,253,949	(886,330)	-	1,475	369,094
Financial liabilities designated as at fair value through profit or loss	37,773,748	5,880,000	(1,974,629)	2,578,920	44,258,039
Guarantee deposits received	396,210	1,564,307	-	-	1,960,517
	$ 76,173,907	$ 6,657,977	$ (1,974,629)	$ 2,580,395	$ 83,437,650

47. ADDITIONAL DISCLOSURES

a. Significant transactions and b. investees:

1) Financing provided: The Bank, UCB and ESBC are not applicable. Other investees: None.

2) Endorsement/guarantee provided: The Bank, UCB and ESBC are not applicable. Other investees: None.

3) Marketable securities held: The Bank, UCB and ESBC are not applicable. Other investees: None.

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

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

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

7) Financial asset securitization: None.

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

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

10) Sale of nonperforming loans: None.

11) Other significant transactions that may affect the decisions of users of financial reports: None.

12) Related information and proportionate share in investees: Table 6 (attached).

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

c. Investment in Mainland China:

The information on major operating items, paid-in capital, methods of investment, investment inflows and outflows, proportion of stockholdings, investment income or loss, book value at year-end, the remitted investment profits and the limit on the amount of investment in Mainland China - is shown in Table 7 (attached).

d. Business relationship and significant transactions among the parent company and subsidiaries: Table 8 (attached).

48. OPERATING SEGMENTS

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

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

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

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

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

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

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

(In Millions of New Taiwan Dollars)

	For the Year Ended December 31, 2018				
	Corporate Banking Unit	**Individual Banking Unit**	**Overseas Branches and Subsidiaries**	**Others**	**Total**
Net interest revenues (expenses)	$ 10,352	$ 13,517	$ 3,816	$ (7,654)	$ 20,031
Total net revenues (expenses)	$ 22,034	$ 23,529	$ 6,162	$ (3,535)	$ 48,190
Bad-debt expenses and provision for losses on commitments and guarantees	(713)	(831)	(780)	(885)	(3,209)
Operating expenses	(4,540)	(12,398)	(2,069)	(5,646)	(24,653)
Income (loss) before income tax	$ 16,781	$ 10,300	$ 3,313	$(10,066)	$ 20,328

	For the Year Ended December 31, 2017				
	Corporate Banking Unit	**Individual Banking Unit**	**Overseas Branches and Subsidiaries**	**Others**	**Total**
Net interest revenues (expenses)	$ 9,125	$ 12,516	$ 3,032	$ (4,658)	$ 20,015
Total net revenues	$ 17,463	$ 21,594	$ 4,532	$ 1,270	$ 44,859
Bad-debt expenses and provision for losses on guarantees	(926)	(998)	(1,570)	(375)	(3,869)
Operating expenses	(3,884)	(11,417)	(1,965)	(6,771)	(24,037)
Income (loss) before income tax	$ 12,653	$ 9,179	$ 997	$ (5,876)	$ 16,953

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES
DECEMBER 31, 2018 AND 2017

Entities included in the consolidated financial statements

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

Entities did not include in the consolidated financial statements

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

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

Loans

December 31, 2018

Type	Account Volume or Name	Highest Balance for the Year Ended December 31, 2018 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	124	$ 70,350	$ 46,260	$ 46,260	$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	331	1,820,030	1,564,451	1,564,451	-	Land and buildings	None
Other loans	Others	1,035,027	788,714	788,714	-	Land, buildings and plant	None
Other loans	E.SUN Securities	3,500	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	30,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	12,500	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	17,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	35,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	40,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	40,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	25,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	5,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	40,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	20,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	28,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	40,000	-	-	-	Certificate of deposits	None

(Continued)

December 31, 2017

Type	Account Volume or Name	Highest Balance for the Year Ended December 31, 2017 (Note)	Ending Balance	Loan Classification		Collateral	Differences in Terms of Transaction from Those for Unrelated Parties
				Normal Loans	Nonperforming Loans		
Consumer loans	147	$ 83,826	$ 53,553	$ 53,553	$ -	Land and buildings as collateral for part of the loans	None
Self-used residential mortgage	318	1,562,984	1,285,134	1,285,134	-	Land and buildings	None
Other loans	Other loans	1,197,983	849,757	849,757	-	Land, buildings and plant	None
Other loans	E.SUN Securities	28,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	21,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	16,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	31,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	35,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	18,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	14,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	6,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	9,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	3,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	31,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	12,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	6,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	27,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	4,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	35,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	12,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	13,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	7,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	8,500	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	20,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	14,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	15,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	2,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	15,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	25,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	12,000	-	-	-	Certificate of deposits	None
Other loans	E.SUN Securities	10,000	-	-	-	Certificate of deposits	None

Note: The sum of the respective highest balances of each account for the years ended December 31, 2018 and 2017.

(Concluded)

TABLE 3

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	December 31					
	2018			2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
USD	$ 17,077,979	30.7330	$ 524,857,529	$ 14,560,562	29.8480	$ 434,603,662
CNY	14,693,635	4.4760	65,768,710	11,206,307	4.5795	51,319,282
AUD	3,131,603	21.6820	67,899,416	1,869,017	23.2610	43,475,204
HKD	5,350,264	3.9239	20,993,901	5,487,895	3.8189	20,957,721
JPY	41,968,938	0.2785	11,688,349	23,767,972	0.2650	6,298,513
EUR	227,952	35.2260	8,029,837	151,976	35.6740	5,421,608
SGD	217,522	22.4990	4,894,027	150,963	22.3310	3,371,155
NZD	7,291	20.6310	150,421	6,331	21.2070	134,262
GBP	97,744	38.9020	3,802,437	15,364	40.2170	617,894
CHF	3,514	31.2330	109,753	2,597	30.5600	79,364
ZAR	1,213,692	2.1292	2,584,193	1,571,245	2.4215	3,804,770
CAD	7,768	22.5890	175,471	9,434	23.7780	224,322
SEK	343	3.4251	1,175	8,829	3.6197	31,958
THB	33,601	0.9491	31,891	70,996	0.9157	65,011
MXN	86,000	1.5608	134,229	23,149	1.5151	35,073
VND	485,238,497	0.0013	630,810	534,225,677	0.0013	694,493
MMK	10,391,935	0.0200	207,839	7,194,410	0.0219	157,558
Financial liabilities						
USD	24,682,192	30.7330	758,557,807	19,832,468	29.8480	591,959,512
CNY	19,470,075	4.4760	87,148,056	15,778,691	4.5795	72,258,515
AUD	2,387,535	21.6820	51,766,534	1,290,870	23.2610	30,026,927
HKD	2,591,545	3.9239	10,168,963	3,558,981	3.8189	13,591,392
JPY	57,591,755	0.2785	16,039,304	58,914,811	0.2650	15,612,425
EUR	253,421	35.2260	8,927,008	197,925	35.6740	7,060,792
SGD	50,798	22.4990	1,142,904	57,243	22.3310	1,278,293
NZD	74,352	20.6310	1,533,956	187,956	21.2070	3,985,983
GBP	95,526	38.9020	3,716,152	55,567	40.2170	2,234,738
CHF	4,982	31.2330	155,603	5,846	30.5600	178,654
ZAR	3,466,387	2.1292	7,380,631	2,827,578	2.4215	6,846,980
CAD	90,298	22.5890	2,039,742	71,724	23.7780	1,705,453
SEK	40,343	3.4251	138,179	13,279	3.6197	48,066
THB	19,621	0.9491	18,622	23,919	0.9157	21,903
MXN	131,396	1.5608	205,083	39,970	1.5151	60,559
VND	503,966,060	0.0013	655,156	551,006,738	0.0013	716,309
MMK	8,559,257	0.0200	171,185	3,175,037	0.0219	69,533

E.SUN COMMERCIAL BANK, LTD.

ASSET QUALITY - NONPERFORMING LOANS AND RECEIVABLES
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)

Period			**December 31, 2018**					**December 31, 2017**				
Items			**Nonperforming Loans (Note 1)**	**Loans**	**Ratio of Nonperforming Loans (Note 2)**	**Allowance for Possible Losses**	**Coverage Ratio (Note 3)**	**Nonperforming Loans (Note 1)**	**Loans**	**Ratio of Nonperforming Loans (Note 2)**	**Allowance for Possible Losses**	**Coverage Ratio (Note 3)**
Corporate Banking	Secured		$ 869,455	$ 332,158,212	0.26	$ 3,833,811	440.94	$ 907,153	$ 305,278,205	0.30	$ 3,387,901	373.47
	Unsecured		370,791	336,061,699	0.11	4,032,433	1,087.52	217,153	303,256,415	0.07	3,627,197	1,670.34
Consumer Banking	Residential mortgage (Note 4)		610,348	323,664,541	0.19	4,694,128	769.09	568,475	285,657,415	0.20	4,115,717	723.99
	Cash card		47	2,102	2.24	896	1,906.38	72	2,769	2.60	1,175	1,631.94
	Small-scale credit loans (Note 5)		529,067	105,333,892	0.50	1,220,470	230.68	507,310	97,270,544	0.52	1,147,356	226.16
	Other (Note 6)	Secured	679,717	225,240,618	0.30	2,331,802	343.05	581,049	205,747,555	0.28	2,145,817	369.30
		Unsecured	21,002	2,098,910	1.00	23,302	110.95	39,676	6,762,733	0.59	77,790	196.06
Loan			3,080,427	1,324,559,974	0.23	16,136,842	523.85	2,820,888	1,203,975,636	0.23	14,502,953	514.13
			Nonperforming Receivables (Note 1)	**Receivables**	**Ratio of Nonperforming Receivables (Note 2)**	**Allowance for Possible Losses**	**Coverage Ratio (Note 3)**	**Nonperforming Receivables (Note 1)**	**Receivables**	**Ratio of Nonperforming Receivables (Note 2)**	**Allowance for Possible Losses**	**Coverage Ratio (Note 3)**
Credit cards			150,184	64,469,570	0.23	988,894	658.45	142,747	60,652,043	0.24	973,592	682.04
Accounts receivable factored without recourse (Note 7)			-	13,255,273	-	170,253	-	-	15,036,201	-	200,219	-
Amounts of executed contracts on negotiated debts not reported as nonperforming loans (Note 8)			13,322					17,631				
Amounts of executed contracts on negotiated debts not reported as nonperforming receivables (Note 8)			58,550					71,945				
Amounts of executed debt-restructuring projects not reported as nonperforming loans (Note 9)			1,182,831					1,131,029				
Amounts of executed debt-restructuring projects not reported as nonperforming receivables (Note 9)			1,471,050					1,333,008				

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

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

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

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

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

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

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

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

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

TABLE 5

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

Name	Property	Transaction Date	Transaction Amount	Payment Term/ Payment Status	Counterparty	Nature of Relationship	Prior Transaction of Related Counterparty				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Union Commercial Bank Plc.	Construction of new building for the operation of UCB's head office	2014.12.18 2018.07.04	US$ 23,834 thousand (Note 1)	US$22,472 thousand has been paid as of December 31, 2018	LBL International	-	-	-	-	$ -	Negotiation	For the operation of UCB's head office	None
E.SUN Commercial Bank, Ltd.	Construction of new building for Yiwen branch of E.SUN Commercial Bank, Ltd.	2015.06.12 2017.11.28	$ 402,195 (Note 2)	$402,195 has been paid as of December 31, 2018	Zhonglu Construction Co., Ltd., Mr. Lee, Mr. Lee	-	-	-	-	-	Appraisal	The new branch had been officially opened	None
	Construction of new building for Wen Hsin Branch of E.SUN Commercial Bank, Ltd.	2017.11.01 2018.09.21	421,380 (Note 3)	$421,380 has been paid as of December 31, 2018	Chuan Mu Construction Development Inc.	-	-	-	-	-	Appraisal	For relocating the branch of E.SUN Bank	None
	Construction of new building for the operation of Kaohsiung building	2018.11.09	707,000	It has not been paid as of December 31, 2018	Chun Yuan Construction Co., Ltd.	-	-	-	-	-	Tender	For the operation of the branch of E.SUN Bank	None
	Construction of new building for the head office of E.SUN Commercial Bank, Ltd.	2018.11.09	6,392,400	$2,556,960 has been paid as of December 31, 2018	Kindom Construction Corp.	-	-	-	-	-	Appraisal	For relocating the head office of E.SUN Bank	None

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

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

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

E.SUN COMMERCIAL BANK, LTD.

THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Income	Proportionate Share of the Bank and its Affiliates in Investees (Note 1)				Note
							Shares (Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (Thousands)	Percentage of Ownership	
E.SUN Commercial Bank, Ltd. (The Bank)	Finance-related business										
	Taipei Forex Inc.	Taipei	Foreign exchange brokering	0.81	$ 10,427	$ 720	160	-	160	0.81	
	Taiwan Futures Exchange Co., Ltd.	Taipei	Futures clearing	0.45	225,841	5,177	1,503	-	1,503	0.45	
	Financial Information Service Co., Ltd.	Taipei	Information service	2.28	358,640	31,470	11,876	-	11,876	2.28	
	Taiwan Asset Management Corporation	Taipei	Acquisition of delinquent loans	0.57	57,600	4,854	6,000	-	6,000	0.57	
	Taiwan Financial Asset Service Corporation	Taipei	Property auction	2.94	51,650	350	5,000	-	5,000	2.94	
	Taiwan Finance Corp.	Taipei	Bills financing	0.41	17,024	1,187	2,120	-	2,120	0.41	
	Sunny Asset Management Co.	Taipei	Acquisition of delinquent loans	4.35	4,598	338	261	-	261	4.35	
	Taiwan Mobile Payment Co.	Taipei	Information service	3.00	12,060	-	1,800	-	1,800	3.00	
	BankPro E-Service Technology Co., Ltd.	Taipei	E-commerce application service	61.67	258,198	21,010	8,650	-	8,650	64.07	
	Union Commercial Bank Plc.	Phnom Penh Cambodia	Commercial banking	100.00	3,377,060	(11,859)	80	-	80	100.00	
	E.SUN Bank (China), Ltd.	Shenzhen, China	Commercial banking	100.00	9,148,748	35,387	-	-	-	100.00	
	Non-finance-related business										
	Taiwan Incubator Small & Medium Enterprises Development Co., Ltd.	Taipei	Small and medium enterprise incubation	3.44	15,955	-	2,425	-	2,425	3.44	
	EASYCARD Investment Holding Co., Ltd.	Taipei	Investment	4.82	158,518	5,342	5,013	-	5,013	4.82	
	Alliance Digital Tech Co.	Taipei	Information service	2.16	2,355	-	900	-	900	2.16	

Note 1: Shares or pro forma shares held by the Bank, directors, supervisors, president, vice president and affiliates have been included in accordance with the Company Act.

Note 2: a. Pro forma shares are shares that are assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Article 74 of the Banking Law.

b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of “Securities and Exchange Law Enforcement Rules.”

c. Derivative contracts, such as stock options, are those conforming to the definition of derivatives in International Financial Reporting Standard 9.

E.SUN COMMERCIAL BANK, LTD.

INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow					
E.SUN Bank (China), Ltd.	Deposits, loans, import and export, exchange and foreign exchange business	$ 9,758,742 (Note 1)	Direct	$ 9,758,742	$ -	$ -	$ 9,758,742 (Note 1)	100	$ 35,387	$ 9,148,748	$ -

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
$9,758,742 (Note 1)	$9,758,742 (Note 1)	$94,962,132

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

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

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counterparty	Transaction Flow (Note 2)	Description of Transactions (Notes 3 and 5)			
				Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Net Revenue or Total Consolidated Assets (%)
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Discounts and loans	$ 2,157,341	Note 4	0.09
1	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Other financial liabilities	2,157,341	Note 4	0.09
0	E.SUN Commercial Bank, Ltd.	Union Commercial Bank PLC.	a	Due to the Central Bank and other banks	247,056	Note 4	0.01
1	Union Commercial Bank PLC.	E.SUN Commercial Bank, Ltd.	b	Cash and cash equivalents	247,056	Note 4	0.01
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Due from the Central Bank and call loans to other banks	7,875,534	Note 4	0.35
2	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Due to the Central Bank and other banks	7,875,534	Note 4	0.35
0	E.SUN Commercial Bank, Ltd.	E.SUN Bank (China), Ltd.	a	Interest revenue	222,857	Note 4	0.46
2	E.SUN Bank (China), Ltd.	E.SUN Commercial Bank, Ltd.	b	Interest expense	222,857	Note 4	0.46

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

a. Parent company: 0
b. Subsidiaries are numbered in an order starting from 1.

Note 2: Transaction flows are as follows:

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

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

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

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